

# Second-Party Opinion

## BlueHub Loan Fund Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the BlueHub Loan Fund Sustainability Bond Framework, contained within the bond’s POM, is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers social projects related to the areas of affordable housing, community healthcare, early education and child care, economic opportunity, education and healthy foods and green projects in the areas of LEED certifications, transit oriented development, adaptive reuse and energy retrofitting to have positive environmental and/or social impacts and to advance various UN Sustainable Development Goals.



**PROJECT EVALUATION / SELECTION** BlueHub’s Loan Committee is responsible for lending authority and oversight of BHLF’s loan approvals. All loan requests over USD 1 million are approved by the Loan Committee, while loan requests under USD 1 million require review and approval at the staff level by the Loan Fund President and at least one additional BHLF signer. The Committee convenes bi-weekly to review loan requests. The Board of Directors reviews and approves the loan policies and procedure guidelines annually. This is in line with market practice.



**MANAGEMENT OF PROCEEDS** BHLF will fully allocate the proceeds of the bond at time of issuance to refinance a previously identified portfolio of projects, and as such, there is no requirement for ongoing management. This is in line with market practice.



**REPORTING** BHLF intends to fully allocate at the time of issuance, therefore no further allocation reporting is deemed necessary which is in line with market practice. BHLF will report on projects in line with its existing project disclosure policies, until full allocation, after which reporting is conducted on a voluntary basis; this will be published in addition to its annual report on its website. Sustainalytics views BHLF’s approach to reporting positively and notes that it has a proven record of financing impactful projects.

<b>Evaluation date</b>	December 30, 2019
<b>Issuer Location</b>	Roxbury, MA, United States

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## Introduction

BlueHub Loan Fund (“BHLF, the “Fund”, or the “Issuer”) is a non-profit Community Development Financial Institution (CDFI) that connects low-income communities with the capital needed to generate economic opportunity and stability. BHLF is one of the groups at BlueHub Capital (“BlueHub”) that focuses on increasing economic and environmental vitality in the communities in which it operates through the provision of loans. Since 1985, BHLF has been partnering with other non-profits, government and businesses to finance projects that build healthy communities, such as affordable housing, child care, education, healthcare, access to healthy foods and more.

BHLF has developed the BHLF Sustainability Bond Framework (the “Framework”) under which it intends to issue a sustainability bond and use the proceeds to refinance, in whole or in part, a portfolio of projects that fulfil BHLF’s mission of building healthy communities where low-income people live and work. The Framework defines eligibility criteria in six social areas and four green areas:

1. Affordable Housing
2. Community Health Care
3. Early Education and Child Care
4. Economic Opportunity
5. Education
6. Healthy Foods
7. LEED Certifications
8. Transit Oriented Development
9. Adaptive Reuse
10. Energy Retrofitting

A description of the eligible projects and projected allocations for the 2020 sustainability bond issuance is provided in the Preliminary Offering Memorandum and in Appendix 1.

BHLF engaged Sustainalytics to review the BlueHub Loan Fund Sustainability Bond Framework, as published within the Company’s Preliminary Offering Memorandum dated January 8, 2020, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).<sup>1</sup>

As part of this engagement, Sustainalytics held conversations with various members of BHLF’s 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 BlueHub Loan Fund Sustainability Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the BlueHub Loan Fund Sustainability Bond Framework and should be read in conjunction with that Framework.

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<sup>1</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the BlueHub Loan Fund Sustainability Bond Framework

#### Summary

Sustainalytics is of the opinion that the BlueHub Loan Fund Sustainability Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. Sustainalytics highlights the following elements of BlueHub Loan Fund's Sustainability Bond Framework:

- Use of Proceeds:
  - The Use of Proceeds categories are recognized as impactful by the GBP and/or the SBP.
  - Sustainalytics views the targeted nature of the projects positively (see Appendix 1) and notes that in 2018 and 2019, 95% of BlueHub Loan Fund financing directly benefitted low- and very-low income individuals and communities.
  - Sustainalytics notes the following regarding the socially-focused project areas defined in the Framework:
    - Affordable Housing: BHLF uses the US Department of Housing and Urban Development's (HUD) definition of low income (LI) and very low income (VLI).<sup>2</sup> The Framework states that in order to qualify as an Affordable Housing project, over half of the units that will be constructed and/or renovated must be deed-restricted affordable to households earning 80% or less of the area median income (AMI), and that BlueHub Loan Fund prioritizes projects that include larger percentages of deed-restricted affordable units, target households earning equal to or less than 60% AMI and/or that provide permanent supportive housing to households earning less than 30% AMI. Where feasible, BHLF leverages government-funded programs, such as Section 8 vouchers. Based on the definitions and requirements outlined above, Sustainalytics considers this category to be credible.
    - Community Health Care: The Framework outlines that BHLF will determine if a clinic is categorized as low-income based on the payer-mix that the clinic supports. Although the Framework does not specify a set percentage of patients who must qualify as low income, based on the fact that over 70% of the patients served by the clinics and federally qualified health centers in BlueHub Loan Fund's current portfolio are low-income patients and BHLF's overall objectives to ensure quality healthcare for low-income individuals, Sustainalytics considers this category to be credible.
    - Early Education and Child Care: BlueHub Loan Fund targets low-income communities for its early education and child care financing and focuses on centers and facilities where at least 70% of children served receive public subsidies for child care. During the underwriting process, BHLF verifies the income status of children who will receive this programming and conducts a borrower survey, which draws on information that the facilities report on, including demographics and income of children served. Over 80% of the children served in facilities in the current portfolio are low-income. Based on the intention to support childcare for vulnerable populations, and the high percentage of low-income children served, Sustainalytics views positively this category.
    - Economic Opportunity: The Framework allows for financing projects which create economic opportunities in low-income communities, and outlines the qualitative and quantitative considerations that are reviewed when determining whether projects qualify within this category. This includes: 1) alignment with official plans for local revitalization; 2) public engagement and support; 3) assessment of jobs that will be created, including benefits and job-accessibility for local residents and/or individuals

<sup>2</sup> The US Department of Housing and Urban Development (HUD) defines low income as those earning less than 80% of area median income (AMI), while very low represents those earning less than 60% of AMI.

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with limited education, and; 4) project potential to build or preserve local community members' wealth. During the underwriting process, BHLF collects data related to the abovementioned considerations and BHLF verifies and updates related data (jobs created, benefits offered, wealth preserved, etc.) through mandated annual surveys of borrowers and site visits. Given the broad nature of this category, Sustainalytics considers this category credible based on the selection process outlined by BHLF.

- Education: BHLF determines eligibility by considering both various metrics of educational quality and student outcomes as well as data related to student income. The Framework further stipulates that students qualifying for reduced lunch through the USDA's National School Lunch Program<sup>3</sup> are classified as low-income, while students qualifying for free lunch are classified as very low-income. BlueHub Loan Fund also reviews data from the state departments of education regarding school performance, demographics and school climate as part of its assessment of school quality. While the Framework does not specify a set percentage of students which must qualify, BHLF specifically targets schools in which majority of students are considered low-income, and which serve higher percentages of low-income students than the sending district. Further, over 70% of the students served in the schools in the current portfolio are low-income. Based on the objectives of the program and BHLF's qualification process, Sustainalytics considers these procedures to be credible and therefore views positively this financing.
  - Healthy Foods: BHLF finances projects that are in USDA-designated food deserts,<sup>4</sup> as verified by federal census-tract-level data, when determining eligibility. The Framework also specifies that BHLF will measure the percentage of total sales made through Electronic Benefit Transfer (EBT), a system that enables low-income individuals to pay for food through government-sponsored benefits. BHLF also assesses the number and quality of jobs that projects in these areas will create for low-income individuals, by engaging in market analysis and benchmarking against similar projects, conducting mandatory surveys prior to closing in which borrowers report anticipated jobs, wages and job benefits and verifying those data through annual borrower surveys after projects are financed. Sustainalytics views positively the use of these two tools in determining eligible projects.
- BlueHub Loan Fund has committed to incorporating the principles of environmentally-sound development into the evaluation of all projects financed by Sustainability Bonds. Although the primary purpose of much of its lending remains socially-focused, BHLF prioritizes projects which deliver certain environmental benefits. Sustainalytics notes the following regarding the green project areas defined in the Framework:
- LEED Certifications: The Framework specifies that eligible buildings must meet the criteria of LEED Silver designation or qualify for higher (Gold and/or Platinum). Sustainalytics recognizes that while it is market practice to select projects which are certified Gold and/or higher, it notes that the selected projects (Appendix 1) includes five Silver certified buildings, two Gold and one Platinum, and that all of the projects in this category additionally qualify within one of the Framework's other social categories. Given the above and considering the outlined breakdown, Sustainalytics views this category positively.
  - Transit-Oriented Development: BHLF will select projects in areas that are identified as intentionally located near public transportation with the goal of reducing transportation-related emissions, while also providing access to affordable housing and quality jobs. While qualification for this category is at the discretion of BHLF's internal assessments, Sustainalytics recognizes the greenhouse gas mitigation potential of these activities, and notes that the projects in this category additionally qualify within one of the Framework's other green or social categories.
  - Adaptive Reuse: Eligible projects in this category include buildings and real estate assets that can be recycled and/or repurposed into community facilities for low-

<sup>3</sup> The National School Lunch Program operates in public and nonprofit private schools. See: <https://www.fns.usda.gov/nslp>

<sup>4</sup> See: <https://www.ers.usda.gov/data-products/food-access-research-atlas/>

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income residents. Sustainalytics notes that the projects in this category yield both environmental and social benefits. By repurposing abandoned and/or under-used buildings, these projects reduce the potential adverse environmental impacts of new construction while also providing increased access to essential community services, positively impacting local residents. Sustainalytics views positively the objectives of these projects and notes that all the projects in this category additionally qualify within one of the Framework's other social categories, while acknowledging the challenges related to quantifying the environmental and/or social impacts of adaptive reuse.

- Energy Retrofitting: Projects in this category are required to have a 20% minimum emission saving target, measured in either reduced energy costs and/or usage.<sup>5</sup> Sustainalytics views positively that BHLF has established a quantitative threshold, which is considered to be in line with market practice.
- Project Evaluation and Selection:
  - BlueHub staff conducts a proactive social impact review before recommending projects for financing. All prospective projects must be rated using BlueHub's Social Impact Rating (SIR) tool, which quantifies the anticipated social impact of prospective projects through a series rigorous, comprehensive, and objective questions that are aligned with the Impact Management Project's five dimensions of Impact. All pipeline projects receive a SIR score and SIR scores influence BlueHub's decisions on moving forward with financing.
  - BlueHub's Loan Committee, a subcommittee of the Board of Directors, is responsible for overseeing BHLF's lending activities, including loan selection. The Loan Committee conducts bi-weekly meetings to review and approve loan proposals presented by members of BHLF staff and is also responsible for approving all loan proposals valued at over USD 1 million.
  - All project loan requests under USD 1 million are reviewed and approved at the staff level by the Loan Fund President and at least one additional BHLF signer.
  - The Board of Directors reviews and approves existing loan policies and procedures guidelines annually.
  - The specific projects included in the 2020 issuance have been selected by BHLF's finance team, in consultation with various program areas.
- Management of Proceeds:
  - The net proceeds of the bond will be deposited into the Bond Proceeds Fund held by the Bond Trustee, and will be used to refinance pre-identified projects at the time of issuance. Therefore, BHLF does not require a process for ongoing management of proceeds.
  - Given BHLF's intention to fully allocate at time of issuance, Sustainalytics considers this approach to be aligned with market practice.
- Reporting:
  - BHLF has committed to fully allocating the net proceeds of the bond at time of issuance to refinance the pre-identified portfolio of projects, therefore ongoing allocation reporting is not required. The full portfolio is included below in Appendix 1.
  - BHLF will continue reporting in line with its ongoing disclosure policies, which includes reporting project-level details for certain projects on its website as well as in its annual report. Additional impact reporting on the projects within the Sustainability Bond will be provided on a voluntary basis.
  - Based on the pre-issuance disclosure of intended allocation, this is in line with market practice. Sustainalytics notes that BHLF has a demonstrated record of financing environmentally and/or socially beneficial projects and further notes the overall quality of BlueHub Capital and BHLF's reporting, which is a strong indicator of transparency and commitment. Sustainalytics does however note that best practice in the Sustainability Bond market is to provide ongoing impact reporting associated with the project portfolio financed.

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<sup>5</sup> BHLF prioritizes projects that use WegoWise, an energy benchmarking tool that helps property managers to measure, monitor, and reduce energy use. Sustainalytics views positively the use of tools which allow for the collection and application of quantitative data.

## BlueHub Loan Fund Sustainability Bond Framework

### Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Issuer's Sustainability Bond Framework aligns to the Sustainability Bond Guidelines 2018. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Performance of the Issuer

### Contribution of Framework to BlueHub Capital's sustainability strategy

As a CDFI, sustainability is a core component in BlueHub's overarching mission; connecting low-income communities with the resources and capital they need to thrive.<sup>6</sup> Across its operations, the organization espouses the values of the Blue Economy 3.0<sup>7</sup> by using its financial expertise and capital to create affordable housing and accessible facilities that meet the needs and interests of community residents while promoting job creation, sustainability and resiliency. Since its establishment in 1985, BlueHub has invested approximately USD 2 billion in projects while leveraging over USD 10 billion in public and private investment in underserved communities across the United States.<sup>8</sup> BlueHub's sustainability strategy extends to its three key affiliate programs; BlueHub Loan Fund (BHLF), BlueHub SUN and BlueHub Energy.<sup>9</sup>

As part of its goal to be a key leader in civic advocacy, BlueHub collaborates with civic, government, community-based and private partners to promote inclusive policy and civic transformation within the community development policy areas of Healthy Communities, Foreclosure Prevention, Energy Efficiency and Renewable Energy (particularly in low-income communities), Socially Responsible and Impact Investing and Civic Leadership. BHLF has advanced the development of policy within many of these areas, including through:<sup>10</sup>

- Support of a policy paper for the Federal Reserve Bank of Boston aimed at accelerating investment in mixed-used and commercial projects;
- Deployment of federal Healthy Food Financing Initiative (HFFI) dollars to support the establishment of grocery stores in low-income communities, which led to BlueHub's participation in the Massachusetts Healthy Food Financing Working Group, whose recommendations led to the creation of the first Massachusetts Food Trust which deploys financing to projects that increase access to and promote healthy, affordable food;
- BlueHub is featured in Pacific Community Ventures' (PCV) Impact Due Diligence Guide,<sup>11</sup> a tool which is intended to advise investors on how they can assess impact before making investment decision. BlueHub is recognized for its leadership in developing and implementing quantitative social impact measurements, and highlights BlueHub's innovation and rigor in this field. BlueHub staff has also presented on BHLF's strategies and systems for assessing impact to inform investment at several Social Capital Markets (SOCAP) conferences,<sup>12</sup> and are also leading a Harvard Business Review IdeaLab conversation on impact ratings.<sup>13</sup>
- Staff engagement in organizations that promote local, regional and national policies surrounding healthy communities, including, serving on a steering committee of the Federal Reserve Bank of Boston's Working Cities Challenge, engagement in the Eastern Bank's Business Equity Initiative, and through active membership in the national Charter School Lenders' Coalition (CSLC) and the national Lenders Coalition for Community Health Centers.

BlueHub also offers financial products such as the New Market Tax Credit (NMTC) program, which BHLF supports by creating NMTC leverage loans to support community health centers, childcare facilities and charter schools. Thus far, BlueHub has received eight NMTC allocations from the U.S. Department of Treasury valued at approximately USD 523 million.<sup>14</sup>

<sup>6</sup> Investing in People and Communities for an Inclusive Future, BlueHub Capital: <https://bluehubcapital.org/about-us>

<sup>7</sup> "The Blue Economy 3.0 seeks to marry creativity, innovation and entrepreneurship to create economic benefit for all the people and communities [we] serve.": <https://bluehubcapital.org/about-us>

<sup>8</sup> Investing in People and Communities for an Inclusive Future, BlueHub Capital: <https://bluehubcapital.org/about-us>

<sup>9</sup> Ibid.

<sup>10</sup> Public Policy and Civic Leadership: <https://bluehubcapital.org/programs-services/public-policy-and-civic-leadership>

<sup>11</sup> Pacific Community Ventures (PCV) is a California-based CDFI which also provides impact investing consulting. The Impact Due Diligence Guide can be accessed at: <https://www.pacificcommunityventures.org/2019/07/03/impact-due-diligence-guide/>

<sup>12</sup> SOCAP 2019 Conference Program, <https://www.scribd.com/document/429503019/SOCAP19-Program>

<sup>13</sup> Managing Impact, Harvard Business Lab, <https://ideallab.hbr.org/groups/managing-impact/forum/topic/impact-ratings-quantified-but-not-monetized/>

<sup>14</sup> New Markets Tax Credit, BlueHub Capital: <https://bluehubcapital.org/programs-services/new-markets-tax-credit>

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Overall, BHLF has helped leverage over \$1.3 billion to projects across several areas. Some key measurable achievements include 23,500 affordable housing units, healthcare facilities that have helped over 197,000 individuals, childcare access for over 15,600 children and schools and youth programs for over 34,600 students.<sup>15</sup> BHLF has also helped develop over 5.9 million square feet of commercial real estate and community facilities and since 2012 has created or retained nearly 13,800 jobs.<sup>16</sup>

Given the above, Sustainalytics is of the opinion that the BlueHub Loan Fund Sustainability Bond Framework is aligned with the mission and business objectives of BlueHub Capital, and that the bonds issued under the Framework will further the organization's overall vision.

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

Sustainalytics recognizes that the projects funded through the BlueHub Loan Fund Sustainability Bond will generate overall positive environmental and social impacts; however, as with any construction and development-oriented projects, there may be risks associated. Some of the environmental risks may include adverse impact on local biodiversity and communities such as pollution and displacement. With regards to social risks, Sustainalytics recognizes that well-intentioned social programs may inadvertently exacerbate existing inequalities if they are not well targeted to specific communities and groups.

Sustainalytics is of the opinion that BHLF is well positioned to manage and mitigate these risks through the following policies and procedures:

- Regarding adverse impact on biodiversity and communities as well as workplace health and safety, Sustainalytics notes that the laws and regulations in place in the jurisdictions in which BHLF operates place stringent oversight on construction and development projects and the parties involved.
- BHLF's robust internal project selection process prioritizes environmentally sustainable practices when evaluating projects for investments and is rooted in its commitment to generating environmental and social benefits for the low-income communities in which it operates.
- BHLF also assesses the anticipated social and environmental benefits and risks of every potential pipeline project using its Social Impact Rating (SIR) tool, which considers a holistic array of impacts and assigns a quantitative score to any potential project. This tool is aligned with the Impact Management Project's five dimensions of impact.<sup>17</sup>
- In order to ensure that the projects reach the targeted beneficiary group, BHLF uses the US Government's Department of Housing and Urban Development's definition for low income (LI) when qualifying affordable housing projects; defined as those earning 80% of Area Median Income ("AMI") or less. The Issuer also uses eligibility for the US Department of Agriculture's free and reduced lunch program as a qualifying metric when evaluating whether schools are serving low-income students.

Overall, Sustainalytics is of the opinion that through its own efforts as well as its adherence to and compliance with applicable laws and regulations, BHLF is well positioned to mitigate the environmental and social risks associated with the projects financed under its Sustainability Bond Framework.

## Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are recognized as impactful by GBP or the SBP. Sustainalytics has focused on three below where the impact is specifically relevant in local context.

### Affordable housing

According to a study published by the Urban Institute in 2018, approximately 8.3 million renter households with low income in the U.S. spent over 50% of their income on housing, making them severely housing cost burdened.<sup>18</sup> The National Low-Income Housing Coalition further estimates that there is a shortage of over 7.2 million affordable and available rental homes for extremely low-income households, while only 1 in 4 households eligible for housing assistance in the U.S. end up receiving it.<sup>19</sup> There is strong evidence that housing poverty leads to negative social outcomes across multiple dimensions such as crime, educational

<sup>15</sup> BlueHub Loan Fund, BlueHub Capital: <https://bluehubcapital.org/programs-services/loan-fund>

<sup>16</sup> Ibid.

<sup>17</sup> What is Impact, Impact Management Project, <https://impactmanagementproject.com/impact-management/what-is-impact/>

<sup>18</sup> The case for More, not Less, Urban Institute: [https://www.urban.org/sites/default/files/publication/95616/case\\_for\\_more\\_not\\_less.pdf](https://www.urban.org/sites/default/files/publication/95616/case_for_more_not_less.pdf)

<sup>19</sup> The Problem, National Low-Income Housing Coalition: <https://nlihc.org/explore-issues/why-we-care/problem>

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under-achievement, poor health and community tensions, as families and individuals must make tradeoffs between the cost of rent, and expenditure on other necessities such as food, healthcare and transportation. As the U.S. Department of Housing and Urban Development's budget faces reductions,<sup>20</sup> and the private market providing too few homes affordable to the lowest-income dwellers, the shortage of affordable homes is likely to intensify in coming years, exacerbating intergenerational poverty and resulting in a detrimental effect on economic mobility. Considering the above, Sustainalytics believes that investments by BHLF in affordable housing projects will have strong positive social impacts.

### Education

A portion of the proceeds issued under the BlueHub Loan Fund Sustainability Bond Framework will be allocated to middle and secondary charter schools, with the goal of allowing these schools to build or expand their facilities in order to reach more students. BHLF offers financing to these organizations to provide increased educational opportunities to communities which lack strong access to high-performing schools.

Charter schools are an alternative to traditional public schools, offering tuition-free education to students while providing the operator a significant degree of autonomy in how the school is run. This concept has at times been controversial; advocates point to the increased variety of educational options, new opportunities for underserved communities, specialized course offerings, and high academic performance, while detractors highlight a lack of accountability resulting in some poorly-performing schools and argue that charters draw funding away from public school districts.<sup>21</sup> Studies have suggested in particular that charter schools can provide the greatest benefits for urban, low-income, and minority students.<sup>22,23</sup> Considering that BHLF is specifically targeting schools which feature low-income and underserved populations and its commitment to reviewing test, discipline, family and community engagement, Sustainalytics views positively these investments and considers that they will provide overall positive social impacts.

### Economic Opportunity

BHLF will use a portion of the proceeds to finance a variety of projects that create economic opportunity in low-income communities and create or preserve wealth for low-income individuals. According to a study conducted by the National Community Reinvestment Coalition in 2019, more than 135,000 people were displaced between 2000 and 2013 as a result of gentrification, with minority residents disproportionately impacted by these changes.<sup>24</sup> While gentrification plays a key role in inducing economic activity, it also results in rising housing costs, preventing many low-income residents from benefiting from the economic growth and availability that typically comes with an influx of urban investments. BHLF aims to tackle this issue by financing projects that are specifically aimed at preserving low-income resident wealth in communities that are gentrifying and where low-income residents are being forced out.

Due to the complex and interrelated challenges that are being targeted, projects within this category encompass a variety of different project types. For example, a loan to the Halifax Mobile Home Association in Halifax, MA allows for the association to acquire the land where their 430-unit manufactured housing community is located. Through this, the association intends to transfer resident ownership and control of property management to its residents, protecting them from potential displacement due to increased rent expenditure and other changes that may be imposed by an outside owner. This transaction allows their residents, 40% of whom earn less than half of the AMI, to reside in the community long term. Another such project is a loan to the Artists for Humanity, Inc. (AFH), an organization which aims to break the cycle of intergenerational poverty by providing economically disadvantaged youth with career building skills. The project will allow AFH to train and employ an additional 310 youth per year; helping them obtain long term economic independence.

Sustainalytics notes that, due to the broad nature of potentially eligible projects, that a robust selection methodology and adequate screening are required in order to ensure overall positive impacts, and is of the opinion that BHLF's Framework, as well as the governance structure of BlueHub Capital, will support this

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<sup>20</sup> President Trump Proposes Drastic Cuts to Affordable Housing Programs, National Low Income Housing Coalition: <https://nlihc.org/resource/president-trump-proposes-drastic-cuts-affordable-housing-programs>

<sup>21</sup> The Battle Over Charter Schools, Harvard Education Magazine: <https://www.gse.harvard.edu/news/ed/17/05/battle-over-charter-schools>

<sup>22</sup> Overview of the Urban Charter School Study, Urban Charter School Study: <http://urbancharters.stanford.edu/overview.php>

<sup>23</sup> Charter Schools and the Achievement Gap, The Future of Children: [https://futureofchildren.princeton.edu/sites/futureofchildren/files/resource-links/charter\\_schools\\_compiled.pdf](https://futureofchildren.princeton.edu/sites/futureofchildren/files/resource-links/charter_schools_compiled.pdf)

<sup>24</sup> Shifting Neighborhoods, National Community Reinvestment Coalition: <https://ncrc.org/gentrification/>

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outcome. Based on this, Sustainalytics views positively BHLF's investments in projects that promote economic opportunity and vitality will yield long term beneficial social impacts.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond contributes to SDG 1 – No Poverty, as well as advancing the following specific SDG goals and targets through the various project areas financed:

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
Community Health Care	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Early Education and Child Care	4. Quality Education	4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education
Economic Opportunity	10. Reduced Inequalities	10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
Education	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
Healthy Foods	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.
LEED-Certified Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Transit Oriented Development	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
Adaptive Reuse	8. Decent Work and Economic Growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
Energy Retrofitting	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

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		countries taking action in accordance with their respective capabilities
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### Conclusion

BHLF has developed a Sustainability Bond Framework, under which it intends to issue Sustainability Bonds and use the proceeds to refinance a portfolio of socially beneficial projects such as affordable housing, community healthcare, early education and childcare, education, healthy food access, and other community facilities. Specifically, BHLF has identified four green project areas - LEED Certifications, Transit Oriented Development, Adaptive Reuse and Energy Retrofitting – and six social project areas - Affordable Housing, Community Healthcare, Early Education and Child Care, Economic Opportunity, Education and Healthy Foods.

All of the use of proceeds categories specified in the Framework are aligned with those of the Green Bond Principles 2018 or the Social Bond Principles 2018; BHLF has described the process by which loans are qualified for the Bond; commitments have been made regarding the allocation of proceeds; and the approach to reporting on allocation and impacts has been described. Sustainalytics is further of the opinion that the initiatives described by the Framework will advance the UN Sustainable Development Goals, in particular Goals 1, 2, 3, 4, 8, 9, 10, and 11.

Based on the above, Sustainalytics considers the BlueHub Loan Fund Sustainability Bond Framework to be robust, credible and transparent, and in alignment with the four core components of the ICMA's Sustainability Bond Guidelines 2018.

## BlueHub Loan Fund Sustainability Bond Framework

### Appendices

#### Appendix 1: List of Projects for the 2020 Sustainability Bond Issuance

Project	Amount (\$)	% of Total	Description	Social/Green Attributes
Sencit Liberty Apartments	5,800,000	7.83%	Line of credit to support the acquisition of 153 units of Section 8 housing on three properties in Atlantic City, NJ, meant to preserve the units as affordable for the next 30 years. All units are affordable to tenants earning <60% AMI.	Affordable Housing
Chicago Prep	5,775,444	7.80%	Loan for an 117,000 sq. ft. food production facility in a middle- to lower-income, minority community. The facility will create 230 jobs and have 64 kitchen spaces with shared amenities like dry and frozen storage spaces, packaging facilities, conference rooms, and a loading dock.	Healthy Foods Adaptive Reuse
Mastery Schools of Camden	5,680,956	7.67%	Loan to renovate 317,500 sq. ft. of educational space in four school buildings in Camden, NJ, the lowest performing district in the State. Mastery Schools operate as community schools, admitting all students that apply, with an explicit focus on supporting families that have experienced trauma.	Education
Make the Road New York	5,001,862	6.76%	Line of credit to support the construction of a 24,000 sq. ft. community center in Queens, NY, enabling MRNY to serve an additional 4,500 individuals per year and create 25 new full-time jobs. MRNY offers critical services for immigrants, New Americans, and low-income people of color.	Economic Opportunity Transit Oriented LEED Silver
Great Oaks Bridgeport Charter School	5,000,477	6.75%	Financing for a 69,000 sq. ft. facility which will house the Great Oaks Bridgeport Charter School as part a comprehensive, multi-pronged effort to revitalize the area, including hundreds of affordable housing units and commercial space to provide amenities for a healthy community.	Education Adaptive Reuse
Corcoran Commons	4,500,000	6.08%	Loan to finance construction of the Commons at Providence Station, a new transit-oriented development in downtown Providence, RI creating 169 rental units. The Rhode Island Commerce Department engaged BlueHub for this project, highlighting its economic development importance.	Economic Opportunity Transit Oriented LEED Gold
Callen-Lorde	3,250,000	4.39%	Loan to construct a 25,000 sq. ft. health center that will house primary care, mental health, substance abuse and prevention services, a phlebotomy suite, a pharmacy, and staff. Once constructed, it will provide over 58,000 visits to 15,000 patients annually and employ 100 staff.	Community Healthcare Transit Oriented
Brown's Super Stores	3,000,000	4.05%	Loan to support a 57,000 sq. ft. grocery store in a food desert, serving an economically disadvantaged community with a median income of 62.5% AMI and a 20% poverty rate. The renovated building will be full-service with an emphasis on providing fresh food at low prices.	Healthy Foods

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Lowell Community Health Center	2,933,111	3.96%	Loan to a Federally Qualified Health Center to add 45,000 sq. ft. of space to provide a full-service dental clinic, vision services, birthing and community centers, creating 56 new exam rooms and significantly increasing patient capacity where 81% of patients are on subsidized health plans.	Community Healthcare Adaptive Reuse
Halifax Mobile Homes	2,915,260	3.94%	Loan to enable the Halifax Mobile Homes Association to acquire the land where their 430-unit manufactured housing community is located in order to transfer long-term control of property management and expenses to the residents, protecting them displacement by an outside owner.	Economic Opportunity
Edge Rebuild	2,700,000	3.65%	Loan to repurpose underused, vacant land on the Rhode Island School of Design (RISD) campus for the construction of 202 units of student university housing in Providence, RI to address a critical shortage of housing in Downtown Providence.	Economic Opportunity Transit Oriented LEED Silver
LA Prep South	2,314,371	3.13%	Renovation and expansion of a 52,000 sq. ft. food production facility in a low-income, minority neighborhood in Los Angeles, CA. Upon completion, there will be 64 kitchen spaces, 62 tenant businesses, and over 250 jobs, of which, 75% will employ low-income neighborhood residents.	Healthy Foods Adaptive Reuse
Coppin Heights Development	2,291,464	3.10%	Loan to redevelop an abandoned, historic building into a 26,000 sq. ft. health center in a very low-income community in West Baltimore, including a 30-bed stabilization center focused on opiate and alcohol dependency, mental health challenges, and helping patients access local services.	Community Healthcare Adaptive Reuse
Bostwick Gardens	2,130,475	2.88%	Line of credit to create and renovate 59 units of affordable senior housing in Great Barrington, MA, including a resident service coordinator, fitness room and common areas, and is located across from a Senior Center and other amenities.	Affordable Housing - Seniors
Bluff City HS	2,028,502	2.74%	Loan to support the construction of 20 additional classrooms at a growing high school in Memphis, TN, part of a national nonprofit CMO targeting higher percentages of economically disadvantaged students and with a track record for turning around underperforming schools.	Education
Spring Flats	1,913,287	2.58%	Loan to construct 185 units of affordable senior- and family- housing in NW Washington DC, with access to a variety of social services and amenities. 10 units are homeownership, 39 units will be restricted to households earning <30% AMI and 23 units will be permanently supportive.	Affordable Housing Adaptive Reuse LEED Gold
Philadelphia Episcopal Cathedral	1,800,000	2.43%	Redevelopment of the basement of the existing historic Cathedral building to create a new childcare center. New construction also includes a three-story office/retail building with 18 underground parking spaces and a Community Center adjacent to the Cathedral.	Early Education Adaptive Reuse
Horizons for Homeless Children	1,672,390	2.26%	Line of credit to finance a new 45,000-square-foot facility in the Roxbury neighborhood of Boston to house Horizons' offices and childcare and support services for homeless children and families. The project also will bring 135 jobs to an economically disadvantaged community.	Early Education Transit Oriented LEED Silver

## BlueHub Loan Fund Sustainability Bond Framework

Montgomery Mill Apartments	1,591,009	2.15%	Loan for the historic renovation of a vacant, underutilized textile mill in Windsor Locks, CT into 160 units of mixed-income rental housing, including 83 affordable units, of which almost 80% are priced for households under 60% of AMI, and the remainder for those under 25% AMI.	Affordable Housing Adaptive Reuse
Bridge Boston Charter School	1,347,452	1.82%	Loan to finance the acquisition and renovation of a building in Roxbury, MA for 335 students. Over 55% of BBCS students are economically disadvantaged, 98% are African-American or Hispanic, 20% are currently homeless, 41% are ELL and 21% have special needs.	Education Adaptive Reuse
Huntington Village	1,320,000	1.78%	Loan to develop 96 units of affordable, family-sized housing in Newport News, VA, 50% of which will be restricted for families earning under 50% AMI, and the development will include a playground, community room and exercise room.	Affordable Housing Transit Oriented
Oak Tree Apartments	1,225,000	1.65%	Loan for the development 72 units of mixed-income housing in Griswald, CT, of which 80% of the units will be deed-restricted affordable; 44 units will be deed-restricted affordable under 50% AMI; 15 units will be supportive housing for households under 25% AMI.	Affordable Housing Transit Oriented
Serrano	1,143,750	1.54%	Line of credit to support the acquisition of a 280-unit community in Arlington, VA, of which 80% of the units are affordable.	Affordable Housing Transit Oriented
Bergen Manor	1,141,098	1.54%	Loan to build Bergen Manor, in Nassau County, NY, consisting of 44 affordable units restricted to seniors earning <60% AMI, of which 8 units are restricted to seniors earning <30% AMI. The development includes on-site recreation, educational and wellness activities, and event space.	Affordable Housing - Seniors Transit Oriented LEED Silver
Artists for Humanity	1,015,293	1.37%	Loan for a nonprofit in South Boston that helps economically disadvantaged urban youth obtain economic independence and career skills. Financing will support a \$30 million expansion and renovation of the AFH EpiCenter, a facility that houses AFH programming and event space.	Economic Opportunity LEED Platinum
Memphis Rise Academy	1,009,562	1.36%	Loan to finance a middle school that will be co-located with MRA's current high school, which serves a disproportionately high percentage of Latinx students and provides instruction and social services targeted specifically to meet their needs. The project will support close to 800 students.	Education
Valor Collegiate Academies	959,131	1.30%	Line of credit to create an 112,000 square-foot high school to serve matriculating students currently in middle school. 50% of Valor students are low-income, 20% are from Middle Eastern and North African backgrounds, 18% are Latinx, and 12% are African American.	Education
Pines at Carolina Place	925,000	1.25%	Loan for site acquisition to preserve 200 affordable rental housing units at the Pines at Carolina Place, Pineville, NC.	Affordable Housing
Emil Jones Property	810,240	1.09%	Loan to support the acquisition of 60 units of supportive housing affordable to seniors earning <50% AMI, so that the restructured financing will allow for long-term preservation of those units. The project walking distance from parks, transportation, churches, restaurants, and groceries.	Affordable Housing - Seniors Transit Oriented

## BlueHub Loan Fund Sustainability Bond Framework

St. Therese	599,942	0.81%	Line of credit supporting creation of 77 units of senior affordable housing that will offer amenities such as a community room, fitness center and park. The project also will include a health center to serve building and neighborhood residents.	Affordable Housing - Senior Transit Oriented LEED Silver
Jackson Square	112,152	0.15%	Predevelopment financing associated with the master planning of the Jackson Square project which will culminate in the transfer of developable parcels to community developers.	Economic Opportunity Transit Oriented
Bartlett Yards	75,331	0.10%	Line of credit to help develop part of Bartlett Place, a multi-phased, mixed-income, mixed-use project near BlueHub's offices in Roxbury, MA that will ultimately provide at least 367 units of housing, half of which will be affordable, and a variety community services.	Economic Opportunity Transit Oriented
Melpet Farms	51,957	0.07%	Line of credit to support the installation of 142.2 kW of solar photovoltaic capacity at a 27-unit development in South Dennis, MA, creating a "net zero" project. All units are affordable to people earning <60% AMI and 25% of the units are for families experiencing or facing homelessness.	Affordable Housing Net Zero
<b>Totals</b>	<b>\$74,034,518</b>	<b>100.00%</b>		

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

### Section 1. Basic Information

Issuer name:	BlueHub Loan Fund
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	BlueHub Loan Fund Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 30, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

### 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 GBPs and SBPs:

- |  |  |
|--|--|
| <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

## BlueHub Loan Fund Sustainability Bond Framework

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 categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers social projects related to the areas of affordable housing, community healthcare, early education and child care, economic opportunity, education and healthy foods and green projects in the areas of LEED certifications, transit oriented development, adaptive reuse and energy retrofitting to have positive environmental and/or social impacts and to advance various UN Sustainable Development Goals.

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

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

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

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure  | <input checked="" type="checkbox"/> Access to essential services                        |
| <input checked="" type="checkbox"/> Affordable housing   | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security  | <input checked="" 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 SBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

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

## BlueHub Loan Fund Sustainability Bond Framework

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

BlueHub's Loan Committee is responsible for lending authority and oversight of BHLF's loan approvals. All loan requests over USD 1 million are approved by the Loan Committee, while loan requests under USD 1 million require review and approval at the staff level by the Loan Fund President and at least one additional BHLF signer. The Committee convenes bi-weekly to review loan requests. The Board of Directors reviews and approves the loan policies and procedure guidelines annually. This is in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

BHLF will fully allocate the proceeds of the bond at time of issuance to refinance a previously identified portfolio of projects, and as such, there is no requirement for ongoing management. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds            |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Additional disclosure:

- |   |  |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements          |

## BlueHub Loan Fund Sustainability Bond Framework

- Disclosure of portfolio balance of unallocated proceeds
  Other (*please specify*): Full allocation at the time of issuance.

#### 4. REPORTING

Overall comment on section (if applicable):

BHLF intends to fully allocate at the time of issuance, therefore no further allocation reporting is deemed necessary which is in line with market practice. BHLF will report on projects in line with its existing project disclosure policies, until full allocation, after which reporting is conducted on a voluntary basis; this will be published in addition to its annual report on its website. Sustainalytics views BHLF's approach to reporting positively and notes that it has a proven record of financing impactful projects.

#### Use of proceeds reporting:

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

#### *Information reported:*

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

#### *Frequency:*

- Annual
  Semi-annual  
 Other (*please specify*): At the time of issuance.

#### Impact reporting:

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

#### **Frequency:**

- Annual
  Semi-annual  
 Other (*please specify*): Ad hoc.

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

- GHG Emissions / Savings
  Energy Savings  
 Decrease in water use
  Number of beneficiaries  
 Target populations
  Other ESG indicators (*please specify*): Various metrics as appropriate for each category.

## BlueHub Loan Fund Sustainability Bond Framework

### Means of Disclosure

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Online      |
| <input type="checkbox"/> 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.)

<https://bluehubcapital.org/programs-services/loan-fund>  
<https://bluehubcapital.org/impact>

### 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 ( <i>please specify</i> ):            |  |

#### Review provider(s):

#### Date of publication:

### ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability 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 environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks

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For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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