

Second-Party Opinion

Forbright Bank Green Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Forbright Bank Green Financing Framework is credible and impactful and, with respect to the bonds, notes and preferred stocks, is aligned with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy; Energy Efficiency; Green Buildings; Sustainable Water, Waste and Agriculture; and Sustainable Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 9, 11, 12 and 15.



PROJECT EVALUATION AND SELECTION Forbright Bank's ESG Working Group and Officers Loan Committee will evaluate, select and monitor eligible assets against the eligibility criteria and will be overseen by the ESG Strategy Committee. The ESG Working Group will also oversee the environmental and social risk assessment process, which is applicable to all allocation decisions. Sustainalytics considers the risk management system to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Forbright Bank's Sustainable Asset Tracking group will track and monitor the allocation of proceeds to eligible projects. The Bank will allocate proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in line with Forbright Bank's internal liquidity policy and may be temporarily invested in cash or cash equivalents.



REPORTING Forbright Bank intends to report on the allocation of proceeds and corresponding impact on its website on an annual basis until full allocation. Allocation reporting will include a description of the projects financed, the amount of proceeds allocated to each eligible category and the balance of unallocated proceeds. Forbright Bank is also committed to reporting on relevant impact metrics, achieved or expected, where feasible. Sustainalytics views Forbright Bank's allocation and impact reporting as aligned with market practice.

Alignment of Deposits with Market Expectations

The Forbright Bank Green Financing Framework includes deposits as an eligible financial product. Sustainalytics is of the opinion that the principles of impact and transparency that underlie the sustainable investment industry, as well as many of its norms and standards, are applicable to deposits, and that Forbright Bank's internal processes and the use of funds aligns with those principles.

Evaluation date	September 19, 2023 ¹
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Issuer Location	Chevy Chase, MD, United States
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¹ This document updates Second-Party Opinion dated March 2023.

Introduction

Forbright Bank (“Forbright”, the “Bank” or the “Issuer”) is an American consumer and commercial bank founded in 2003 and headquartered in Maryland. The Bank provides banking and financial solutions to its customers, including direct lending, deposit, checking and transaction processing services. The Bank holds more than USD 7.5 billion in owned and managed assets as of August 2023.²

Forbright has developed the Forbright Bank Green Financing Framework dated September 2023 (the “Framework”) under which it intends to issue green bonds, notes and preferred stocks (the “Green Instruments”), and green deposits (the “Green Deposits”) and use the proceeds to finance or refinance, in whole or in part, existing or future projects and companies that are expected to support positive environmental outcomes. The Framework defines eligibility criteria in five areas:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Sustainable Water, Waste and Agriculture
5. Sustainable Transportation

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 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 Green 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 1.14, 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 Forbright Bank’s management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Forbright Bank representatives have confirmed that: (1) they understand it is the sole responsibility of Forbright Bank to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) 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 Forbright Bank.

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 and loan 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. Forbright Bank is encouraged to update the Framework after 24 (twenty-four) months from the evaluation date, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

² Pitchbook, “Forbright”, at: <https://my.pitchbook.com/profile/56542-60/investor/profile>

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 potential allocation of proceeds but does not guarantee the realized allocation of the bond and deposit 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 Forbright Bank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green Financing Framework

Sustainalytics is of the opinion that the Green Financing Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of Forbright Bank's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy; Energy Efficiency; Green Buildings; Sustainable Water, Waste and Agriculture; and Sustainable Transportation – are aligned with those recognized by the GBP.
 - Forbright may finance loans to corporations that derive 90% or more of their revenue from activities that comply with the eligibility criteria set in the Framework. Sustainalytics recognizes that the GBP require project-based lending and financing, which provide more transparency than non-project-based lending in general. Nevertheless, Sustainalytics recognizes that the financing of pureplay companies through green debt instruments is commonly accepted as an approach which can generate positive impacts.
 - The Framework also establishes a look-back period of two years for refinancing activities. Sustainalytics considers these criteria to be in line with market practice.
 - Under the Renewable Energy category, Forbright may finance or refinance loans for the development and production of renewable energy generation and associated infrastructure, including storage, from the following: i) solar photovoltaic power (PV); ii) onshore and offshore wind energy; iii) geothermal energy; iv) waste-to-energy projects; and v) hydropower.
 - Financed geothermal energy facilities will be limited to those with life cycle GHG emissions below 100 gCO₂e/kWh.
 - Eligible waste-to-energy projects will include the production of biomass or bioenergy that is sourced from biodegradable waste including forestry and agricultural residues and animal manure.⁴
 - While the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, large- and medium-scale livestock farming has a significant carbon and water footprint that is not addressed using livestock by-products in energy generation. Furthermore, such farming techniques may contribute to land degradation, biodiversity loss and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation to provide positive impacts in the short term.
 - Financed hydropower projects will meet at least one of the following criteria: i) be a small-scale, run-of-river system without an artificial reservoir; ii) have a life cycle carbon intensity below 50 gCO₂e/kWh; or iii) have a power density greater than 10 W/m². Forbright has confirmed to Sustainalytics that it will require an environmental and social impact assessment by a credible body for all new hydropower projects.
 - Sustainalytics considers investments under this category to be in line with market practice.
 - Under the Energy Efficiency category, the Framework allows for investments in: i) the installation or deployment of energy-efficient building components that do not depend on fossil fuels; ii) the

⁴ Forbright has confirmed to Sustainalytics that animal waste originating from industrial-scale meat production facilities will not be sourced as feedstock for eligible waste-to-energy projects.

improvement of existing energy-efficient systems; and iii) the improvement of the energy efficiency of industrial or farming equipment or processes.

- Energy-efficient building components expenditures may include HVAC upgrades, chiller and cooling tower upgrades, boilers and furnaces, water heating systems and water-efficiency products, smart grid technologies and demand management, and green and white roof⁵ and insulation upgrades. Sustainalytics encourages Forbright to report on estimated or achieved energy-efficiency improvements on a portfolio basis, where feasible.
- Irrigation and energy efficiency investments to enable the conversion of heavy industrial commercial vehicles or equipment and farming equipment, such as tractors, to run on 100% low-carbon fuels such as methanol or ethanol. Forbright has confirmed to Sustainalytics that only the expenditures related to the vehicle conversions will be financed, and that, once converted, the emissions of the financed vehicles will not exceed 25 gCO₂e/tkm. Forbright has also confirmed that converted vehicles will not be used in fossil fuel dedicated activities.
- Broadband network infrastructure upgrades to fibre optic from copper-based networks.
- Development, construction or operation of data centres that derive 80% or more of their power from renewable energy sources and have a power-usage effectiveness (PUE) of less than 1.5.
- Sustainalytics views these investments to be aligned with market expectation.
- Under the Green Buildings category, Forbright may finance or refinance loans for the construction, acquisition and retrofitting of commercial or residential buildings which meet one of the following criteria:
 - Retrofit or renovation of existing buildings that leads to an improvement in energy savings or primary energy demand of at least 30% compared to pre-renovation levels or initial performance.
 - Forbright has confirmed that only expenditures related to the building retrofits will be financed, and not the whole asset.
 - Buildings in the top 15% of the local building stock based on GHG emissions intensity.
 - Buildings that have achieved one of the following green building certification levels: i) Energy Star 85 or greater;⁶ ii) LEED Gold;⁷ iii) National Green Building Standards (NGBS) Silver;⁸ iv) Home Energy Rating System (HERS) index score of 40 or lower, or a score between 40 and 60 if the related portfolio of properties has an average score that is within or lower than the top 15% of the given market;⁹ or v) BREEAM Excellent.¹⁰ Sustainalytics views these certification schemes as robust and credible.
 - Remediation or development on land designated or in the process of being designated by a federal, state, or local jurisdiction as a Superfund or brownfield site, as evidenced by brownfield grant funding, brownfield tax credits, or local equivalent.¹¹
 - Sustainalytics considers projects financed under this category to be aligned with market practice.
 - Under the Sustainable Water, Waste and Agriculture category, Forbright may finance or refinance expenditures including:
 - Infrastructure for providing clean drinking water and facilities for the treatment of wastewater.¹²
 - Industrial wastewater recycling infrastructure.
 - Projects or infrastructure for waste collection, sorting, processing and recycling.

⁵ Forbright has confirmed that white roof installations will have lower thermal transmittance values compared to the existing roofs.

⁶ Energy Star Certification for Buildings: https://www.energystar.gov/buildings/building_recognition/building_certification

⁷ LEED: <https://www.usgbc.org/leed>

⁸ NGBS: <https://www.ngbs.com/the-ngbs-green-promise>

⁹ HERS: <https://www.hersindex.com/hers-index/what-is-the-hers-index/>

¹⁰ BREEAM: <https://bregroup.com/products/breeam/>

¹¹ Forbright has confirmed that remediation will not be related to contamination or negative environmental impacts from the borrowers' or the Bank's own activities.

¹² The Bank confirms that wastewater generated from fossil fuel operations will be excluded.

- Sustainalytics notes that any waste collection vehicles financed will be required to meet the eligibility thresholds defined under the Sustainable Transportation category. Additionally, Forbright has confirmed to Sustainalytics that: i) source segregation of waste will be carried out and will be supported by a robust electronic waste management plan for e-waste, and ii) chemical recycling of waste will not be financed under the Framework.
 - Sustainalytics views these investments to be aligned with market practice.
 - Sustainable agriculture projects that include reforestation and forest management activities that mitigate the negative impact of forestry such as through increasing soil carbon stock. Forbright has confirmed that it will ensure that only species that are well adapted for the site will be used and that a certified forest management plan is in place for these activities.
 - Production of pesticide-free fertilizer through anaerobic digestion of manure.
 - Sustainalytics views these investments to be aligned with market practice.
 - Development and operation of agriculture that is certified by the Rainforest Alliance, USDA Organic, the Global Good Agricultural Practices (Global G.A.P.)¹³ or the Better Cotton Initiative (BCI),¹⁴ and that does not deplete or that improves existing carbon pools, such as through reduced fertilizer or pesticide use, reduced water use, rehabilitation of degraded land, and precision or organic agriculture.
 - Sustainalytics considers the investments under this category to be aligned with market practice.
 - Development and operation of aquaculture products that are certified to the Marine Stewardship Council (MSC)¹⁵ or Aquaculture Stewardship Council (ASC).¹⁶
 - Preservation or restoration of aquatic biodiversity that is certified to the Global G.A.P. or the Aquaculture Stewardship Council.
- Under the Sustainable Transportation category, Forbright may finance or refinance loans for the development, manufacturing or purchase of the following types of public and private vehicles and associated infrastructure projects:
- Low-carbon passenger, public or rail transportation including electric or hybrid vehicles. Hybrid vehicles will meet the following emission thresholds: i) passenger vehicles below 75 gCO₂/km or 120.7 gCO₂/mile based on the WLTP or NEDC tests; ii) buses or passenger rail below 50 gCO₂e/pkm or 80.47 gCO₂/pmi; iii) heavy trucks or freight rail below 25 gCO₂/tkm or 40.23 gCO₂/tmi. Forbright has confirmed that freight transportation vehicles will not support the transport of fossil fuels or fossil fuels blended with alternative fuels.
 - Low-carbon transportation infrastructure projects including the development, manufacture, purchase or financing of electric vehicle charging stations.
 - Infrastructure projects for personal or non-motorized mobility, such as bicycles and footpaths for pedestrian traffic.
 - Projects for the manufacture of specialized zero- or low-carbon ships, including electric, biofuel or hydrogen-powered vessels, with emissions thresholds in accordance with the International Maritime Organization, or the retrofit of existing passenger or cargo ships to convert to low-carbon fuels.
 - Financing of specialized shipping infrastructure such as control systems and outlets for alternative power or electrical distribution.
 - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Sustainalytics notes that Forbright has established exclusionary criteria which apply to all categories under the Framework and exclude the following activities: tobacco production; coal-

¹³ While Sustainalytics recognizes that Global G.A.P addresses relevant sustainability issues in agricultural production, the scheme does not include sustainable land management practices as identified by other credible sustainable agriculture standards and organizations. Additionally, Global G.A.P criteria are based on internal self-assessments and corrective actions and lack rigorous guidance through which compliance and improvements can be tracked over time. Thus, by noting the intended environmental benefits of agricultural products, Sustainalytics also notes the limited environmental benefits of products certified by Global G.A.P.

¹⁴ In contrast to most credible certification schemes, the BCI does not require adherence to specific performance standards, focusing instead on encouraging the attainment of improved performance over time. Sustainalytics also notes that BCI allows for the use of genetically modified organisms. Notwithstanding these drawbacks, and noting the positive ambition of the BCI scheme, Sustainalytics does not consider the use of the BCI as an eligibility criterion that detracts from the credibility of the Framework.

¹⁵ Marine Stewardship Council: <https://www.msc.org/>

¹⁶ Aquaculture Stewardship Council: <https://www.asc-aqua.org/>

generated power and mining, including thermal coal; oil and gas extraction; pornography; controversial military weapons (such as chemical, biological, nuclear, landmines, cluster munition); for-profit prisons; and predatory or deceptive lending.

- **Project Evaluation and Selection:**
 - Forbriht’s ESG Working Group, represented by the ESG and Sustainable Finance teams, together with the Officers Loan Committee, is responsible for evaluating, selecting and monitoring eligible assets against the eligibility criteria in the Framework. This process is overseen by Forbriht’s ESG Strategy Committee, which comprises the chairman of the board, as well as senior representatives of the Bank including the chief strategy officer, chief ESG officer, chief risk officer, chief administration officer, unit heads and internal audit.
 - Forbriht adheres to its Responsible Investment Policy and employs a proprietary ESG Due Diligence Toolkit to assess and manage environmental and social risks. This policy and toolkit incorporate ESG risk assessments into the Bank’s credit analysis and lending decisions for borrowers across different industries. The Bank’s ESG Working Group is tasked with the implementation of this risk assessment process, which is applicable to all allocation decisions made under the Framework.
 - Based on the establishment of the ESG Working Group and the presence of adequate environmental and social risk management systems, Sustainalytics considers this process to be in line with market expectations.
- **Management of Proceeds:**
 - A Sustainable Asset Tracking group will be in charge of tracking and monitoring the allocation of proceeds to eligible projects.
 - Forbriht intends to achieve, on a best-effort basis, full allocation of net proceeds to eligible assets within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in line with the Bank’s internal liquidity policies and may be temporarily invested in cash or cash equivalents. The Bank will reallocate funds to other eligible projects in the case of divestment or if the project no longer meets the eligibility criteria listed in the Framework.
 - Based on the established tracking system, allocation period and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - Forbriht intends to report on the allocation and impact of proceeds in a report published on its website on an annual basis and until full allocation.
 - The allocation reporting will include a description of the projects financed, the amount allocated per category, unallocated balances, and impact metrics (achieved or expected) where feasible.
 - Impact metrics may include annual GHG emissions reduced or avoided (in tCO₂e/year), annual renewable energy generated (in MWh or GWh), or annual energy savings (in MWh, GWh, GJ or TJ). For a full list of impact metrics, please refer to Appendix 2.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that, with respect to the issuance of the Green Instruments, the Forbriht Bank Green Financing Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Alignment of Green Deposits with Market Expectations

Sustainalytics is of the opinion that the Forbriht Bank Green Financing Framework is credible and that the proceeds from the Green Deposits¹⁷ will fund overall impactful social and environmental projects. Sustainalytics further notes the alignment of the Framework with the concepts underpinning the sustainable finance market, namely impact and transparency.

- **Impact:**
 - The Framework will advance the sustainability objectives of the Bank by investing in eligible projects with positive environmental and social impact across five categories. Refer to the Use

¹⁷ Sustainalytics notes that the Framework allows for Green Deposits for the Bank’s retail and commercial customers of the Bank. It further notes that the term of the Green Deposits could be both fixed-term or perpetual saving accounts.

of Proceeds component under Section 1 for Sustainalytics' opinion on the alignment of the eligible projects with market expectations.

- Transparency:
 - Transparency is recognized as a key principle regarding sustainable finance, as it provides assurance that investments deliver positive impacts. Sustainalytics highlights the following elements of the Framework that facilitate transparency to clients:
 - Disclosures regarding the management of proceeds:
 - The Bank will use the aggregate amount of the eligible assets or projects (the "Green Portfolio") to determine the maximum balance capacity of the Green Deposits and to maintain a cap on its exposure. The Bank intends to maintain a balance of the Green Portfolio that is always greater than that of the Green Deposits, by maintaining a 10% buffer of Green Portfolio's value.
 - If the Green Deposits exceed the Green Portfolio at any time, the excess amount will be transferred in Forbright's balance with the US Federal Reserve.
 - Reporting:
 - The Bank commits to reporting on a programme-level where it will share the allocation of the total Green Deposits to eligible projects, through a quarterly report that will be published on its website. The report will also contain the balance of unallocated deposits, when applicable.

The Issuer commits to reporting on the same allocation and impact disclosure components for both the Green Instruments and Green Deposits. For details on the level of allocation and impact reporting, refer to the Reporting component under "Section 1: Sustainalytics' Opinion on the Green Financing Framework" above.

Section 2: Sustainability Strategy of Forbright

Contribution to Forbright's sustainability strategy

Sustainalytics is of the opinion that Forbright demonstrates a commitment to sustainability, with a focus on the following environmental and social areas in its sustainability strategy: i) financing sustainable projects that promote a low-carbon economy, affordability, and accessibility for essential resources and services; ii) promoting financial inclusion and building financial capability; and iii) providing financial support to low- to moderate-income (LMI) communities and small businesses.¹⁸ Forbright publishes its ESG report in accordance with the Sustainability Accounting Standards Board's guidelines.¹⁹

To support the above, the Bank has committed to reducing the environmental impact of its financing activities and operations, becoming a signatory to the UN Principles for Responsible Banking in 2021 and setting a target to dedicate a significant portion of its lending and investment portfolio to sustainable finance. In 2021, Forbright launched a multi-year loan programme, in partnership with Solar Mosaic, a solar and energy-efficient home improvement financing platform, to support homeowners in their transition to clean energy. Forbright also launched a Commercial Property-Assessed Clean Energy Programme, a low-cost financing option that encourages commercial property owners to implement renewable energy and energy-efficiency upgrades in commercial buildings.²⁰ In 2021, Forbright reached carbon neutrality for scope 1 and scope 2 emissions by reducing energy usage primarily in data servers and lighting. In the same year, the Bank reported that it had achieved LEED certification for approximately 64% of its locations and a 100% recycling rate for all electronic waste.²¹

To achieve its goal of increasing the share of sustainable financing, Forbright has developed a sustainable financing framework that outlines the methodology for focusing lending efforts on key sustainability themes and sectors. As of 2022, 29% of the Bank's lending portfolio consisted of lending for environmentally and socially sustainable projects in accordance with its framework.²² Furthermore, the Bank issued its inaugural green bond in 2021, raising USD 125 million for investment in projects that promote energy efficiency and renewable energy.²³

¹⁸ Forbright, "Environmental, Social and Governance Report 2021", at: <https://www.forbrightbank.com/pdfviewer/2021-esg-report/>

¹⁹ SASB Standards: <https://www.sasb.org/standards/download/>

²⁰ Forbright, "Forbright Green Bond Report 2022", at: <https://www.forbrightbank.com/pdfviewer/green-bond-impact-report/>

²¹ Forbright, "Environmental, Social and Governance Report 2021", at: <https://www.forbrightbank.com/pdfviewer/2021-esg-report/>

²² Ibid.

²³ Forbright, "Forbright Issued \$125 Million Inaugural Green Bond", (2021) at: <https://www.forbrightbank.com/forbright-issues-125-million-inaugural-green-bond/>

Forbright aims to promote small businesses and serve the financial needs of LMI individuals and communities, which the US Community Reinvestment Act also encourages.²⁴ To this end, the Bank extended USD 439 million in 2022 to programmes that support small businesses and community development. Forbright also tripled its corporate giving in 2022 compared to 2021 through financial contributions to non-profit organizations that focus on decarbonization and financial inclusion.²⁵

Sustainalytics is of the opinion that the Forbright Bank Green Financing Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further Forbright's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include loss of biodiversity from land use for large-scale infrastructure development; emissions, effluents and waste generated in construction projects financed by the Bank; community relation and stakeholder engagement issues; and occupational health and safety (OHS) risks. While Forbright has limited involvement in the development of specific projects that will be financed under the Framework, it could be exposed to environmental and social risks associated with the loans that it may finance.

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

- Forbright incorporates ESG factors into its credit analysis and decision-making through its Responsible Investment (RI) Policy, which also guides the Bank's approach towards evaluating the ESG risks and impacts of its lending activities. The Bank also utilizes a proprietary ESG Due Diligence Toolkit to evaluate ESG risks associated with its borrowers' businesses, operations and industries. Forbright's executive-level committee oversees the Bank's ESG policy, risks and opportunities as well as the implementation of metrics, frameworks and standards by various working groups that aim to further the Bank's ESG commitments and mitigate ESG risks.²⁶
- The Bank addresses the risks related to loss of biodiversity and emissions, effluents and waste generated during construction, through its Credit Policy Manual and Underwriting Guidelines which guide the due diligence process and risk mitigation for financing activities that involve environmental or hazardous waste issues. Risk mitigation efforts may include requiring borrowers to have hazard insurance or flood insurance coverage.²⁷ Regarding waste generated during construction, Sustainalytics notes that the eligible projects financed under the Framework are based in the US, where federal regulations under the Resource Conservation and Recovery Act guide the management of hazardous and non-hazardous waste.²⁸
- To address risks related to OHS, the Bank has communicated to Sustainalytics that it requires that the financed projects comply with regional environmental and social regulations, including those related to occupational health and safety.
- Regarding large-scale infrastructure projects that may impact surrounding communities, Sustainalytics notes that all projects and activities financed under the Framework are based in the US, which is recognized as a Designated Country by the Equator Principles. Such project are subject to robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities, including conducting stakeholder engagement for certain new projects.²⁹

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

²⁴ The Community Reinvestment Act is a federal law enacted in 1977 to encourage depository institutions to meet the credit needs of the communities where they are chartered, including low- and moderate-income neighbourhoods. For more details, refer to: https://www.federalreserve.gov/consumerscommunities/cra_about.html

²⁵ Forbright, "Environmental, Social and Governance Report 2021", at: <https://www.forbrightbank.com/pdfviewer/2021-esg-report/>

²⁶ Forbright, "Environmental, Social and Governance Report 2021", at: <https://www.forbrightbank.com/pdfviewer/2021-esg-report/>

²⁷ Ibid.

²⁸ US Environmental Protection Agency, "Regulatory Information by Topic: Waste", at: <https://www.epa.gov/regulatory-information-topic/regulatory-and-guidance-information-topic-waste>

²⁹ Equator Principles, "Designated & Non-Designated Countries", (2022) at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Importance of renewable energy in the US residential sector

In 2021, the US was the second-largest electricity consumer in the world, accounting for 16.8% of global electricity consumption.³⁰ The US electricity sector was also the country's second-largest source of GHG emissions, accounting for 25% of total emissions in 2019, with fossil fuels making up the majority of this generation.^{31,32}

The US Energy Information Administration estimates that renewable energy sources in the US electricity generation mix will rise from 21% in 2020 to 42% in 2050.³³ In 2020, residential and commercial buildings accounted for nearly 29% of US end-use energy consumption and 40% of total US energy consumption.³⁴ In the third quarter of 2019, the US solar market added 2.6 GW of solar PV, raising the total US solar capacity to 71.3 GW.³⁵ In the US, although residential solar installations fell by 23% in the second quarter of 2020³⁶ due to supply constraints exacerbated by the COVID-19 pandemic, solar installations reached a record high in late 2020,³⁷ generating 19.2 GW of new capacity in the country.³⁸ Residential solar, in particular, experienced a significant uptick in installations as homeowners were provided with financial incentives such as subsidized loans and tax credits.^{39,40}

In April 2021, the US government set a goal to reach 100% carbon-free electricity by 2035.⁴¹ This is expected to further add to the renewable energy momentum in the US. Additionally, several policies at the federal, state, and local levels have helped spur the adoption of solar energy in the US, with the bulk of support coming from the federal solar investment tax credit (ITC),⁴² which is available to taxpayers that invest in new solar energy systems. ITC generally provides an incentive for such investments by giving taxpayers a credit of up to 30% of the acquisition cost for new solar energy systems placed in service before specified deadlines. The ITC's two-year extension is expected to increase solar deployment by 17% between 2021 and 2025.⁴³

Sustainalytics is of the opinion that Forbright's financing of renewable energy development, including through residential PV solar installations, is expected to contribute to US GHG emission reductions and facilitate the clean energy transition.

³⁰ International Energy Agency, "IEA Atlas of Energy", at: <http://energyatlas.iea.org/#/tellmap/-1118783123/1>

³¹ Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity>

³² Energy Information Administration, "Electricity Explained", at: <https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php>

³³ U.S. Energy Information Administration, "EIA projects renewables share of U.S. electricity generation mix will double by 2050", (2021), at: www.eia.gov/todayinenergy/detail.php?id=46676

³⁴ US Energy Information Administration, "How much energy is consumed in U.S. residential and commercial buildings?", at: <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

³⁵ Ibid.

³⁶ Misbrenner K. (2020), "U.S. solar market report shows 23% decline in residential installations in Q2", Solar Power World, at: <https://www.solarpowerworldonline.com/2020/09/us-solar-market-report-decline-in-residential-solar-installations-q2-covid/>

³⁷ Stevens P. (2021), "The U.S. solar industry posted record growth in 2020 despite Covid, report finds", CNBC at: <https://www.cnbc.com/2021/03/16/the-us-solar-industry-posted-record-growth-in-2020-despite-covid-19-new-report-finds.html>

³⁸ Wood Mackenzie, "U.S. solar industry sets records in 2020, on track to quadruple by 2030", at: woodmac.com/press-releases/u.s.-solar-industry-sets-records-in-2020-on-track-to-quadruple-by-2030/

³⁹ Ibid.

⁴⁰ Forbes, "Solar Tax Credit By State in 2023: What You Need To Know", (2023), at: <https://www.forbes.com/home-improvement/solar/solar-tax-credit-by-state/>

⁴¹ The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

⁴² Solar Energy Industries Association, "Solar Investment Tax Credit (ITC)", (2018), at: <https://www.seia.org/sites/default/files/inline-files/SEIA-ITC-101-Factsheet-2018-June.pdf>

⁴³ S&P Global, "Solar industry expected to keep setting records until 2024 tax credit step-down", at: <https://www.spglobal.com/commodity-insights/en/market-insights/latest-news/electric-power/032321-solar-industry-expected-to-keep-setting-records-until-2024-tax-credit-step-down#:~:text=The%20two%2Dyear%20extension%20of,GW%2C%20according%20to%20the%20report.>

Importance of green buildings in the US

The global building sector's energy consumption significantly contributes to total GHG emissions, accounting for 37% of total energy-related CO₂ emissions.⁴⁴ In the US, buildings were responsible for 39% of the country's primary energy consumption in 2021, with the residential and commercial building sectors representing 21% and 18% of energy consumption, respectively.⁴⁵ The US Department of Energy (DoE) established the Better Buildings Initiative to encourage public and private organizations to improve their portfolios' energy efficiency through a series of programmes and partnerships.^{46,47}

Under its Nationally Determined Contribution to the UN Framework Convention on Climate Change, the US has committed to reducing the country's GHG emissions by 50-52% by 2030 versus a 2005 baseline and achieving carbon neutrality by 2050.⁴⁸ As part of this commitment, the US government announced the Climate Smart Buildings Initiative in August 2021 with the aim to bring in more than USD 8 billion of private sector investments in energy efficiency projects and achieve up to 2.8 million tonnes of GHG emission reductions annually by 2030.⁴⁹ Under this initiative, the DOE will also award up to USD 250 million in funding to accelerate building upgrades,⁵⁰ with USD 82.6 million awarded for energy improvement retrofits in buildings in August 2021 and USD 32 million in March 2022.^{51,52} Furthermore, in 2021, the White House announced the launch of the Building Performance Standards Coalition in part to support energy-efficient buildings.⁵³

Based on the above, Sustainalytics is of the opinion that eligible green building expenditures financed under the Framework have the potential to contribute to reducing emissions from the built environment and to the country's national GHG emission reduction targets.

Importance of energy efficiency in data centres in the US

Data centres contain a large number of energy-intensive technologies and services such as servers, storage equipment, backups and power cooling infrastructure that support billions of end users.⁵⁴ This translates to significant electricity demand, estimated at 200-320 TWh or approximately 1% of global electricity use in 2020.⁵⁵ In 2016, US data centres were estimated to consume 70 billion kWh of energy or 1.8% of the country's total energy consumption.⁵⁶

To curb data centres' power consumption, continual improvements in energy efficiency through advanced servers, storage devices, network switches and infrastructure are required.⁵⁷ Between 2010 and 2018, despite a sixfold increase in the computing power of data centres and a tenfold increase in internet traffic, global data centre energy consumption saw only a 6% increase as a result of energy efficiency improvements.⁵⁸ Nevertheless, considering the historical 10-30% increase in annual energy use in large data centres, the International Energy Agency estimates that global data centre energy consumption will increase over the next few years, but long-term trends remain uncertain.⁵⁹

⁴⁴ Global Alliance for Buildings and Construction, "2021 Global Status Report for Buildings and Construction", (2021), at:

https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf

⁴⁵ US Energy Information Administration, "How much energy is consumed in U.S. building?", (2022), at:

<https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

⁴⁶ US Department of Energy, "Better Buildings Initiative", at: <https://betterbuildingssolutioncenter.energy.gov/>

⁴⁷ US Department of Energy, "Better Buildings Programs & Partners", at: <https://betterbuildingssolutioncenter.energy.gov/partnerships>

⁴⁸ US Department of Energy, "U.S. Nationally Determined Contribution", (2021), at: <https://www.energy.gov/policy/articles/us-nationally-determined-contribution>

⁴⁹ The White House, "FACT SHEET: White House Takes Action on Climate by Accelerating Energy Efficiency Projects Across Federal Government", (2022), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/03/fact-sheet-white-house-takes-action-on-climate-by-accelerating-energy-efficiency-projects-across-federal-government/>

⁵⁰ Ibid.

⁵¹ US Department of Energy: "DOE Announces Nearly \$83 Million to Increase Building Energy Efficiency and Cut Consumers' Energy Bills", (2021), at: <https://www.energy.gov/articles/doe-announces-nearly-83-million-increase-building-energy-efficiency-and-cut-consumers>

⁵² US Department of Energy, "DOE Awards \$32 Million to Accelerate Next-Generation Building Upgrades", (2022), at:

<https://www.energy.gov/articles/doe-awards-32-million-accelerate-next-generation-building-upgrades>

⁵³ The White House, "FACT SHEET: Biden-Harris Administration Launches Coalition of States and Local Governments to Strengthen Building Performance Standards", (2022), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/21/fact-sheet-biden-harris-administration-launches-coalition-of-states-and-local-governments-to-strengthen-building-performance-standards/>

⁵⁴ Ratka, S. et al. (2020). "The nexus between data centres, efficiency and renewables: a role model for the energy transition". EnergyPost.eu, at: <https://energypost.eu/the-nexus-between-data-centres-efficiency-and-renewables-a-role-model-for-the-energy-transition/>

⁵⁵ IEA, "Data Centres and Data Transmission Networks", (2022), at: <https://www.iea.org/reports/data-centres-and-data-transmission-networks>

⁵⁶ US Department of Energy Office of Scientific and Technical Information, "United States Data Center Energy Usage Report", (2016), at: <https://www.osti.gov/servlets/purl/1372902>

⁵⁷ Ibid.

⁵⁸ Masanet, E. et. al. (2020), "Recalibrating global data center energy-use estimates", Science, at: <https://science.sciencemag.org/content/367/6481/984>

⁵⁹ International Energy Agency (IEA), "Data Centres and Data Transmission Networks", (2022), at: <https://www.iea.org/reports/tracking-data-centres-and-data-transmission-networks-2020>

The Federal Energy Management Program's Centre of Expertise for Energy Efficiency in Data Centres provides technical support, tools, analysis and best practices to contribute to the implementation of energy efficiency projects in data centres.^{60,61} Moreover, the US Environmental Protection Agency's Energy Star programme, with its coverage of data centre facilities and equipment, offers several options to encourage energy-efficiency measures.^{62,63}

Given this context, Sustainalytics considers Forbriht's investments aimed at improving the energy, and therefore, the PUE of data centres in the US are expected to contribute to reducing the industry's energy footprint, thereby generating positive environmental impacts.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Forbriht Bank Green Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Green Buildings		
Sustainable Water, Waste and Agriculture	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
	2. Zero Hunger	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.
	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
	15. Life on land	15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.
Sustainable Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible, and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

⁶⁰ Center of Expertise for Energy Efficiency in Data Centers, "About us", at: <https://datacenters.lbl.gov/who-we-are>

⁶¹ US Government Office of Energy Efficiency & Renewable Energy, "Energy Efficiency in Data Centers", at: <https://www.energy.gov/eere/femp/energy-efficiency-data-centers>

⁶² US Environmental Protection Agency, "ENERGY STAR Expands Efforts to Improve Energy Efficiency of US Data Centers", (2021), at: <https://www.epa.gov/newsreleases/energy-star-expands-efforts-improve-energy-efficiency-us-data-centers>

⁶³ Energy Star, "Data Centers", at: https://www.energystar.gov/products/data_centers

Conclusion

Forbright has developed the Forbright Bank Green Financing Framework under which it may issue green bonds, notes, preferred stocks and green deposits, and use the proceeds to finance projects and companies that support renewable energy; energy efficiency; green buildings; sustainable water, waste and agriculture; and sustainable transportation. Sustainalytics considers that the use of proceeds from these instruments are expected to provide positive environmental impacts.

The Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Forbright to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories is expected to contribute to the advancement of the UN SDGs 2, 6, 7, 9, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that Forbright has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible expenditures funded by the proceeds.

Based on the above, Sustainalytics is confident that Forbright is well positioned to issue Green Instruments and Green Deposits and that the Framework is robust, transparent and, with respect to the bonds, notes and preferred stocks, is in alignment with the four core components of the Green Bond Principles 2021.

Appendix

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

Section 1. Basic Information

Issuer name:	Forbright Bank
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Forbright Bank Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 19, 2023
Publication date of review publication: Original publication date: 13 March 2023	Update to Forbright Bank Green Financing Framework Second-Party Opinion published on 13 March 2023

Section 2. Review overview

SCOPE OF REVIEW

The review:

- ☒ assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- ☐ assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
- ☐ Use of Proceeds

☐ Management of Proceeds

☐ Process for Project Evaluation and Selection

☒ Reporting
- ☐ assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- ☒ Second Party Opinion

☐ Verification

☐ Other (please specify):

☐ Certification

☐ Scoring/Rating

Does the review include a sustainability quality score?

- ☐ Of the issuer

☐ Of the Framework

☐ Of the project

☐ Other (please specify):

☒ No scoring

ASSESSMENT OF THE PROJECT(S)

Does the review include:

- ☒ The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- ☒ The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- ☒ The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES

Does the review include:

- ☒ An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- ☒ An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- ☒ A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY

Does the review assess:

- ☐ The issuer's climate transition strategy & governance?
- ☐ The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- ☐ The credibility of the issuer's climate transition strategy to reach its targets?
- ☐ The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- ☐ If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- ☐ The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- ☐ The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:

Section 3. Detailed review

1. USE OF PROCEEDS

Does the review assess:

- ☒ the environmental/social benefits of the project(s)?
- ☒ whether those benefits are quantifiable and meaningful?
- ☐ for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- ☐ the estimated proceeds allocation per project category (in case of multiple projects)?
- ☐ the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

The eligible categories for the use of proceeds – Renewable Energy; Energy Efficiency; Green Buildings; Sustainable Water, Waste and Agriculture; and Sustainable Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 9, 11, 12 and 15.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- ☐ whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones.
- ☒ whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- ☒ the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- ☒ the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- ☒ any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

Overall comment on this section:

Forbriht Bank's ESG Working Group and Officers Loan Committee will evaluate, select and monitor eligible assets against the eligibility criteria and will be overseen by the ESG Strategy Committee. The ESG Working Group will also oversee the environmental and social risk assessment process, which is applicable to all allocation decisions. Sustainalytics considers the risk management system to be adequate and the project selection process to be in line with market practice.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- ☒ the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- ☒ the intended types of temporary investment instruments for unallocated proceeds?
- ☐ Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

Forbriht Bank's Sustainable Asset Tracking group will track and monitor the allocation of proceeds to eligible projects. The Bank will allocate proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in line with Forbriht Bank's internal liquidity policy and may be temporarily invested in cash or cash equivalents.

4. REPORTING

Does the review assess:

- ☒ the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- ☒ the frequency and the means of disclosure?
- ☐ the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

Forbright Bank intends to report on the allocation of proceeds and corresponding impact on its website on an annual basis until full allocation. Allocation reporting will include a description of the projects financed, the amount of proceeds allocated to each eligible category and the balance of unallocated proceeds. Forbright Bank is also committed to reporting on relevant impact metrics, achieved or expected, where feasible. Sustainalytics views Forbright Bank's allocation and impact reporting as aligned with market practice.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

Additional assessment in relation to the issuer/bond framework/eligible project(s):

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental 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 Green 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 Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental 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 environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally 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 Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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