

Second-Party Opinion

Monarch Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Monarch Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Affordable Housing, is aligned with those recognized by the Social Bond Principles 2021. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 10 and 11.



PROJECT EVALUATION / SELECTION Monarch has established a Social Bond Committee, chaired by Monarch's Chief Financial Officer and comprised of senior representatives from Monarch's executive, investments and asset management functions, to oversee the evaluation and selection process. The Committee will be responsible for assessing ongoing compliance with the outlined criteria. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Monarch's Accounting Department will establish a social bond register to track the allocation of the net proceeds of each issuance to eligible projects. Pending full allocation, Monarch will invest unallocated proceeds in accordance with its cash investment policy. This is in line with market practice.



REPORTING Monarch intends to provide allocation and impact reporting on its website on an annual basis, until full allocation. Allocation reporting will include details on funded projects and the total amount of proceeds allocated. Impact reporting will draw on relevant metrics, where feasible, including number of affordable units produced and local income generated. Sustainalytics views Monarch's allocation and impact reporting as aligned with market practice.

Evaluation date	July 12, 2021
Issuer Location	Atlanta, Georgia, United States

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Introduction

Headquartered in Atlanta, Georgia, Monarch Private Capital (“Monarch”, or the “Company”) serves as the manager of Environmental, Social and Governance (ESG) focused funds through its wholly-owned subsidiaries, including Monarch Tax Credits. The Company provides investors with ESG-related opportunities in affordable housing, renewable energy and historic building rehabilitation projects. In order to fulfil its mandate, Monarch invests with developers with expertise in affordable housing and historic preservation to fund the construction and management of such projects. Monarch was founded in 2005 and as of September 2020 manages over USD 6 billion in project capital and has approximately 51 employees.

Monarch has developed the Monarch Social Bond Framework (the “Framework”) under which it intends to issue social bonds (referred to as “Monarch Social Bonds”) and use the proceeds to finance and/or refinance, new and/or future projects (“Eligible Social Projects”) that align with the Company’s goal of increasing the supply of affordable housing. The Framework defines eligibility criteria in one area:

1. Affordable Housing

Monarch engaged Sustainalytics to review the Monarch Social Bond Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP)¹. This Framework will be published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

The Framework’s alignment with the Social Bond Principles 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 1.9, 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 Monarch’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. Monarch representatives have confirmed (1) they understand it is the sole responsibility of Monarch to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Monarch.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The

¹ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

² The Monarch Social Bond Framework will be made available on Monarch Private Capital’s website.

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.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

Sustainalytics' Opinion

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

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

- Use of Proceeds:
 - The eligible category, Affordable Housing, is aligned with those recognized by the SBP.
 - The proceeds raised by Monarch Social Bonds will be used to finance investments in new construction, rehabilitation, and/or adaptive reuse properties. These properties will have, or will be expected to, qualify for federal and/or state Low Income Housing Tax Credits (LIHTC), including for (i) Senior communities and (ii) Multi-family and single-family homes. In order to qualify for federal LIHTCs, projects must be affordable for households earning an income that is at or below 60% of the average median income (AMI). Monarch has communicated to Sustainalytics that the allocation for the inaugural offering will be primarily in the states of Georgia, Missouri, and South Carolina, and that in order to qualify for funding, developers must meet state regulatory criteria for affordability.^{4,5,6}
 - Sustainalytics has assessed Monarch's affordability criteria and views the required thresholds positively and the initiatives to create and preserve affordable homes to be aligned with market expectations, while noting that 100% of units in the Company's portfolio are affordable to households earning 60% and below of AMI.
 - In addition to assessing social criteria, Monarch will also rely on approval of federal and/or state LIHTC status to determine if Eligible Social Projects meet minimum regulatory environmental standards, including the standards set by green building rating systems.⁷ The LIHTC designation relies on meeting minimum construction and environmental standards for both new construction and rehabilitation projects. In addition, scoring full points on various environmental and energy metrics⁸ is generally required to be competitive in the awarding process of LIHTC investments. Sustainalytics views the assessment process, requirements, and scope of the

⁴ In Georgia, projects eligible for housing tax credits must meet low-income occupancy threshold requirements known as the minimum set-aside. There are two options available to meet this requirement: 1) No less than 20% of the housing units must be set aside for tenants whose incomes are 50% or less than the AMI; or 2) No less than 40% of the housing units must be set aside for tenants whose incomes are 60% or less of the AMI. See more, at: https://www.dca.ga.gov/sites/default/files/lihtccompliancemanual_rev2019_05.pdf

⁵ In Missouri, projects eligible for housing tax credits must meet one of the following affordability requirements: 1) 40% of the total number of units affordable to persons at 60% of the AMI; 2) 20% of the total number of units affordable to persons at 50% of the AMI, or 3) 40% of the total number of units affordable to persons from a range of 20% to 80% of the AMI, so long as the average unit designation averages no higher than 50% of the AMI. See more, at: https://www.mhdc.com/rental_production/low_inc_tax_pgrm.htm

⁶ In South Carolina, projects eligible for housing tax credits must meet one of the following requirements: 1) projects must have restricted rents that do not exceed 30% of income for at least 40% of its units occupied by persons or families having incomes of 60% or less of the AMI, or 2) at least 20% of the units occupied by persons or families having incomes of 50% or less of the AMI. See more, at: <https://dor.sc.gov/resources-site/lawandpolicy/Advisory%20Opinions/RR21-1.pdf>

⁷ Green building rating standards include, but are not limited to, Enterprise Green Communities, any of the LEED rating systems, National Green Building Standard, or similar local rating requirements.

⁸ Including sustainable design, building methods and materials, including compliance with various green building standards and the integration of energy and water efficiency measures.

LIHTC programs positively and is of the opinion that through these requirements the Company's affordable housing developments will have a positive environmental impact, strengthening the overall impact of the Framework.

- Project Evaluation and Selection:
 - Monarch has established a Social Bond Committee (the "Committee"), which will be responsible for overseeing the evaluation and selection process for Eligible Social Projects. The Committee is comprised of senior representatives from Monarch's executive, investments and asset management functions and will be chaired by Monarch's Chief Financial Officer. As part of this process, the Committee will oversee implementation to ensure proceeds from Monarch Social Bonds issuances will be used in accordance with the criteria defined in the Framework on an ongoing basis.
 - Based on the use of defined internal procedures and executive-level participation, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Monarch's Accounting Department is committed to establishing a social bond register to track the allocation of the net proceeds of each Monarch Social Bond issuance to Eligible Social Projects. Pending full allocation, net proceeds will be temporarily invested in accordance with Monarch's cash investment policy.
 - Monarch has confirmed that 100% of the refinanced expenditure is CAPEX, and that it intends to fully allocate the proceeds of each Monarch Social Bond issuance within 24 months of issuance.
 - Based on the presence of internal tracking mechanisms, disclosure on the temporary allocation of proceeds, and allocation commitments, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Monarch intends to provide annual allocation reports for each Monarch Social Bond issuance until full allocation. Allocation reporting will include a list of Eligible Social Projects funded, the total amount of proceeds allocated, the balance of unallocated proceeds, and a summary of outstanding Monarch Social Bond issuances, including issuance date, size, maturity, currency and format.
 - Where feasible, Monarch will also report on the social impacts of the Eligible Social Projects funded by drawing on key performance indicators, such as, jobs created, number of affordable units produced, local income generated, local tax revenue generated and the number of green building certifications obtained as part of the LIHTC requirements.
 - Upon full allocation, Monarch will engage an independent party to verify that the net proceeds have been allocated in alignment with the eligibility criteria outlined in the Framework.
 - Based on Monarch's commitment to allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice.

Alignment with Social Bond Principles 2021

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

Section 2: Sustainability Performance of Monarch

Contribution of Framework to Monarch Private Capital's sustainability strategy

Sustainalytics is of the opinion that Monarch demonstrates a strong commitment to sustainability with a focus on integrating ESG benchmarks into all of its tax-advantaged offerings. Monarch's primary goal as a manager of ESG-focused funds is to provide investors with ESG-related investment opportunities in the areas of (i) affordable housing; (ii) renewable energy and (iii) historic building rehabilitations.⁹ Monarch is also committed to embedding sustainability within its own core strategies and day to day operations. In order to

⁹ Monarch Private Capital, ESG Investment Types: <https://www.monarchprivate.com/esg-investment-types/>

achieve this, the Company has set the following sustainability objectives:¹⁰ 1) Carbon Neutrality;¹¹ 2) Home Development and Job Creation; 3) ESG Committee; 4) Annual ESG Report; 5) Employee/Employer Relationship, and 6) Giving Back. Sustainalytics views the activities outlined in the Framework to be highly aligned with the Company's overall mission as well as its own operational objectives.

In regards to its investment strategy, in 2020, Monarch developed an ESG Investment Framework (the "Investment Framework") across its main federal projects and funds.¹² Through the use of its Investment Framework, Monarch ensures that all of its funds have been screened against internationally recognized standards¹³ and sector-specific ESG criteria by an independent third party.¹⁴ All of Monarch's funds are accompanied by ESG assessment reports that define and illustrate the ESG criteria and impact metrics.¹⁵ These metrics include, but are not limited to, amount of clean energy created, CO2 emissions avoided, number of jobs created, and number of affordable homes developed.¹⁶

With the goal of enhancing its own sustainability performance, Monarch has committed to implementing several environmental and social initiatives. As part of its second sustainability objective, Home Development and Job Creation, Monarch has committed to providing tax equity, developing, owning and/or managing: (i) solar projects resulting in the creation of jobs for the calendar year of 2020; (ii) affordable housing developments resulting in the creation of affordable homes and jobs for the calendar year of 2020 and (iii) the rehabilitation of historically significant buildings resulting in the creation of jobs for the calendar year 2020.¹⁷ Since its inception, the Company has managed ESG-related funds with investments in over 600 projects generating more than 100,000 jobs and enabling the development of 35,000 units of affordable housing.^{18,19} In order to ensure ongoing progress, Monarch appointed an ESG committee to oversee the implementation of ESG initiatives into operational practices, and has committed to evaluating its ESG goals and initiatives on a regular basis by producing an annual report.²⁰

Sustainalytics is of the opinion that the Monarch Social Bond Framework is aligned with the Company's overall sustainability mandate and internal initiatives and will further the Company's action on its key objectives.

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

While the Eligible Social Projects funded under the Framework are anticipated to provide overall positive social impacts, Sustainalytics recognizes that such initiatives, as with all large construction and/or rehabilitation projects, may pose potential environmental and social risks. For affordable housing projects, these risks may include, occupational health and safety, construction waste and pollution, and impacts on local biodiversity and surrounding communities. Sustainalytics notes that while Monarch is not directly responsible for the day-to-day construction operations, by holding ownership of the projects, the Company should ensure appropriate safeguards are in place in order to mitigate potential risks. Sustainalytics is of the opinion that Monarch is able to manage these risks through appropriate oversight, as well as the regulatory landscape in which it operates:

- Monarch retains full discretionary rights and responsibilities, including executing all project-level documentation and committing to all contributions required under the terms of the operating agreement at the project level.²¹ Unlike others in the marketplace who may serve as brokers on transactions, Monarch is responsible for conducting due diligence and execution of documents at the project level and maintaining oversight throughout the development process.²²
- Regarding adverse impact on biodiversity and communities, Sustainalytics considers that these impacts are mitigated by the laws and regulations in place in the jurisdictions in which Monarch

¹⁰ Monarch Private Capital, Our Sustainability Initiatives: <https://www.monarchprivate.com/company/our-sustainability-initiatives/>

¹¹ Monarch will implement several initiatives to help it reach carbon neutrality by the end of 2021. This includes supporting the development of solar projects, reducing office space and energy consumption and ensuring all new office spaces are green building certified. See more at: <https://www.monarchprivate.com/company/our-sustainability-initiatives/>

¹² Monarch Private Capital, ESG Investing: <https://www.monarchprivate.com/esg-investing/>

¹³ These include the Sustainability Accounting Standard Boards, Global Reporting Initiative and relevant UN SDGs.

¹⁴ Bureau Veritas is a global leader in assurance and independent verification services. See more, at:

¹⁵ Monarch Private Capital, ESG Investing: <https://www.monarchprivate.com/esg-investing/>

¹⁶ Monarch Private Capital, ESG Investing: <https://www.monarchprivate.com/esg-investing/>

¹⁷ Monarch Private Capital, Our Sustainability Initiatives: <https://www.monarchprivate.com/company/our-sustainability-initiatives/>

¹⁸ Monarch Private Capital, ESG Investing: <https://www.monarchprivate.com/esg-investing/>

¹⁹ Sustainalytics has assessed several of Monarch's existing impact reports and views the Company's ESG-related reporting commitments to be robust and credible.

²⁰ Monarch Private Capital, Our Sustainability Initiatives: <https://www.monarchprivate.com/company/our-sustainability-initiatives/>

²¹ Monarch Private Capital, Affordable Housing, 'Our Approach': <https://www.monarchprivate.com/esg-investment-types/affordable-housing/>

²² Monarch Private Capital, Affordable Housing, 'Our Approach': <https://www.monarchprivate.com/esg-investment-types/affordable-housing/>

operates as well as Monarch's internal selection process which prioritizes environmentally sustainable practices with a commitment to creating equitable and accessible communities.²³ In addition, the LIHTC program, through which all of Monarch's affordable housing projects are ultimately financed, requires the incorporation of sustainable design, building methods and materials from the beginning of each development.

- Monarch's affordable housing initiatives are often delivered in cooperation with government bodies, such as the Missouri Housing Development Commission²⁴ and in alignment with national environmental standards such as Part 58 of the National Environment Policy Act. Sustainalytics considers this cooperation with regulatory authorities as supporting responsible development and important for addressing potential stakeholder concerns.
- As a longstanding player in the affordable housing development market, Monarch primarily works with real-estate developers that the Company has engaged with in the past and is hence, aware of their track records relating to major health and safety incidents. These developers are in good standing with the federal, state or local authorities and in compliance with relevant regulations relating to health and safety.

Based on the above, Sustainalytics is of the opinion that through its own efforts as well as its adherence to and compliance with applicable laws and regulations, Monarch is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

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

The importance of investing in affordable housing in the United States

According to the National Low Income Housing Coalition (NLIHC), approximately 10.8 million renter households with low incomes in the U.S. paid over 50% of their income on housing costs, making them severely housing cost burdened.²⁵ In the states of Missouri and Georgia, 70%²⁶ and 73%²⁷ respectively, of extremely low-income renter households are considered severely cost burdened. NLIHC further estimates that there is a shortage of over 7 million affordable and available rental homes for extremely low-income renter households in the U.S., and that only 36 affordable and available homes exist for every 100 extremely low-income renter households.²⁸ With about 568,000 people experiencing homelessness in 2020 in the United States, the lack of affordable housing continues to be a significant problem, requiring multi-sectoral engagement and investment.²⁹

One of the key solutions to addressing these shortages include federal and state-sponsored programs such as the LIHTC, a financing initiative to incentivize the construction or rehabilitation of affordable rental housing for low-income households. Approved by Congress in 1986, LIHTCs have proven to be one of the most effective vehicles to expanding and preserving affordable housing, enabling private developers to sell credits to investors to obtain funding for affordable housing rental projects.³⁰ Since the mid-1990s, the LIHTC program has supported the creation of approximately 110,000 affordable rental units each year, contributing to the creation of over 2 million units in total since the program's inception.³¹ With an estimated cost of approximately USD 9.5 billion a year, the LIHTC is by far the largest federal program encouraging the creation

²³ Monarch Private Capital, ESG Investment Types: State Tax Credits: <https://www.monarchprivate.com/esg-investment-types/state-tax-credits/>

²⁴ Missouri Housing Development Commission: <http://www.mhdc.com/>

²⁵ National Low Income Housing Coalition (NLIHC), The Gap: A Shortage of Affordable Homes, (2020): https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2020.pdf

²⁶ National Low Income Housing Coalition, Missouri: <https://nlihc.org/housing-needs-by-state/missouri>

²⁷ National Low Income Housing Coalition, Georgia: <https://nlihc.org/housing-needs-by-state/georgia#:~:text=Across%20Georgia%2C%20there%20is%20a,of%20their%20income%20on%20housing.>

²⁸ National Low Income Housing Coalition (NLIHC), The Gap: A Shortage of Affordable Homes, (2020): https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2020.pdf

²⁹ National Low Income Housing Coalition (NLIHC), The Gap: A Shortage of Affordable Homes, (2020): https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2020.pdf

³⁰ Tax Policy Center, 'What is the LIHTC and how does it work?': <https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-taxcredit-and-how-does-it-work>

³¹ Tax Policy Center, 'What is the LIHTC and how does it work?': <https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-taxcredit-and-how-does-it-work>

of affordable rental housing for low-income households.³² In addition to state-sponsored support, housing development at the scale required will also demand significant private-sector support and innovative investment opportunities. Since its inception, Monarch and its portfolio companies have facilitated ESG-investments that have led to the development of over 300 affordable housing developments with 35,000 units in over 20 states.³³ In this context and considering the LIHTC requirements which are used by Monarch to determine eligibility, Sustainalytics views positively investment in subsidized and affordable housing projects across the United States.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This social bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Affordable Housing	10. Reduced Inequalities	10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
	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 according to national definitions 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries

Conclusion

Monarch has developed the Monarch Social Bond Framework under which it will issue social bonds and use the proceeds to finance investments in affordable housing projects. Sustainalytics considers that the projects funded by the social bond proceeds will provide positive social impact and help build sustainable communities.

The Monarch Social Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Monarch Social Bond Framework is aligned with the overall sustainability strategy of the company and that the social use of proceed category will contribute to the advancement of the UN Sustainable Development Goals 10 and 11. Additionally, Sustainalytics is of the opinion that Monarch has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Monarch Private Capital is well-positioned to issue social bonds and that the Monarch Social Bond Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021.

³² Tax Policy Center, 'What is the LIHTC and how does it work?': <https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-taxcredit-and-how-does-it-work>

³³ Monarch Private Capital, Affordable Housing: <https://www.monarchprivate.com/esg-investment-types/affordable-housing/>

Appendices

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

Section 1. Basic Information

Issuer name:	Monarch Private Capital
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Monarch Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 12, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds, Affordable Housing, is aligned with those recognized by the Social Bond Principles 2021. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 10 and 11.

Use of proceeds categories as per SBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Monarch has established a Social Bond Committee, chaired by Monarch's Chief Financial Officer and comprised of senior representatives from Monarch's executive, investments and asset management functions, to oversee the evaluation and selection process. The Committee will be responsible for assessing ongoing compliance with the outlined criteria. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Social Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Monarch's Accounting Department will establish a social bond register to track the allocation of the net proceeds of each issuance to eligible projects. Pending full allocation, Monarch will invest unallocated proceeds in accordance with its cash investment policy. This is in line with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

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

4. REPORTING

Overall comment on section (if applicable):

Monarch intends to provide allocation and impact reporting on its website on an annual basis, until full allocation. Allocation reporting will include details on funded projects and the total amount of proceeds allocated. Impact reporting will draw on relevant metrics, where feasible, including number of affordable units produced and local income generated. Sustainalytics views Monarch's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- Allocated amounts
- Social Bond financed share of total investment
- Other (please specify):

Frequency:

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

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported (expected or ex-post):

- Number of beneficiaries
- Target populations

Other ESG indicators (*please specify*): Jobs created, number of affordable units produced, local income generated, local tax revenue generated and number of green building certifications.

Frequency:

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

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): Company's website.
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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

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

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