

Second-Party Opinion

Bush Foundation Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Bush Foundation Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, philanthropic grants to asset-building projects, is aligned with those recognized by the Social Bond Principles. Specifically, grants in the areas of home ownership, education, entrepreneurship and economic development are anticipated to lead to positive social impact, including socio-economic advancement and empowerment for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG Goals 8 and 10.



PROJECT EVALUATION / SELECTION The Bush Foundation's leadership and program teams will be responsible for evaluating and allocating grant funds. Bush Foundation will draw on its knowledge of grant development, program management, charitable giving, as well as current systems and policies, to develop its new program. Proceeds will be allocated within 24-36 months, starting in 2021. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The net proceeds of the social bonds issued under the Bush Foundation's Framework will be deposited into low-risk short term investment accounts dedicated solely to holding and disbursing funds for the grants as part of the new program. These grant payments will be recorded in Bush Foundation's grants management system. Sustainalytics considers this process to be in line with market practice.



REPORTING The Bush Foundation intends to provide reporting on a regular basis on its website, in line with its existing approach to reporting. The reporting will include a summary of grantee organizations, grant amounts and expected impact. Sustainalytics views the allocation and impact reporting as aligned with market practice.

Evaluation date	October 28, 2020
Issuer Location	Saint Paul, Minnesota, United States

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Introduction

The Bush Foundation (“the Foundation”) was founded by Archibald Granville Bush and Edyth Bassler Bush in 1953. Headquartered in Saint Paul, Minnesota, the Foundation offers grants and opportunities for projects and individuals located in Minnesota, North Dakota, South Dakota, and the 23 Native nations that share the same geography. The Foundation awards approximately USD 40 million in grants per year and as of August 31, 2020 had approximately USD 1.16 billion in assets.

The Bush Foundation has developed the Bush Foundation Social Bond Framework (the “Framework”) under which it intends to issue social bonds and use the proceeds to provide grant funding in furtherance of its charitable purposes (“Philanthropic Grants”), namely by making grants to counter the consequences of systemic racial injustices.

The Bush Foundation engaged Sustainalytics to review the Bush Foundation Social Bond Framework, dated September 2020, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2020 (SBP).¹ This Framework will be published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible 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 2020, 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 1.5, 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 the Foundation’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 Framework. The Foundation representatives have confirmed (1) they understand it is the sole responsibility of the Foundation 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.

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 the Foundation.

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.

¹ 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/>

² The Bush Foundation Social Bond Framework is available on Bush Foundation’s website at: https://www.bushfoundation.org/2020_SBF

³ 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.

In addition, the Second-Party Opinion opines on the intended 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 the Foundation has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Bush Foundation Social Bond Framework

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

Use of Proceeds:

- The Framework's use of proceeds criteria are aligned with the categories recognized by the SBP. Specifically, Sustainalytics considers that Philanthropic Grants towards asset-building projects that aim to further home ownership, education, entrepreneurship and economic development for marginalized populations will support the SBP category of Socioeconomic Advancement and Empowerment.
- The negative social consequences and economic fallout of the COVID-19 pandemic have exacerbated the negative impacts of longstanding racial injustices in the United States. Through its Philanthropic Grants, the Foundation will seek to address the systemic inequalities that have been amplified as a result of recent events. Sustainalytics views positively this use of proceeds and its intended impacts.
- The proceeds of the Foundation's social bonds will fund the development of new programs aimed at countering the negative downstream effects of systemic racial injustices experienced by communities of color, specifically by issuing Philanthropic Grants to eligible community-led organizations. Therefore, the grantmaking will be "over and above" the Foundation's regular grants.
 - The Foundation may distribute funds to community-led organizations who run asset-building projects focused on furthering home ownership, education, entrepreneurship and economic development in affected communities. As part of this process, the Foundation intends to identify and engage organizations who have the ability to deploy the funds.
 - The Foundation has confirmed that it will seek input from community organizations and leaders during the grant development and program management process, which will lead to further guidelines for grantmaking and program criteria. Sustainalytics notes that the Foundation is still in the process of determining operational criteria for its Philanthropic Grantmaking and, given that this is a novel program as well as the emerging nature of the issues being addressed, is unable to provide a complete opinion on the types of projects at this time. However, in line with the Foundation's goals and existing practices, intended beneficiary groups and selection processes, Sustainalytics is of the opinion that the Philanthropic Grants will result in positive social impact.⁴
- The SBP states that projects should deliver positive impacts "especially but not exclusively for a target population(s)." The Framework defines the target of the Foundation's Philanthropic Grants as communities who have experienced barriers to socio-economic advancement as a

⁴ Sustainalytics has assessed internal documents shared by the Foundation for its Community Innovation Grants Program outlining a) the Foundation's approach to determining programmatic strategy, and b) the process for selecting and awarding grantees. Based on its existing processes, Sustainalytics views the Foundation's overall approach to grantmaking to be robust.

result of systemic racial injustices. Sustainalytics views this as appropriately addressing the question of target populations.⁵

- Sustainalytics notes that full allocation of social bond proceeds for philanthropic purposes is not typically aligned with market practice for social bonds. However, this is an exceptional case as the Foundation's operational model is entirely philanthropic, and Sustainalytics therefore views positively the full allocation of social bond proceeds for philanthropic purposes.

Project Evaluation and Selection:

- The Foundation's leadership and program teams will be responsible for establishing strategic priorities and evaluating and allocating grant funds under the social bond program. As part of this process, the Foundation will draw on its knowledge of grant development, program management, charitable giving, as well as current systems and policies, to develop its new program.⁶ During the development phase, the Foundation will conduct an open process assessment, seeking input from community organizations and leaders across the region, including communities of color.
- The Foundation's program operations staff and legal counsel will be responsible for ensuring that the Foundation complies with all legal requirements for charitable giving. In addition, the terms of the grant will be governed by the Foundation's policies, and grants will be monitored by the Foundation on an ongoing basis through visits, meetings, and written reports.
- Based on the use of defined internal procedures and the consultation of community experts, Sustainalytics considers this process to be in line with market practice.

Management of Proceeds:

- The net proceeds of the social bonds issued under the Foundation's Framework will be deposited into low-risk, short-term investment accounts dedicated solely to holding and disbursing funds for the grants as part of the Foundation's new program. These grant payments will be recorded in the Foundation's grants management system.
- The Foundation has confirmed that it expects that the funds will be distributed to community-led organizations within 24 to 36 months, starting in 2021, while the ultimate deployment of those funds may take longer depending on organizations' capacities to roll out projects.
- Based on the outlined grant management processes, Sustainalytics considers this process to be in line with market practice.

Reporting:

- The Foundation intends to report on the Philanthropic Grants on a regular basis on its website, in line with the Foundation's existing approach to reporting. The reporting will include a summary of grantee organizations, grant amounts and expected impact, and may be supplemented by case studies and other analysis. Sustainalytics has reviewed an example of the Foundation's ongoing budget dashboard and impact reporting commitments and views it to be credible.
- Based on these reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2020

Sustainalytics has determined that the Bush Foundation Social Bond Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Performance of the Foundation

Contribution of Framework to Bush Foundation's sustainability mandate

Sustainalytics is of the opinion that the Foundation demonstrates a strong commitment to building sustainable and just communities with a focus on "investing in great ideas and the people who power them".⁷

⁵ Sustainalytics has assessed the criteria in place for Foundation's current flagship grant programs, namely (i) Community Innovation Grants; (ii) Bush Prize for Community Innovation; (iii) Ecosystem Program and (iv) Bush Fellowship, and views the selection criteria and application processes to be credible. See more at: <https://www.bushfoundation.org/grants-opportunities>

⁶ Sustainalytics has assessed the Foundation's 'Process Overview' for the Community Innovation Grants selection process and views it to be credible.

⁷ Bush Foundation, What We Do: <https://www.bushfoundation.org/what-we-do>

The Foundation carries out its commitment to this mission through the operation of several grantmaking programs and opportunities for projects and individuals located in Minnesota, North Dakota, South Dakota, and the 23 Native nations that share the same geography. These programs include:⁸

- Community Innovation Grants – support organizations working to solve community challenges, particularly with regards to making the region more equitable in both opportunities and outcomes, particularly for Black people, Indigenous people, people of color and/or people from rural communities. With grants ranging between USD 10,000 and USD 200,000, the Foundation provided 174 grants between 2015 and 2019, totaling more than USD 31.2 million.
- Bush Prize for Community Innovation – supports organizations with a track record of successful community problem solving through flexible grants of 25% of the organization’s last fiscal year expenses (up to USD 500,000). Between 2015 and 2019, this program awarded 32 grants, totaling approximately USD 13.3 million.
- Ecosystem Program – provides general operating support to organizations in order to help create an environment that is conducive to running successful programs and strategic initiatives. The annual grant amount is usually 25% of the organization’s expenses, and up to USD 100,000 per year. Between 2015 and 2019, this program awarded 80 grants, totaling approximately USD 14 million.
- Bush Fellowship – provides a flexible grant of up to USD 100,000 to help an individual strengthen and develop leadership skills. From 2015 to 2019, 120 individuals were awarded fellowships, totaling an investment of USD 12.7 million from the Foundation.

In 2019, the Foundation disbursed a total of USD 34.2 million in grants and program-related investments to organizations and individuals in the regions in which it serves. Since its founding in 1953, the Foundation is estimated to have awarded over USD 1.07 billion to programs and individuals.

While the Philanthropic Grants will be managed and deployed separately from the Foundation’s existing grantmaking programs and fellowships, Sustainalytics believes that the new programs will support the Foundation’s overall mission and will allow the Foundation to build on its existing expertise and capacity by exploring new solutions that can address pressing social needs, namely through asset-building projects. As an example of its commitment to combatting systemic racial injustices, in the aftermath of the murder of Mr. George Floyd, the Foundation helped create and fund the Minnesota Philanthropic Collective Committed to Racial Equity and Justice, a joint effort to denounce anti-Blackness and racism and work towards realizing racial justice.⁹ By joining this effort, the Foundation has showcased its commitment to using its platform to fighting for racial equity.

Sustainalytics is of the opinion that the Bush Foundation Social Bond Framework is aligned with the Foundation’s overall strategy and will further the Foundation’s ability to address pressing social challenges.

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

While Sustainalytics recognizes that the net proceeds from the social bonds issued under the Framework will be directed towards eligible projects that are expected to result in overall positive social impacts, it is acknowledged that grantmaking to organizations, projects and/or programs may exacerbate risks of social inequalities if funds are not well-managed and monitored or directed to programs that are appropriately targeted to vulnerable populations.

Sustainalytics is of the opinion that the Foundation is able to manage and/or mitigate potential risks through its comprehensive grant development and approval process, which requires final approval by, or reporting to, the Foundation’s leadership, as well as through its public reporting and compliance requirements. Specifically, Sustainalytics notes the Foundation’s following risk mitigation policies and procedures, and the context in which the Foundation operates.

- The Foundation will use its existing grantmaking procedures when processing the Philanthropic Grants. As part of the application process, the Foundation will conduct a due diligence and compliance review when assessing prospective grant recipients. This process comprises of four stages as follows: Phase 1) Sourcing and Initial Review; Phase 2) Due Diligence and Feedback; Phase

⁸ The source of all of the 2015-2019 figures cited below are from the Bush Foundation’s internal grants management database and have been disclosed directly to Sustainalytics.

⁹ Bush Foundation, Annual B-Magazine: https://www.bushfoundation.org/sites/default/files/bmag-issues/2020_07_02_BMAG2020_low_res_Web.pdf

3) Grant Selection and Memos and; Phase 4) Grantee Support.¹⁰ Once reviewed by the program operations staff and outside legal counsel when necessary, who are responsible for ensuring that the Foundation complies with all legal requirements, all grant recommendations will be subject to the approval of the Foundation's leadership. After the grant has been processed, the Foundation is responsible for providing grantee support to ensure that the grantee is successful during their grant term and that the funds are being appropriately distributed.

- The Foundation will seek external input to help identify grantmaking strategies and priorities. This will include consulting representatives of communities that might be most affected by the grantmaking priorities, particularly Native American and Black/African community organizations and leaders. As such, the Foundation anticipates that identification of the Philanthropic Grants may include participatory features, where the views of the communities most affected will be solicited and taken into consideration as part of the selection process.
- As outlined in the Foundation's Operations Manual,¹¹ grantees must provide a summary of the activities undertaken during the grant period and a basic financial report of grant funds spent to date (in line with the budget in the grant application).
- The Foundation collects financial documents during the due diligence phase to understand the health and capacity of the organization. In the event that the organization does not complete annual audits, the Foundation requires the prospective grantee's most recent 990 Form¹², showing two years of comparable data. In addition, the Foundation reserves the rights to conduct on-and-off site audits.
- The Foundation's Conflict of Interest/Code of Conduct policy,¹³ which applies to all individuals affiliated with the Foundation, adds an additional layer of risk management and assurance.
- The Foundation's expenditures are governed by its tax-exempt status under Section 501(c)(3) of the Code¹⁴ and the Foundation's classification as a private foundation.

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

Section 3: Impact of Use of Proceeds

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

The importance of addressing systemic inequities

The barriers and disadvantages faced by communities of color in the U.S. are longstanding and entrenched in the social fabric of the nation. Systemic racism is ingrained across the institutions, policies and practices that inform society and everyday life, creating disparities across racial lines in the school system, workforce, law, policing and others. As a result, communities of color, especially Native Americans and Black/African Americans, experience these systems differently and may not have access to the same opportunities as their white counterparts, particularly when it comes to asset-building opportunities such as home ownership. For instance, of Americans over the age of 25, 41% of the white population are employed in professional and management roles, the highest paying occupational category, compared to 31% of the Black/African American population.¹⁵ Meanwhile, a poll conducted by National Public Radio in partnership with the Harvard School of Public Health, found that approximately one third of Native Americans say they have experienced discrimination in the workplace either when seeking jobs and/or promotions or regarding earning equal pay.¹⁶ As a result, marginalized Black/African American and Native American communities often face higher rates

¹⁰ The Bush Foundation shared its Operations Manual for the Community Innovation Program. Sustainalytics has assessed the manual and deems the practices to be appropriately rigorous and credible.

¹¹ The Bush Foundation shared its Operations Manual for the Community Innovation Program. Sustainalytics has assessed the manual and deems the practices to be appropriately rigorous and credible.

¹² IRS, 990 form: <https://www.irs.gov/forms-pubs/about-form-990>

¹³ Bush Foundation, Code of Interest/Code of Conduct: https://www.bushfoundation.org/sites/default/files/pdfs/conflict_of_interest_policy-form.pdf

¹⁴ IRS, "Exemption Requirements – 501 (c)(3) Organizations", at: <https://www.irs.gov/charities-non-profits/charitable-organizations/exemption-requirements-501c3-organizations>

¹⁵ US Bureau of Labor Statistics, "Labour force characteristics by race and ethnicity" BLS Reports (October 2019), at:

<https://www.bls.gov/opub/reports/race-and-ethnicity/2018/home.htm#:~:text=The%20employment%E2%80%93%20population%20ratio%20was,and%2063.2%20percent%20for%20Hispanics.>

¹⁶ <https://www.npr.org/2017/11/18/564807229/as-native-americans-face-job-discrimination-a-tribe-works-to-employ-its-own>

of unemployment, resulting in negative effects on their livelihood, as well as for their families and communities at large.¹⁷

Recent mass protests across the United States and around the world have brought to the center of public discourse the systemic racism and racial inequality that historically marginalized communities continue to face. Over recent months, public attention has once again been drawn to these issues, and while the problems that must be addressed are not novel, the impacts of the economic fallout and associated discourse that have arisen have reinforced the need for individuals and organizations of all types to do their part. One of the recurring societal issues that has been brought to light is the disproportionate effect such international and national crises often have on individuals from marginalized backgrounds. For example, a study conducted by Johns Hopkins University shows that while Black/African Americans represent only about 13% of the population in the U.S., they have accounted for approximately 34% of total COVID-19 deaths.¹⁸ Similarly, verified COVID-19 cases on U.S. American Indian reservations as of May 2020 were as high as 3,300 per 100,000 individuals, while the average rate nation-wide is about 32 per 100,000. Research conducted by the Journal of Public Health Management and Practice shows that COVID-19 cases were more likely to occur in tribal communities with a higher proportion of homes lacking appropriate infrastructure, such as indoor plumbing, and that cases were more likely to spread in households that do not speak or communicate in English.¹⁹ The latter suggests that access to relevant public health information in Indigenous languages, and investments in education more broadly, could play a crucial role in limiting the spread in such communities.²⁰ The pandemic, and the subsequent economic fallout, has also showcased inequities in access to decent work and experiences of discrimination in many vulnerable populations in the U.S. experiencing much harsher impact on economic and work-related conditions.²¹

Given the above, the targeted nature of the Foundation's Philanthropic Grants is expected to deliver positive social impacts by countering systemic racial injustices typically experienced most acutely by Native Americans and Black/African Americans in the Foundation's region.

The impact of providing grants for asset-building projects

According to the Asset Funders Network (the "Network"), asset-building can be defined as "how individuals, families, and communities gather the resources that will move them towards economic well-being, for now and for years to come."²² More specifically, asset-building ties together investments in order to build financial security, stability, and advance one's life through education, small business development, employment, and housing, among other factors.²³ The ongoing COVID-19 pandemic has shed light on the role assets play in delivering community stability, as they can serve to provide a secure economic foundation of resources to help families meet daily challenges while recovering from major economic shocks. According to the U.S. Census Bureau, while the majority of the U.S. population will be comprised of people of color with diverse ethnic backgrounds by 2043, families of color are still most at risk of being asset-poor because of occupational segregation, current and historical barriers to accessing home ownership as well as a lack of inherited wealth.²⁴ For example, in 2013, Black homeowners' home equity accounted for nearly all (92%) of their net worth, compared to only 58% for Whites.²⁵

The Network states that asset-building integration can help shift investment goals for foundations from addressing negative outcomes and societal deficiencies to rather building on strengths by harnessing

¹⁷ The Sentencing Project, "UN Report on Racial Disparities" (April 2018); <http://www.sentencingproject.org/publications/un-report-on-racial-disparities/>

¹⁸ PBS, 'How COVID-19 is impacting indigenous peoples in the U.S.': <https://www.pbs.org/newshour/nation/how-covid-19-is-impacting-indigenous-peoples-in-the-u-s>

¹⁹ PBS, 'How COVID-19 is impacting indigenous peoples in the U.S.': <https://www.pbs.org/newshour/nation/how-covid-19-is-impacting-indigenous-peoples-in-the-u-s>

²⁰ PBS, 'How COVID-19 is impacting indigenous peoples in the U.S.': <https://www.pbs.org/newshour/nation/how-covid-19-is-impacting-indigenous-peoples-in-the-u-s>

²¹ US National Library of Medicine National Institutes of Health, 'The impact of the COVID-19 pandemic on marginalized populations in the United States': <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7205696/>

²² Asset Funders Network, 'What is Asset-Building': <https://assetfunders.org/the-issue/what-is-asset-building/#:~:text=Asset%20building%20is%20how%20individuals,Asset%20building%20makes%20prosperity%20achievable.&text=Assets%E2%80%94%20resources%E2%80%94range%20from,ownership%20to%20education%20and%20health>.

²³ Asset Funders Network, 'Strategic Philanthropy: Integrating Investments in Asset Building': <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/asset-integration/strategic-philanthropy-integrating-investments.pdf>

²⁴ Asset Funders Network, 'Strategic Philanthropy: Integrating Investments in Asset Building': <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/asset-integration/strategic-philanthropy-integrating-investments.pdf>

²⁵ Shapiro, T., T. Meschede, and S. Osoro, The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide. 2013, Institute on Assets and Social Policy, Brandeis University

capability, access and opportunity.²⁶ According to the Network, this in turn can help foundations deepen the long-term impact of their work by shifting their focus from families' vulnerabilities to instead focus on their opportunities for long-term success.²⁷ In this context, the Foundation's grants in the area of asset-building projects focused on furthering home ownership, education, entrepreneurship and economic development in affected, marginalized communities, are expected to deliver positive social impacts in the short-term, while building community resiliency in the long-term.

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 social bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Socio-Economic Advancement and Empowerment	8. Decent work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

The Foundation has developed the Bush Foundation Social Bond Framework under which it will issue social bonds and use the proceeds to provide Philanthropic Grants directed at countering the consequences of systemic racial injustices. Sustainalytics considers that the Philanthropic Grants will provide positive social impact.

The Bush Foundation Social Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Sustainalytics believes that the Bush Foundation Social Bond Framework is aligned with the overall sustainability strategy of the Organization and that the social use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals 8 and 10. Additionally, Sustainalytics is of the opinion that the Foundation has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Bush Foundation is well-positioned to issue social bonds and that the Bush Foundation Social Bond Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2020.

²⁶ Asset Funders Network, 'Strategic Philanthropy: Integrating Investments in Asset Building': <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/asset-integration/strategic-philanthropy-integrating-investments.pdf>

²⁷ Asset Funders Network, 'Strategic Philanthropy: Integrating Investments in Asset Building': <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/asset-integration/strategic-philanthropy-integrating-investments.pdf>

Appendices

Appendix 1: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name:	Bush Foundation
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Bush Foundation Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 28, 2020
Publication date of review publication:	

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 nd 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, philanthropic grants to asset-building projects, is aligned with those recognized by the Social Bond Principles. Specifically, grants provided in the areas of home ownership, education, entrepreneurship and economic development are anticipated to lead to positive social impact, including socio-economic advancement and empowerment for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG Goals 8 and 10.

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 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 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):

Bush Foundation's leadership and program teams will be responsible for evaluating and allocating grant funds. Bush Foundation will draw on its knowledge of grant development, program management, charitable giving, as well as current systems and policies, to develop its new program. Proceeds will be allocated within 24-36 months, starting in 2021. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social 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 Social 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 (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 of the social bonds issued under the Bush Foundation's Framework will be deposited into low-risk short term investment accounts dedicated solely to holding and disbursing funds for the grants as part of the new program. These grant payments will be recorded in Bush Foundation's grants management system. Sustainalytics considers this process 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):

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):

4. REPORTING

Overall comment on section (if applicable):

Bush Foundation intends to provide reporting on a regular basis on its website, in line with its existing approach to reporting. The reporting will include a summary of grantee organizations, grant amounts and expected impact. Sustainalytics views the allocation and impact reporting as 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): Allocation reporting will be conducted on a regular, ongoing basis.

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):

Frequency:

- Annual
- Semi-annual
- Other (please specify): Reporting will be conducted on a regular, ongoing basis.

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): Foundation's website.
- 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 nd 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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