

Second-Party Opinion

Innova Schools Social Bond

Evaluation Summary

Sustainalytics is of the opinion that the Innova Schools Social Bond 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 use of proceeds – Access to Essential Services – is aligned with those recognized by the Social Bond Principles 2018. Sustainalytics considers the eligible category to have positive social impact and to advance the UN Sustainable Development Goal 4: Quality of Education.



PROJECT EVALUATION / SELECTION Innova Schools has dedicated departments and/or committees for project evaluation and selection that involves the evaluation of a target population based on region and site selection. Sustainalytics considers the project selection process, which includes C-level involvement, to be in line with market best practice.



MANAGEMENT OF PROCEEDS Innova Schools' Finance Department will separately manage and track the net use of proceeds. Pending allocation, the net proceeds will be kept as cash in its bank accounts or in short term deposits in investment grade local banks. This is in line with market practice.



REPORTING Innova Schools intends to publish annual information in its annual report, until full allocation. The reporting will contain allocation reporting including amounts allocated on a portfolio-basis, as well as relevant impact metrics, where feasible. Sustainalytics views Innova Schools' allocation and impact reporting as aligned with market practice.



Evaluation date	May 2019
Issuer Location	Lima, Peru

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Introduction

Colegios Peruanos S.A. (“Innova Schools”, or the “Issuer”) is a K-12 private education company with an innovative educational model to provide affordable, quality education for students belonging to middle-class families in Peru. As of 2019, the company has established 54 schools and expects to expand to 90 schools by 2023.

Innova Schools has developed a Social Bond Framework (the “Framework”) under which it intends to issue social bonds, where an amount equal to the issuance will be used to finance or refinance, in whole or in part, new and/or existing social assets.

The Framework defines the following eligible social category area:

1. Access to Essential Services:

Construction of new and/or expansion of existing Innova Schools targeted to Peru’s emerging middle class

Innova Schools engaged Sustainalytics to review the Innova Schools Social Bond Framework, dated May 2019, and provide a second-party opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2018 (SBP 2018).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Innova Schools’ management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Innova Schools’ social bond. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

² Innova Schools Social Bond Framework will be available at: <https://www.innovaschools.edu.pe/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Innova Schools Social Bond Framework

Summary

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

- Use of Proceeds:
 - The Access to Essential Services category includes financing capital expenditures related to existing and new schools for affordable and quality education, primarily for a targeted student population that belongs to middle-class families.³ Sustainalytics considers access to inclusive and equitable quality education a fundamental human right, and recognizes that Innova Schools commitment to such provision, especially for children, will create significant social benefits within Peru.
 - Innova Schools has confirmed the following details:
 - Innova Schools' average tuition fee was significantly lower than other private schools in Peru (as of 2018) where student performances were similar in assessments conducted for reading and mathematics;
 - According to Evaluación Censal (ECE) conducted by the Ministry of Education in Peru (MINEDU), the majority of Innova Schools outperformed the average public and private school in terms of higher proportion of students (from fourth grade) with "Satisfactory" level⁴ of learning in reading and mathematics (as of 2016). See Appendices 1, 2 & 3 for further analysis on Innova Schools' target population, and comparison of performance and tuition fees.
 - Innova Schools confirmed to Sustainalytics that it will continuously evaluate its tuition fee levels compared to the market to remain affordable for the targeted population. Innova Schools will track the ratio between tuition cost and average household spending of families of each school in order to confirm that schools remain affordable. Additionally, Innova Schools will gather data from the Ministry of Education and surveys of previously enrolled students to understand if tuition has factored into their decision to leave.
- Project Evaluation and Selection:
 - Innova Schools has dedicated departments and/or committees for the following: (i) evaluation of a target population based on the identification of regions with high concentration of K-12 students belonging to emerging middle-class, and that with significant gap between demand for quality education and its supply; (ii) selection of zones and lands considering its size and access to basic services (such as availability of water, energy and internet); (iii) evaluation and approval of land by the Landbank Committee (having C-level involvement); and (iv) documentation, and regulatory approval following construction.
 - Sustainalytics considers the project selection process, which includes C-level involvement, to be in line with market best practice.
- Management of Proceeds:
 - Innova Schools' Finance Department will separately manage and track the net use of proceeds. Pending allocation, the net proceeds will be kept as cash in its bank accounts or in short term deposits in investment grade local banks. This is in line with market practice.
- Reporting:

³ Targeted population includes students belonging to middle-class families with an average monthly income between USD1,100 and USD2,200 for Socioeconomic Status (SES) C1 (lower average income), C2, and B1 (higher average income). The proportion of population by SES levels was derived from Apeim, Niveles Socioeconomics 2018 : <http://www.apeim.com.pe/wp-content/themes/apeim/docs/nse/APEIM-NSE-2018.pdf>

⁴ According to the MINEDU, the student with "Satisfactory" level (highest level) achieved the expected learning for the evaluated cycle and is prepared to face the learning challenges of next cycle.

- Innova Schools intends to publish annual information in its annual report, until full allocation. Sustainalytics views Innova Schools' allocation and impact reporting as aligned with market practice.
- The allocation reporting will include amounts allocated on a portfolio-basis.
- The impact reporting may include, where feasible, quantitative and/or qualitative indicators such as number of schools built, number of enrolled students per year, percentage of students in academic "Satisfactory" level and by Socioeconomic Status (SES), price of tuition, and capital expenditure per year for new schools and expansion.

Alignment with Social Bond Principles 2018

Sustainalytics has determined that the Innova Schools Social Bond Framework align to the four core components of the SBP 2018. For detailed information please refer to Appendix 4: External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of Framework to Innova Schools' sustainability efforts

The network of Innova Schools was designed by IDEO⁵, an internationally recognized design & consultancy firm, and built based on a progressive learning model as a response to uplift the emerging middle class through education in Peru. Innova Schools' overall sustainability strategy is informed by its values⁶ to develop students into "inspired, intelligent and ethical people to build the future leadership of Peru." The network of Innova Schools is committed to provide quality education with the following principles and practices in place to support its sustainability efforts related to personal and professional development of students belonging to middle-class families:

- Innova Schools team worked with IDEO to co-develop "the curriculum, teaching strategies, buildings, operational plans, and underlying financial model" for its network of schools.
- The four cross-thematic axes chosen for students to develop their capabilities and necessary personal skills to create an impact on their society were: (i) self-esteem, (ii) socio-economic skills, (iii) leadership and autonomy, and (iv) learning strategies.
- The seven competencies⁷ for Innova School' students to develop over time are: (i) effective communication, (ii) mathematical competence, (iii) scientific thought, (iv) digital competence, (v) leadership, (vi) ethics and citizenship, and (vii) innovation.
- The Blended Learning process is structured to apply the Group Learning and Solo Learning modalities where students can investigate, discuss and build their own knowledge, while teachers guide and facilitate the learning. The specialized teaching programs in computer rooms allow students to have personalized learning sessions with a control board for teachers to monitor progress and focus on students with learning difficulties.
- Counseling spaces for students are provided throughout their time in school for them to learn and reflect on topics that corresponds to the concerns at their respective ages. Moreover, the teachers are constantly trained and guided by pedagogical coaches to adapt to the Blended Learning methodology and guide students throughout their learning.
- Innova Schools received accreditations on education quality, such as the AdvancED⁸ accreditation with a score exceeding global average⁹, and the certification from Sineace (the National System of Evaluation, Accreditation and Certification of Educational Quality under Peru's Ministry of Education).

Considering the above, Sustainalytics is of the opinion that the Innova Schools' values and sustainability efforts to maintain high quality education demonstrate the importance it places on achieving positive social outcomes. Sustainalytics also believes that the Innova Schools' Framework is aligned with its values and overall sustainability efforts and can support the development of Peru's educational capacity and quality, thus, creating societal impact within the country.

⁵ IDEO, Designing a School System from the Ground Up: <https://www.ideo.com/case-study/designing-a-school-system-from-the-ground-up>

⁶ Innova Schools, Values: <https://www.innovaschools.edu.pe/propuesta-educativa/pilares/>

⁷ Innova Schools, Output Profile: <https://www.innovaschools.edu.pe/propuesta-educativa/perfil-de-salida/>

⁸ AdvancED Performance Accreditation uses a set of rigorous research-based standards and evidence-based criteria to examine the institution, its policies, practices and learning conditions as well as cultural context to determine if the institution's vision and learners' needs are well addressed. The institution to be accredited must: (i) meet AdvancED Standards, Policies and Procedures, (ii) demonstrate quality through internal and external reviews, and (iii) engage in continuous improvement. AdvancED, Performance Accreditation: <https://www.advanc-ed.org/services/accreditation>

⁹ Innova Schools, Innova Methodology: <https://www.innovaschools.edu.pe/preguntas-frecuentes/metodologia-innova/>

Well positioned to address common social risks associated with the projects

To mitigate environmental and social risks stemming from its eligible social projects, Innova Schools follows comprehensive set of applicable laws related to environmental and social aspects of relevant stakeholders, such as those concerning the license to operate schools; disaster risk management; occupational health and safety; solid waste management; and legislations, decrees and norms regulating worker rights. Additionally, Innova Schools has internal polices and guidelines related to students, workers (including teachers) and suppliers, such as norms regulating day-to-day operations within schools, use of IT resources, supplier contracts, and code of ethics and conduct of suppliers. Moreover, as described previously, Innova Schools also partnered with recognized organizations (or institutions), such as IDEO and the University of California (UC) Berkeley, to build schools and develop plans, strategies, methodologies, models and/or curriculum for the targeted population of students.

Due to the above-mentioned policies, system and procedures, along with the C-level involvement in the evaluation of target population and selection of lands for school construction, Sustainalytics believes that Innova Schools has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the use of proceeds.

Section 3: Impact of Use of Proceeds

Importance of quality education in Peru

According to the World Bank Group,¹⁰ Peru was one of the fastest-growing economies between 2002 and 2013 with an average GDP growth rate of 6.1% annually. Furthermore, Peru's government expenditure on education (as percentage of GDP) surged over 40% to approximately 3.92% of GDP between 2011 and 2017.¹¹ Despite significant growth in the economy and public expenditure on education, Peru's education system still faced some major deficiencies, including high-costs, inadequate learning materials, outdated curricula, and lack of well-trained teachers.^{12,13} Peru also ranked as the lowest performing country¹³ in the Programme for International Student Assessment (PISA¹⁴) in 2012, which analyzes skills and knowledge of 15-year-old students in reading, mathematics and science.

According to the IDEO,⁵ Innova Schools combine "teacher-led, project-based learning in small groups with self-directed time using digital learning tools." The dynamic learning environment combined with hands-on experience and digital solutions allow a data-driven and flexible approach for teachers and parents to keep track of learning outcomes and students' progress. As per Evaluación Censal (ECE) conducted by the Ministry of Education in Peru (MINEDU) in 2016, the majority of Innova Schools outperformed the average of Peru's public and private schools in reading and mathematics (See Appendix 1):

- The percentage of students within "Satisfactory" level in "Reading" for Innova Schools was 70.9%, which was higher than the average of public schools (50.9%), private schools (53.6%) and the average of Peru (31.4%).
- The percentage of students within "Satisfactory" level in "Mathematics" for Innova Schools was 51.9%, which was higher than the average of public schools (41.8%), private schools (35.4%) and the average of Peru (25.2%).

Sustainalytics has a positive outlook on Innova Schools' vision and mission to close the gap in quality of education in Peru through its network of schools with an innovative model for effectively leveraging technology and blended learning to students belonging to middle-class families.

Provision of affordable education for students from middle-income families in Peru

In 2018, Innova Schools overall student population was comprised of 75% of its targeted group of students belonging to middle-income families (SES B2, C1 & C2). Since those middle-income families comprise of 34% of Peru's overall population, with an average monthly income between USD 1,100-2,200, Innova Schools had the majority of its students coming from families spending approximately 7-15% of their monthly income on tuition in 2018. In contrast, such families spent on average approximately 22-35% of their monthly income on tuition for other comparable schools to have access to similar quality education (See Appendix 2 and 3).

¹⁰ The World Bank Group, the World Bank in Peru: <https://www.worldbank.org/en/country/peru/overview#1>

¹¹ The World Bank Group, Government expenditure on education, total (% of GDP):

<https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?locations=PE>

¹² The International Trade Association, US Department of Commerce (Export.gov), Peru- Education: <https://www.export.gov/article?id=Peru-Education>

¹³ OECD, Key Issues affecting Youth in Peru: <http://www.oecd.org/dev/inclusivesocietiesanddevelopment/youth-issues-in-peru.htm>

¹⁴ OECD, What is PISA? <https://www.oecd.org/pisa/aboutpisa/>

Innova Schools Social Bond

As per the ECE assessment conducted by the Ministry of Education in Peru (MINEDU) in 2018, private schools that performed similar to Innova Schools in terms of a similar percentage of students with "Satisfactory" level scores in reading and mathematics, ranged in average tuition fee between USD250 and USD850, while Innova Schools had a significantly lower average tuition fee of approximately US\$164 per month. Moreover, there are additional intangible benefits (such as digital skills) that come from Innova Schools' blended learning environment for children with an ease of access to technology, including computers and the Internet, especially when 67% of Peru's public schools were reported^{15,16} to have no Internet connectivity in 2017.

Sustainalytics believes that Innova Schools integrates aspects of affordability into its provision of quality education for its student population belonging to middle-class families which creates significant social benefits for a large number of Peruvian children.

Alignment with/contribution to SDGs

The UN Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Innova Schools' social bonds advance the following SDG goal and targets:

Use of Proceeds Category	SDG	SDG target
Access to Essential Services	4. Quality Education	4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy. 4.A Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.

Conclusion

Innova Schools has developed the Innova Schools Social Bond Framework to finance and/or refinance, in whole or in part, new and/or existing assets that intend to deliver positive social outcomes. Innova Schools has described a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for the allocation and impact reporting.

Sustainalytics believes that the eligible category, Access to Essential Services, is aligned with Innova's values and overall sustainability efforts and will also contribute to the advancement of UN Sustainable Development Goal 4: Quality Education. Sustainalytics considers access to inclusive and equitable quality education a fundamental human right, recognized as bringing significant social benefits within the country, especially when it is focused on children. Additionally, Sustainalytics believes that Innova Schools has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible social projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Innova Schools is well-positioned to issue social bonds, and that Innova Schools Social Bond Framework is robust, transparent, and in alignment with the Social Bond Principles 2018.

¹⁵ Young Lives, Childhood, school and information computer technology: New evidence for educational policies in Peru:

<https://www.younglives.org.uk/content/childhood-school-and-information-computer-technology-new-evidence-educational-policies-peru>

¹⁶ Niños del Milenio, The digital divide: closing milestones in Peruvian education: http://www.ninosdelmilenio.org/wp-content/uploads/2017/10/Presentaci%C3%B3n_ENTeD_17_oct_2017_GRADE.pdf

Appendices

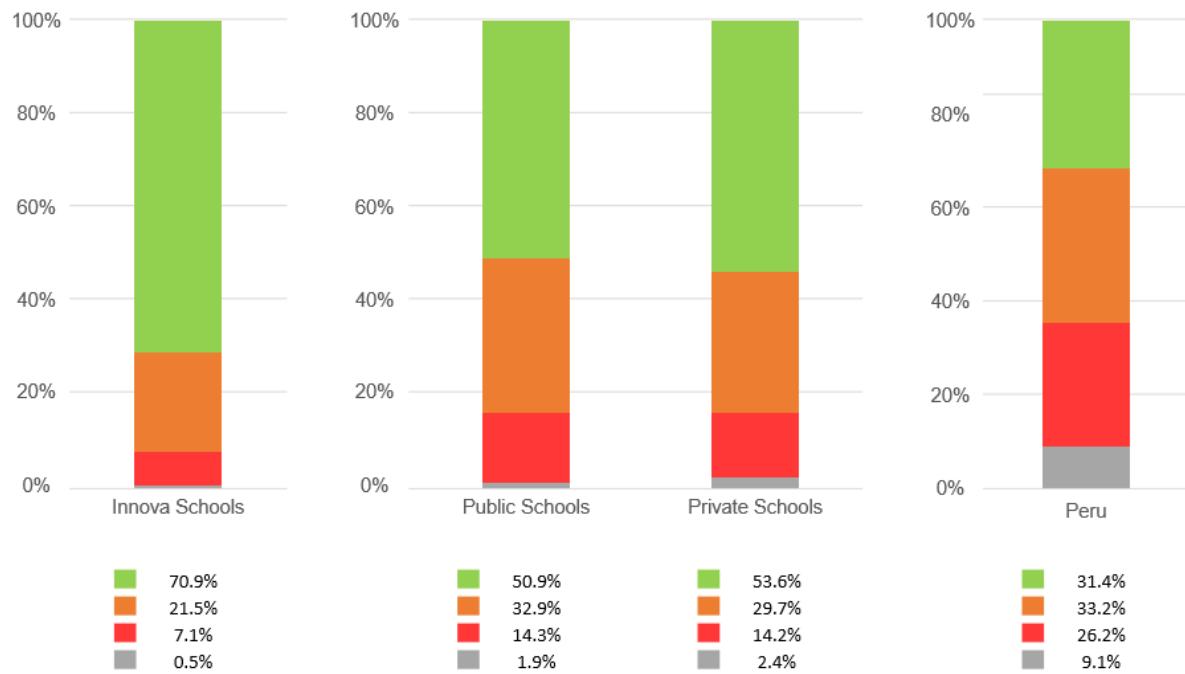
Appendix 1: Comparison of Innova Schools' Performance¹⁷

Levels of learning

- According to the MINEDU, the following levels of learning are defined:

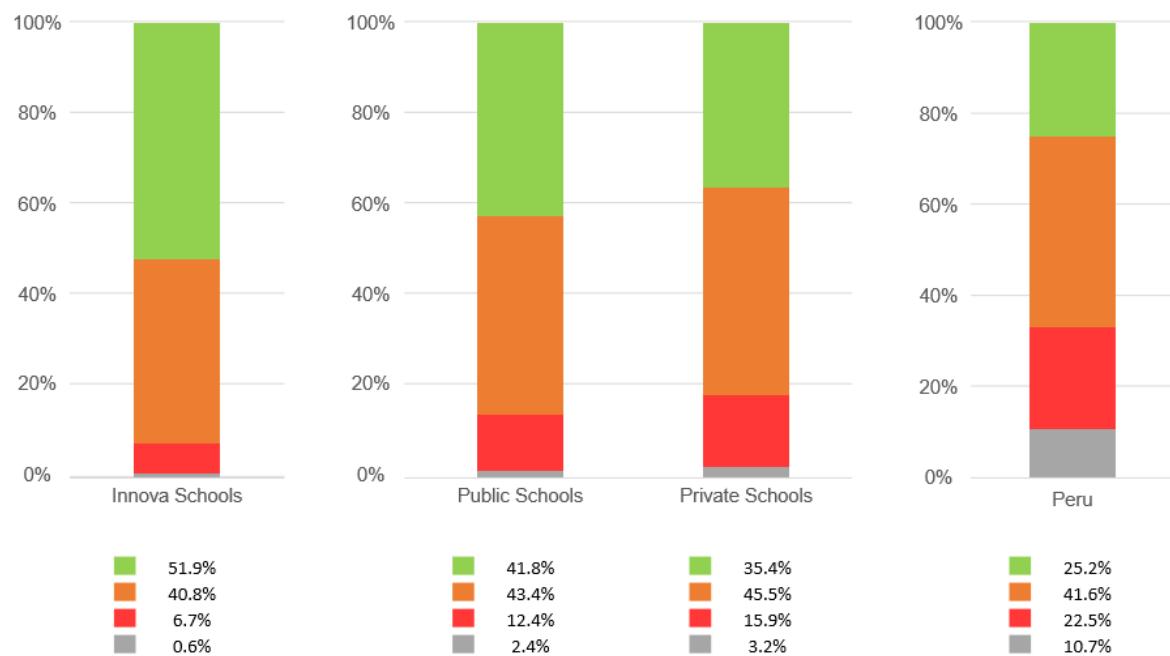


Source: Innova Schools



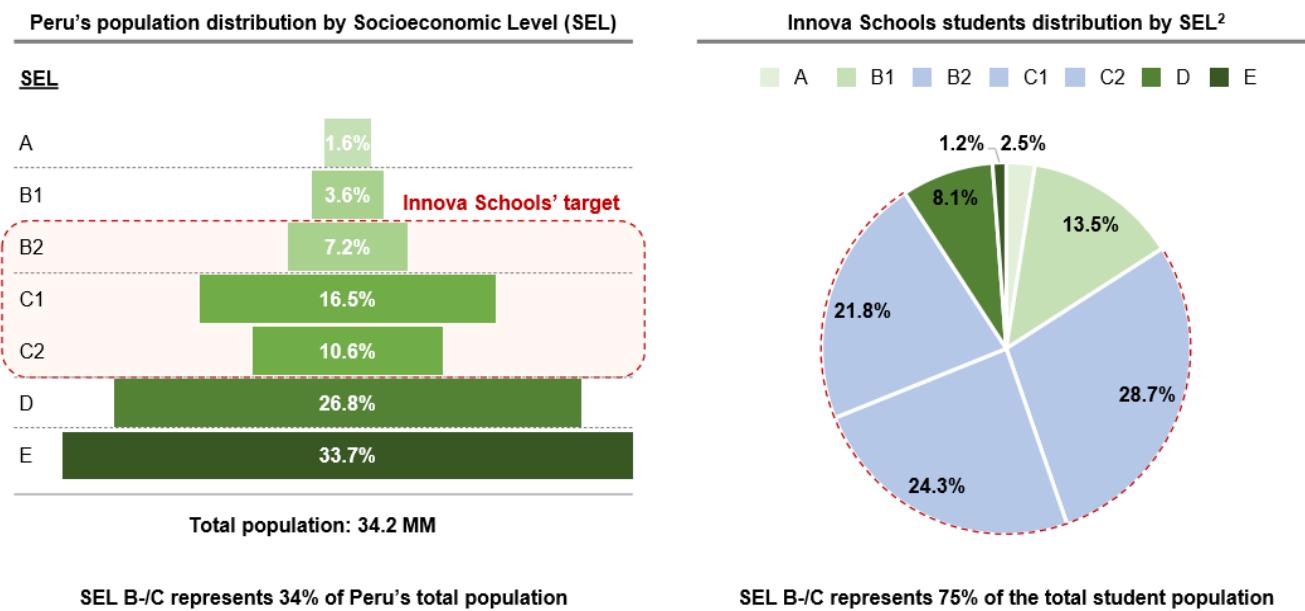
Grade: Fourth; Area: Reading

¹⁷ The information is sourced from Innova Schools, and is based on assessment, "Evaluación Censal" (ECE), conducted by Ministry of Education in Peru (MINEDU) for 'fourth grade' in the area of reading and mathematics.



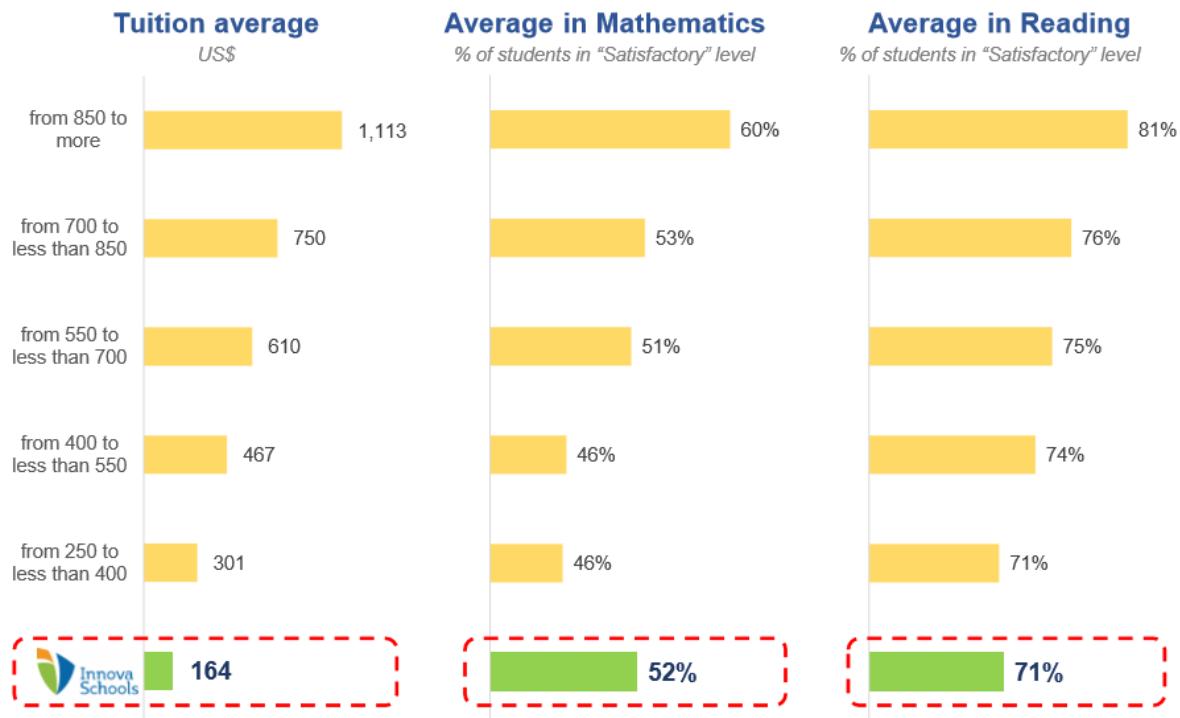
Grade: Fourth; Area: Mathematics

Appendix 2: Innova Schools' Target Population¹⁸



Source: Asociación Peruana de Empresas de Investigación de Mercado, Company information
1/ Middle class is represented by the population in the SEL B1, B2, C1 and C2, 2/ Based on Company estimates for students from Lima Metropolitana

Appendix 3: Comparison of Tuition Fee for Similarly Performing Private Schools¹⁹



¹⁸ The information is sourced from Asociación Peruana de Empresas de Investigación de Mercados (Apeim), as well as Innova Schools. Middle Class is represented by the population in the SEL B1, B2, C1 and C2. Apeim, Niveles Socioeconómicos 2018 : <http://www.apeim.com.pe/wp-content/themes/apeim/docs/nse/APEIM-NSE-2018.pdf>

¹⁹ The information is sourced from Innova Schools and is based on the data from Ministry of Education in Peru (MINEDU).

Appendix 4: Social Bond/ Social Bond Programme - External Review Form

Section 1. Basic Information

Issuer name: Innova Schools

Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: *[specify as appropriate]* Innova Schools Social Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: May 2019

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

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 nd 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 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 use of proceeds – Access to Essential Services – is aligned with those recognized by the Social Bond Principles 2018. Sustainalytics considers the eligible category to have positive social impact and to advance the UN Sustainable Development Goal 4: Quality of Education.

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input 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*):

Innova Schools has dedicated departments and/or committees for project evaluation and selection that involves the evaluation of a target population based on region and site selection. Sustainalytics considers the project selection process, which includes C-level involvement, to be in line with market best 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 (<i>please specify</i>): |

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*):

Innova Schools' Finance Department will separately manage and track the net use of proceeds. Pending allocation, the net proceeds will be kept as cash in its bank accounts or in short term deposits in investment grade local banks. This is in line with market practice.

Tracking of proceeds:

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

Additional disclosure:

- | | |
|--|---|
| <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 type="checkbox"/> Allocation to a portfolio of disbursements |
| <input 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*):

Innova Schools intends to publish annual information in its annual report, until full allocation. The reporting will contain allocation reporting including amounts allocated on a portfolio-basis, as well as relevant impact metrics, where feasible. Sustainalytics views Innova Schools' allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

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*):

number of schools built, number of enrolled students per year, percentage of students in academic "Satisfactory" level and by Socioeconomic Status (SES), price of tuition, and capital expenditure per year for new schools and expansion.

Means of Disclosure

<input type="checkbox"/> Information published in financial report	<input type="checkbox"/> Information published in sustainability report
<input type="checkbox"/> Information published in ad hoc documents	<input checked="" type="checkbox"/> Other (please specify): annual report
<input type="checkbox"/> 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 (<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.

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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. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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