

Second-Party Opinion Merchants Capital Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Merchants Capital 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. Sustainalytics considers that investments in the eligible category are expected to lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 11.



PROJECT EVALUATION / SELECTION Merchants Bank of Indiana’s internal credit team and Merchants Capital Corporation’s production team were responsible for evaluating the eligible properties. Merchants Capital Corporation has processes in place for environmental and social risk assessment that are applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be aligned with market practice.



MANAGEMENT OF PROCEEDS The net proceeds from the issuance will be used solely for the purchase of 14 mortgage loans to refinance a portfolio of eligible affordable housing properties, with no flexibility to reallocate. This is in line with market practice.



REPORTING Merchants Capital Corporation commits to publish an upfront report for the issuance with information on the specific eligible properties refinanced through the mortgage loans, including the description of the eligible properties, along with key sustainability metrics, such as the number of units affordable to tenants at different area median income thresholds. Given the intent to immediately allocate at the time of issuance to refinance a pre-identified portfolio of eligible properties, Sustainalytics views the allocation and impact reporting as aligned with market practice.

Evaluation date	April 25, 2022
Issuer Location	Carmel, IN, US

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Introduction

Merchants Capital Corporation (“MCC” or the “Company”) is a subsidiary of Merchants Bank of Indiana (MBI), providing financing for the acquisition, refinance, new construction and rehabilitation of multifamily, affordable, senior and student housing. Established in 1990 and headquartered in Carmel, Indiana, MCC is an approved mortgagee under the US Federal Housing Administration (FHA), an approved Multifamily Accelerated Processing lender for the US Department of Housing and Urban Development (HUD), a Fannie Mae affordable lender, and a Freddie Mac Optigo Targeted Affordable Housing seller and servicer.

MCC will cause the establishment of Merchants Bank of Indiana Multifamily Housing Mortgage Loan Trust 2022-Q017 (the “Trust” or the “Issuer”), a special-purpose entity created for issuing social bonds under the Merchants Capital Social Bond Framework (the “Framework”). Under the Framework, the Trust intends to issue Multifamily Mortgage Passthrough Certificates, Series 2022-Q017 (the “Bonds”) and use the proceeds to purchase 14 mortgage loans (the “Mortgage Loans”) originated by MBI (the “Originator”) to refinance a portfolio of 14 existing properties (the “Eligible Portfolio”) that have a majority¹ of affordable housing units. The Framework defines eligibility criteria in one area:

1. Affordable Housing

MCC engaged Sustainalytics to review the Merchants Capital Social Bond Framework, dated 20 April 2022, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).² The Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project 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 1.11, 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 MCC’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. MCC representatives have confirmed (1) they understand it is the sole responsibility of MCC 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 MCC.

¹ “Majority” here means that 99.2% of the units from the Eligible Portfolio that are classified as affordable housing units, per the criteria defined in the Framework.

² The Social Bond Principles are administered by the International Capital Market Association (ICMA) and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>.

³ The Merchants Capital Social Bond Framework is available on MCC’s website at: <https://www.merchantscapital.com/>.

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.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

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 MCC has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Merchants Capital Social Bond Framework

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

- Use of Proceeds:
 - The eligible category, Affordable Housing, is aligned with those recognized by the SBP.
 - Proceeds from the issuance under the Framework will be used to purchase the Mortgage Loans that financed the Eligible Portfolio.
 - The Framework defines eligibility as properties with a majority of units affordable to households that earn less than 80% of the Area Median Income (AMI)⁵, as is confirmed by their passing of Freddie Mac's Affordability Test.⁶ Sustainalytics notes that, currently, 99.2% of the units financed adhere to this affordability criterion.
 - MCC has communicated to Sustainalytics that it has mechanisms in place to ensure that 99.2% of the units financed have rents that are affordable to the target populations at the time of issuance. Sustainalytics, however, notes that the Framework does not prevent the affordable housing assets financed under the Framework from having their rents increased beyond affordability limits after the initial transaction and, as such, does not guarantee affordability for the target population throughout the Bonds' term. Sustainalytics views this as a deviation from market practice.
- Project Evaluation and Selection:
 - MBI's internal credit team and MCC's production team were responsible for the evaluation and selection of the properties in the Eligible Portfolio based on the properties' degree of affordability, as per the criteria set forth in the Framework.
 - MCC has in place a series of board-approved loan policies to ensure fair and compliant lending practices are utilized for all projects. Each financed property is also subject to Environmental Site Assessments to evaluate associated environmental risk. Sustainalytics considers this process to be adequate.
 - Based on the defined process for project evaluation and selection of a pre-defined pool of eligible properties, Sustainalytics considers this process to be in line with market expectation.
- Management of Proceeds:

⁵ US Department of Housing And Urban Development, "Methodology for Calculating FY 2021 Medians", (2021) at: <https://www.huduser.gov/portal/datasets/il/il21/Medians-Methodology-FY21.pdf>

⁶ Freddie Mac, "Affordability Test and Other Resources", at: https://mf.freddiemac.com/lenders/uw/affordability_resources.html

- The Company will track all eligible loans using an internal asset management tracking system.
- The allocation of the net proceeds from the issuance has been pre-determined for the purchase of the Mortgage Loans that refinanced the Eligible Portfolio. Proceeds will be allocated immediately after issuance and neither the Company nor the Originator will retain the flexibility to reallocate or make temporary allocations of the proceeds.
- Based on the commitment to full allocation at issuance, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - MCC commits to publishing an upfront report for the issuance, with information on the specific eligible properties refinanced through the Mortgage Loans, including description of the eligible properties and key sustainability metrics, such as the number of units affordable to tenants at different AMI thresholds.
 - Considering that the entire proceeds will be used for the purchase of the Mortgage Loans at the time of the issuance, Sustainalytics views the reporting commitments to be in alignment with market practice.

Alignment with Social Bond Principles 2021

Sustainalytics has determined that the Merchants Capital Social Bond Framework aligns with the four core components of the SBP. For detailed information, please refer to Appendix 2: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Performance of MCC

Contribution of the Framework to MCC's sustainability strategy

MCC's commitment to sustainability is demonstrated through the Company's focus on financing affordable housing projects across underserved markets in the US. As of 2022, MCC serviced a portfolio of over USD 17 billion, covering approximately 163,000 units in affordable, multifamily, senior and student housing across the US.⁷

MCC's mission to support affordable housing developments is evidenced by its participation in the affordable housing market as an approved Federal Housing Administration mortgagee, a Government National Mortgage Association issuer of mortgage-backed securities, as well as several other market recognized affiliations. In these roles, MCC facilitates offering secondary market programmes that provide a full range of loan structures for affordable multifamily rental projects. The Company also supports communities by offering permanent financing through Merchants Bank of Indiana's permanent programme to projects with a majority of units limited to 80% AMI.

Sustainalytics acknowledges that the eligible affordable housing units being financed under the Framework are expected to have social benefits for the targeted low-income population and communities across Indiana, New York, Georgia, Ohio and Michigan, and is therefore of the opinion that the Framework effectively aligns with MCC's commitment towards affordable housing. Sustainalytics further encourages MCC to establish a sustainability strategy along with quantified time-bound targets related to its activities, and to publicly disclose and report on its progress.

Approach to managing social and environmental risks associated with the projects

Sustainalytics recognizes that the net proceeds from the Bonds will be directed towards eligible projects that are expected to have positive social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key risks possibly associated with the Eligible Portfolio may include issues involving land use and environmental risks, health and safety of residents and occupational health and safety risks during construction. Sustainalytics is of the opinion that MCC is able to manage or mitigate potential risks through the implementation of the following policies and processes:

- As a HUD and FHA Lender, MCC requires an environmental site assessment (ESA)⁸ for all the properties financed under the Framework. The ESA structure a detailed investigation for the

⁷ As communicated by MCC to Sustainalytics.

⁸ US Department of Housing And Urban Development, Environmental Assessment, at: <https://www.hudexchange.info/programs/environmental-review/environmental-assessment/>

impacts of the project on the surrounding environment, community and population, and the impacts of the surrounding conditions on the project.

- MCC requires a project capital needs assessment (PCNA) from each eligible property following HUD and FHA mandates. The PCNA provides a basis for checking the condition of a property, to ensure that any critical maintenance issues have been addressed and, if needed, to readjust the property's replacement reserve requirements.⁹ The PCNA also mandates compliance with other occupational health and safety risk considerations, like smoke detection, seismic resistance, proximity to high-pressure gas and liquid petroleum transmission lines, handicapped accessibility requirements, along with architectural, structural and construction systems integrity.
- In addition to the above, MCC ensures compliance of the properties financed with federal regulations such as the Occupational Health and Safety Act¹⁰ and the Resource Conservation and Recovery Act¹¹ that address the risks associated with occupational health and safety and the environmental risks associated with construction projects.

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

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the SBP. Sustainalytics explains below how this category generates positive social impact and is relevant in the local context.

Importance of affordable housing in the US

The US Department of Housing and Urban Development estimates that homelessness has increased for four consecutive years to reach an estimated 580,000 people at the start of 2020, which is expected to have been further exacerbated by the COVID-19 pandemic.¹² In 2019, over 18.5 million American households spent over 30% of their income on rent, with approximately 10.8 million having spent more than half of their income on it.¹³ Additionally, 75% of all extremely low-income families spend more than half of their income on rent. Given that social housing programmes in the US are still underfunded, only 1 in 4 extremely low-income families receive the financial assistance they need.¹⁴ More specifically, Georgia has 40.6% of its large homeless population living unsheltered,¹⁵ while Ohio, Indiana, Michigan and New York have 17.3%, 17.2%, 12%, and 5% living unsheltered respectively. The lack of affordable housing in the US leads to negative social outcomes across multiple dimensions, as families and individuals are compelled to make trade-offs between spending on rent and other necessities such as food, transportation and healthcare.^{16 17 18} Stable housing, on the other hand, helps individuals to become better educated, access employment, and improve their health and nutrition.¹⁹

Existing government programmes trying to address this problem include: (i) the National Trust Fund - an annual grant to state for creation, preservation, or rehabilitation of affordable rental housing for low-income householders; (ii) the Section 8 programme by the HUD, which provides rental assistance to make units affordable for eligible low-income tenants; and (iii) the LIHTC - a tax incentive to construct or rehabilitate

⁹ US Department of Housing And Urban Development, Project Capital Needs Assessment, at: https://www.hud.gov/sites/documents/9001a_orcf.doc

¹⁰ US Department of Labor, "OSH Act of 1970", at: <https://www.osha.gov/laws-regs/oshact/completeoshact>

¹¹ US Environmental Protection Agency, "Resource Conservation and Recovery Act (RCRA) Overview", at: <https://www.epa.gov/rcra/resourceconservation-and-recovery-act-rcra-overview>

¹² US Department of Housing and Urban Development, "2020 Annual Homeless Assessment Report to Congress", (2020), at: <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>

¹³ National Low Income Housing Coalition, 2021 GAP report, at: https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf

¹⁴ NLIHC, "The Problem", at: <https://nlihc.org/explore-issues/why-we-care/problem>

¹⁵ HUD, "2020 Annual Homeless Assessment Report to Congress", (2020), at: <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>

¹⁶ Joint Center for Housing Studies of Harvard University, The State of the Nation's Housing 2017, at:

https://web.archive.org/web/20180202154635/http://www.jchs.harvard.edu/research/state_nations_housing

¹⁷ Curbed, Why high rents are a health care problem, at: <https://archive.curbed.com/2019/4/3/18293753/health-care-affordable-housing-survey-enterprise>

¹⁸ Curbed, The affordable housing crisis, explained, at: <https://archive.curbed.com/2019/5/15/18617763/affordable-housing-policy-rent-real-estate-apartment>

¹⁹ Bridge C. et al., (2007), "How does housing assistance affect employment, health and social cohesion?", at:

<https://www.ahuri.edu.au/research/research-and-policy-bulletins/87>

affordable rental housing for low-income households. In 2020, the government announced the allocation of USD 326 million towards the National Housing Trust Fund.²⁰ Furthermore, in 2021, the government brought in the American Rescue Plan Act in response to the COVID-19 pandemic, to bring USD 50 billion in essential housing and homelessness assistance, including USD 27.4 billion in rental assistance and USD 5 billion to assist people experiencing homelessness.²¹

Given the above context, Sustainalytics views positively MCC's investment in affordable housing across the US and expects the use of proceeds from the Bonds according to the Framework to contribute to addressing the challenges described above, particularly in Georgia, Indiana, New York, Ohio and Michigan, where the eligible properties are located.

Alignment with/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 the year 2030. The bonds issued under the Merchants Capital Social Bond Framework are expected to help advance 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

MCC has developed the Merchants Capital Social Bond Framework to issue commercial mortgage-backed certificates and use the proceeds to purchase mortgage loans to refinance a portfolio of 14 existing properties that have a majority of affordable housing units. Sustainalytics considers that the projects funded by the social bond proceeds are expected to provide positive social impact.

The Merchants Capital Social Bond Framework outlines a process for tracking, managing and allocating proceeds, and makes commitments for MCC to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds category is expected to contribute to the advancement of the UN Sustainable Development Goal 11. Additionally, Sustainalytics is of the opinion that MCC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

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

²⁰ National Low Income Housing Coalition, "FHFA Authorizes \$326.4 Million Disbursement for National Housing Trust Fund for 2020", (2020), at: <https://nlihc.org/resource/fhfa-authorizes-3264-million-disbursement-national-housing-trust-fund-2020>

²¹ National Low Income Housing Coalition, "American Rescue Plan Act", (2021), at: https://nlihc.org/sites/default/files/COVID-Relief-Budget_Reconciliation.pdf

Appendices

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

Section 1. Basic Information

Issuer name:	Merchants Capital Corp.
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Merchants Capital Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 25, 2022
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. Sustainalytics considers that investments in the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 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):

Merchants Bank of Indiana's internal credit team and Merchants Capital Corporation's production team were responsible for evaluating the eligible properties. Merchants Capital Corporation has in place processes for environmental and social risk assessment that are applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be aligned 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 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):

The net proceeds from the issuance will be used solely for the purchase of 14 mortgage loans to refinance a portfolio of eligible affordable housing properties, with no flexibility to re-allocate. 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): Net proceeds to be fully allocated at the time of issuance

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):

Merchants Capital Corporation commits to publishing an upfront report for the issuance with information on the specific eligible properties refinanced through the mortgage loans, including the description of the eligible properties, along with key sustainability metrics, such as the number of units affordable to tenants at different area median income thresholds. Given the intent to immediately allocate at the time of issuance to refinance a pre-identified portfolio of eligible properties, Sustainalytics views the 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): Full allocation at the time of issuance to purchase a pre-identified portfolio of affordable housing loans

Frequency:

- Annual
- Semi-annual
- Other (please specify): Upfront reporting at the time of issuance

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*): The number of units affordable to tenants at different area median income thresholds

Frequency:

- Annual
- Semi-annual
- Other (please specify): Upfront reporting at the time of issuance

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 offering document
- 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.

Disclaimer

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

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

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 2021, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the fourth consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.

