



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

Evaluation Summary

Sustainalytics is of the opinion that the WSHFC Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2020. This assessment is based on the following:



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



PROJECT EVALUATION / SELECTION Eligible projects under the Framework will be assessed by Washington State Housing Finance Commission (“WSHFC” or the “Commission”) representatives including the Senior Director of the Finance Division and the Director of Multifamily Housing and Community Facilities. Sustainalytics considers the project selection and evaluation process to be in line with market practice.



MANAGEMENT OF PROCEEDS WSHFC’s Finance department will be responsible for the allocation of bond proceeds. Given that the Commission has communicated its intentions to purchase and finance Citibank, N.A. Affordable Housing Loans, proceeds under the Framework will be fully allocated at the time of issuance. WSHFC will not retain the flexibility to re-allocate proceeds. This is in line with market practice.



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

Evaluation date	April 23, 2021
Issuer Location	Seattle, U.S.

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	7

For inquiries, contact the Sustainable Finance Solutions project team:

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

- Zhenyi LV (Toronto)**
 Project Support

- Amala Devi (Toronto)**
 Project Support

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

Introduction

The Washington State Housing Finance Commission (“WSHFC”, or the “Commission”) is an agency for the state of Washington, United States which was set up to provide financing for single-family home ownership and multifamily affordable housing development, as well as non-profit facilities within the state. Created in 1983, WSHFC is the designated allocating agency for the federal Low Income Housing Tax Credit program in Washington State. In this regard, the Commission can issue non-recourse revenue bonds; participate in federal, state, or local housing programs; and make additional funds available at affordable rates to help provide housing throughout the state.

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

1. Affordable Housing

WSHFC engaged Sustainalytics to review the Framework, dated April 2021, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2020 (SBP).² This Framework will be published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework’s alignment with the SBP, 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 1.7, 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 WSHFC’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. WSHFC representatives have confirmed (1) they understand it is the sole responsibility of WSHFC 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 WSHFC.

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

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

² 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/>

³ The WSHFC Social Bond Framework is available on Washington State Housing Finance Commission’s website at: <https://www.wshfc.org/finance/investor1.htm>

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

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects comprising the portfolio of loans expected to be purchased with proceeds of the Bonds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

Sustainalytics' Opinion

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

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

- Use of Proceeds:
 - The eligible category, Affordable Housing, is recognized as impactful by the SBP.
 - Under the Framework, the Commission intends to purchase loans from Citibank which were originated as construction loans and have now been converted to permanent (affordable housing mortgage) loans. WSHFC has confirmed that the specific pools of affordable housing loans will be identified, and majority of these will have been converted by Citibank within 36 months of the sale to the Commission.
 - The loan portfolio includes tax-exempt loans made to finance and/or refinance the acquisition, construction, and/or rehabilitation of multifamily affordable housing projects located in the state of Washington (the "State") for low- and moderate-income households.
 - The Framework specifies the target population based on Area Median Income ("AMI") households determined by the U.S. Department of Housing and Urban Development (HUD), where; (i) Low income refers to less than 50% of the AMI, (ii) Moderate income refers to between 50% and less than 80% of the AMI.
 - In order to ensure that the target population is being reached, the Framework specifies that rent on the units to be funded will be subject to the HUD criteria that rent payment should not exceed 30% of the occupants' gross income. The Commission intends to enforce this via its agreements, monitoring by Asset Management and Compliance staff as well as on-site visits to each property.
 - Sustainalytics notes positively that the target population is clearly defined based on a recognized standard as well as the assurance of affordability through income and rent controls.
 - For its first issuance under the Framework, the Commission will invest in properties funded by Citibank N.A. ("Citibank Loans") that are eligible for inclusion under the Citi Affordable Housing Framework.
- Project Evaluation and Selection:
 - Projects in the portfolio of loans being financed under the Framework will be evaluated and selected by representatives of the Commission including the Senior Director of the Finance Division and the Director, Multifamily Housing and Community Facilities.
 - Based on the defined process for project evaluation and the presence of senior oversight, Sustainalytics considers this process to be in line with market practice.

- Management of Proceeds:
 - WSHFC’s Finance department will be responsible for the use of Bond proceeds. the Commission has pre-determined the use of the Bond proceeds and has stated its intent to expend the proceeds immediately at the time of issuance. WSHFC will not retain the flexibility to re-allocate proceeds.
 - Based on the commitment for full allocation at issuance, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - The Commission commits to publishing an upfront report as part of the Official Statement for the offering of Bonds. The report will provide information on specific assets being such as the total number of units, rent limits as well as the regulatory agreements in place. In addition, as part its Official Statement, WSHFC intends to disclose relevant social impact metrics such as the number of projects and housing units, the number of low and very low income units.
 - Sustainalytics considers the allocation and impact reporting process to be aligned with market practice.

Alignment with Social Bond Principles 2020

Sustainalytics has determined that the WSHFC 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 Strategy of WSHFC

Contribution of Framework to Washington State Housing Finance Commission’s sustainability strategy

Sustainalytics is of the opinion that WSHFC demonstrates a commitment to sustainability with a mandate to provide affordable housing. The Commission is a publicly accountable agency with a dedicated focus on increasing access to housing for populations in need as well as contributing to the providing adequate community facilities in the state of Washington. WSHFC finances housing for people who lack access on the basis of age, income or infirmity, and in particular, focuses on households with low to moderate income. The Commission works with local governments to identify areas that need to be prioritized such as ones that are economically depressed, mortgage deficient, have a concentrated minority population, and communities that are not receiving a fair share of housing assistance.

Since 1983, WSHFC has financed over 200,000 single- and multi-family homes. Multi-family units account for over 65% of these units and had received USD14.8 billion in bonds and housing credits through 2019.⁵ The Commission’s multi-family housing programs ensure affordability in all projects by setting aside either 20% of the units for persons earning less than 50% of the area median income, and/or 40% of the units for persons earning less than 60% of the area median income.⁶

Sustainalytics is of the opinion that the Framework’s focus on affordable housing is aligned with its overall sustainability strategy and initiatives and will further its action on its key social priorities.

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

While Sustainalytics recognizes that the net proceeds from the bond(s) issued under the Framework will be directed towards eligible projects that are expected to have positive social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land use as well as the exacerbation of existing inequalities due to ineffective targeting and stakeholder relations.

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

- Projects financed under the Commission’s multifamily housing programs are required to meet the Evergreen Sustainable Development Standard, a set of environmentally responsible building

⁵ WSHFC, “2019 Impact Report”, at: <https://wshfc.org/admin/WSHFCImpactReport2019.pdf>

⁶ WSHFC, “Multifamily Housing Bond Policy”, (2014), at: <https://www.wshfc.org/mhcf/MultifamilyHousingBondPolicy.pdf>

practices for housing investments developed by the Washington State Department of Commerce.⁷ The standard defines criteria that safeguard health and safety of residents and staff, increase energy and water efficiency, promote sustainable living, and preserve the environment.

- WSHFC inspects and monitors multifamily housing properties to ensure that they remain safe, decent and affordable for at least 30 years. WSHFC's Asset Management and Compliance team engage with property owners and managers to ensure compliance with federal and state regulations and contractual commitments as part of bond and tax-credit financing. As of 2019, WSHFC is monitoring over 100,000 units in 1,140 properties statewide and physically inspected over 360 properties.⁸
- The Commission works in collaboration with other federal, state and local agencies (including Federal National Mortgage Association, Department of Housing and Urban Development, Rural Housing Service, Federal Deposit Insurance Corporation, Department of Commerce, Federal Home Loan Bank, the Department of Social and Health Services, members of the Legislature, the Department of Financial Institutions and Federal Home Loan Mortgage Corporation), and non-profits, and other stakeholders to implement financing programs and ensure compliance with relevant regulations. Ongoing stakeholder engagement is also assured through public participation and feedback at all WSHFC board meetings. In addition, the Commission complies with the Washington State Legislature Residential Landlord-Tenant Act which articulates the rights of tenants as well as the obligations of the landlords across the State.⁹
- WSHFC's Finance Division provides financial oversight and ensures fiscal integrity by monitoring, recording and reporting all financial transactions, managing outstanding debt and compliance with legal requirements and overseeing internal controls and safeguards. The Commission also manages the Washington State Web-Based Annual Reporting System, a web-based tool for property managers and owners to comply with reporting requirements, with oversight functionalities for WSHFC and other public funders of housing.

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

Section 3: Impact of Use of Proceeds

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

Importance of affordable housing in the state of Washington

Homelessness in the U.S. has increased in recent years and was recorded at about 580,000 people in 2020, with over 22,000 homeless individuals in the state of Washington alone.¹⁰ The lack of affordable housing is a key contributor to homelessness, especially for low income renters who are often one financial shock away from homelessness. Across the U.S., there are more than 7.7 million low-income renters who spend more than half of their incomes on housing costs¹¹, sacrificing other necessities such as food, healthcare, childcare and transportation. In Washington, renter households represent 37% of total households and 21% of these live on extremely low income or below 30% of AMI.¹² The state also has one of the lowest apartment vacancy rates

⁷ Washington State Department of Commerce, "Evergreen Sustainable Development Standard V 3.0.1", (2018), at: <http://www.commerce.wa.gov/wp-content/uploads/2018/03/hfu-esds-v3.0.1.pdf>

⁸ WSHFC, "2019 Impact Report", at: <https://wshfc.org/admin/WSHFCImpactReport2019.pdf>
<https://www.wshfc.org/mhcf/MultifamilyHousingBondPolicy.pdf>

⁹ Washington State Legislature, "Residential Landlord-Tenant Act (RCW 59.18)", at: <https://apps.leg.wa.gov/RCW/default.aspx?cite=59.18>

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

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

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

in the country at 2.7%, which further pushes rents up and out of reach for low income households.¹³ The shortage in housing for the extremely low income households in Washington was over 150,000 units in 2019.¹⁴

Overcoming Washington’s severe housing crisis would require significant investment in affordable housing projects. In this context, Sustainalytics expects that investments under the Framework will have strong positive impact.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The Bonds issued under the WSHFC Social Bond Framework advances the following SDG and target:

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

Conclusion

WSHFC has developed the WSHFC Social Bond Framework for the Purchase and Financing of Citibank, N.A. Affordable Housing Loans that finance and/or refinance the acquisition, construction, and/or rehabilitation of multifamily affordable housing projects located in the state of Washington for low- and moderate-income households. Sustainalytics considers that the loans funded by the social bond proceeds are expected to provide positive social impact.

The 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 WSHFC Social Bond Framework is aligned with the overall sustainability strategy of the Commission and that the social use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals 11. Additionally, Sustainalytics is of the opinion that WSHFC 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 Washington State Housing Finance Commission is well-positioned to issue social bonds and that the WSHFC Social Bond Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2020.

¹³ Department of Commerce, “2018 Affordable Housing Update”, at: <http://www.commerce.wa.gov/wp-content/uploads/2019/01/COMMERCE-affordable-housing-update.pdf>

¹⁴ National Low Income Housing Coalition, “Housing Needs by State: Washington”, at: <https://nlihc.org/housing-needs-by-state/washington>

Appendix

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

Section 1. Basic Information

Issuer name:	Washington State Housing Finance Commission
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	WSHFC Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 23, 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 that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the financing of Affordable Housing will lead to positive social impact and advance the UN Sustainable Development Goals, specifically SDG11.

Use of proceeds categories as per SBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Eligible projects under the Framework will be assessed by Washington State Housing Finance Commission ("WSHFC" or the "Commission") representatives including the Senior Director of the Finance Division and the Director of Multifamily Housing and Community Facilities. Sustainalytics considers the project selection and evaluation process to be in line with market practice.

Evaluation and selection

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

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*):

WSHFC's Finance department will be responsible for the allocation of bond proceeds. Given that the Commission has identified its intentions to purchase and finance Citibank, N.A. Affordable Housing Loans, proceeds under the Framework will be fully allocated at the time of issuance. This is in line with market practice.

Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify): All use of proceeds will be fully allocated at the time of issuance, the issuer retains no flexibility to re-allocate proceeds.

Additional disclosure:

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

4. REPORTING

Overall comment on section (*if applicable*):

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

Use of proceeds reporting:

- Project-by-project On a project portfolio basis

- Linkage to individual bond(s) Other (please specify):
All use of proceeds will be fully allocated at the time of issuance.

Information reported:

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

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

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

Frequency:

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

Means of Disclosure

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

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

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

N/A

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.

Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

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

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

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

About Sustainalytics, a Morningstar Company

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

