

## Second-Party Opinion

# STWD Trust 2021-LIH

## Commercial Mortgage Pass-Through Certificates Series 2021-LIH Social Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the STWD Trust 2021-LIH, Commercial Mortgage Pass-Through Certificates Series 2021-LIH Social Bond Framework is credible, impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds, Affordable Housing, is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the issuer's financing of affordable housing assets will lead to positive social impacts and advance the UN Sustainable Development Goals ("SDGs"), specifically SDG 11.



**PROJECT EVALUATION / SELECTION** The internal credit teams of Barclays Commercial Mortgage Securities LLC and Barclays Capital Real Estate Inc. assessed and selected the portfolio of eligible properties, and the mortgage loan that financed those properties. Barclays Capital Real Estate Inc. has conducted third-party environmental risk assessments for all the properties being refinanced under the eligible portfolio. Barclays PLC has a dedicated environmental and social risk assessment system that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be adequate and to be aligned with market practice.



**MANAGEMENT OF PROCEEDS** The net proceeds from the issuance will be used solely for the purchase of a mortgage loan to refinance a portfolio of eligible properties. Proceeds will be disbursed immediately after issuance and neither Barclays Commercial Mortgage Securities LLC nor the issuer will retain flexibility to re-allocate. Sustainalytics considers this to be in line with market practice.



**REPORTING** As part of its commitment to allocation reporting, Barclays Commercial Mortgage Securities LLC intends to provide a description of the eligible portfolio, along with its relevant social impact metrics to its investors through the initial offering document. Given the intent to immediately allocate net proceeds to purchase the mortgage loan, Sustainalytics considers the upfront reporting process to be aligned with market practice.

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**Evaluation date** October 28, 2021

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**Issuer Location** Florida, US

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### Report Sections

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Introduction.....	2
Sustainalytics' Opinion .....	3
Appendices .....	8

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## Introduction

Barclays PLC (“Barclays” or the “Group”) is an international financial holding company headquartered in London, United Kingdom. Barclays Commercial Mortgage Securities LLC (the “Depositor”) is a wholly owned subsidiary of Barclays Capital Real Estate Inc. (“BCREI”). BCREI is a wholly owned subsidiary of Barclays Bank PLC (or the “Bank”), the international and investment banking unit of Barclays PLC.

STWD Trust 2021-LIH (the “Trust” or the “Issuer”), a special purpose entity established for issuing bonds for the Bank, has developed the “STWD Trust 2021-LIH, Commercial Mortgage Pass-Through Certificates Series 2021-LIH Social Bond Framework” (the “Framework”). The Issuer intends to issue commercial mortgage-backed securities (or “STWD Trust 2021-LIH, Commercial Mortgage Pass-Through Certificates, Series 2021-LIH” or the “Bonds”) and use the proceeds to purchase a mortgage loan (the “Eligible Asset”) which was extended to Starwood Property Trust (“Starwood”, “STWD”) by BCREI and Goldman Sachs Mortgage Company (the “Asset Originators”) to finance a portfolio of twelve properties located in Florida, US that have a majority<sup>1</sup> of affordable housing units (the “Eligible Portfolio”). The Framework defines eligibility criteria in the following area:

### 1. Affordable Housing

A list of the affordable housing properties in the Eligible Portfolio, along with the percentage breakdown of the units occupied by different Area Median Income levels, is provided in Appendix 1.

Barclays engaged Sustainalytics to review the STWD Trust 2021-LIH, Commercial Mortgage Pass-Through Certificates Series 2021-LIH Social Bond Framework, dated October 2021, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the 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 Social Bond Principles 2021, as administered by ICMA;
- 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 1.11, 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 Barclays’ management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Barclays’ representatives have confirmed (1) they understand it is the sole responsibility of Barclays to ensure that the information provided is complete, accurate or 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.

<sup>1</sup> “Majority” here refers to 96.8% of the units from the Eligible Portfolio that are classified as affordable housing units, per the criteria defined in the Framework.

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

<sup>3</sup> The Framework will be made available to the investors upon request.

<sup>4</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.

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 Barclays.

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 standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond 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.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond 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 Barclays has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the ST Trust 2021-LIH, Commercial Mortgage Pass-Through Certificates Series 2021-LIH Social Bond Framework

Sustainalytics is of the opinion that the Social Bond Framework is credible, impactful and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible category, Affordable Housing, is recognized as impactful by the SBP.
  - Proceeds from the issuance under the Framework will be used to purchase the Eligible Asset to effectively refinance the Eligible Portfolio.
    - The Eligible Portfolio consists of 12 affordable housing properties located in Florida, US markets and participate in the Low-Income Housing Tax Credit ("LIHTC") program.<sup>5</sup>
    - The Framework specifies the target population of households that earn less than 60% of the Area Median Income ("AMI") as defined by the US Department of Housing and Urban Development.<sup>6,7</sup> Refer to Appendix 1 for a percentage breakdown of the units occupied by different AMI levels.
    - The Issuer intends to ensure affordability by limiting monthly rents on these units to less than 30% of the monthly unit income.<sup>8</sup> Sustainalytics recognizes that by capping rents to a percentage of income, the Framework contributes to increasing access to affordable housing of the target population. However, Sustainalytics notes that a small portion (3.2%) of the financed units does not adhere to the affordability criteria set forth in the Framework. Market expectation is that 100% of the proceeds raised under a social bond be allocated to eligible units and therefore Sustainalytics views this as a deviation from market practice.
- Project Evaluation and Selection:

<sup>5</sup> The U.S. Department of Housing and Urban Development (HUD) website, "Low-Income Housing Tax Credit (LIHTC)", at: <https://www.huduser.gov/portal/datasets/lihtc.html>

<sup>6</sup> The U.S. Department of Housing and Urban Development (HUD) website, "Methodology for Calculating FY 2021 Medians", at: <https://www.huduser.gov/portal/datasets/il/il21/Medians-Methodology-FY21.pdf>

<sup>7</sup> Sustainalytics notes that the Framework allows some units to have incomes as high as 80% of the AMI as long as the development averages 60% of the AMI.

<sup>8</sup> Sustainalytics notes that when setting the maximum rents, the Framework includes utility allowance in the monthly unit income estimations.

- The internal credit teams of the Depositor and BCREI were responsible for selecting the Eligible Portfolio, and the Eligible Asset based on the degree of affordability, as per the criteria set forth in the Framework.
- BCREI has confirmed that third-party environmental risk assessments have been conducted for all the properties being refinanced under the Eligible Portfolio. In addition, Barclays has in place a Bank-level Environmental and Social (“E&S”) risk policy, which is applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment system to be adequate and to be aligned with market practice. For additional detail see Section 2.
- Based on the defined process for project evaluation and selection as well as a pre-defined portfolio of eligible properties, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The Issuer has pre-determined the use of the net proceeds to purchase the Eligible Asset that will refinance the Eligible Portfolio and has stated its intent to fully allocate proceeds immediately at the time of issuance. Neither the Issuer nor the Depositor will retain the flexibility to re-allocate or make temporary allocations of the Bond proceeds.
  - Based on the commitment to full allocation at issuance, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - The Depositor intends to provide the investors a description of the properties in the Eligible Portfolio, along with its relevant social impact metrics, including the number of affordable units in the Eligible Portfolio, the AMI restrictions for the affordable units, and the eligibility requirements under the LIHTC program, as part of the initial offering document.
  - Considering that the entire proceeds will be immediately used to purchase the Eligible Asset, Sustainalytics considers the upfront reporting process to be aligned with market practice.

### Alignment with Social Bond Principles 2021

Sustainalytics has determined that the Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 2: Social Bond/Social Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Barclays PLC

### Contribution of Framework to Barclays PLC’s sustainability strategy

Barclays’ sustainability strategy focuses on five key areas, namely: (i) Supporting a sustainable and inclusive economy; (ii) managing environmental and social impacts; (iii) running a responsible business; (iv) the Group’s people and culture; and (v) investing within communities. The Group has set a target of mobilizing GBP 150 billion towards social and environmental financing by the end of 2025. As of 31<sup>st</sup> December 2020, the Group has financed GBP 124.2 billion of sustainable assets.<sup>9</sup>

Between 2019 and 2020, the Group’s social financing portfolio increased by 72% from GBP 23.9 billion to GBP 41.2 billion.<sup>10</sup> In 2020, the Group reported GBP 29.6 billion worth of sustainable financing in the Americas region.<sup>11</sup> The Group’s business strategy includes flexible commercial mortgages valued at over GBP 25,000 to purchase or develop property.<sup>12</sup> Furthermore, the Group provides mortgages to homeowners to ensure that their retail products and services are accessible to all. In 2020, it provided over 103,000 mortgages or further

<sup>9</sup> Barclays PLC, “Making a Difference – Barclays PLC Environmental Social Governance Report 2020”, (p23), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2020/Barclays-PLC-2020-ESG-Report-2020.pdf>

<sup>10</sup> Barclays PLC, “Making a Difference – Barclays PLC Environmental Social Governance Report 2020”, (p23), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2020/Barclays-PLC-2020-ESG-Report-2020.pdf>

<sup>11</sup> Barclays’ sustainable financing specifically for the Americas region comprises dedicated “use of proceeds” transactions via the issuance of green, social, and sustainability-linked bonds

<sup>12</sup> Barclays PLC, “Commercial mortgages”, at: <https://www.barclays.co.uk/business-banking/borrow/commercial-mortgages/>

lending on properties to its customers, 24% of which were first-time buyers.<sup>13</sup> The Group introduced the Family Springboard Mortgage where homebuyers can obtain a mortgage with small to no deposit if they have assistance, such as a family member, who can secure the mortgage by providing 10% of the property purchase price over a period on behalf of the homebuyer.<sup>14</sup>

Sustainalytics is of the opinion that the Framework is aligned with the Barclays' overall sustainability strategy and initiatives and will further Barclays' action on its key social priorities.

#### **Well-positioned to address common social and environmental risks associated with the projects**

While Sustainalytics recognizes that the net proceeds from the Bond issued under the Framework will be directed towards eligible projects that are expected to have positive social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key risks associated could include health and the safety of occupants, land use issues, as well as the exacerbation of existing inequalities resulting from ineffective targeting and stakeholder relations.

Sustainalytics notes that all properties in the Eligible Portfolio were in compliance with all applicable laws and regulations related to worker safety risk as well as disposal of construction waste, and considers that this regulatory context supports in addressing the identified risks, and in particular highlights the following Group-level practices that are also applicable to the Asset Originator's lending process:

- Barclays has implemented "The Barclays Way", an overarching code of conduct applicable to all its global activities which defines the criteria to identify and manage risks. Governance of the Group's environmental and social transaction risks are informed by a set of standards, guidance and statements developed in compliance with the International Finance Corporation Performance Standards.<sup>15</sup> At the Group level, Barclays created a global Environmental Risk Management team to assess the direct and indirect risks that its activities pose to the natural environment.<sup>16</sup>
  - Barclays has confirmed that third-party environmental risk assessments have been conducted for all the properties being refinanced under the Eligible Portfolio. In addition, the Eligible Asset's terms indicate that the portfolio's assets have considered potential risks regarding the safety of occupants and articulate compliance with the regional environmental and social regulations pertaining to the occupational health and safety.
- As a part its social policies, the Group has committed to mitigating risks to avoid exacerbated inequalities. One of the underlying principles of their human rights policy, Barclays Group Statement on Human Rights, is to promote equality in the development and maintenance of economic infrastructure for society in its global operations. The policy is also aligned with the International Bill of Human Rights,<sup>17</sup> UN Guiding Principles on Business and Human Rights<sup>18</sup> and the Equator Principles.<sup>19,20</sup> Furthermore, to ensure effective targeting and stakeholder relations, Barclays engages directly with internal and external stakeholders to understand their priorities. The stakeholder engagement process entails ongoing conversations, surveys and information requests from investors and rating agencies. The process is compliant to the Global Reporting Initiative<sup>21</sup> and

<sup>13</sup> Barclays PLC, "Making a Difference – Barclays PLC Environmental Social Governance Report 2020", (p29), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2020/Barclays-PLC-2020-ESG-Report-2020.pdf>

<sup>14</sup> Barclays PLC, "Making a Difference – Barclays PLC Environmental Social Governance Report 2020", (p23), at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2020/Barclays-PLC-2020-ESG-Report-2020.pdf>

<sup>15</sup> Barclays PLC, "Managing environmental and social impacts – environmental and social transaction risk management", at: <https://home.barclays/society/our-approach-to-sustainability/managing-environmental-and-social-impacts/>

<sup>16</sup> Barclays PLC, "Environmental risks in lending", at: <https://home.barclays/citizenship/the-way-we-do-business/environmental-risks-in-lending/>

<sup>17</sup> OHCHR website, "The International Bill of Human Rights", at: <https://www.ohchr.org/documents/publications/factsheet2rev.1.en.pdf>

<sup>18</sup> OHCHR document, "Guiding Principles on Business and Human Rights", at:

[https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)

<sup>19</sup> Equator Principles, "The Equator Principles", at: <https://equator-principles.com/about/>

<sup>20</sup> Barclays PLC, "Barclays Group Statement on Human Rights", (2016), at: <https://home.barclays/content/dam/home-barclays/documents/citizenship/our-reporting-and-policy-positions/policy-positions/Barclays-Statement-on-Human-Rights-2016.pdf>

<sup>21</sup> GRI website, "Welcome to GRI", at: <https://www.globalreporting.org/>

the Sustainability Accounting Standards Board Standards<sup>22</sup> to determine material priorities for the organization and its stakeholders.<sup>23</sup>

- The Eligible Asset's terms are compliant with local affordable housing legislation which minimizes exacerbated inequality. The LIHTC program under the US federal government's Internal Revenue Code (1986) sets forth definitions for income levels to target the appropriate groups for a tax credit based on the average median income.<sup>24</sup>

Based on the above-mentioned policies, standards and assessments, Sustainalytics is of the opinion that the Issuer and Barclays have implemented adequate measures and are well-positioned to manage and mitigate environmental and social risks.

### Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the SBP. Sustainalytics has focused on the below where the impact is specifically relevant in the local context.

#### Importance of affordable housing in the US

Homelessness has increased in the US for four straight years, with an estimated of 580,000 people experiencing homelessness at the start of 2020, while the final numbers resulting from the pandemic are yet to be calculated.<sup>25</sup> More than 18.5 million households spend over 30% of their income on rent and approximately 10.8 million spend more than 50%.<sup>26</sup> Additionally, 75% of all extremely low-income families pay more than half of their income on rent. The National Low Income Housing Coalition (NLIHC) has identified a shortage of seven million homes in extremely low-income households and no single state in the US has an adequate supply of affordable rental housing.<sup>27</sup> The NLIHC's Affordable Housing Gap Analysis 2021 identifies the unavailability of housing for extremely low-income renters and how the shortage at the lower end of the market leads to cumulative shortages for higher-income households as well. Given that social housing programs are still underfunded, only 1 in 4 extremely low-income families receive the financial assistance they need.<sup>28</sup> Moreover, the lack of affordable housing in the US leads to negative social outcomes across multiple dimensions as families and individuals are compelled to make tradeoffs between spending on rent and other necessities such as food, transportation, and healthcare.

Addressing this severe shortage will require both private investment and state-sponsored solutions. Existing state programs include (i) the National Trust Fund, an annual grant to state for creation, preservation, or rehabilitation of affordable rental housing for low-income householders, and (ii) the Low-Income Housing Tax Credit, a tax incentive to construct or rehabilitate affordable rental housing for low-income households. In 2020, the government announced the allocation of USD 326 million towards the National Housing Trust Fund.<sup>29</sup> Furthermore, in 2021, the government brought in the American Rescue Plan Act in response to the COVID-19 pandemic, to bring USD 50 billion in essential housing and homelessness assistance, including USD 27.4 billion in rental assistance and USD 5 billion to assist people experiencing homelessness.<sup>30</sup>

Given the above context, Sustainalytics views positively the investment in affordable housing across the US and expects that the Issuer's investment under the Framework will contribute to addressing the challenges described above, especially in the state of Florida.

<sup>22</sup> SASB website, "SASB Standards & Other ESG Frameworks", at: <https://www.sasb.org/about/sasb-and-other-esg-frameworks/>

<sup>23</sup> Barclays PLC, "Making a Difference – Barclays PLC Environmental Social Governance Report 2020", at: <https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2020/Barclays-PLC-2020-ESG-Report-2020.pdf>

<sup>24</sup> Barclays has shared with Sustainalytics the Wilson Affordable Portfolio (2021) with listed assets and loan terms.

<sup>25</sup> US Department of Housing and Urban Development, "2020 Annual Homeless Assessment Report to Congress", (2020), at: [The 2020 Annual Homeless Assessment Report \(AHAR\) to Congress \(huduser.gov\)](https://www.huduser.gov/portal/publications/2020_AHAR)

<sup>26</sup> Ibid.

<sup>27</sup> National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes, 2020", at: [THE GAP: The Affordable Housing Gap Analysis 2021 \(nlihc.org\)](https://www.nlihc.org/sites/default/files/gap-report-2020.pdf)

<sup>28</sup> NLIHC, "The Problem", at: [The Problem | National Low Income Housing Coalition \(nlihc.org\)](https://www.nlihc.org/sites/default/files/the-problem-2021.pdf)

<sup>29</sup> National Low Income Housing Coalition, "FHFA Authorizes \$326.4 Million Disbursement for National Housing Trust Fund for 2020", (2020), at: [FHFA Authorizes \\$326.4 Million Disbursement for National Housing Trust Fund for 2020 | National Low Income Housing Coalition \(nlihc.org\)](https://www.nlihc.org/sites/default/files/fhfa-authorizes-326.4-million-disbursement-for-national-housing-trust-fund-for-2020.pdf)

<sup>30</sup> National Low Income Housing Coalition, "American Rescue Plan Act", (2021), at: [COVID-Relief-Budget\\_Reconciliation.pdf \(nlihc.org\)](https://www.nlihc.org/sites/default/files/american-rescue-plan-act-2021.pdf)

### Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The Bonds issued under the Framework are expected to contribute to advance the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

### Conclusion

The Issuer has developed the STWD Trust 2021-LIH, Commercial Mortgage Pass-Through Certificates Series 2021-LIH Social Bond Framework under which it intends to issue social bonds and the use of proceeds to purchase the Eligible Asset to refinance a portfolio of properties based in Florida that have a majority of affordable housing units. Sustainalytics considers that that the properties effectively refinanced by the social bond proceeds are expected to provide positive social impact.

The Framework outlines a process to track, allocate, and manage proceeds, and make commitments for the Depositor to report upfront on the allocation and impact of the use of proceeds. Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of Barclays and that the social use of proceeds category will contribute to the advancement of the UN SDG 11. Additionally, Sustainalytics is of the opinion that both Barclays and the Issuer have adequate measures to identify, manage or mitigate environmental and social risks commonly associated with the Eligible Portfolio funded by the Eligible Asset intended to be purchased through the proceeds.

Based on the above, Sustainalytics is confident that Issuer is well-positioned to issue social bonds and that the Framework is robust, transparent, and in alignment with the four core components of the Social Bond Principles 2021.

## Appendices

### Appendix 1: Percentage Breakdown of the Units Occupied by AMI Levels

Property	Number of units (28%-35% of AMI)	Number of units (60% of AMI)	Number of market units	Percentage of affordable units	LIHTC Extended Use Agreement Expiration <sup>31</sup>
Willow Lake	65	363	0	100.0%	2049
Walden Park	8	292	0	100.0%	2032
Wentworth II	50	214	0	100.0%	2029
Waverly	33	227	0	100.0%	2031
Westminster	0	270	0	100.0%	2032
Windsor Park	24	162	54	77.5%	2030
Westbrook	0	234	0	100.0%	2030
Wyndham Place	66	194	0	100.0%	2031
Wedgewood	0	300	0	100.0%	2025
Woodbridge at Walden Lake	24	167	45	80.9%	2047
Weston Oaks	31	169	0	100.0%	2051
Woodcrest	14	76	0	100.0%	2046
<b>Total / Average</b>	<b>315</b>	<b>2,668</b>	<b>99</b>	<b>96.8%</b>	

<sup>31</sup> The Framework commits that the refinanced properties will meet the eligibility requirements beyond the fully extended term of the Eligible Asset. In the case of Wedgewood, for which the affordability is scheduled to expire in 2025, Barclays has confirmed that the sponsor intends to renew the LIHTC eligibility for this property for it to remain affordable to the target population at least until the fully extended term of the Eligible Asset.

## Appendix 2: Social Bond/ Social Bond Programme -External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	STWD Trust 2021-LIH
<b>Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:</b>	STWD Trust 2021-LIH, Commercial Mortgage Pass-Through Certificates Series 2021-LIH Social Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	October 28, 2021
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds, Affordable Housing, is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the issuer's financing of affordable housing assets will lead to positive social impacts and advance the UN Sustainable Development Goals ("SDGs"), specifically SDG 11.

#### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input type="checkbox"/> Access to essential services                                   |
| <input checked="" type="checkbox"/> Affordable housing  | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the social taxonomy, if other than SBP:

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The internal credit teams of Barclays Commercial Mortgage Securities LLC and Barclays Capital Real Estate Inc. assessed and selected the portfolio of eligible properties, and the mortgage loan that financed those properties. Barclays Capital Real Estate Inc. has conducted third-party environmental risk assessments for all the properties being refinanced under the eligible portfolio. Barclays PLC has a dedicated environmental and social risk assessment system that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be adequate and to be aligned with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives                                   | <input type="checkbox"/> Documented process to determine that projects fit within defined categories                          |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available
- Other (please specify):

#### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The net proceeds from the issuance will be used solely for the purchase of a mortgage loan to refinance a portfolio of eligible properties. Proceeds will be disbursed immediately after issuance and neither Barclays Commercial Mortgage Securities LLC nor the issuer will retain flexibility to re-allocate. Sustainalytics considers this to be in line with market practice.

#### Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify): The proceeds will be fully allocated at the time of issuance; the Issuer or the Depositor retains no flexibility to re-allocate proceeds.

#### Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify): Allocations to existing investments only.

### 4. REPORTING

Overall comment on section (if applicable):

As part of its commitment to allocation reporting, Barclays Commercial Mortgage Securities LLC intends to provide a description of the eligible portfolio, along with its relevant social impact metrics to its investors through the initial offering document. Given the intent to immediately allocate net proceeds to purchase the mortgage loan, Sustainalytics considers the upfront reporting process to be aligned with market practice.

**Use of proceeds reporting:**

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (please specify):

**Information reported:**

- Allocated amounts
  Social Bond financed share of total investment
- Other (please specify):

**Frequency:**

- Annual
  Semi-annual
- Other (please specify): The report will be released upfront on the offering of the bond.

**Impact reporting:**

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (please specify):

**Information reported (expected or ex-post):**

- Number of beneficiaries
  Target populations
- Other ESG indicators (*please specify*): The number of affordable units at the portfolio; the AMI restrictions of the affordable units; and eligibility requirements of the LIHTC program.

**Frequency:**

- Annual
  Semi-annual
- Other (please specify): The report will be released upfront on the offering of the bond.

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report
- Information published in ad hoc documents
  Other (please specify): Information published in the Framework

- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                     |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP**

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

