

# Second-Party Opinion

## AMH Green Finance Framework



### Evaluation Summary

Sustainalytics is of the opinion that the AMH Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds, Green Buildings, Sustainable Water and Wastewater Management, Renewable Energy and Clean Transportation, are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 9 and 11.



**PROJECT EVALUATION AND SELECTION** AMH's Green Finance Committee, consisting of representatives from the Sustainability, Finance, Development, Operations and Legal teams, will be responsible for evaluating and selecting eligible projects in accordance with the Framework's eligibility criteria. The Committee will review eligible projects in line with the Company's policies and procedures to address environmental and social risks associated with the projects being financed. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** AMH's Finance team, along with the Sustainability and Development teams, will oversee the management and allocation of proceeds using an internal management reporting process. AMH intends to allocate proceeds within 36 months of the respective issuance date. Pending full allocation, proceeds will be temporarily invested in accordance with the Company's cash investment policy or to repay outstanding indebtedness. This is in line with market practice.



**REPORTING** AMH intends to report on the allocation of proceeds in a Green Finance Report, which will be published on its website on an annual basis until full allocation. For revolving credit facilities, Sustainalytics notes that AMH will continue to report on such facilities until maturity. In addition, AMH intends to report on relevant impact metrics. Sustainalytics views AMH's reporting commitments as aligned with market practice.

**Evaluation date** December 7, 2023

**Issuer Location** Las Vegas, US

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## Introduction

AMH (“AMH” or the “Company”) is a publicly traded real estate investment trust founded in 2012 and is headquartered in Las Vegas, Nevada. The Company owns, develops, operates, renovates, leases and manages properties in 21 states in the US. As of 31 December 2022, the Company owned around 59,000 properties in Southwest, Mountain West, Southeast and Midwest regions in the US and had 1,794 employees.

AMH has developed the AMH Green Finance Framework dated December 2023 (the “Framework”) under which it intends to issue bonds, loans (including revolving and term credit facilities), commercial paper and other financial instruments<sup>1</sup> (“Green Finance Instruments”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that are expected to deliver positive environmental impact by reducing GHG emissions and water consumption. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Sustainable Water and Wastewater Management
3. Renewable Energy
4. Clean Transportation

AMH engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>2</sup> and the Green Loan Principles 2023 (GLP).<sup>3</sup> The Framework has been published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of AMH’s management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. AMH representatives have confirmed that: (1) they understand it is the sole responsibility of AMH to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and AMH.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market

<sup>1</sup> Sustainalytics has reviewed only those financial instruments that are specified under the Framework.

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>4</sup> The AMH Green Finance Framework is available at: <https://investors.amh.com/home/default.aspx>

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. AMH is encouraged to update the Framework after 24 (twenty-four) months from the evaluation date, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that AMH has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the AMH Green Finance Framework

Sustainalytics is of the opinion that the AMH Green Finance Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of AMH's Green Finance Framework:

- Use of Proceeds:
  - The eligible categories, Green Buildings, Sustainable Water and Wastewater Management, Renewable Energy and Clean Transportation, are aligned with those recognized by the GBP and GLP.
  - AMH has established a 24-month lookback period for its refinancing activities, which Sustainalytics considers to be aligned with market practice.
  - Under the Green Buildings category, AMH may finance or refinance expenditures related to the acquisition or development of new construction homes that meet the following eligibility criteria: i) the average Home Energy Rating System (HERS)<sup>6</sup> score for the home portfolios to be within or lower than the HERS score for the top 15% of homes in a given market;<sup>7</sup> and ii) each individual home in the portfolio to have a HERS score of 60 or lower. Sustainalytics is of the opinion that the intended expenditures are expected to facilitate the growth of green buildings and generate positive environmental impacts.
  - Under the Sustainable Water and Wastewater Management category, AMH may finance or refinance expenditures aimed at increasing water-use efficiency and are expected to reduce water consumption including: i) water usage and monitoring technologies such as leak detection technology and smart irrigation systems; ii) Watersense®-certified products such as faucets, showers, landscaping systems and other fixtures; and iii) water-saving landscape design in high-stress areas such as Arizona and Nevada. AMH has confirmed to Sustainalytics that landscaping projects exclude invasive and drought-tolerant species with modified genetics. Sustainalytics expects these investments to generate positive environmental impacts.
  - Under the Renewable Energy category, AMH may finance or refinance expenditures related to the procurement, acquisition, refurbishment, development, construction and installation of new and existing renewable energy projects on-site including solar photovoltaic, wind energy systems and battery storage systems connected to renewable energy sources. Sustainalytics considers these investments as generating positive environmental impacts.
  - Under the Clean Transportation category, AMH may finance or refinance expenditures related to the purchase or leasing<sup>8</sup> of electric vehicles with zero-tailpipe emissions and installation and

<sup>6</sup> HERS, "What is the HERS® Index", at: <https://www.hersindex.com/hers-index/what-is-the-hers-index/>

<sup>7</sup> As calculated at the date of transaction based on the available trailing three-year annual data for that market (e.g. state) by the Residential Energy Services Network ("RESNET"), which creates and maintains the HERS Index. For more information, see: <https://www.resnet.us/about/us/>. AMH has further communicated to Sustainalytics that the portfolio average HERS score is calculated as a simple average of the HERS scores of the individual homes in the portfolio, and the homes in a given community have similar floor plans and sizes.

<sup>8</sup> Sustainalytics notes that amounts for qualifying leased vehicles will be allocated at lease commencement and will represent estimated future outlays. For existing contracts, allocated amounts will be determined on a similar basis using actual costs incurred to-date and projected costs.

maintenance of EV charging stations and associated infrastructure. AMH has confirmed to Sustainalytics that parking lots will be excluded from financing under the Framework. Sustainalytics expects the investments under this category to generate positive environmental impacts.

- Project Evaluation and Selection:
  - AMH’s Green Finance Committee (the “Committee”), consisting of representatives from the Sustainability, Finance, Development, Operations and Legal teams, will be responsible for evaluating and selecting eligible projects in accordance with the Framework’s eligibility criteria.
  - The Committee will review eligible projects in line with the Company’s policies and procedures to address environmental and social risks associated with the projects being financed. For additional details, refer to Section 2.
  - Based on the established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The Company’s Finance team, along with the Sustainability and Development teams, will oversee the management and allocation of proceeds using an internal management reporting process. AMH has communicated that, in the event that multi-tranche loan facilities are included, AMH intends to label only those tranches of such facilities where proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.
  - The Company intends to allocate proceeds within 36 months of the respective issuance date. Pending full allocation, proceeds will be temporarily invested in accordance with AMH’s cash investment policy or to repay outstanding indebtedness.
  - Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - AMH intends to report on the allocation and impact of proceeds in a Green Finance Report, which will be published on its website on an annual basis until full allocation. For revolving credit facilities, Sustainalytics notes that AMH will continue to report on such facilities until maturity.
  - Allocation reporting will include the amount of net proceeds of all outstanding Green Finance Instruments, the amount of net proceeds allocated to eligible projects, at least at the category level, the share of financing and refinancing of new or existing eligible projects and the amount of net proceeds of all outstanding Green Finance Instruments unallocated to eligible projects.
  - Impact reporting is intended to include impact metrics or may be supplemented by qualitative and/or case-study reports on outcomes and impacts of eligible projects. Impact metrics may include: i) average HERS score of newly developed home portfolios; ii) Total square footage certified/scored; iii) estimated annual GHG emissions avoided or reduced (MT CO<sub>2</sub>e); iv) estimated total capacity of water usage/savings (cubic meters/year saved); v) renewable energy sourced and/or developed (MW/MWh); vi) number of electric vehicles; and vii) number of electric vehicle charging stations installed.
  - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Green Bond Principles 2021 and Green Loan Principles 2023**

Sustainalytics has determined that the AMH Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of AMH**

### **Contribution to AMH’s sustainability strategy**

Sustainalytics is of the opinion that AMH demonstrates a commitment to sustainability by integrating environmental and social priorities across its activities. In 2021, AMH updated its materiality assessment to identify key topics to inform its priorities. Those most relevant to the Framework include: i) sustainable construction; ii) energy and emissions reduction; and iii) climate risk management.<sup>9</sup>

The Company’s environmental initiatives focus on: i) expanding its renewable energy pilot programme; ii) implementing an Environmental Management System to further home energy efficiency; iii) analyzing climate-related risks; and iv) investing in climate technology. AMH aims to reduce energy use and operating costs for

<sup>9</sup> AMH, “Sustainability Report 2022”, at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/esg\\_report/2022/AMH-2022-Sustainability-Report.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/esg_report/2022/AMH-2022-Sustainability-Report.pdf)

its residents through efficient and resource-saving initiatives, such as retrofitting units with energy-efficient lighting and HVAC. Furthermore, the Company is committed to reducing vehicle emissions by implementing programmes that aim to minimize road-time such as identifying potential repairs remotely. As a part of its renewable energy pilot programme, AMH installed solar panels at three amenity centres in its development portfolio, generating 65.6 MWh in 2022. The Company aims to expand this pilot to make renewable energy a key consideration for all its new amenity centers, as well as for 86 planned residences in a newly developed community. Additionally, as part of its Environmental Management System, the Company measures all newly built properties with the HERS programme in order to advance technologies and building practices to improve energy efficiency. In 2022, the average HERS score was 61.9 among the Company's 2,183 newly built homes, resulting in a 0.9-point improvement from 2021.<sup>10</sup>

AMH has implemented a climate-risk management strategy, while its reporting is done in accordance with the Task-Force on Climate-Related Financial Disclosure. To address the risks identified, the Company formalized its Greenhouse Gas Inventory Management Plan in 2021 to define baseline GHG emissions across its facilities. AMH's GHG inventory includes its rental home portfolio, offices, common areas and vehicles. In 2022, AMH reported a total of 804,497 MT CO<sub>2</sub>e for its scope 1, 2 and 3 market-based GHG emissions, with Scope 3 emissions accounting for 94% of the Company's total emissions. The Company has also identified capital goods and downstream leased assets from scope 3 GHG emission categories as the two major contributors to its GHG inventory. In addition, the Company has reported a 9% reduction of overall emissions intensity per rented home from 2021 to 2022. Regarding climate technology investments, the Company invested in the Climate Fund of Fifth Wall, a venture capital firm that focused on real estate technology. The fund targets investments for software, hardware, renewable energy, energy storage, smart buildings and carbon sequestration technologies.<sup>11</sup>

Sustainalytics is of the opinion that the Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities. AMH has communicated to Sustainalytics that the Company is in the process of better understanding its pathway to setting GHG emissions reduction targets and has expanded its GHG inventory to include relevant Scope 3 categories. Sustainalytics encourages the Company to report on the same.

#### **Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to land use and biodiversity risks associated with large-scale infrastructure development; emissions, effluents, and waste generated in construction activities; community relations including tenant relations; and occupational as well as tenant health and safety.

Sustainalytics is of the opinion that AMH is able to manage and/or mitigate potential risks through implementation of the following:

- To manage land use and biodiversity risks associated with large-scale infrastructure development, AMH has in place an Environmental Management System (EMS) that complements its Enterprise Risk Assessment protocol, to evaluate and alleviate environmental risks in the Company's homebuilding operations.<sup>12</sup> The EMS provides a framework for the Company to identify, monitor and reduce its environmental risks in operational areas such as land acquisition, horizontal land development and vertical construction.<sup>13</sup> AMH partners with local Home Owner Associations, municipalities, vendors and suppliers to comply with conservation standards in the regions of its property development and operations.<sup>14</sup> AMH has also established a core set of floor plans that allows it to manage its use of natural resources and limit waste while optimizing construction.<sup>15</sup> In addition, AMH has in place a Code of Business Conduct and Ethics (CBCE) through which the Company is committed to complying with any laws or government regulations that apply to its business.<sup>16</sup>

<sup>10</sup> AMH, "Sustainability Report 2022", at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/esg\\_report/2022/AMH-2022-Sustainability-Report.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/esg_report/2022/AMH-2022-Sustainability-Report.pdf)

<sup>11</sup> Ibid.

<sup>12</sup> AMH, "Sustainability Report 2022", at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/esg\\_report/2022/AMH-2022-Sustainability-Report.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/esg_report/2022/AMH-2022-Sustainability-Report.pdf)

<sup>13</sup> Ibid.

<sup>14</sup> AMH, "Environmental Policy-AMH – 1112 – v2 – 2/28/2023", at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/2023/04/Environmental-Policy-AMH-1112-v2.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/2023/04/Environmental-Policy-AMH-1112-v2.pdf)

<sup>15</sup> Ibid.

<sup>16</sup> AMH, "Code of Business Conduct and Ethics- December 2022 V4", at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/gov\\_docs/2023/06/Code-of-Business-Conduct-and-Ethics-AMH-1074-v4.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/gov_docs/2023/06/Code-of-Business-Conduct-and-Ethics-AMH-1074-v4.pdf)

- With regards to emissions, effluents, and waste generated in construction activities, AMH has communicated to Sustainalytics that it is committed to following relevant regional and federal laws and regulations that regulate the safe storage and disposal of all hazardous and non-hazardous waste and effluents. Moreover, AMH trains its field technicians to conduct coolant recycling and filter replacement regularly for its heating, ventilation and air conditioning systems to reduce GHG emissions.<sup>17</sup>
- Regarding the community relation risks associated with the use of proceeds, in accordance with its CBCE, AMH commits to meet its customer's expectations for quality, integrity, safety, delivery and reliability.<sup>18</sup> The CBCE also states that the Company is committed to ensuring that its operations are conducted safely for customers.<sup>19</sup> The CBCE provides a framework for the Company to comply with all federal, state and local laws and regulations and provides a process for its employees who receive a complaint or suspect a violation to the CBCE to report immediately to its Chief Legal Officer, who then shall notify the Audit Committee.<sup>20</sup> The Company has established Whistleblower Programs, which allow community members who suspect unethical or inappropriate behavior to submit a report online or via toll-free calls.<sup>21</sup> Additionally, AMH has local teams to visit its properties periodically to foster long-term relationships with its tenants, to monitor the condition and use of its homes and to ensure compliance with the local Homeowners' Association rules and regulations.<sup>22</sup>
- To manage the occupational health and safety risks, AMH has developed its Human Rights Statement guided by the United Nations Guiding Principles on Business and Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. Under this Statement, AMH has established workplace health and safety practices at its construction sites and filed activities.<sup>23</sup> The Company also has in place a programme that includes hazard assessment and incident investigation that all employees, including vendors and contractors, commit to complying with health and safety standards.<sup>24</sup> The Company provides annual safety training for all employees and additional training for employees in safety-sensitive positions.<sup>25</sup> Additionally, AMH has in place a Vendor Code of Conduct, which states that its vendors should commit to implementing health and safety systems, procedures and controls and to comply with nationally recognized health and safety standards requirements.<sup>26</sup>
- To manage the tenants' safety risks associated with the use of proceeds, AMH has in place safety procedures including employee training on safety and energy procedures and crisis management, regular fire and incident response testing and third-party fire and other safety procedure inspections as required by local and state law.<sup>27</sup> Additionally, the Company has established a Disaster Response and Recovery Committee and protocols, such as resident property damage reporting and corrective action investigation procedures, to secure tenants and tenants' home safety during weather events.<sup>28</sup> AMH also provides tenants guidance via website blog posts on topics of health and safety preparedness, such as emergency and disaster preparedness at home.<sup>29</sup> Furthermore, AMH has identified its residents as stakeholders and implemented the ESG Stakeholder Engagement strategy, which includes communication plans to gather residents' feedback and integrate them into AMH's ESG commitments.<sup>30</sup>
- Sustainalytics further notes that the Projects to be financed under the Framework are based in the US, which is recognized under the Equator Principles as a Designated Country. This indicates the presence of robust environmental and social governance systems, legislation and institutional

<sup>17</sup> AMH, "Environmental Policy- AMH – 1112 – v2 – 2/28/2023", at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/2023/04/Environmental-Policy-AMH-1112-v2.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/2023/04/Environmental-Policy-AMH-1112-v2.pdf)

<sup>18</sup> AMH, "Code of Business Conduct and Ethics- December 2022 V4", at:

[https://s29.q4cdn.com/671712101/files/doc\\_downloads/gov\\_docs/2023/06/Code-of-Business-Conduct-and-Ethics-AMH-1074-v4.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/gov_docs/2023/06/Code-of-Business-Conduct-and-Ethics-AMH-1074-v4.pdf)

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> AMH, "Sustainability Report 2022", at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/esg\\_report/2022/AMH-2022-Sustainability-Report.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/esg_report/2022/AMH-2022-Sustainability-Report.pdf)

<sup>22</sup> AMH, "Annual Report 2022", at: [https://s29.q4cdn.com/671712101/files/doc\\_financials/2022/ar/2022-Annual-Report-Bookmarked-PDF.pdf](https://s29.q4cdn.com/671712101/files/doc_financials/2022/ar/2022-Annual-Report-Bookmarked-PDF.pdf)

<sup>23</sup> AMH, "Human Rights Statement-AMH – 1136 – v5 – 4/28/2023", at:

[https://s29.q4cdn.com/671712101/files/doc\\_downloads/human\\_rights\\_statement/2023/05/Human-Rights-Statement-AMH-1136-v5.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/human_rights_statement/2023/05/Human-Rights-Statement-AMH-1136-v5.pdf)

<sup>24</sup> AMH has confidentially shared the programme document with Sustainalytics.

<sup>25</sup> AMH, "Annual Report 2022", at: [https://s29.q4cdn.com/671712101/files/doc\\_financials/2022/ar/2022-Annual-Report-Bookmarked-PDF.pdf](https://s29.q4cdn.com/671712101/files/doc_financials/2022/ar/2022-Annual-Report-Bookmarked-PDF.pdf)

<sup>26</sup> AMH, "Vendor Integrity Code-AMH – 1138 – v3 – 4/28/2023", at:

[https://s29.q4cdn.com/671712101/files/doc\\_downloads/vendor\\_integrity/2023/05/Vendor-Integrity-Code-AMH-1138-v3.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/vendor_integrity/2023/05/Vendor-Integrity-Code-AMH-1138-v3.pdf)

<sup>27</sup> AMH, "Sustainability Report 2022", at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/esg\\_report/2022/AMH-2022-Sustainability-Report.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/esg_report/2022/AMH-2022-Sustainability-Report.pdf)

<sup>28</sup> Ibid.

<sup>29</sup> AMH, "Your guide to emergency and disaster preparedness at home", (2023), at: <https://www.amh.com/blog/post/your-guide-to-emergency-and-disaster-preparedness-at-home?postId=41ecabbf-b302-4e56-9abe-14e4cbebf142>

<sup>30</sup> AMH, "Sustainability Report 2022", at: [https://s29.q4cdn.com/671712101/files/doc\\_downloads/esg\\_report/2022/AMH-2022-Sustainability-Report.pdf](https://s29.q4cdn.com/671712101/files/doc_downloads/esg_report/2022/AMH-2022-Sustainability-Report.pdf)

capacity for protecting the environment and communities including stakeholder engagement for certain new projects.<sup>31</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that AMH has adequate policies and measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

#### Importance of residential green buildings in the US

The residential sector accounted for 22% of the US primary energy consumption in 2022.<sup>32</sup> Space heating and space cooling are two types of major end uses of residential electricity consumption, accounting for 14% and 16% respectively of the total electricity consumption in 2022.<sup>33</sup> Heating homes continued to be the leading end-use energy consumption in US residential buildings in 2020.<sup>34</sup> However, despite increases in the overall residential energy end-uses, between 2005 and 2021, the per-household energy consumption fell by approximately 16%, and the total residential energy use remained largely constant, due to energy efficiency.<sup>35</sup>

Recent efforts to reduce the energy consumption in the buildings sector in the US have been undertaken largely by the private sector, with organizations such as the US Green Building Council promoting sustainable building design, construction and operation through LEED.<sup>36</sup> In August 2023, the US Department of Energy announced USD 46 million of investment in energy efficiency technologies and retrofit practices for buildings.<sup>37</sup> In August 2022, the US federal government announced the Climate Smart Buildings Initiative.<sup>38</sup> By setting and meeting emission-reduction targets for buildings, this initiative aims to bring in more than USD 8 billion of private sector investments and achieve up to 2.8 million tonnes of GHG reductions annually by 2030.<sup>39</sup> Additionally, in accordance with the Inflation Reduction Act of 2022, the US Government provides federal tax credits and deductions to make homes and building more energy efficient.<sup>40</sup> Furthermore, in its NDC, the US has also set a net-zero target for 2050 with an intermediate goal of reducing emissions by 50%-52% by 2030 below 2005 levels.<sup>41, 42</sup> The country has identified the building sector as a main pathway for decarbonization by supporting energy efficiency and efficient electric heating and the adoption of modern energy codes.<sup>43</sup>

In this context, Sustainalytics is of the opinion that AMH's financing of green building projects is expected to support the decarbonization of the residential building sector and contribute to the US' overall target to achieve net zero emissions by 2050.

#### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments

<sup>31</sup> Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

<sup>32</sup> U.S. Energy Information Administration, "How much energy is consumed in U.S. buildings?", (2023), at: <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

<sup>33</sup> U.S. Energy Information Administration, "How is electricity used in U.S. homes", (2023), at: <https://www.eia.gov/tools/faqs/faq.php?id=96&t=3>

<sup>34</sup> U.S. Energy Information Administration, "Space heating consumed the most energy of any end use in homes, according to latest data", (2023), at: <https://www.eia.gov/pressroom/releases/press535.php>

<sup>35</sup> Energy Efficiency Impact Report, "Buildings", at: <https://energyefficiencyimpact.org/buildings/>

<sup>36</sup> US Green Building Council, "Mission and Vision," (2022), at: <https://www.usgbc.org/about/mission-vision>

<sup>37</sup> US Government Office of Energy Efficiency and Renewable Energy, "Meet DOE's Newest Research Projects from BENEFIT 22-23", (2023), at: <https://www.energy.gov/eere/buildings/articles/meet-does-newest-research-projects-benefit-22-23>

<sup>38</sup> The White House, "FACT SHEET: White House Takes Action on Climate by Accelerating Energy Efficiency Projects Across Federal Government", (2022), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/03/fact-sheet-white-house-takes-action-on-climate-by-accelerating-energy-efficiency-projects-across-federal-government/>

<sup>39</sup> U.S. Federal Energy Management Program, "Climate Smart Building Initiative", at: <https://www.energy.gov/femp/climate-smart-buildings-initiative>

<sup>40</sup> Energy Star, "Federal Income Tax Credits and Incentives for Energy Efficiency", (2022), at: [https://www.energystar.gov/about/federal\\_tax\\_credits](https://www.energystar.gov/about/federal_tax_credits)

<sup>41</sup> Climate Action Tracker, "USA – Targets Overview" at: <https://climateactiontracker.org/countries/usa/targets/>

<sup>42</sup> UNFCCC, "The United States of America Nationally Determined Contribution", (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/United%20States%20NDC%20April%2021%202021%20Final.pdf>

<sup>43</sup> Ibid.

issued under the AMH Green Finance Framework are expected to help advance the following SDGs and targets:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
Green Buildings	7. Affordable and Clean Energy	7.3 Double the global rate of improvement in energy efficiency
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11. 2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

## Conclusion

AMH has developed the AMH Green Finance Framework under which it may issue green bonds, loans including revolving and term credit facilities, commercial paper and other financial instruments<sup>44</sup> and use the proceeds to finance or refinance projects under the Green Buildings, Sustainable Water and Wastewater Management, Renewable Energy and Clean Transportation categories that aim to reduce the carbon footprint of its portfolio. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The AMH Green Finance Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for AMH to report on allocation and impact. Sustainalytics considers that the AMH Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9 and 11. Additionally, Sustainalytics is of the opinion that AMH has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that AMH is well positioned to issue green bonds and that the AMH Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

<sup>44</sup> Sustainalytics has reviewed only those financial instruments that are specified under the Framework.

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