

Second-Party Opinion

ESM Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the ESM Social Bond Framework 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 – Pandemic Crisis Support (“PCS”) – is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 3.



PROJECT EVALUATION / SELECTION The Pandemic Crisis Support is available to all ESM Member States upon request. Once the Member requests the draw-down of funds, the ESM for funding purposes will identify the expenditures which qualify as Eligible Social Expenditures based on the eligibility criteria outlined in the Framework. Sustainalytics considers the project selection process in line with market best practice.



MANAGEMENT OF PROCEEDS The management of proceeds process will be handled by the Asset Liability Management Financial Structuring division and may involve different divisions, such as Funding and Investor Relations. The net proceeds will be pooled and allocated on a portfolio basis to fund the loans drawn down by ESM Members under the ESM PCS. The ESM will collaborate with the European Commission on the monitoring of the use of funds, based on regular reporting by the Beneficiary Member State. Pending allocation, the proceeds will remain in the ESM’s treasury accounts and be invested according to the ESM investment guidelines. This is in line with market practice.



REPORTING ESM will report on the allocation of proceeds publicly and annually on its website, until full allocation. The allocation of proceeds will include the total amount of expenditures funded through the issuances, a breakdown of such expenditure per country and by category, as well as publicly available information about Beneficiary Member State’s eligible social expenditures. ESM is committed to reporting on the impact of the proceeds raised by the Social Bonds, publicly and annually. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Evaluation date	June 15, 2020
Issuer Location	Luxembourg City, Luxembourg

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Introduction

European Stability Mechanism (“ESM” or the “Issuer”) is an inter-governmental financial institution created in October 2012 by the euro area Member States (“ESM Member” or “Member”).¹ ESM provides financial assistance to the Member States experiencing or threatened by severe financing problems to safeguard the financial stability of the euro area, the Beneficiaries Members States (“BMS”).

ESM has developed the ESM Social Bond Framework (the “Framework”) under which it intends to issue multiple social bonds and use the proceeds to finance or re-finance, in whole or in part, disbursements to BMS under its PCS instrument, to fund existing or future direct and indirect health, healthcare, cure, and prevention-related costs due to the COVID-19 crisis. The Framework defines eligibility criteria in the following area:

1. Pandemic Crisis Support (“PCS”)

ESM engaged Sustainalytics to review the ESM Social Bond Framework, dated May 2020, and provide a second-party opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2020 (SBP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ 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 ICMA Social Bond Principles 2020;
- The credibility and anticipated positive impacts of the use of proceeds;
- 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 1.4.1, 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 the ESM’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 ESM representatives have confirmed (1) they understand it is the sole responsibility of the ESM 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 ESM.

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 ESM Members are Member States the eurozone comprising 19 of the 27 EU Member States.

² The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf>

³ The {ESM Social Bond Framework} is available on the ESM website at: <https://www.esm.europa.eu/>

⁴ 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 realized 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 favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that the ESM has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the ESM Social Bond Framework

Sustainalytics is of the opinion that the ESM Social Bond Framework aligns with the four core components of the SBP 2020. Sustainalytics highlights the following elements of ESM's Social Bond Framework:

- Use of Proceeds:
 - The eligible category – Pandemic Crisis Support (“PCS”) – is aligned with those recognized by the SBP 2020. Financial assistance will be provided to the Beneficiary Member States (“BMS”) to support them in facing the direct and indirect costs of the COVID-19 pandemic. Sustainalytics recognizes the potential benefits of providing financing for health systems of the Beneficiary Member States and their general populations.
 - The use of proceeds category encompasses the following expenditures:
 - The PCS may finance the direct and indirect costs for healthcare, cure and prevention related to the Covid-19 crisis.
 - The PCS may support public healthcare spending to address the impact of COVID-19 on the healthcare system. These measures can include, inter alia, spending on hospitals, ambulatory care and rehabilitative care, diagnostics, pharmaceuticals, preventive care, health administrations, and health-related long-term care.
 - Sustainalytics notes that target populations are the general populations of Member States, for which universal access to healthcare is guaranteed. Universal access is guaranteed by the right to access preventive health care and the right to benefit from medical treatment, protected by the EU's Charter of Fundamental Rights.⁵ For more information concerning the universal access, please refer to Section 2. Sustainalytics positively recognizes financing for healthcare systems that provide universal access.
- Project Evaluation and Selection:
 - The PCS is available to all ESM Members upon request. Once an ESM Member requests PCS funding, the Chairperson of the ESM Board of Governors entrusts the European Commission, in liaison with the European Central Bank (“ECB”) and in collaboration with ESM, to prepare the assessments required under the ESM Treaty⁶ and the Guideline on Precautionary Financial Assistance.⁷ The assessments include an analysis against the Framework's eligibility criteria, an assessment of financial stability, the sustainability of the BMS public debt and its actual or potential financing needs.⁸ On the basis of the request and these assessments, the ESM Board of Governors⁹ approves the granting, in principle, of the PCS to the BMS. Sustainalytics notes

⁵ EC, “EU Charter of Fundamental Rights”, at: https://ec.europa.eu/info/aid-development-cooperation-fundamental-rights/your-rights-eu/eu-charter-fundamental-rights_en

⁶ ESM, “ESM Treaty”, (2012), at: https://www.esm.europa.eu/sites/default/files/20150203_-_esm_treaty_-_en.pdf

⁷ ESM, “Guideline on Precautionary Financial Assistance”, at:

https://www.esm.europa.eu/sites/default/files/esm_guideline_on_precautionary_financial_assistance.pdf

⁸ On 7 May 2020 the European Commission published the preliminary assessments confirming the eligibility of all the euro area Member States for the PCS. They can be found here: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/loan-programmes/european-stability-mechanism-esm_en

⁹ The Board of Governors is composed of government representatives of each of the 19 ESM shareholders with the responsibility for finance (generally, the Ministers of Finance).

that ESM's project evaluation and selection process is very clearly outlined in the Framework and considers it to be in line with market best practice.

- Management of Proceeds:
 - The management of proceeds process will be handled by the Asset Liability Management Financial Structuring division and may involve other divisions, including the Funding and Investor Relations and the Economic Risk Analysis divisions. The net proceeds will be pooled and allocated on a portfolio basis to the loans drawn down by the Member. Pending allocation, unallocated proceeds will remain in the ESM's treasury accounts and be invested according to the ESM investment guidelines. ESM intends to fully allocated proceeds within one year of issuance. Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - ESM will report on the allocation of proceeds publicly and annually on its website, until full allocation. ESM will collaborate with the European Commission on monitoring of the use of funds, based on regular reporting by the BMS. The allocation of proceeds will include the total amount of PCS disbursements funded through the issuances, a breakdown of relevant PCS-funded expenditure per country and by category, as well as publicly available information about BMS' eligible social expenditures. ESM is committed to report on the impact of the proceeds raised by the Social Bonds, including the use of the proceeds by the beneficiaries in each of the three categories, together with some granular information under each of these categories. Sustainalytics notes that the SBP recommend the use of qualitative and quantitative indicators and encourages the Issuer to identify and report on specific indicators. ESM Social Bond reporting will be available on the ESM website. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2018

Sustainalytics has determined that the ESM Social Bond Framework aligns to the four core components of the SBP 2020. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of ESM

Contribution of Framework to the Comprehensive Policy Response to the COVID-19 pandemic

ESM has a public mandate (the "ESM mandate") to preserve financial stability of the euro area by providing financial assistance to Member States with severe financing problems. Sustainalytics acknowledges ESM has a strong commitment to transparency and reporting on its financing of environmental and social initiatives.¹⁰ However, as an intergovernmental organization operating under public international law, ESM does not have a traditional "sustainability strategy".

Nevertheless, the Framework will contribute to the Comprehensive Economic Policy Response ("CEPR") to the COVID-19 pandemic set up by the Eurogroup on April 9, 2020.¹¹ In a spirit of solidarity, the CEPR is pursuing the objective to mitigate the adverse socio-economic consequences of the pandemic.¹¹ As such, it has proposed the establishment of PCS funding to be available to all euro area Member States affected by the crisis.¹² For further information concerning the potential impacts and social benefits arising from the PCS, please refer to Section 3.

Sustainalytics is of the opinion that the ESM Social Bond Framework is aligned with the ESM mandate and will contribute to the CEPR set up by the Eurogroup, by assisting the BMS in financing direct and indirect health expenditures linked to the pandemic.

¹⁰ ESM, "ESG at the ESM", (2020), at: <https://www.esm.europa.eu/about-us/how-we-work/environmental-social-and-social-governance-esg-practices-esm>

¹¹ European Council, "Report on the comprehensive economic policy response to the COVID-19 pandemic", (2020), at: <https://www.consilium.europa.eu/fr/press/press-releases/2020/04/09/report-on-the-comprehensive-economic-policy-response-to-the-covid-19-pandemic/>

¹² Article 16: Safety nets in the EU and EA.

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

While Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are recognized by the SBP, Sustainalytics is aware that such eligible projects could also lead to negative social impacts. Some key risks associated with the eligible projects could include increasing inequality if universal health coverage is not ensured.

As an intergovernmental institution with a public mandate, Sustainalytics recognizes that the financing of projects and activities carried out under this Framework will not be directly implemented by the ESM, but rather by the BMS of the PCS. Therefore, Sustainalytics notes that the risk of increasing inequality is mitigated by the EU legislation and the BMS health coverage, as follows:

- As mentioned in Section 1, the right to access preventive health care and the right to benefit from medical treatment is protected by the EU's Charter of Fundamental Rights.⁵ This charter ensures that universal access is guaranteed for the citizens of EU Member States and ensures no financial discrimination takes place.
- There are three primary types of healthcare systems in the European Union, all of which are intended to provide universal coverage to the general population.¹³ There are health systems that are tax-funded provide universal access based on residency.¹³ There are systems based on social health insurance, which cover people who contribute to the system and usually extend the insurance coverage to non-contributing groups.¹³ Finally, in systems based on mandatory private health insurance, access is also guaranteed.¹³

Based on the BMS policies, Sustainalytics is of the opinion that the risk of increasing inequality is mitigated by the achievement of nearly universal population coverage. Sustainalytics further notes that the ESM financings may strengthen universal access to health by increasing health-related public expenditures in the BMS.

Section 3: Impact of Use of Proceeds

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

Supporting Healthcare Systems Respond to COVID-19 Pandemic Crisis

Over the past several decades there has been progress across all euro area health systems, however, large inequalities within Member States persist.¹⁴ For example, in 2017, the number of physicians¹⁵ per hundred thousand inhabitants ranged from 306.6 in Ireland to 606.6 in Greece.¹⁶ In addition, in 2018, reported unmet healthcare needs for medical examination or treatment varied from 0.4 in Spain to 18.9% in Estonia, for persons aged 16 and more.¹⁷

The COVID-19 pandemic has had a significant impact on Member States' general populations and healthcare systems. Member States' capacity to effectively respond to this pandemic has varied significantly, demonstrating the need for increased resilience and improved health systems. By financing prevention measures, diagnostics, pharmaceuticals, rehabilitative care, and hospitals, ESM can help Member States increase their capacity and access to affordable and quality healthcare to safeguard the health and well-being of citizens in the euro area. For example, the pandemic situation following the spread of the coronavirus has put the euro area Member States' healthcare systems under pressure. Several key areas have experienced constraints or shortages, such as ventilator availability, personal protective equipment ("PPE"), sampling and laboratory materials affecting diagnostic capacity and shortages of space due to increased needs for triage and isolation of suspected cases.

¹³ European Commission, "Inequalities in access to healthcare - A study of national policies", (2018), at: <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8152&furtherPubs=yes>

¹⁴ European Commission, "State of Health in the EU. Executive Summary", (2018) at: https://ec.europa.eu/health/sites/health/files/state/docs/2018_healthatglance_sum_en.pdf

¹⁵ Physicians include general practitioners, other generalist medical practitioners, general pediatricians, gynecologists and obstetricians, psychiatrists, medical group of specialists and other specialists not elsewhere classified.

¹⁶ Eurostat, "Healthcare personal statistics – physicians", (2019), at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Healthcare_personnel_statistics_-_physicians

¹⁷ Eurostat, "Unmet health care needs statistics", (2019), at: https://ec.europa.eu/eurostat/statistics-explained/index.php/Unmet_health_care_needs_statistics

Furthermore, ESM’s financing via a credit line available until the end of 2022 serves as a protection or insurance¹⁸ against severe care disruptions, medicines shortages, health system inadequacy, insufficient and unequal access to healthcare, and damage due to future pandemic challenges.¹⁹ This will improve euro area Member States’ ability to respond to potential future waves of infection.

Based on the above, Sustainalytics is of the opinion that ESM’s support for domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis will provide positive social impact by increasing access to healthcare and by improving euro area States’ capacity to respond to COVID-19 crisis.

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 SDG goal and targets:

Use of Proceeds Category	SDG	SDG target
Pandemic Crisis Support	3. Good Health and Well-Being	<p>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</p> <p>3.D Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks</p>

Conclusion

The ESM has developed the ESM Social Bond Framework under which it will issue social bonds and use the proceeds to finance existing or future direct and indirect healthcare, cure, and prevention-related costs due to the COVID 19 crisis. Sustainalytics considers that the projects funded by the social bond proceeds will help the BMS healthcare systems in facing the crisis.

The ESM 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. Furthermore, Sustainalytics believes that the ESM Social Bond Framework is aligned with the ESM mandate will contribute to the advancement of the UN Sustainable Development Goal 3. Additionally, Sustainalytics is of the opinion that the ESM Members have adequate measures to identify, manage and mitigate the risks of unequal access to healthcare.

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

¹⁸ ESM, “ESM’s role in the European response”, at: <https://www.esm.europa.eu/content/europe-response-corona-crisis>

¹⁹ EPHA, “Stronger and more ambitious EU Health policy urgently needed following COVID19 says EU4Health coalition”, (2020), at: <https://epha.org/stronger-more-ambitious-eu-health-policy-urgently-needed-says-eu4health/>

Appendices

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

Section 1. Basic Information

Issuer name: European Stability Mechanism

Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: ESM Social Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: June 11, 2020

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

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

The review assessed the following elements and confirmed their alignment with the 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 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 – Pandemic Crisis Support (“PCS”) – is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 3.

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input 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 SBPs | <input checked="" type="checkbox"/> Other (please specify): Pandemic Crisis Support |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Pandemic Crisis Support is available to all ESM Member States upon request. Once the Member requests the draw-down of funds, the ESM for funding purposes will identify the expenditures which qualify as Eligible Social Expenditures based on the eligibility criteria outlined in the Framework. Sustainalytics considers the project selection process in line with market best 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 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

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
|--|--|

- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The management of proceeds process will be handled by the Asset Liability Management Financial Structuring division and may involve different divisions, such as Funding and Investor Relations. The net proceeds will be pooled and allocated on a portfolio basis to fund the loans drawn down by ESM Members under the ESM PCS. The ESM will collaborate with the European Commission on the monitoring of the use of funds, based on regular reporting by the Beneficiary Member State. Pending allocation, the proceeds will remain in the ESM's treasury accounts and be invested according to the ESM investment guidelines. 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):

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)*:

ESM will report on the allocation of proceeds publicly and annually on its website, until full allocation. The allocation of proceeds will include the total amount of expenditures funded through the issuances, a breakdown of such expenditure per country and by category, as well as publicly available information about Beneficiary Member State's eligible social expenditures. ESM is committed to reporting on the impact of the proceeds raised by the Social Bonds, publicly and annually. Based on these elements, Sustainalytics considers this process to be in line 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):

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*): Granular information under each sub-category

Frequency:

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

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

- Consultancy (incl. 2nd opinion) Certification

- Verification / Audit Rating
 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 recognized 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 specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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

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

Sustainalytics

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