

# Second-Party Opinion

## M&T Bank Sustainable Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the M&T Bank Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Green Buildings, Affordable Housing – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



**PROJECT EVALUATION AND SELECTION** M&T Bank’s Sustainable Finance Review Group is responsible for evaluating and selecting assets as per the eligibility criteria defined in the Framework. M&T Bank’s Risk Committee will oversee its internal processes to identify and mitigate environmental and social risks commonly associated with the eligible assets. The Bank’s risk assessment processes are applicable to all financing activities under the Framework. Sustainalytics considers the eligible asset selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** M&T Bank’s Office of Sustainability and Finance Department will be responsible for the management and allocation of the net proceeds and will track proceeds using an internal registry. M&T Bank will allocate all proceeds within two years of issuance. Pending allocation, unallocated proceeds will be managed in accordance with M&T Bank’s liquidity practices. This is in line with market practice.



**REPORTING** M&T Bank will report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting may include allocated amounts by category and unallocated amounts. In addition, M&T Bank intends to report on relevant impact metrics, such as annual renewable energy generation and number and dollar amount of mortgages provided. Sustainalytics views M&T Bank’s allocation and impact reporting as aligned with market practice.

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<b>Evaluation date</b>	November 6, 2024 <sup>1</sup>
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<b>Issuer Location</b>	Buffalo, United States
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<sup>1</sup> This document updates the Second-Party Opinion provided by Sustainalytics in July 2024.

## Introduction

M&T Bank Corporation (“M&T” or the “Bank”) is a financial holding company headquartered in Buffalo, United States, with more than 22,000 employees as of December 2023. M&T has two wholly owned bank subsidiaries, M&T Bank and Wilmington Trust, National Association, which offer retail and commercial banking services. As of December 2023, M&T Bank had consolidated total assets of USD 208.3 billion.<sup>2</sup>

M&T has developed the M&T Bank Sustainable Financing Framework dated November 2024 (the “Framework”) under which the Bank and its subsidiaries<sup>3</sup> intend to issue green, social and sustainability notes, subordinated notes and preferred stock, and use the proceeds to finance and refinance, in whole or in part, existing and future eligible assets that demonstrate environmental benefits and support social mobility in the US. The Framework defines eligibility criteria in three areas:

1. Renewable Energy
2. Green Buildings
3. Affordable Housing

M&T engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2023 (SBP).<sup>4</sup> The Framework will be published in a separate document.<sup>5</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with 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 Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, 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 1.17.2, 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 M&T’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. M&T representatives have confirmed that: (1) they understand it is the sole responsibility of M&T 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 M&T.

<sup>2</sup> M&T, “Notice of 2024 Annual Meeting of Shareholders and Proxy Statement”, (2024), at: <https://ir.mtb.com/static-files/2f73d1a5-eaae-47f7-a891-ba2687b35c05>

<sup>3</sup> M&T has communicated to Sustainalytics that it will have operational control over the issuance process of its subsidiaries as it pertains to any instruments issued under the Framework. M&T has further confirmed that it will be responsible for ensuring alignment of any issuances with the criteria defined in the Framework.

<sup>4</sup> The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>5</sup> The M&T Bank Sustainable Financing Framework is available on M&T’s website at: <https://ir.mtb.com/esg-report>

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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 assets expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through assets financed under the Framework is the responsibility of the Framework owner. In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of 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 M&T has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the M&T Bank Sustainable Financing Framework

Sustainalytics is of the opinion that the M&T Bank Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Green Buildings and Affordable Housing – are aligned with those recognized by the GBP and SBP.
  - M&T has established a look-back period of 18 months for all refinancing activities under the Framework, which Sustainalytics considers to be aligned with market practice.
  - Under the Renewable Energy category, M&T may finance or refinance the construction, development, acquisition, maintenance and operation of:
    - Solar PV and wind energy generation.
    - Energy storage, transmission and distribution equipment, technology and infrastructure that are fully connected to electricity generated from solar or wind.
    - Sustainalytics considers investments under this category to be aligned with market practice.
  - Under the Green Buildings category, M&T may finance or refinance the construction, acquisition and renovation of residential and commercial real estate that meet the following criteria:
    - Residential or commercial buildings that have achieved or will achieve at least one of the following green building certifications: LEED (Gold or Platinum);<sup>7</sup> Energy Star (85 and above);<sup>8</sup> and Green Globes (Three Globes or above).<sup>9</sup>
    - Sustainalytics considers these certifications to be credible and the levels selected to be indicative of positive environmental impact.
  - Under the Affordable Housing category, M&T intends to finance or refinance: i) the acquisition, construction or rehabilitation of single- and multi-family affordable housing rental projects; and ii) mortgage loans for the purchase of single-family units.
    - Financing and investments will meet the criteria of the Community Reinvestment Act (CRA)<sup>10</sup> or the Low-Income Housing Tax Credit (LIHTC)<sup>11</sup> programme. Sustainalytics notes that affordable housing units which receive tax credits under the LIHTC

<sup>7</sup> LEED: <https://www.usgbc.org/leed>

<sup>8</sup> Energy Star: [https://www.energystar.gov/buildings/building\\_recognition/building\\_certification](https://www.energystar.gov/buildings/building_recognition/building_certification)

<sup>9</sup> Green Globes: <https://thegbi.org/greenglobes/>

<sup>10</sup> The CRA is a US federal law that aims to encourage financial institutions to help meet the credit needs of the communities in which they do business, including low- and moderate-income communities.

US National Archives, Code of Federal Regulations, "Part 25-Community Reinvestment Act and Interstate Deposit Production Regulations", at: <https://www.ecfr.gov/current/title-12/chapter-I/part-25>

<sup>11</sup> The LIHTC programme is an affordable housing programme in the US that gives state and local LIHTC-allocating agencies the authority to issue tax credits for the acquisition, rehabilitation or new construction of rental housing targeted to lower-income households.

US Department of Housing and Urban Development, "Low-Income Housing Tax Credit (LIHTC)", at: <https://www.huduser.gov/portal/datasets/lihtc.html>

programme serve households with incomes of up to 80% of the area median income (AMI).<sup>12</sup> As for CRA, Sustainalytics notes that eligible credit under the programme targets low- to moderate-income (LMI) individuals, families or geographies with low-income defined as up to 50% of AMI and moderate-income defined as between 50% to 80% of AMI.<sup>13</sup>

- For affordable housing rental projects, the Bank may finance or refinance housing projects that qualify under the LIHTC and CRA programmes.
  - For investments under the LIHTC programme, M&T has communicated to Sustainalytics that these are equity investments tied to the number of affordable housing units. Sustainalytics notes that these housing units ensure affordability to the target populations listed above through maximum allowable rents.<sup>14</sup> Sustainalytics recognizes that investments in multi-family housing projects that qualify under the LIHTC programme create social impact by increasing access to affordable housing for the target population.
  - As for financing or investments under the CRA programme, Sustainalytics notes that affordable housing units target the populations listed above and that such units are expected to ensure affordability through a range of mechanisms, including rent capping. Sustainalytics further notes that M&T may provide financing or investments in properties that have less than 90% of units designated as affordable. The Bank has communicated to Sustainalytics that, in such cases, it typically adopts a pro rata approach to allocate the bond proceeds in the same proportion as the affordable housing units in a property. Sustainalytics views this approach as aligned with good practice for such affordable housing investments.
- For mortgage loans that qualify under the CRA programme, Sustainalytics notes that such loans will target the populations listed above and that the Bank has adopted internal processes and underwriting standards to prevent unfair or predatory lending practices. M&T has also communicated to Sustainalytics that for a portion of the loans, it may provide down payment assistance or assist borrowers in receiving incentives offered by Fannie Mae, Freddie Mac and the Federal Housing Administration. However, the Framework does not require such loans to be coupled with a financial benefit, creating uncertainty regarding the affordability of loans to the target populations. Sustainalytics considers it good practice for banks to offer preferential terms, such as favourable interest rates, to ensure affordability of the loans to underserved borrowers, and thereby encourages the Bank to prioritize loans that provide more favourable financial terms to the target populations and to report on the social impacts achieved.
- Project Evaluation and Selection:
  - M&T Bank has established the Sustainable Finance Review Group, which is responsible for evaluating and selecting assets in line with the Framework's eligibility criteria. The Sustainable Finance Review Group includes representatives from the Office of Sustainability, Finance, Legal, Credit Risk, Business Lines and other Sustainability stakeholder groups with applicable expertise.
  - The Bank's Risk Committee will oversee the risk management process, including identifying and mitigating environmental and social risks potentially associated with the eligible green and social assets, in accordance with M&T's Enterprise Risk Framework. Refer to Section 2 for more details.
  - Based on the established process for project evaluation and selection and risk management system, Sustainalytics considers the process to be in line with market practice.

<sup>12</sup> US Department of Housing and Urban Development, "Low-Income Housing Tax Credit (LIHTC)", at: <https://www.huduser.gov/portal/datasets/lihtc.html>

<sup>13</sup> US Federal Reserve System, "Community Reinvestment Act (CRA)", at: [https://www.federalreserve.gov/consumerscommunities/cra\\_resources.htm#lmi](https://www.federalreserve.gov/consumerscommunities/cra_resources.htm#lmi)

<sup>14</sup> Under the LIHTC programme, the qualifying housing project must meet a "gross rents test" so that rents (adjusted for bedroom size) do not exceed 30% of the qualifying income.

US Congressional Research Service, "An Introduction to the Low-Income Housing Tax Credit", (2023), at: <https://sgp.fas.org/crs/misc/RS22389.pdf>

- Management of Proceeds:
  - M&T Bank’s Office of Sustainability and Finance Department will be responsible for the management and allocation of the net proceeds and will track proceeds using an internal registry.
  - The Bank intends to allocate all proceeds within two years of issuance. Pending full allocation, unallocated proceeds will be managed in accordance with the Bank’s liquidity practices. M&T has confirmed that if the temporary use of unallocated proceeds includes any refinancing of debt, the debt will not be linked to carbon-intensive assets or activities.
  - Based on the presence of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - M&T Bank will report on allocation of proceeds and the corresponding impacts on its website on an annual basis until full allocation. M&T commits to obtain an independent verification of each allocation report from a registered public accounting firm.
  - Allocation reporting may include amounts allocated to eligible assets by category, unallocated amounts and assertions by M&T’s management with respect to the allocation metrics.
  - Impact reporting may include annual renewable energy generation (in MWh), annual GHG emissions reduced or avoided (in tonnes of CO<sub>2</sub>e), capacity of renewable energy plant(s) constructed or rehabilitated (in MW), energy storage capacity installed (in MW), number and dollar amount of affordable housing properties financed per target population, and number and dollar amount of mortgage loans provided.
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023**

Sustainalytics has determined that the M&T Bank Sustainable Financing Framework aligns with the four core components of the GBP and SBP.

## **Section 2: Sustainability Strategy of M&T**

### **Contribution to M&T Bank Corporation’s sustainability strategy**

M&T focuses on the following environmental and social areas in its sustainability strategy: i) financing an equitable economy; ii) growing climate finance; iii) reducing its carbon footprint; iv) supporting climate resilient communities; v) integrating climate risk; and vi) improving its employee, leadership and customer diversity.<sup>15</sup>

In 2022, M&T developed a series of environmental targets to reduce the environmental impact of its own operations. The targets include: i) reducing waste to landfill and water usage;<sup>16</sup> ii) operating with 100% renewable energy by 2030; and iii) achieving carbon neutrality in its scope 1 and scope 2 GHG emissions by 2035.<sup>17</sup> To disclose its financed emissions, M&T joined the Partnership for Carbon Accounting Financials in 2022, during which the Bank started identifying data sources and conducting initial analysis for financed emissions associated with three classes of its assets. Additionally, in 2023, M&T invested and financed USD 3.1 billion in eligible environmental and social activities in line with its sustainable finance taxonomy.<sup>18</sup>

Throughout 2023, the Bank financed and invested a total of USD 318.8 million in the renewable energy sector and a total of USD 310.7 million in projects related to green buildings. In the same year, the Bank provided USD 487.4 million in financing more than 2,700 affordable housing units under the CRA programme and committed an investment of USD 205.7 million to provide 1,181 affordable housing units through the LIHTC equity programme.<sup>19</sup>

Sustainalytics is of the opinion that the M&T Bank Sustainable Financing Framework is aligned with M&T’s overall sustainability strategy and initiatives and will further the Bank’s action on its key environmental and community development priorities.

<sup>15</sup> M&T, “2023 Sustainability Report”, (2023), at: <https://www3.mtb.com/content/dam/mtb-web/pdfs/sustainability-report-2023.pdf>

<sup>16</sup> M&T is in the process of establishing a new set of targets for waste-to-landfill and water usage reduction in 2024.

<sup>17</sup> M&T, “2023 Sustainability Report”, (2023), at: <https://www3.mtb.com/content/dam/mtb-web/pdfs/sustainability-report-2023.pdf>

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

### Approach to managing environmental and social risks associated with the assets

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible assets that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible assets could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible assets may include: i) issues involving land use and biodiversity associated with infrastructure development; ii) emissions, effluents and waste generated in construction; iii) occupational health and safety; iv) community relations; v) data privacy and security; and vi) business ethics and predatory lending.

Sustainalytics acknowledges that M&T has limited involvement in the development of specific assets financed under the Framework but notes that the Bank could be exposed to environmental and social risks associated with its lending decisions.

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

- Regarding environmental risks associated with land use and biodiversity in large-scale infrastructure development and emissions, effluents and waste generated during construction, Sustainalytics notes that all financing under the Framework will take place in the US, where the country's laws and regulations provide stringent oversight of construction activities. The Bank has confirmed that it has policies and procedures designed to ensure compliance of all financed projects with applicable US laws and regulations, including those related to environmental protection and remediation requirements for land use and biodiversity, waste management, emissions, occupational health and safety standards, and community relations as part of its due diligence and underwriting process at the lending stage.
- To manage the overall environmental and social risks pertaining to the financed assets, M&T has established an Enterprise Risk Framework (ERF), which is supervised by the Bank's Risk Committee of the Board.<sup>20</sup> Under the ERF, the Bank continuously monitors and assesses risks such as regulatory and compliance and operational risks, including cybersecurity.<sup>21</sup> In addition, the Bank's Code of Business Conduct and Ethics requires the Bank to comply with all applicable laws and regulations.<sup>22</sup> The Bank's Supplier Code of Conduct, in addition, requires its suppliers to comply with laws and regulations related to environment, health and safety, human rights and labour rights.<sup>23</sup>
- Sustainalytics has noted that M&T, along with other banks, is involved in pending litigation relating to data breach incidents in 2023.<sup>24</sup> To manage and mitigate risks associated with data privacy and security, the Bank has developed the Information Security and Business Continuity Program, which is supported by its ERF and is designed to comply with applicable legal and regulatory standards, such as the US Department of Commerce's National Institute of Standards and Technology Cybersecurity Framework,<sup>25</sup> to safeguard its customers' information and mitigate the risk of breaches.<sup>26</sup> M&T has also established the Enterprise Privacy Policy and Program to responsibly handle the personal data of its customers.<sup>27</sup>
- With regard to risks related to business ethics and responsible lending, M&T has established an Anti-bribery and Anti-corruption Policy, which requires the Bank to comply with applicable anti-bribery and anti-corruption laws and standards.<sup>28</sup> The Bank has also developed the Bank Secrecy Act/Anti-Money Laundering (AML) and Sanctions Compliance Program on the prevention of money laundering in compliance with all applicable AML laws and regulations, including the Bank Secrecy Act<sup>29</sup> and the Patriot Act.<sup>30,31</sup> Further, to address the risk of predatory lending, M&T has established the Fair and Responsible Banking Policy and Program as an internal guide to identify, monitor and manage the Bank's responsible banking and fair lending risks, and prevent unfair, discriminatory, deceptive or abusive acts and practices in lending activities. The Fair and Responsible Banking Policy

<sup>20</sup> M&T, "2023 Sustainability Report", (2023), at: <https://www3.mtb.com/content/dam/mtb-web/pdfs/sustainability-report-2023.pdf>

<sup>21</sup> Ibid.

<sup>22</sup> M&T, "Code of Business Conduct and Ethics", (2023), at: <https://ir.mtb.com/static-files/1c8c627e-2938-46a4-97cc-44aacb613f91>

<sup>23</sup> M&T, "Supplier Code of Conduct", (2023), at: [https://www3.mtb.com/content/dam/mtb-web/pdfs/supplier\\_code\\_of\\_conduct\\_2023.pdf](https://www3.mtb.com/content/dam/mtb-web/pdfs/supplier_code_of_conduct_2023.pdf)

<sup>24</sup> M&T, "2023 Annual Report," (2024), at: <https://ir.mtb.com/static-files/52559ce5-aebf-45bb-949b-952849a22089>

<sup>25</sup> US National Institute of Standards and Technology, "Cybersecurity Framework", at: <https://www.nist.gov/cyberframework>

<sup>26</sup> M&T, "2023 Sustainability Report", (2023), at: <https://www3.mtb.com/content/dam/mtb-web/pdfs/sustainability-report-2023.pdf>

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> US Internal Revenue Service, "Bank Secrecy Act", at: <https://www.irs.gov/businesses/small-businesses-self-employed/bank-secrecy-act>

<sup>30</sup> US Treasury, Financial Crimes Enforcement Network, "USA Patriot Act", at: <https://www.fincen.gov/resources/statutes-regulations/usa-patriot-act>

<sup>31</sup> M&T, "2023 Sustainability Report", (2023), at: <https://www3.mtb.com/content/dam/mtb-web/pdfs/sustainability-report-2023.pdf>

and Program also ensures compliance with all applicable responsible banking laws and regulations and is applicable throughout the product or service life cycle, including the sales, pricing, application processing, underwriting and origination of financial products.<sup>32</sup> Additionally, M&T's Code of Business Conduct and Ethics and Antitrust Policy requires that the Bank and third parties conducting business on behalf of the Bank to comply with all applicable competition laws and provide fair treatment and freedom of choice to customers and protect customers from predatory business practices.<sup>33</sup>

- Sustainalytics notes the eligible assets under the Framework will be located in the US, which is recognized as a Designated Country by the Equator Principles<sup>34</sup> and are subject to robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities, including conducting stakeholder engagement for assets with potentially adverse environmental impacts.

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

### Section 3: Impact of Use of Proceeds

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

#### Importance of increasing the share of renewable energy in the US

The electricity generation sector is the second largest source of GHG emissions in the US, accounting for 25% of the country's total emissions in 2021<sup>35</sup> and 33% of the energy-related CO<sub>2</sub> emissions in 2022.<sup>36</sup> As of 2023, 60% of the electricity generation in the US comes from fossil fuels, such as natural gas, coal and petroleum.<sup>37</sup> From 1990 to 2021, GHG emissions from electricity generation in the US decreased by 15% due to an increase in renewable energy generation and energy efficiency.<sup>38</sup> Although renewable energy generation in the US has experienced significant growth since 2008, it accounted for only 21.4% of the country's total electricity generated in 2023, with wind energy contributing 10.2% of the total, and solar energy contributing 3.9%.<sup>39,40</sup>

Projections show a likely increase in US renewables to make up approximately 35% of the total installed capacity by 2030.<sup>41</sup> However, this figure is well below the projected proportion of renewables in the global energy system of 40% by the same year.<sup>42</sup> Therefore, significantly more investments in renewable energy are required to meet the Paris Agreement climate target of limiting temperature increases to well below 2°C.<sup>43</sup>

According to the National Renewable Energy Laboratory, currently available technologies have the potential to increase renewable energy capacity to account for 80% of US electricity generation by 2050, including through wind and solar.<sup>44</sup> In 2021, the US government set a goal to reach 100% carbon-free electricity by 2035, which is expected to further add to the renewable energy momentum in the country.<sup>45</sup>

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

<sup>35</sup> US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions#electricity>

<sup>36</sup> US Energy Information Administration, "How much of U.S. carbon dioxide emissions are associated with electricity generation?", at: <https://www.eia.gov/tools/faqs/faq.php?id=77&t=11>

<sup>37</sup> US Energy Information Administration, "What is U.S. electricity generation by energy source?", at: <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

<sup>38</sup> US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions", at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

<sup>39</sup> US Energy Information Administration, "U.S. energy facts explained", (2020), at: <https://www.eia.gov/energyexplained/us-energy-facts/>

<sup>40</sup> US Energy Information Administration, "What is U.S. electricity generation by energy source?", at: <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

<sup>41</sup> US Energy Information Administration, "Annual Energy Outlook 2022", (2022), at:

[https://www.eia.gov/outlooks/aeo/ppt/AEO2022\\_ReleasePresentation.pptx](https://www.eia.gov/outlooks/aeo/ppt/AEO2022_ReleasePresentation.pptx)

<sup>42</sup> IEA, "World Energy Outlook", (2021), at: <https://iea.blob.core.windows.net/assets/4ed140c1-c3f3-4fd9-acae-789a4e14a23c/WorldEnergyOutlook2021.pdf>

<sup>43</sup> International Renewable Energy Agency, "Renewable Energy: A Key Climate Solution", (2017), at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA\\_A\\_key\\_climate\\_solution\\_2017.pdf?la=en&hash=A9561C1518629886361D12EFA11A051E004C5C98](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Nov/IRENA_A_key_climate_solution_2017.pdf?la=en&hash=A9561C1518629886361D12EFA11A051E004C5C98)

<sup>44</sup> US National Renewable Energy Laboratory, "Renewable Electricity Futures Study", at: <https://www.nrel.gov/docs/fy13osti/52409-ES.pdf>

<sup>45</sup> 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->

Considering the above, Sustainalytics believes that the renewable energy investments proposed under the Framework are expected to contribute to the clean-energy transition in the US.

### Importance of affordable housing in the US

Housing is a critical social determinant of health and well-being.<sup>46</sup> Affordable housing is a crucial issue in the US, with rental affordability near historic lows and housing costs becoming increasingly untenable for both renters and buyers.<sup>47</sup> According to a 2023 report published by the Joint Center for Housing Studies, 21.6 million households of renters in the US spent more than 30% of their income and 11.6 million spent more than 50% of their income on rent between 2019 and 2021, making them severely cost burdened.<sup>48</sup> Additionally, housing prices are rapidly growing compared to wage growth in 80% of US markets.<sup>49</sup> This situation is particularly challenging for low-income households, which are disproportionately affected by high housing costs, as it often leads to compromising other necessities, such as food and healthcare.<sup>50</sup> Further compounding the issue is the decrease in single-family housing starts, which fell by 10.8% in 2022.<sup>51</sup> This decline contributes to a worsening housing shortfall in the US, limiting the availability of affordable single-family homes. On the other hand, in 2022, the multifamily housing sector showed greater resilience with a 15.5% increase in multifamily housing starts.<sup>52</sup> In 2023, the country witnessed the highest rate of multifamily development in 50 years, with 1 million multifamily units under construction.<sup>53</sup> However, the rise in the median rent for newly constructed multifamily units creates affordability challenges for low- to moderate-income renters.<sup>54</sup> As of 2024, the US faces a shortage of 7.3 million rental homes that are affordable and available to extremely low-income renters.<sup>55</sup>

To improve access to affordable housing, the US federal government has implemented initiatives such as: i) reducing barriers to building housing; ii) promoting commercial-to-residential affordable housing conversion; and iii) expanding homeownership support.<sup>56</sup> The Housing Supply Action Plan promotes zoning reforms that allows for more affordable housing.<sup>57</sup> In the rental market, the government has enabled rental assistance for additional 100,000 low-income households.<sup>58</sup> In 2023, the federal government's budget planned to allocate USD 7.5 billion for new project-based rental assistance for extremely low-income households, USD 10 billion

[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/](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/)

<sup>46</sup> BMC, "Housing as a social determinant of health and wellbeing: developing an empirically-informed realist theoretical framework", (2020), at: <https://bmcpublihealth.biomedcentral.com/articles/10.1186/s12889-020-09224-0>

<sup>47</sup> Kenan Institute of Private Enterprise, "The Affordable Housing Crisis in 2023: Where Do We Stand, and What are the Solutions?", (2023), at: <https://kenaninstitute.unc.edu/commentary/the-affordable-housing-crisis-in-2023-where-do-we-stand-and-what-are-the-solutions/>

<sup>48</sup> Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing", (2023), at: [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_The\\_State\\_of\\_the\\_Nations\\_Housing\\_2023.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf)

<sup>49</sup> Kenan Institute of Private Enterprise, "The Affordable Housing Crisis in 2023: Where Do We Stand, and What are the Solutions?", (2023), at: <https://kenaninstitute.unc.edu/commentary/the-affordable-housing-crisis-in-2023-where-do-we-stand-and-what-are-the-solutions/>

<sup>50</sup> Habitat for Humanity, "2023 State of the Nation's Housing report", (2023), at: <https://www.habitat.org/costofhome/2023-state-nations-housing-report-lack-affordable-housing>

<sup>51</sup> Joint Center for Housing Studies, "Home Prices and Rents Remain High, as Steep Interest Rates Lock Homeowners in Place and Slow Construction", (2023), at: <https://www.jchs.harvard.edu/press-releases/home-prices-and-rents-remain-high-steep-interest-rates-lock-homeowners-place-and>

<sup>52</sup> Joint Center for Housing Studies, "2023 State of the Nation's Housing report", (2023), at: [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_The\\_State\\_of\\_the\\_Nations\\_Housing\\_2023.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf)

<sup>53</sup> Joint Center for Housing Studies, "Home Prices and Rents Remain High, as Steep Interest Rates Lock Homeowners in Place and Slow Construction", (2023), at: <https://www.jchs.harvard.edu/press-releases/home-prices-and-rents-remain-high-steep-interest-rates-lock-homeowners-place-and>

<sup>54</sup> Joint Center for Housing Studies, "2023 State of the Nation's Housing report", (2023), at: [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_The\\_State\\_of\\_the\\_Nations\\_Housing\\_2023.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf)

<sup>55</sup> National Low Income Housing Coalition, "The Gap: A shortage of Affordable Homes", (2024), at: <https://nlihc.org/gap>

<sup>56</sup> The White House, "Biden-Harris administration Announces Actions to Lower Housing Costs and Boost Supply", (2023), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2023/07/27/biden-harris-administration-announces-actions-to-lower-housing-costs-and-boost-supply/>

<sup>57</sup> The White House, "Remarks by National Economic Advisor Lael Brainard Addressing the Challenge of Housing Affordability At the National Housing Conference", (2023), at: <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/12/07/remarks-by-national-economic-advisor-lael-brainard-addressing-the-challenge-of-housing-affordability-at-the-national-housing-conference/>

<sup>58</sup> Ibid.

to encourage state and local governments to reduce development barriers for affordable housing, and USD 10 billion to support first-time and first-generation homebuyers.<sup>59</sup>

Given the above context, Sustainalytics believes that the affordable housing expenditure specified in the Framework have the potential in supporting the US government’s efforts to facilitate greater access to affordable housing.

**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 M&T Bank Sustainable Financing Framework are expected to help advance the following SDGs and targets:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	7. Affordable and Clean Energy	7.3 Double the global rate of improvement in energy efficiency
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

**Conclusion**

M&T has developed the M&T Bank Sustainable Financing Framework under which the Bank and its subsidiaries intend to issue green, social and sustainability notes, subordinated notes and preferred stock and use the proceeds to finance and refinance, in whole or in part, existing and future eligible assets that demonstrate environmental benefits and support social mobility in the US. Sustainalytics considers that the eligible assets are expected to provide positive environmental and social impacts.

The M&T Bank Sustainable Financing Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics considers that M&T has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that M&T Bank Corporation is well positioned to issue sustainability bonds and that the M&T Bank Sustainable Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Social Bond Principles 2023.

<sup>59</sup> The White House, “Fact Sheet: President Biden’s Budget Lowers Housing Costs and Expands Access to Affordable Rent and Home Ownership”, (2023), at: <https://www.whitehouse.gov/omb/briefing-room/2023/03/09/fact-sheet-president-bidens-budget-lowers-housing-costs-and-expands-access-to-affordable-rent-and-home-ownership/>

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