

Second-Party Opinion

Vancity Sustainable Issuance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Vancity Sustainable Issuance Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds Green Buildings, Clean Energy, Energy Efficiency, Clean Transportation, Indigenous Communities & Businesses, Women Owned/Controlled Business, Affordable Housing, Access to Financial Services or Socioeconomic Advancement are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 7, 8, 10 and 11.



PROJECT EVALUATION AND SELECTION Vancity's Sustainability Issuance Committee will be responsible for evaluating and selecting projects in line with the eligibility criteria under the Framework. The Committee is chaired by the Chief Financial Officer and comprises of representatives from the Risk, Treasury, Impact Strategy, Accountability Reporting, and Community Business and Real Estate departments. Allocation decisions under the Framework will be based on Vancity's environmental and social risk assessment processes. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS The Sustainability Issuance Committee of Vancity will be responsible for overseeing the management of proceeds and will track the eligible assets for investment using a sustainability issuance register. Vancity intends to reach full allocation of proceeds within 36 months of issuance. Pending full allocation, unallocated proceeds may be temporarily held in cash, cash equivalents, other highly liquid assets including government bonds, money market securities or other uses in accordance with Vancity's existing treasury and liquidity management procedures. This is in line with market practice.



REPORTING Vancity commits to report on allocation of proceeds on its website on an annual basis as long as the issued instruments are outstanding. Allocation reporting will include the net proceeds raised from each sustainability issuance, the amount allocated, the balance of unallocated proceeds and the share of proceeds used for financing versus refinancing. In addition, Vancity will report on relevant impact metrics. Sustainalytics considers the allocation and impact reporting commitments as aligned with market practice.



Evaluation Date	March 10, 2025 ¹
Issuer Location	Vancouver, Canada

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¹ This document updates the Second-Party Opinion originally provided by Sustainalytics in February 2023.

Introduction

Vancouver City Savings Credit Union (“Vancity” or the “Company”) is a member-owned, values-based financial co-operative that operates within the territories of Coast Salish and Kwakwaka’wakw people, serving the needs of its more than 569,000 members and their communities, with 52 branches located in Metro Vancouver, the Fraser Valley, Victoria, Squamish and Alert Bay. The Company is Canada’s largest community credit union with CAD 35.5 billion (USD 26.7 billion) in assets plus assets under administration, as of 2023. Vancity offers a wide range of financial products and services for individuals, businesses and not-for-profit organizations to develop healthy communities that are socially, economically, and environmentally sustainable.²

Vancity has developed the Vancity Sustainable Issuance Framework dated February 2025 (the “Framework”) under which it and its subsidiaries³ intend to issue green, social and sustainability bonds, loans, commercial paper and deposit products and use the proceeds to finance and refinance, in whole or in part, existing and future projects intended to contribute to financial, environmental and social well-being of the communities and individuals it serves. The Framework defines eligibility criteria in eight areas:

The Framework defines eligibility criteria under the following environmental categories:

1. Green Buildings
2. Clean Energy
3. Energy Efficiency
4. Clean Transportation

The Framework defines eligibility criteria under the following social categories:

5. Indigenous Communities & Businesses
6. Women Owned/Controlled Business
7. Affordable Housing
8. Access to Financial Services or Socioeconomic Advancement

Vancity engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),⁴ Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).⁵ The Framework will be published in a separate document.⁶

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ opinion on the alignment of the reviewed Framework with 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 Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and

² Vancity, “2023 Annual Report”, at: https://annualreport.vancity.com/_doc/Vancity-2023-annual-report.pdf

³ For issuances by its subsidiaries, Vancity has communicated to Sustainalytics that it will be responsible for ensuring continual alignment of such issuances with the criteria defined in the Framework.

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

⁵ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁶ The Vancity Sustainable Issuance Framework will be available on Vancity’s website at: <https://www.vancity.com/Legal/sustainability-issuance-framework/>

⁷ 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.

- 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 1.18, 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 Vancity'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. Vancity representatives have confirmed (1) they understand it is the sole responsibility of Vancity to ensure that the information provided is complete, accurate and 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 Vancity.

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 and loan 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.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan 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 Vancity has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Vancity Sustainable Issuance Framework

Sustainalytics considers the Vancity Sustainable Issuance Framework to be credible, impactful and aligned with the SBG and the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Green Buildings, Clean Energy, Energy Efficiency, Clean Transportation, Indigenous Communities & Businesses, Women Owned/Controlled Business, Affordable Housing, Access to Financial Services or Socioeconomic Advancement are aligned with those recognized by the GBP, SBP, GLP, and SLP.
 - Vancity has defined a look-back period of 36 months for refinancing activities. Sustainalytics considers this to be aligned with market practice.
 - Vancity intends to finance or refinance general purpose loans allocated to entities that derive 90% or more of their revenue from activities that comply with the eligibility criteria in the Framework. Sustainalytics believes that, while project and activity-based lending generally results in more direct environmental and social benefit and ensures compliance with the criteria in the FW of the issuer, the financing of pure play companies through green bond proceeds is a commonly accepted approach, which is likely to generate positive impacts.
 - Under the Green Buildings category, Vancity may finance or refinance investments and expenditures in residential and commercial buildings⁸ according to the following criteria:

⁸ Industrial buildings will include warehouses and logistics infrastructure.

- Buildings that have achieved or are expected to achieve⁹ one of the following green building certification levels: i) LEED or LEED for Homes (Gold or Platinum)¹⁰; ii) BOMA BEST (Gold or Platinum)¹¹; iii) Toronto Green Standard (Tier 2 or higher)¹²; iv) Zero Carbon Building-Design Standard (Canada Green Building Council)¹³; v) Passive House¹⁴; vi) ENERGY STAR for new homes¹⁵; vii) BuiltGreen (Gold and above)¹⁶; viii) Core Green Building Certification (Living Building Challenge)¹⁷; ix) BC Energy Step Code Three or higher¹⁸; x) Net Zero (CHBA)¹⁹; xi) Living Building Challenge²⁰; xii) Zero Carbon Certification (ILFI)²¹; and xiii) Zero Energy Certification (ILFI)²² or equivalent schemes.
 - Sustainalytics views these certification schemes as robust and credible, while noting that it is market expectation to specify all eligible certification schemes and standards and encourages Vancity to report on any other certification schemes and standards, they intend to include.
 - Refurbishment, retrofit and envelope upgrade of buildings that achieve a 30% improvement in primary energy demand or GHG emissions intensity over the initial performance before the retrofits. This is aligned with market practice.
 - Under the Clean Energy category, Vancity intends to finance or refinance the acquisition, development, manufacturing, construction, operation, transmission and distribution (T&D) and maintenance of renewable energy assets according to the following criteria:
 - Offshore and onshore wind and solar facilities.
 - Hydrogen production through electrolysis and powered by renewable energy.
 - Geothermal power plants with direct emission intensity lower than 100 gCO₂e/kWh.
 - Sustainalytics notes that Vancity may finance ground-source heat pumps that may not have identified processes for refrigerant management. Sustainalytics acknowledges that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics encourages Vancity to exclude financing of heat pumps with high-GWP refrigerants, and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at the end of life.
 - Hydropower projects including: i) Run-of-river hydropower projects with low storage capacity; ii) New and existing hydropower facilities including refurbishment expenditures that meet the emission intensity threshold of 100 gCO₂e/kWh, provided that the size of the dam or reservoir is not increased.²³
 - Sustainalytics notes that, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, favouring lower thresholds for new facilities. Therefore, Sustainalytics encourages Vancity to favour projects with emissions intensities below the 50g CO₂e/kWh threshold.

⁹ The Framework allows transactions where certification is expected, but not yet received. This may be evidenced through a letter from an engineer/engineering firm or other acceptable third-party confirming that a specific green building standard is expected to be met.

¹⁰ LEED: <https://www.usgbc.org/leed>

¹¹ BOMA BEST: <https://www.boma.bc.ca/climate-action/boma-best/>

¹² Toronto Green Standard Version 2: <https://www.toronto.ca/city-government/planning-development/official-plan%20guidelines/toronto-greenstandard/toronto-green-standard-version>

¹³ Zero Carbon Building Design Standard: <https://www.cagbc.org/news-resources/technical-documents/zcb-design-standard-v3/>

¹⁴ Passive House Standard: https://passipedia.org/certification/passive_house_categories

¹⁵ Natural Resources Canada, "ENERGY STAR for New Homes", at: <https://www.nrcan.gc.ca/energy-efficiency/energy-star-canada/energy-star-for-newhomes/22179>

¹⁶ BuiltGreen, "Green Built Home Certification Levels", at: <https://www.greenbuilt.org/green-built-homes/green-built-certification-levels/>

¹⁷ Living Building Challenge certifications: <https://living-future.org/lbc/>

¹⁸ BC Step Code: <https://energystepcode.ca/>

¹⁹ Canadian Home Builders' Association, "Net Zero Home Labelling Program", at: <https://www.chba.ca/net-zero/#:~:text=A%20Net%20Zero%20Home%20produces%20as%20much%20energy,all-time%20low,%20and%20stay%20low%20all%20year%20round.>

²⁰ Living Building Challenge certifications: <https://living-future.org/lbc/>

²¹ Zero Carbon Certification: <https://living-future.org/zero-carbon/>

²² Zero Energy Certification: <https://living-future.org/zero-energy/basics/#:~:text=Zero%20Energy%20Certification%E2%84%A2%20is%20a%20standard%20developed%20by,of%20energy%20performance%20th at%20built%20projects%20can%20achieve.>

²³ If the project increases the size of the dam or reservoir, it will be subject to a new environmental and social impact assessment by a credible body demonstrating that there are no significant risks, controversies or expected negative impacts.

- Vancity has confirmed that all hydropower projects will undergo an environmental and social impact assessment and that the projects associated with significant controversies or environmental and social risks will not be financed under the Framework.
 - R&D expenditures under the Framework directed towards integrating renewable energy to the grid, will be limited to mid to late-state stages and will not exceed 10% of total net proceeds.
- Under the Energy Efficiency category, Vancity may finance or refinance investments and expenditures that enhance energy efficiency or reduce energy consumption and greenhouse gas emission intensity, according to the following criteria:
 - Projects that support energy monitoring, management and storage infrastructure, equipment, and systems such as energy storage facilities including batteries, green hydrogen fuel cells and smart grid technology.
 - Vancity has confirmed to Sustainalytics that energy storage systems will be directly connected to renewable energy assets.
 - Despite the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages Vancity to select projects that are clearly anticipated to deliver tangible efficiency improvements.
 - Manufacturing and installation of non-fossil fuel-powered, energy efficient equipment and technologies, such as LED lighting, heating, ventilation and air conditioning (HVAC) systems, smart meters and peak demand management technology.
 - Sustainalytics notes that Vancity may finance smart gas meters for measuring natural gas consumption. While noting that financing these assets is consistent with the EU Taxonomy Climate Delegated Act,²⁴ Sustainalytics notes that such investments may still prolong fossil fuel consumption.
 - Vancity has confirmed to Sustainalytics that expenditures under this category will not finance entire buildings and will be limited to building components contributing to increased energy efficiency as lighting, air conditioning, cladding, and insulation material in residential, commercial and industrial buildings; and ii) the Company intends to exclude financing of energy efficiency components in industrial buildings that are involved in carbon-intensive industries, on a best effort basis.
- Under the Clean Transportation category, Vancity may finance or refinance charging stations for electric vehicles.
 - The Company has communicated to Sustainalytics that it may provide retail loans to companies and individuals to purchase EVs and EV charging stations and confirmed that it will not finance parking facilities under the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Indigenous Communities & Businesses category, Vancity may finance or refinance loans and investments extended to Indigenous individuals,²⁵ governments²⁶ and micro, small and medium size enterprises (MSMEs) that are majority owned (above 50%) by the defined governments or individuals.
 - Vancity will finance MSMEs using IFC's definition based on assessment of an enterprise's employee count, total assets and annual sales, or where data is not available, based on the loan-size proxy. Sustainalytics recognizes that loan-size proxy is aligned with the IFC definition of MSMEs. Nevertheless, Sustainalytics notes that this criterion alone is not a direct indicator of business size.²⁷ Sustainalytics encourages

²⁴ European Union, "Commission Delegated Regulation (EU) 2021/2139" (2021), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/>

²⁵ "Indigenous peoples is a collective name for the original peoples of North America and their descendants. Often, "Aboriginal peoples" is also used. The Canadian Constitution recognizes 3 groups of Aboriginal peoples: Indians (more commonly referred to as First Nations), Inuit and Métis". At: <https://www.rcaanc-cirnac.gc.ca/eng/1100100013785/1529102490303>

²⁶ There are 25 self-government agreements across Canada involving 43 Indigenous communities.

Government of Canada, "Self-government", at: <https://www.rcaanc-cirnac.gc.ca/eng/1100100032275/1529354547314>

²⁷ Federal Deposit Insurance Corporation, "Report No. 2020-04: Measurement of Small Business Lending Using Call Reports: Further Insights from the Small Business Lending Survey," (2020), at: <https://www.fdic.gov/system/files/2024-06/2020-04.pdf>

Vancity to prioritize lending to MSMEs, which can be further defined in terms of employee number and/or revenue.

- Under the Women Owned/Controlled Businesses category, Vancity may finance or refinance lending and investments in women-owned or controlled MSMEs as per the following criteria: i) more than 50% of share capital is owned and operated by women; or ii) where operations are not majority women, ≥50% is owned by women and has at least one woman as CEO, COO, CFO, president, vice president or any other equivalent leadership role. Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Affordable Housing category, Vancity may finance or refinance construction, development, operation, acquisition or refurbishment of affordable housing projects and units that meet accredited or registered affordable housing definitions,²⁸ according to the following criteria:
 - Projects targeting low-income individuals and families as defined by the jurisdiction in which the units are built or by Statistics Canada.²⁹ In the case of high-cost-of-living areas (HCOL) projects may target low- and moderate-income individuals and families. Vancity has communicated to Sustainalytics that it has identified Toronto and Vancouver as HCOL areas as per the percentage of households spending 30% or more of income on housing³⁰ and that it will follow BC Housing's definition of moderate-income populations.³¹
 - Projects will ensure that rent remains below 80% of the median market rent of the jurisdiction in which the units are built or is less than 30% of a household's income before tax.
 - Vancity may also finance affordable homeownership projects including those using rent-to-own models, shared equity or shared appreciation mortgages, or discounted down payment loans. Such projects will ensure affordability by limiting monthly mortgage payments below 30% of median household income.
 - Additionally, the Framework includes shelters, supportive, transitional, and non-market housing³² projects that are owned and operated by non-profits, housing co-operatives, community land trusts, Indigenous entities, or public housing programs that are aligned with the target population and affordability criteria defined above.
 - The Framework clarifies that financing mixed-use developments will be on a pro-rata basis, limited to the percentage of affordable units meeting the Framework's eligibility criteria.
- Under the Access to Financial Services or Socioeconomic Advancement category, Vancity may finance or refinance loans and investments that expand access to financial services to unbanked and underserved individuals, SMEs and not-for-profits, according to the following criteria:
 - Loans to low-income³³ or Black³⁴ individuals, refugees or newcomers.³⁵ Vancity has communicated to Sustainalytics that most of its lending programmes will provide financial flexibility to the targeted groups such as waived application or pre-payment fees and interest-only payment schedules.³⁶ Sustainalytics recognizes that the Company's proposed financing schemes are likely to benefit the target population by

²⁸ Based on relevant definitions by Canada Housing & Mortgage Corporation ("CMHC") or BC Housing or Statistics Canada.

²⁹ Statistics Canada, "low-income definitions", at <https://www150.statcan.gc.ca/n1/pub/75f0011x/2012001/notes/low-faible-eng.htm>

³⁰ Statistics Canada, "Percent of households spending 30% or more of income on shelter cost by tenure, 2016 and 2021", at: <https://www150.statcan.gc.ca/n1/daily-quotidien/220921/t004b-eng.htm>

³¹ "For residential units with less than two (2) bedrooms, a gross household income that does not exceed the median income for couples without children in BC, as determined by BC Housing from time to time. For 2025, this figure is CAD 85,870 (compared to CAD 84,780 last year).

For residential units with two (2) or more bedrooms, a gross household income that does not exceed the median income for families with children in BC, as determined by BC Housing from time to time. For 2025, this figure is CAD 138,770 (compared to CAD 134,140 last year)."

BC Housing, "Low and Moderate Income Limits", at: <https://www.bchousing.org/glossary#L>

³² "Non-market housing" is housing that is neither bought nor sold, but can only be occupied and rent is paid to the property owner which may be the government, a non-profit group, or a cooperative.

³³ The Framework defines low-income persons based on relevant definitions within the jurisdiction in which it is built, such as through Statistics Canada low-income measure, which is defined as 50% of median adjusted household income, where adjusted indicates that household size and associated needs are taken into account.

³⁴ The Framework defines Black persons based on Statistics Canada's definition of Black person(s).

<https://www23.statcan.gc.ca/imdb/p3Var.pl?Function=DEC&Id=45152>

³⁵ The Framework defines newcomers as people who have been in Canada for ten years or less, facing barriers, excluding "economic class" immigrants.

³⁶ Vancity, "Startup loans for Black entrepreneurs", at: <https://www.vancity.com/business/financing/startup-loans/black-entrepreneur/>

reducing their barriers to accessing finance. Nevertheless, Sustainalytics notes that financial advantages are not guaranteed in all financed programmes. Sustainalytics considers financial advantages to be an important part of the social impact in such financings and encourages Vancity to offer such advantages in all personal lending products for the targeted groups.

- Loans or investments to SMEs: i) that are located in socioeconomically disadvantaged areas;³⁷ ii) that are majority-owned (>50%) by Black persons or newcomers; or iii) where at least 50% of the shareholders and the principal organizational leader (CEO or Executive Director) is comprised of newcomers or persons who self-identify as part of the black community.
- Loan or investments to mission-oriented not-for-profits that serve low-income persons residing in socioeconomically disadvantaged areas or refugees. Vancity has communicated to Sustainalytics that examples may include not-for-profits serving low-income persons or refugees at risk of homelessness in the form of food banks, shelter or care houses and refugee centres.
 - Vancity may also finance mission-oriented not-for-profits which may have religious or political affiliations. Sustainalytics is of the opinion that not-for-profits that primarily focus on the promotion of political and religious views may achieve less social impact due to the potential flow of funds to activities where the social benefit for the target populations is not prioritised.
- Sustainalytics notes that Vancity has established a Statement of Values and Commitments Policy encompassing responsible lending practices applicable to its financings under the Framework. Please see Section 2, for details.
- The Framework excludes the financing of businesses or projects associated with fossil fuels, tobacco, alcohol, weapons, gambling and adult entertainment.
- Project Evaluation and Selection:
 - The Sustainability Issuance Committee (the “Committee”) of the Company will be responsible for reviewing, selecting and approving the pool of eligible expenditures in line with the Framework’s eligibility criteria. The Committee is chaired by the Chief Financial Officer and comprises representatives from the Risk, Treasury, Impact Strategy, Accountability Reporting, and Community Business and Real Estate departments.
 - Vancity assesses the environmental and social risks related to its lending practices. This is applicable to all allocation decisions made under the Framework. Additionally, as part of the Company’s environmental risk assessment process for certain sectors, Vancity engages an internally approved and externally accredited third-party environmental firm to ensure a holistic environmental risk review. For additional details, refer to Section 2.
 - Based on the defined processes for project selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Committee will be responsible for overseeing the management of proceeds and will track the eligible assets for investment using a sustainability issuance register.
 - Vancity intends to reach full allocation of proceeds within 36 months of issuance. Pending full allocation, unallocated proceeds may be temporarily held in cash, cash equivalents, other highly liquid assets including government bonds, money market securities or other uses in accordance with Vancity’s existing treasury and liquidity management procedures.
 - For all issuances under the Framework, including the deposit products, the Committee will ensure that the value of eligible projects and assets defined under the Framework remains equal to or greater than the aggregate amount of proceeds raised by the outstanding sustainable instruments. Vancity has confirmed to Sustainalytics that it will replenish the pool of eligible assets to ensure continuous allocation to eligible assets, in case such assets are removed from the pool.
 - Vancity has communicated to Sustainalytics that in case of any multi-tranche loan facilities, it will label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.

³⁷ The Framework defines socioeconomically disadvantaged areas based on relevant definitions within the jurisdiction in which it is built, such as through Statistics Canada low-income measure, which is defined as 50% of median adjusted household income, where adjusted indicates that household size and associated needs are taken into account.

- Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Vancity will publicly report the allocation of proceeds on its website on an annual basis as long as the issued instruments are outstanding. Allocation reporting will include the net proceeds raised from each sustainability issuance, the amount allocated, the balance of unallocated proceeds and the share of proceeds used for financing versus refinancing. The allocation report will be assured to a limited level by a third-party consultant.
 - Vancity will report on relevant impact metrics on an annual basis, such as annual GHG emissions reduced or avoided (in tCO₂e), the total gross floor area of green real estate (in m²), the number of electric vehicles financed, the number of loans provided and the number of housing units developed, built or refurbished. Vancity has confirmed to Sustainalytics that the impact reporting will also be publicly available on its website.
 - For revolving credit facilities that may be issued under the Framework, Vancity has confirmed to Sustainalytics that the allocation from these facilities will be reported until loan maturity.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Vancity Sustainable Issuance Framework aligns with the SBG and the four core components of the GBP, SBP, GLP and SLP.

Section 2: Sustainability Strategy of Vancity

Contribution to Vancity's sustainability strategy

Vancity's sustainability strategy is based on three key pillars: i) people; ii) planet; and iii) profit,³⁸ focusing on financial inclusion, environmental sustainability and economic resilience of the communities it operates in.

As part of Vancity's commitment to supporting the financial inclusion and economic resilience of underserved communities, the Company has established financing programmes that focus on MSMEs that are owned by Black and Indigenous individuals or women. Vancity's Black Entrepreneurship Program delivers term loans and operating loans to Black entrepreneurs and Black-led organizations, while the women entrepreneurs programme addresses the unique needs of women and non-binary business owners and operators. The Company has also invested CAD 1.6 million (USD 1.2 million) of its Shared Success community funds in initiatives designed to strengthen Indigenous communities such as a housing retrofit pilot started in 2022 with four First Nation communities where the Company has invested CAD 370,000 (USD 279,104) for new heating systems and high-efficiency windows in 18 homes.³⁹

In 2022, Vancity adopted NZBA's Guidelines for Climate Target Setting for banks to ensure its net-zero approach follows best practices and aligns with evolving science. The Company's 2025 absolute emission reduction targets cover the two most significant emission sources from its lending, namely, residential and commercial service buildings.⁴⁰ By 2025 year-end, Vancity plans to cut the absolute financed emissions from such buildings by 17% and 27%, respectively, from a 2019 baseline. These targets represent 66% of the balance sheet lending by 2023.⁴¹ In efforts to meet its targets, Vancity has financed green assets worth CAD 58 million (USD 43.75 million) in 2023, reporting approximately 6,654 tonnes of avoided emissions in the same year from clean energy projects. In addition, Vancity provides a range of sustainable products and services to its clients, such as: i) financing zero- and low-emission transportation, including new or used pedal bikes, e-bikes, scooters, electric and hybrid cars, charging stations, and conversion kits; ii) financing home energy retrofits to reduce emissions and increase efficiency in homes, while supporting access to advice, evaluations, and rebates; iii) educating borrowers about the financial and environmental advantages of deconstruction, providing information on tax credits, and assisting them in securing optimal financing; and iv) financing for businesses and not-for-profits undertaking equipment upgrades, electric vehicle transitions, and acquisition

³⁸ Vancity, "Sustainability Issuance Report. 2023 Annual Report", at: https://annualreport.vancity.com/_doc/Vancity-2023-Sustainability-Issuance-Report.pdf

³⁹ Vancity, "Vancity 2023 Annual Report", at: https://annualreport.vancity.com/_doc/Vancity-2023-annual-report.pdf

⁴⁰ Ibid.

⁴¹ Ibid.

of other energy-saving technologies.⁴² As of 2023, Vancity has provided CAD 14.4 million (USD 10.8 million) in financial support for GHG emission reductions of its clients through such products and services.⁴³

Sustainalytics is of the opinion that the Vancity Sustainable Issuance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving land use and biodiversity risks associated with large-scale infrastructure development, waste and effluents generated during construction, predatory lending, occupational health and safety, and community relations.

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

- Vancity has established lending and investment policies and due diligence processes, including the Ethical Principles for Business Relationships, to manage and mitigate environmental and social risks associated with its activities.^{44,45} In accordance with these policies and procedures, business loans associated with large-scale infrastructure and commercial mortgages are assessed at the time of the loan application and are subject to environmental due diligence with mandatory site visits, as a prefunding condition. In addition, the Company reserves the right to decline financing for business and commercial activities that may have significant adverse environmental or social consequences.
- To address risks related to waste and effluent management generated during construction, the Company may engage an approved and accredited environmental consultant for certain projects to ensure that the surrounding soil is not contaminated from the operations associated with the financed projects.⁴⁶
- Vancity has established a Statement of Values and Commitments Policy⁴⁷ encompassing responsible lending practices to enable its borrowers to make informed decisions, avoiding predatory lending. The Company is committed to giving trustworthy information and advice on products and services to its customers, that meet their unique financial needs. Additionally, Vancity offers financial literacy programmes to make financial education more accessible to the community and members in collaboration with the Canadian Credit Union Association.⁴⁸ Vancity's Lending Policy⁴⁹ and its "Market Conduct Code"⁵⁰ also ensure that individual borrowers are not subject to unfair loan terms.
- The Company is committed to providing a healthy and safe workplace for its employees. In 2022, Vancity signed the Thrive Global mental health pledge⁵¹ to continue prioritizing the wellbeing and mental health of its employees. The Company has further implemented training and security procedures and recovery support for robberies taking place in their branches.⁵²
- Regarding risks related to community relations, Vancity has established its Indigenous banking strategy, with a dedicated senior leadership position to be able to engage and support these communities. Accordingly, the Company has committed to the Partnership Accreditation in Indigenous Relations (PAIR) certification programme to start tracking and managing its Indigenous relations in a more systematic manner.⁵³ Vancity has also adopted the principles of the United Nations Declaration on the Rights of Indigenous Peoples.⁵⁴

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Vancity has shared its lending and investment policies with Sustainalytics confidentially.

⁴⁵ Vancity has shared Ethical Principles for Business Relationships with Sustainalytics confidentially.

⁴⁶ Ibid.

⁴⁷ Vancity, "Vancity's Statement of Values and Commitments", at: <https://www.vancity.com/SharedContent/documents/sovac.pdf>

⁴⁸ Vancity, "Accountability Statements", (2023), at: https://annualreport.vancity.com/_doc/Vancity-2023-Accountability-Statements.pdf

⁴⁹ Vancity has shared its Lending Policy with Sustainalytics confidentially.

⁵⁰ Vancity, "Our Market Conduct Code", at: <https://www.vancity.com/SharedContent/documents/pdfs/vancity-market-conduct-code-2023.pdf>

⁵¹ Thrive Global, "Take the pledge", at: <https://pledge.thriveglobal.com/#pledge>

⁵² Vancity, "Accountability Statements", (2023), at: https://annualreport.vancity.com/_doc/Vancity-2023-Accountability-Statements.pdf

⁵³ Canadian Council for Indigenous Business, "Partnership Accreditation in Indigenous Relations (PAIR)", at:

<https://www.ccab.com/programs/progressive-aboriginal-relations-par/>

⁵⁴ United Nations, "United Nations Declaration on the Rights of Indigenous Peoples", at: <https://social.desa.un.org/issues/indigenous-peoples/united-nations-declaration-on-the-rights-of-indigenous-peoples>

- Vancity has operations in Canada, which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to mitigate common environmental and social risks associated with projects financed under the Framework.⁵⁵

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

Section 3: Impact of Use of Proceeds

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

Importance of green buildings in reducing GHG emissions in Canada

The buildings sector is a key contributor to GHG emissions in Canada, accounting for 13% of total GHG emissions in the country in 2022, the third largest emitter after oil and gas and transportation.^{56,57} Although the energy intensity of buildings in Canada has fallen in recent years, absolute energy demand has increased by 8% for residential buildings and 35% for commercial buildings between 1990 and 2015.⁵⁸ The majority of the energy consumption in residential buildings comes from space heating, which is primarily powered by natural gas, and accounts for approximately 61% of a building's energy use.^{59, 60} The remaining energy use relates to water heating (18%), appliances (15%), lighting (4%) and space cooling (3%).⁶¹ In commercial and institutional buildings, space and water heating combined represent 63% of the total energy consumed.⁶²

As a signatory to the Paris Agreement, the Government of Canada has committed to reducing the country's total GHG emissions by 40-45% by 2030 compared to 2005 baseline and achieving net zero GHG emissions by 2050.⁶³ In line with its climate targets and as part of the Canada Green Buildings Strategy, Canada aims to achieve a 37% emission reduction in the buildings sector by 2030 versus 2005 levels.⁶⁴ The Government of Canada has identified complementary actions to achieve its emissions reduction targets, including strengthening codes to ensure that new buildings are more energy efficient, retrofitting existing buildings, encouraging fuel switching, improving the efficiency of appliances and equipment and supporting mandatory energy labelling and disclosure.⁶⁵ According to the Canada Green Building Council, Canada can reduce GHG emissions from its building sector by 17% from a 2005 baseline by adhering to the zero carbon standards for all new large building constructions to be made between 2017 and 2030.⁶⁶

Sustainalytics expects Vancity's investments in projects that enhance the energy efficiency of buildings to contribute positively to the building sector in Canada and help meet global environmental objectives.

⁵⁵ Equator Principles, "Designated & Non-Designated Countries", at: <https://equator-principles.com/designated-countries/>

⁵⁶ Government of Canada, "Annex: Homes and buildings", at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/healthy-environment-healthy-economy/annex-homes-buildings.html>

⁵⁷ Government of Canada, "Greenhouse gas emissions", at: <https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html>

⁵⁸ Standing Senate Committee on Energy, the Environment and Natural Resources, Reducing Greenhouse Gas Emission from Canada's Built Environment, (2018), at: https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf

⁵⁹ Canada Energy Regulator, "What is in a Canadian residential natural gas bill?", at: <https://www.cer-rec.gc.ca/en/data-analysis/energy-commodities/natural-gas/report/canadian-residential-natural-gasbill/index.html>

⁶⁰ Natural Resources Canada, "Energy Fact Book 2023-2024", at: <https://energy-information.canada.ca/sites/default/files/2023-10/energy-factbook-2023-2024.pdf>

⁶¹ Natural Resources Canada, "Energy Fact Book 2023-2024", at: <https://energy-information.canada.ca/sites/default/files/2023-10/energy-factbook-2023-2024.pdf>

⁶² Natural Resources Canada, "Energy Fact Book 2023-2024", at: <https://energy-information.canada.ca/sites/default/files/2023-10/energy-factbook-2023-2024.pdf>

⁶³ Government of Canada, "Net-zero emissions by 2050", at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/net-zero-emissions-2050.html>

⁶⁴ Government of Canada, "2030 Emissions Reduction Plan – Sector-by-sector overview", (2023), at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/emissions-reduction-2030/sector-overview.html#sector2>

⁶⁵ Government of Canada, "Complementary actions to reduce emissions", at: https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework/complementary-actions-reduce-emissions.html#3_2

⁶⁶ Canada Green Building Council, "Canada's Green Building Engine: Market Impact and Opportunities in a Critical Decade", (2020), at: https://portal.cagbc.org/cagbcdocs/advocacy/CaGBC_CanadasGreenBuildingEngine_EN.pdf

Importance of affordable housing in Canada

In 2021, 10.1% of households in Canada were in a core housing need, indicating that these households live in unsuitable, inadequate or unaffordable dwellings⁶⁷ and have to spend more than 30% of their total pre-tax income on rent.⁶⁸

In addition, an insufficient housing supply is a leading factor making housing more expensive in Canada, where the number of homes per person is lower than the OECD average.⁶⁹ In 2020, Canada had 424 housing units per 1,000 residents – the lowest number in the G7, which averages 471 housing units per 1,000 residents.⁷⁰ Furthermore, the current rate of new construction will yield approximately 18 million housing units by 2030.⁷¹ However, Canada will still need an additional 3.5 million units to restore housing affordability in the country by the same year.⁷²

Low-income individuals are suffering acutely from high housing costs in Canada.⁷³ Nearly 72% of people in poverty are households that spent more than 30% of their total income on shelter, whereas only 20% of the total population in Canada lived in similar households in 2016.⁷⁴ Furthermore, middle-income households also face challenges with access to housing, primarily due to the lack of affordable housing, whether for rent or ownership.⁷⁵ This issue is especially prevalent in high-cost areas in Canada. For example, the median household income in Toronto, a high-cost area, grew by 30% between 2006 and 2018, while average home ownership costs increased by 131% during the same period.⁷⁶

In 2017, the Government of Canada has launched the National Housing Strategy (NHS), a 10-year plan to raise CAD 82 billion (USD 56.5 billion) to support affordable housing and reduce homelessness in Canada.⁷⁷ The NHS sets targets for “removing” 530,000 households from housing needs, reducing chronic homelessness by 50%, building 160,000 new homes and renovating 300,000 existing units over the 10-year period.⁷⁸ Additionally, in 2022-23 the Government of Canada earmarked CAD 4 billion (USD 2.75 billion) to the New Housing Accelerator Fund with a target of adding 100,000 net new housing units over a five-year period, and CAD 1.5 billion (USD 1 billion) for the Rapid Housing Initiative aimed at creating at least 6,000 new affordable housing units over two years, with at least 25% of the funds supporting women-focused housing projects.⁷⁹ In its 2023 budget, the Government of Canada proposed an additional CAD 4 billion (USD 2.75 billion) towards the Urban, Rural and Northern Indigenous Housing Strategy over the next seven years from a 2024 baseline.⁸⁰ Despite these government-led efforts, the private sector’s involvement is imperative given the scale of the affordable housing challenges in Canada.⁸¹

Sustainalytics is of the opinion that the investments in affordable housing projects under the Framework are expected to create positive social impacts for low- and median-income households in Canada.

⁶⁷ Definitions of “Unsuitable housing”, “Inadequate Housing”, and “Unaffordable Housing” are extracted from Statistics Canada. More information at: <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2022056-eng.htm>

⁶⁸ Statistics Canada, “Core housing need in Canada”, (2022), at: <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2022056-eng.htm>

⁶⁹ Government of Canada, “Chapter 1: Making Housing More Affordable”, at: <https://www.budget.canada.ca/2022/report-rapport/chap1-en.html>

⁷⁰ Scotiabank, “Estimating the Structural Housing Shortage in Canada: Are We 100 Thousand or Nearly 2 Million Units Short?”, (2021), at: <https://www.scotiabank.com/ca/en/about/economics/economics-publications/post.other-publications.housing.housing-note.housing-note-may-12-2021-.html>

⁷¹ Canada Mortgage and Housing Corporation, “Housing Shortages in Canada: Updating how much housing we need by 2030”, (2023), at: <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-research/research-reports/accelerate-supply/housing-shortages-canada-updating-how-much-we-need-by-2030#>

⁷² Ibid.

⁷³ Canada Mortgage and Housing Corporation, “Governments alone cannot fix Canada’s housing affordability challenges”, (2022), at: <https://www.cmhc-schl.gc.ca/en/blog/2022/governments-alone-cannot-fix-canadas-housing-affordability-challenges>

⁷⁴ Government of Canada, “Housing Experiences in Canada: People in poverty”, (2022), at: <https://www150.statcan.gc.ca/n1/pub/46-28-0001/2021001/article/00017-eng.htm>

⁷⁵ Canada Mortgage and Housing Corporation, “Governments alone cannot fix Canada’s housing affordability challenges”, (2022), at: <https://www.cmhc-schl.gc.ca/en/blog/2022/governments-alone-cannot-fix-canadas-housing-affordability-challenges>

⁷⁶ City of Toronto, “Toronto Housing Market Analysis”, at: <https://www.toronto.ca/legdocs/mmmis/2019/ph/bgrd/backgroundfile-140633.pdf>

⁷⁷ Canada Mortgage and Housing Corporation, “What is the Strategy”, at: <https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy>

⁷⁸ Ibid.

⁷⁹ Government of Canada, “Making Housing More Affordable”, (2022), at: <https://www.canada.ca/en/department-finance/news/2022/04/making-housing-more-affordable.html>

⁸⁰ Government of Canada, “Chapter 1: Making Life More Affordable and Supporting the Middle Class”, (2023), at: <https://www.budget.canada.ca/2023/report-rapport/chap1-en.html>

⁸¹ Iorwerth, A. (2022), “Governments alone cannot fix Canada’s housing affordability challenges”, Canada Mortgage and Housing Corporation, at: <https://www.cmhc-schl.gc.ca/en/blog/2022/governments-alone-cannot-fix-canadas-housing-affordability-challenges>

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Vancity Sustainable Issuance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries
Clean Energy	7. Affordable and clean energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Indigenous Communities & Businesses	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-,small- and medium-sized enterprises, including through access to financial services.
	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Women Owned/Controlled Business	10. Reduced inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
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.
Access to Financial Services or Socioeconomic Advancement	1. No poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

Conclusion

Vancity has developed the Vancity Sustainable Issuance Framework under which it and its subsidiaries may issue green, social and sustainability bonds, loans, commercial paper and deposit products and use the proceeds to finance and refinance projects intended to contribute to financial, environmental and social well-being of the communities and individuals it serves. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The Vancity Sustainable Issuance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Vancity Sustainable Issuance Framework is aligned with the overall sustainability strategy of Vancity and that the use of proceeds will contribute to advance the UN Sustainable Development Goals 1, 7, 8, 10 and 11. Additionally, Sustainalytics is of the opinion that Vancity has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Vancity is well positioned to issue green, social and sustainability bonds, loans, commercial paper and deposit products and that Vancity Sustainable Issuance Framework is robust, transparent and in alignment with the Sustainability Bond Guidelines 2021 and the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

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