

## Second-Party Opinion

# Korea Housing Finance Corporation Social Financing

## Evaluation Summary

Sustainalytics is of the opinion that the Korea Housing Finance Corporation (KHFC) Social Financing Framework is credible and impactful, and aligns with the four core components of the Social Bond Principles 2018. 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 that seek to achieve positive socio-economic outcomes. Sustainalytics considers that KHFC's mortgage loan products will help to achieve two social objectives: (i) to improve the housing welfare of targeted vulnerable populations, specifically low- and middle-income households, and (ii) to provide stable supply of affordable and sustainable housing finance in South Korea through its long-term, low-interest, fixed-rate loans. Additionally, KHFC's mortgage loans advance the UN Sustainable Development Goal 11.



**PROJECT EVALUATION / SELECTION** KHFC's loan products reflect the government's housing policy and market situation. Mortgage loan products are reviewed by the KHFC Risk Management Committee chaired by KHFC's Vice President and approved by the Managing Director of the Securitization Business Group. The KHFC Securitization Working Group, comprised of cross-departmental team members, will review the social cover pools, social MBS pools and annual reports. Additionally, KHFC has processes in place to pre-screen a majority of the borrowers to ensure that they meet loan eligibility criteria. KHFC has sufficient oversight internally to ensure that its mortgage loan products meet the eligibility criteria and that loans are disbursed to eligible borrowers as per the eligibility criteria. This process is in line with market practice.



**MANAGEMENT OF PROCEEDS** The process for the management of proceeds is aligned with market practices, as KHFC is required by law to (i) physically separate the purchased mortgage loans from KHFC's other assets, and (ii) separately manage the mortgage loans. KHFC plans to immediately allocate all proceeds. Unallocated proceeds will be invested in cash or cash equivalents, in accordance with KHFC's liquidity management policy. This is in line with market practice.



**REPORTING** KHFC commits to disclosing an allocation and impact report on its website annually comprising relevant transaction information along with social impact metrics. Sustainalytics anticipates the level of disclosure to be aligned with current market practices.



<b>Evaluation date</b>	February, 2019
<b>Issuer Location</b>	Busan, Korea

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## Introduction

Korea Housing Finance Corporation (KHFC) was established in March 2004 as a state-run quasi-sovereign entity that supports the Korean government's housing welfare policy by facilitating the long-term, stable supply of housing funds and other related instruments.<sup>1</sup>

KHFC has developed the KHFC Social Financing Framework (the "Framework") under which it will issue Social Covered Bonds and Social Mortgage-Backed Securities (MBS), and use the proceeds under the affordable housing eligibility category. KHFC's mortgage loans will (re)finance three mortgage loan products (Bogumjari Loan, Didimdol Loan, Conforming Loan) in order to facilitate the supply of affordable housing finance on a long-term and sustainable basis.

KHFC engaged Sustainalytics to review the KHFC Social Financing Framework and provide a second-party opinion on the alignment of the Framework with the Social Bond Principles 2018 (the "SBP 2018"), as administered by the International Capital Market Association (the "ICMA"),<sup>2</sup> and the Framework's social credentials. This Social Financing Framework has been published in a separate document.<sup>3</sup>

As part of this engagement, KHFC's management team provided additional information on the sustainability impact of KHFC's business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the KHFC social financing. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the KHFC Social Financing Framework and should be read in conjunction with that Framework.

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<sup>1</sup> KHFC website: <https://www.hf.go.kr/ehf/sub05/sub01.do>

<sup>2</sup> ICMA's Social Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

<sup>3</sup> <http://kmbs.hf.go.kr/biz/home/home.do>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the KHFC Social Financing Framework

Sustainalytics is of the opinion that the KHFC Social Financing Framework is credible and impactful, and aligns with the four core components of the SBP 2018. Sustainalytics highlights the following elements of the KHFC Social Financing Framework:

- Use of Proceeds:
  - The eligible use of proceeds categories, affordable housing, is recognized by the SBP 2018 as a project category with positive social impacts.
  - Sustainalytics is of the opinion that KHFC's social financing, which will include Social Covered Bonds and Social Mortgage-Backed Securities (MBS), are in line with, and contribute to, KHFC's mandate to enhance the housing welfare in South Korea. KHFC's Bogeumjari Loan and Didimdol Loan products target vulnerable populations, specifically low- and middle-income households, and KHFC's Conforming Loan product provide long-term, fixed-rate amortizing loans. See Section 3 for impacts of KHFC's loan products.
  - KHFC's Bogeumjari Loan and Didimdol Loan products have clearly defined eligibility criteria for household income and, as a quasi-sovereign government-entity, this income threshold is defined and identified by the Korean Government. Sustainalytics is of the opinion that the targeted nature of housing finance, in line with national definitions, increases the social benefits of KHFC's mortgage loan products and the impact of the social financing.
  - Though KHFC's Conforming Loan product does not specify a target population in terms of income bracket, the mortgage loan product is intended to reduce the repayment burden of borrowers when compared with the primary types of mortgage loan products available in the Korean market. Sustainalytics is of the opinion that this mortgage loan product can increase the availability of long-term, fixed-rate amortizing loans in South Korea. Please refer to Sections 1 and 2 for additional information on KHFC's mandate and impact.
- Project Selection Process:
  - All mortgage loan products are reviewed by the KHFC Risk Management Committee, chaired by KHFC's Vice President, and approved by the Managing Director of the Securitization Business Group. KHFC ensures that its mortgage loan products reflect the government's housing policy and market situation. KHFC's Securitization Business Group will act as a Social Financing Working Group and is, comprised of cross-departmental team members, is responsible for reviewing the issued social covered bonds' cover pools, social MBS pools, and its annual reports. In addition, KHFC has comprehensive internal screening procedures to ensure that it disburses loans to eligible borrowers. Sustainalytics views KHFC's project evaluation and selection process as in line with market practice.
- Management of Proceeds:
  - KHFC will manage the purchased mortgage loans in each cover pool and MBS pool, as per the requirements of Article 30 of the KHFC Act. KHFC is required to maintain a minimum amount of committed over-collateralization of mortgage loans over the life of the covered bond issuance which is tested on a monthly basis through an asset coverage test. A breach of the asset coverage test for more than two months will result in an issuer event of default under the social covered bonds agreements.
  - KHFC intends to allocate proceeds from the social financing immediately. In case this does not occur, any unallocated proceeds will be invested in cash or cash equivalents, in accordance with KHFC's liquidity management policy. This process is in line with market practice.
- Reporting:
  - KHFC commits to reporting on both allocation and impact on an annual basis until the maturity of the social financing on its website. The allocation report will be provided for each individual Social Covered Bond issue and Social MBS issue and will comprise relevant information including total eligible mortgage loan balance and number of eligible mortgage loans, the breakdown of eligible mortgage loan products, average eligible loan balance per person and balance of unallocated proceeds. With regards to the impact report, KHFC will disclose KPIs for Social Covered Bonds and Social MBS and may report on number of households benefitting from KHFC mortgage loans and the average household income of borrowers, amongst others.

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- Sustainalytics highlights KHFC’s commitment to provide transparent and relevant allocation and impact metrics and evaluates the scope and granularity of the company’s reporting to be in line with market practices.

### Alignment with Social Bond Principles 2018

Sustainalytics has determined that the Korea Housing Finance Corporation (KHFC) Social Financing Framework aligns to the four core components of the Social Bond Principles 2018. For detailed information please refer to Appendix 1: External Review Form.

## Section 2: Sustainability Strategy of the Issuer

### Contribution of the Framework to issuer’s sustainability mandate

As a quasi-sovereign entity, KHFC has a mandate to facilitate access to housing finance in South Korea with a mission to “Contribute to enhancing the welfare of people and national economic development through long-term and stable supply of housing finance”.<sup>4</sup>

In order to support the fulfilment of its mission, KHFC offers a diverse range of ongoing mortgage loan products (Bogumjari Loan, Didimdol Loan, Conforming Loan) in order to facilitate the supply of housing finance on a long-term and sustainable basis to large segments of financially vulnerable populations. This directly correlates to KHFC’s social directive in that the provision of affordable and sustainable housing finance helps to meet the basic needs of the population and reduce social inequalities. In keeping with its mandate, in 2018, KHFC disbursed KRW23.3 trillion of mortgage loans, assisting 184,307 households to become homeowners.<sup>5</sup> KHFC is also committed to providing KRW179 trillion of housing finance by 2027. As per KHFC, borrowers of the Bogumjari Loan earned on average KRW47 million and their house was valued at KRW286 million, which is lower than the average household income of KRW48.82 million<sup>6</sup> and house price of KRW300 million in 2016. Furthermore, KHFC states that average house price for Conforming Loan disbursed between in 2018, was KRW267 million which is still lower than average property price in Korea. Sustainalytics is of the opinion that KHFC’s mortgage loans target large segments of financially vulnerable populations in Korea, thus positively contributing to reduce social disparities and facilitate affordable and sustainable access to housing finance.

Furthermore, as fixed rate long-term loans are considered less vulnerable to rising interest rates than variable-rate loans, the Korean government has steadily developed policies to require financial institutions to raise fixed-rate loans issued from 30% of all loans by end of 2016 to 47.5% by the end of 2018.<sup>7</sup> KHFC’s loans are innovative in South Korea where historically the majority of mortgage products originated by private financial institutions were short-term, variable-rate bullet loans offered at high interest rates.

Overall, Sustainalytics considers the use of proceeds to contribute to KHFC’s mandate and mission, and thus believes that KHFC is well-positioned to issue its social financing.

### Well positioned to address common social risks associated with the projects

Sustainalytics is of the opinion that the KHFC has sufficient safeguards in place related to its lending activities which include:

- Robust procedures for screening loan applicants to confirm eligibility before Bogumjari Loans and Didimdol Loans are disbursed to target populations, which ensures that loans are provided to low- and middle-income earners in South Korea.
- KHFC ensures that proof of household income and property value requirements are met by borrowers through third-party auditors for both the Bogumjari Loan and Didimdol Loan. KHFC indicates that if it is found out that borrowers did not meet eligibility requirements when the mortgage loan was originated, the partner financial institutions which originated the loan would be required to repurchase the mortgage loan from KHFC.

<sup>4</sup> KHFC Annual Report 2017

<sup>5</sup> Data provided by KHFC.

<sup>6</sup> <http://kostat.go.kr/portal/eng/pressReleases/6/3/index.board?bmode=read&bSeq=&aSeq=366814&pageNo=1&rowNum=10&navCount=10&currPg=&sTarget=title&sTxt=>

<sup>7</sup> <http://koreajoongangdaily.joins.com/news/article/article.aspx?aid=3047032>

- KHFC has indicated within its Framework that if a borrower faces temporary financial difficulties, the borrower can apply for payment deferral of up to three years. Such safeguards can protect the borrowers from further financial burden which is particularly important to low- and middle-income households.
- KHFC has been a signatory to the UN Global Compact since October 2008 which is indicative of the priority the entity sets to complying with human rights and labor standards.<sup>8</sup>

### **Section 3: Impact of Use of Proceeds**

#### **Importance of access to affordable financing for low- and moderate-income populations in South Korea**

South Koreans shoulder high monthly payments for housing loans, with debt payments being the fastest-growing expenditures for South Korean middle-income households. This is further exacerbated by high home prices in Korea which average 7.7 times the average annual income, compared to 3.5 times in the United States and 6.1 times in the United Kingdom. Despite the exorbitant home prices, real estate makes up about 74% of household assets, which is almost triple the 25% share of wealth in the United States. The combination of high home prices and the need for homeownership leads to the inevitable growth of housing debt, with mortgages and other housing loans making up almost 53% of household debt. The ratio of debt-to-disposable income among Korean families is at 151%, indicating that Korean households may have taken on loans that they cannot afford. In addition, the floating interest rates of most South Korean housing loans only further increase the economic strains placed on Korean families.<sup>9</sup>

Given the high cost of homeownership in South Korea and inadequate access to housing loans,<sup>10</sup> it is crucial for low- and moderate-income populations in South Korea to gain access to affordable housing loan options. Homeownership can offer financial security and stability by offering South Korean homeowners protection from increased real estate costs, increased savings and purchasing power, the option to borrow against the equity of the home, and the opportunity to refinance at lower interest rates.<sup>11</sup> Considering that KHFC's mortgage loan products were created to contribute to the improvement of welfare and the national economy by promoting long-term and stable supply of housing finance,<sup>12</sup> Sustainalytics is of the opinion that KHFC's social financing will contribute to the availability of affordable housing in Korea.

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<sup>8</sup> KHFC Annual Report 2017

<sup>9</sup> McKinsey Global Institute, Beyond Korean style: Shaping a new growth Formula

<sup>10</sup> OECD, 2018. Housing Dynamics in Korea: Building Inclusive and Smart Cities.

<sup>11</sup> <https://www.huduser.gov/portal/periodicals/em/fall12/highlight1.html>

<sup>12</sup> Reference 3, Public Company Business Status, Korean Housing-Finance Corporation

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**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 financing advances the following SDG goals and targets:

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**

The Korea Housing Finance Corporation (KHFC) has developed the KHFC Social Financing Framework under which it will issue Social Covered Bonds and Social Mortgage-Backed Securities (MBS) with proceeds to be allocated to mortgage loans to (re)finance three mortgage loan products (Bogumjari Loan, Didimdol Loan, Conforming Loan) in order to facilitate the supply of affordable housing finance on a long-term and sustainable basis.

Sustainalytics is of the opinion that the use of proceeds is impactful given that KHFC's mortgage loans target large segments of financially vulnerable populations in Korea, thus positively contributing to reduce social disparities and facilitate affordable and sustainable access to housing finance. KHFC's social financing contributes to KHFC's mandate and mission, as well as helping to advance SDG 11. Sustainable Cities and Communities.

In addition, KHFC's project selection and evaluation process, its management of proceeds, and its planned reporting are aligned with market practices. Based on the above, Sustainalytics is confident that KHFC is well positioned to issue social financing and that the KHFC Social Financing Framework is robust, credible, and transparent and aligned with the four core components of the Social Bond Principles 2018.

## Appendices

### Appendix 1: Social Bond/ Social Bond Programme -External Review Form Section 1. Basic Information

<b>Issuer name:</b>	Korea Housing Finance Corporation (KHFC)
<b>Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	Korea Housing Finance Corporation (KHFC) Social Financing Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	February, 2019
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

### 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 GBPs:

- |  |  |
|--|--|
| <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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

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 Executive Summary above.

### Section 3. Detailed review

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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. Sustainalytics considers that KHFC's mortgage loan products leads to two social objectives: (i) housing welfare of targeted vulnerable populations, specifically low- and middle-income households, and (ii) provide stable supply of affordable and sustainable housing finance in South Korea through its long-term, low-interest, fixed-rate amortizing loans. Additionally, KHFC's mortgage loans advance the UN Sustainable Development Goal 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 SBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

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

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

KHFC's loan products reflect the government's housing policy and market situation. Mortgage loan products are reviewed by the KHFC Risk Management Committee chaired by KHFC's Vice President and approved by the Managing Director of the Securitization Business Group. The KHFC Securitization Working Group, comprised of cross-departmental team members, will review the issued social covered bonds' cover pools, social MBS pools, and annual reports.

Additionally, KHFC has processes in place to pre-screen a majority of borrowers to ensure that they meet loan eligibility criteria. KHFC has sufficient oversight internally to ensure that its mortgage loan products meet the eligibility criteria and that loans are disbursed to eligible borrowers as per the eligibility criteria. This process is 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 |
|---|---|



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- |   |  |
|---|--|
| <input checked="" 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 checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available        | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

### Information on Responsibilities and Accountability

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |   |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The process for the management of proceeds is aligned with market practices, as KHFC is required to (i) physically separate the purchased mortgage loans from KHFC's other asset, and (ii) separately manage the mortgage loans according to a securitization plan as per Article 30 of the KHFC Act. Proceeds from the social financing will be immediately allocated. In case this does not occur, proceeds will be invested in cash or cash equivalents, in accordance with KHFC's usual sound and prudent liquidity management policy.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Social Bond proceeds segregated or tracked by the issuer in an appropriate manner         |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

### 4. REPORTING

Overall comment on section (*if applicable*):

KHFC commits to disclosing the allocation and impact report on its website annually comprising relevant transaction information along with social impact metrics. Sustainalytics anticipates the level of disclosure to be aligned with current market practices.

#### 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):

**Frequency:**

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

**Information reported (expected or ex-post):**

- ☒ Number of beneficiaries
 ☐ Target populations
- ☒ Other ESG indicators (please specify): Average household income of borrowers, Average house value, Average house size

**Means of Disclosure**

- ☐ Information published in financial report
 ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents
 ☒ Other (please specify): Social Financing Report
- ☐ 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.)**

[https://www.hf.go.kr/ehf/sub01/sub01\\_01.do](https://www.hf.go.kr/ehf/sub01/sub01_01.do)  
<https://www.hf.go.kr/ehf/index.do>  
[https://www.hf.go.kr/ehf/sub01/sub02\\_01.do](https://www.hf.go.kr/ehf/sub01/sub02_01.do)  
<http://kmbs.hf.go.kr/biz/home/home.do>  
[http://kmbs.hf.go.kr/biz/scBond/scBond.do?MENU\\_ID=SM2004&SES\\_MENU\\_ID=SM0002](http://kmbs.hf.go.kr/biz/scBond/scBond.do?MENU_ID=SM2004&SES_MENU_ID=SM0002)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

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

**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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The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

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The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017". In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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