



Second-Party Opinion  
**California Housing Finance Agency  
 Social Bond Framework for the  
 Purchase and Financing of Citibank,  
 N.A. Affordable Housing Loans**

**Evaluation Summary**

Sustainalytics is of the opinion that the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds – Affordable Housing – is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for the target population. Sustainalytics considers that activities in the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 11: Sustainable Cities and Communities



**PROJECT EVALUATION / SELECTION** Eligible projects under the Framework will be assessed by members of the California Housing Finance Agency (“CalHFA” or the “Agency”) staff, including the Senior Acting Director of the Finance Division and the Director, Multifamily Programs. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** CalHFA’s Financing Division will be responsible for the use of bond proceeds. The Agency will identify the pool of assets being financed in advance of each issuance and allocate all proceeds immediately at the time of issuance. CalHFA will not retain the flexibility to re-allocate proceeds. This is in line with market practice.



**REPORTING** CalHFA commits to publishing an upfront report as part of the Official Statement for each issuance with information on specific assets such as the total number of units, rent limits as well as the regulatory agreements in place. In addition, CalHFA intends to disclose relevant social impact metrics. Sustainalytics views CalHFA’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	August 19, 2021
<b>Issuer Location</b>	Sacramento, United States

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**For inquiries, contact the Sustainable Finance Solutions project team:**

**Ijeoma Madueke (Toronto)**  
 Project Manager  
 ijeoma.madueke@sustainalytics.com  
 (+1) 647 317 3631

**Amala Devi (Toronto)**  
 Project Support

**Andrew Johnson (Toronto)**  
 Project Support

**Paramjot Kaur (New York)**  
 Client Relations  
 susfinance.americas@sustainalytics.com  
 (+1) 646 518 9623

## Introduction

California Housing Finance Agency (“CalHFA” or the “Agency”) is an agency of the State of California (the “State”), United States, that was set up in 1975 as the State's affordable housing lender. The primary purpose of the Agency is meeting the housing needs of persons and families of low- or moderate- income in the State. CalHFA is authorized to issue bonds, notes and other instruments for a variety of purposes including loans directly to qualified borrowers to finance multifamily residential rental housing, housing developments and other residential structures, as well as purchasing loans through qualified mortgage lenders.

CalHFA has developed the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans (the “Framework”) under which it intends to issue municipal certificates (the “Bonds”) and use the proceeds to acquire a portfolio of affordable loans originated by Citibank, N.A. under Citi's Affordable Housing Framework.<sup>1</sup> The Framework defines eligibility criteria in one area:

1. Affordable Housing

CalHFA engaged Sustainalytics to review the Framework, dated August 2021, and provide a Second-Party Opinion on the Framework's social credentials and its alignment with the Social Bond Principles 2021 (SBP).<sup>2</sup> This Framework will be published in a separate document.<sup>3</sup>

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

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework's alignment with the Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8.1, 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 CalHFA'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. CalHFA representatives have confirmed (1) they understand it is the sole responsibility of CalHFA 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 CalHFA.

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

<sup>1</sup> Citi's Affordable Housing Framework, available at: <https://www.citigroup.com/citi/fixedincome/>

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

<sup>3</sup> The Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans is available on CalHFA's website at: <https://www.calhfa.ca.gov/about/financials/index.htm>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans

Sustainalytics is of the opinion that the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans is credible and impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of CalHFA's Social Bond Framework:

- Use of Proceeds:
  - The eligible category, Affordable Housing, is recognized as impactful by the SBP.
  - Under the Framework, the Agency intends to purchase fully funded affordable housing loans from Citibank. CalHFA has confirmed that the specific pools of affordable housing loans will be identified in advance of the sale of the municipal certificates, and the majority of these will have been funded within 36 months of the sale date.
  - The loan portfolio includes tax-exempt loans made to finance and/or refinance the acquisition, construction, and/or rehabilitation of multifamily affordable housing projects located in the state of California (the "State") for low- and moderate-income households.
    - The Framework specifies the target population based on Area Median Income ("AMI") households determined by the U.S. Department of Housing and Urban Development (HUD), where; (i) Low-income refers to less than 50% of the AMI, (ii) Moderate income refers to between 50% and less than 80% of the AMI.
    - In order to ensure that the target population is being reached, the Framework specifies that rent on the units to be funded will not exceed 30% of the specified low- and moderate-income levels and shall be at or below the maximum allowable rent as determined by HUD for such households. This will be enforced and monitored periodically in compliance with the regulatory agreements with (i) the California Tax Credit Allocation Committee, the State's low-income housing tax credit allocator; and (ii) the state or local issuer of the private activity tax exempt bonds, on behalf of and incorporating the requirements of the California Debt Limit Allocation Committee, the State allocator of private activity tax exempt bond cap for each project.
    - Sustainalytics notes positively that the target population is clearly defined based on a recognized standard as well as the assurance of affordability through income and rent controls.
  - The Agency will invest in properties funded by Citibank N.A. ("Citibank Loans") that are eligible for inclusion under the Citi Affordable Housing Framework.
- Project Evaluation and Selection:
  - Projects in the portfolio of loans being financed under the Framework will be evaluated by members of the Agency's staff, including the Acting Director of the Finance Division and the Director of Multifamily Programs.

## CalHFA Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans

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- Based on the defined process for project evaluation and the presence of senior oversight, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - CalHFA’s Financing Division will be responsible for the management of the Bond proceeds, with assistance from the Agency’s contracted bond trustee. The Agency has stated its intent to identify the pool of assets being financed in advance of each issuance and to expend the proceeds immediately at the time of issuance. CalHFA will not retain the flexibility to re-allocate proceeds.
  - Based on the commitment for full allocation at issuance, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - The Agency commits to publishing an upfront report as part of the Official Statement for the offering of Bonds. The report will provide information on specific assets such as the total number of units, rent limits and the regulatory agreements in place. In addition, as part of the Official Statement, relevant social impact metrics such as the number of projects, number of housing units and the number of moderate, low- and very low- income units shall be disclosed.
  - Sustainalytics considers the allocation and impact reporting process to be aligned with market practice.

### Alignment with Social Bond Principles 2021

Sustainalytics has determined that the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans 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 Strategy of CalHFA

### Contribution of Framework to California Housing Finance Agency’s sustainability mandate

Sustainalytics is of the opinion that the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans is aligned with the Agency’s overall sustainability strategy and initiatives and will further the Agency’s action on its key social priorities. Sustainability is a core part of the Agency’s mandate to provide financing and programs to assist low- to moderate- income Californians with housing. CalHFA functions within the Department of Housing and Community Development and is dedicated to increasing access to affordable housing for all low- to moderate- income Californians, including populations in need as well as contributing towards providing adequate communities in the state of California.

Since 1975, CalHFA has assisted over 201,000 homeowners in California, developed 70,000 affordable units, and protected 80,000 families from foreclosure.<sup>5</sup> The Agency provides and has provided Californians with many programs, including its administration of the Special Needs Housing Programs (SNHP), that supported rental housing to individuals with serious mental illness, and their families who are homeless or at risk of becoming homeless. In addition, through its Multifamily Lending Program, CalHFA intends to make available over 3,525 units of affordable housing and finance \$1 billion in multifamily lending with \$714 million in conduit issuance, and \$202.5 million in permanent loan conversions and commitments, as well as \$74 million in Mixed-Income Program (MIP) lending.<sup>6</sup>

Sustainalytics is of the opinion that the Framework’s focus on affordable housing is aligned with its overall sustainability strategy and initiatives and will further CalHFA’s mandate to provide housing to low- and moderate-income families.

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

While Sustainalytics recognizes that the net proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have a positive social impact, Sustainalytics is aware

<sup>5</sup> CalHFA, “California Housing Finance Agency”, (2021), at: <https://www.calhfa.ca.gov/index.htm>

<sup>6</sup> CalHFA, “CalHFA FY2020-21 Business Plan Executive Summary”, at: <https://www.calhfa.ca.gov/about/financials/budget/2020-21ExecSummaryBusinessPlan.pdf>

that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational and resident health and safety as well as the exacerbation of existing inequalities due to ineffective targeting and stakeholder relations.

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

- CalHFA has communicated to Sustainalytics that the eligible projects are subject to compliance with requirements from the California Tax Credit Allocation Committee ("CTCAC") as well as the California Debt Limit Allocation Committee ("CDLAC") to ensure that they remain safe, decent and affordable for residents. CalHFA properties are subject to compliance with requirements for affordability as well as service amenities for residents which includes periodic audits and inspections to ensure the requirements are followed.<sup>7</sup>
- Citibank, acting as CalHFA's servicer for the loans under this Framework will actively monitor the eligible projects to ensure compliance with CTCAC and CDLAC regulations and report to CalHFA.

CalHFA complies with the State Leadership Accountability Act, that requires all State agencies to monitor and control use of funds to eliminate fraud, errors, waste and abuse of government funds. Based on these policies, standards and assessments, Sustainalytics is of the opinion that CalHFA 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 on the following aspects where the impact is specifically relevant in the local context.

#### Importance of affordable housing in the state of California

Homelessness in the U.S. was recorded at about 580,000 people in 2020, increasing for the fourth consecutive year.<sup>8</sup> The increase has been partly driven by the growing number of unsheltered populations in high-cost markets, particularly in California.<sup>9</sup> In 2020, California alone accounted for 28% of the homeless population in the country with over 160,000 people experiencing homelessness.<sup>10</sup> The lack of affordable housing is a key contributor to homelessness, especially for low-income renters who are often one financial shock away from homelessness. Across the U.S., there are more than 7.7 million renters with very low incomes who do not receive government housing assistance and pay more than one-half of their incomes toward rent, or live in severely inadequate conditions.<sup>11</sup> In California, 21% of renters fall in the low-income category with around 76% of such households spending more than half of their incomes on housing costs, sacrificing other necessities such as food, healthcare, childcare and transportation.<sup>12</sup> Furthermore, the shortage in housing for extremely low-income households in California was recorded at over 960,000 units in 2019.<sup>13</sup>

California's severe housing crisis requires a significant investment in affordable housing projects. In this context, Sustainalytics expects that the investments under the Framework to contribute to overcoming affordable housing challenges in the state and to have strong positive impacts.

<sup>7</sup> CTCAC, "Memo-Compliance Monitoring", (2021), at: <https://www.treasurer.ca.gov/ctcac/compliance/memos/memo-compliance-monitoring-2021.pdf>

<sup>8</sup> Department of Housing and Urban Development, "The 2020 Annual Homeless Assessment Report (AHAR) to Congress", at: <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>

<sup>9</sup> Department of Housing and Urban Development, "Worst case Housing Needs 2019 Report to Congress", at: <https://www.huduser.gov/portal/sites/default/files/pdf/worst-case-housing-needs-2020.pdf>

<sup>10</sup> Department of Housing and Urban Development, "The 2020 Annual Homeless Assessment Report (AHAR) to Congress", at: <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>

<sup>11</sup> Department of Housing and Urban Development, "Worst case Housing Needs 2019 Report to Congress", at: <https://www.huduser.gov/portal/sites/default/files/pdf/worst-case-housing-needs-2020.pdf>

<sup>12</sup> National Low Income Housing Coalition, "Housing Needs by State: California", at: <https://nlihc.org/housing-needs-by-state/california>

<sup>13</sup> *Ibid.*

## CalHFA Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans

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### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans advances the following SDG and target:

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

### Conclusion

CalHFA has developed the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans under which it intends to issue social bonds and use the proceeds to finance the acquisition, construction, and/or rehabilitation of multifamily affordable housing projects located in the state of California for low- and moderate-income households. Sustainalytics considers that the projects funded by the social bond proceeds are expected to provide positive social impact.

The Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans 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. Furthermore, Sustainalytics believes that the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans is aligned with the overall sustainability strategy of the company and that the social use of proceed category will contribute to the advancement of the UN Sustainable Development Goal 11. Additionally, Sustainalytics is of the opinion that CalHFA 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 California Housing Finance Agency is well-positioned to issue social bonds and that the Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021.

## Appendix

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

#### Section 1. Basic Information

<b>Issuer name:</b>	California Housing Finance Agency
<b>Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:</b>	Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	August 19, 2021
<b>Publication date of review publication:</b>	

#### Section 2. Review overview

##### SCOPE OF REVIEW

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

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

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

##### ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

### Section 3. Detailed review

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

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds Affordable Housing is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for the target population. Sustainalytics considers that activities in the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 11: Sustainable Cities and Communities.

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

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

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

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

Overall comment on section (if applicable):

Eligible projects under the Framework will be assessed by members of CalHFA staff, including the Senior Acting Director of the Finance Division and the Director, Multifamily Programs. Sustainalytics considers the project selection process to be in line with market practice.

#### Evaluation and selection

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer’s social objectives                        | <input type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input 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):   |

# CalHFA Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans

## 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):

CalHFA's Financing Division will be responsible for the use of bond proceeds. The Agency will identify the pool of assets being financed in advance of each issuance and allocate all proceeds immediately at the time of issuance. CalHFA will not retain the flexibility to re-allocate proceeds. This is 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): All use of proceeds will be fully allocated at the time of issuance, the issuer retains no flexibility to re-allocate proceeds.

### Additional disclosure:

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

## 4. REPORTING

Overall comment on section (if applicable):

CalHFA commits to publishing an upfront report as part of the Official Statement for each issuance with information on specific assets such as the total number of units, rent limits as well as the regulatory agreements in place. In addition, CalHFA intends to disclose relevant social impact metrics. Sustainalytics views CalHFA's 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): All use of proceeds will be fully allocated at the time of issuance.

### Information reported:

- Allocated amounts       Social Bond financed share of total investment

- Other (please specify):

### Frequency:

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

### Impact reporting:

- Project-by-project       On a project portfolio basis
- Linkage to individual bond(s)       Other (please specify): None Intended

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

- Number of beneficiaries       Target populations

Other ESG indicators (*please specify*): Number of projects, housing units, low- and very low-income units

### Frequency:

- Annual       Semi-annual
- Other (please specify): Impact report will be included in Official Statement for the bond offering

### Means of Disclosure

- Information published in financial report       Information published in sustainability report
- Information published in ad hoc documents       Other (please specify): Information published in Official Statement for the offering of municipal certificates
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

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

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

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

**Review provider(s):**

**Date of publication:**

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

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

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## Disclaimer

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

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

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

## About Sustainalytics, a Morningstar Company

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



**Named**

2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider



**The Social Bond Principles**