

# Second-Party Opinion

## iA Financial Group Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the iA Financial Group Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Clean Energy, Energy Efficiency, Clean Transportation, Green Buildings, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Access to Essential Services and Infrastructure, Affordable Housing and Basic Infrastructure, Majority Women-owned Businesses, and Indigenous Communities and Businesses – are aligned with those recognized by the Green Bond Principles and Social Bond 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 3, 4, 5, 6, 7, 10, 11, 12 and 15.



**PROJECT EVALUATION / SELECTION** iA Financial Group’s Sustainability Bond Committee will oversee the internal process for evaluating and selecting projects. The Group will undertake an ESG analysis which is applicable to all allocation decisions made under the Framework, in accordance with the Group’s Responsible Investment Policy. Sustainalytics considers these risk management systems to be adequate and the process for project evaluation and selection in line with market practice.



**MANAGEMENT OF PROCEEDS** iA Financial Group’s Sustainability Bond Committee will oversee the management of proceeds. The net proceeds of the sustainability bonds will be placed in iA Financial Group’s general funding account and earmarked for allocation within the Sustainability Bond Register. Pending allocation, unallocated proceeds will be held in cash, cash equivalent or other liquid assets including government bonds, money market instruments or used to repay existing indebtedness not related to fossil fuel investments. iA Financial Group intends to reach full allocation within 36 months of issuance. This is in line with market practice.



**REPORTING** iA Financial Group intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount allocated per eligible category, balance of unallocated proceeds and the share of financing versus refinancing. In addition, iA Financial Group is committed to reporting on relevant impact metrics. Sustainalytics views iA Financial Group’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	February 08, 2022
<b>Issuer Location</b>	Quebec City, Canada

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## Introduction

iA Financial Group (“iA”, or the “Group”) is an insurance and wealth management group with operations in Canada and the United States. Established in 1892 and headquartered in Quebec City, the Group holds CAD 214.5 billion (USD 168.3 billion) in assets as of September 2021 and has approximately 8,200 employees. The Group serves over 4 million clients offering life, health, auto and housing insurance, savings and retirement plans, investment products, mortgages and other financial services.

iA has developed the iA Financial Group Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to reduce greenhouse gas emissions, minimize environmental impact on natural resources as well as provide social benefits to vulnerable and underserved populations in Canada.

The Framework defines eligible green categories in the following seven areas:

1. Clean Energy
2. Energy Efficiency
3. Clean Transportation
4. Green Buildings
5. Sustainable Water and Waste Management
6. Pollution Prevention and Control
7. Environmentally Sustainable Management of Living Natural Resources and Land Use

The Framework defines eligible social categories in the following four areas:

1. Access to Essential Services and Infrastructure
2. Affordable Housing and Basic Infrastructure
3. Majority Women-owned Businesses
4. Indigenous Communities and Businesses

iA engaged Sustainalytics to review the iA Financial Group Sustainability Bond Framework, dated February 2022, 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), and Social Bond Principles 2021 (SBP).<sup>1</sup> The Framework has been published in a separate document.<sup>2</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of iA’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. iA representatives have confirmed (1) they understand it is the sole responsibility of iA to ensure that the information provided is complete,

<sup>1</sup> 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/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>.

<sup>2</sup> The iA Financial Group Sustainability Bond Framework is available on iA Financial Group’s website at: <https://ia.ca/sustainable-development>.

<sup>3</sup> 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.

accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and iA.

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

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

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the iA Financial Group Sustainability Bond Framework

Sustainalytics is of the opinion that the iA Financial Group Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of iA's Sustainability Bond Framework:

- Use of Proceeds:
  - The eligible categories – Clean Energy, Energy Efficiency, Clean Transportation, Green Buildings, Sustainable Water and Waste Management, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Access to Essential Services and Infrastructure, Affordable Housing and Basic Infrastructure, Majority Women-owned Businesses, and Indigenous Communities and Businesses – are aligned with those recognized by the GBP and SBP.
  - Under the Clean Energy category, iA intends to invest in renewable energy generation projects, including solar, offshore and onshore wind, geothermal, electric heat pumps, tidal, hydrogen, hydropower, waste biomass and renewable biofuel sources. In addition, the Group contemplates financing transmission and distribution projects. Sustainalytics notes the following thresholds and eligibility considerations:
    - For solar energy projects, the Framework specifies investments in onshore solar plants, concentrated solar thermal systems (CSP), and photovoltaic (PV) solar panels. Sustainalytics notes that the Group has not communicated the portion of fossil fuel backup they are relying on. In case of solar thermal and CSP projects, Sustainalytics considers reliance on non-renewable energy backup limited at 15% of the facility's electricity production as market practice and recommends that iA report on the limit of use of non-solar energy (fossil fuel backup sources).
    - For geothermal energy projects, the Framework specifies a direct emissions intensity threshold below 100 gCO<sub>2</sub>e/kWh. This is in line with market practice.

- Geo-exchange projects will involve the use of electric heat pumps (ground, air or water source). Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics encourages iA to exclude financing of air and ground heat pumps with high Global Warming Potential refrigerants, and to promote robust refrigerant leak control, detection, and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
  - As part of this category, iA may invest in projects that support the production, storage and distribution and use of green hydrogen generated by renewables. Sustainalytics considers hydrogen production through electrolysis powered by renewables as aligned with market practice.
  - Hydropower projects include the financing of new hydroelectric power plants that meet at least one of the following criteria i) run-of-river without artificial reservoir or low storage capacity; or ii) power density greater than 5 W/m<sup>2</sup>; or iii) life-cycle carbon intensity below 100 gCO<sub>2e</sub>/kWh. Sustainalytics notes that the Group has defined the estimated reservoir emissions intensity threshold at less than 100 gCO<sub>2e</sub>/kWh. However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, so it is desirable to have a lower threshold for new facilities. Sustainalytics encourages iA Financial Group to favour projects with emissions intensity below the threshold of 50 gCO<sub>2e</sub>/kWh. For new facilities, the Group will require an environmental and social impact assessment by a credible body and is also committed to ensuring the absence of significant risks and expected negative controversies associated with the projects.
  - Bioenergy projects contemplated under the Framework will rely on waste sources as feedstock which will be limited to waste biomass sourced from forestry and agriculture residues. Furthermore, these projects will be subject to a direct emissions intensity threshold of less than 100 gCO<sub>2e</sub>/kWh. Sustainalytics considers the use of waste for electricity generation and the threshold specified as aligned with market practice.
  - For infrastructure expenditures to support integration of renewable energy into the grid as well as across transmission and distribution networks, financed assets will meet at least one of the following criteria: i) dedicated to the connection of renewables to the power grid; ii) have average grid systems emissions of less than 100 gCO<sub>2e</sub>/kWh on a rolling five-year average; or iii) where more than 67% of newly connected generation capacity in the grid system emits less than 100 gCO<sub>2e</sub>/kWh on a rolling five-year average basis. Sustainalytics considers the financing of transmission and distribution assets targeted at reducing the curtailment of renewable energy across the electricity grid system as providing positive environmental outcomes.
- In the Energy Efficiency category, iA may finance the development, construction, upgrade and installation of facilities and equipment that improve energy efficiency by at least 30%. Sustainalytics views positively the inclusion of a defined energy efficiency threshold for the installations of energy-efficient systems, equipment and technologies. Sustainalytics notes that this category does not contemplate the financing of new or whole buildings and is focused on upgrades to existing facilities. Examples projects include:
- Expenditures that may include lighting, battery storage, insulation, refrigeration as well as heating and cooling systems. Given that iA may install energy-efficient mechanical cooling systems, Sustainalytics recommends the Group to consider low-GWP refrigerants for such systems and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
  - Smart grid investments aimed at improving energy efficiency in electricity transmission and distribution, including smart grid components, such as advanced metering systems and smart meters. While noting the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the Group to select projects that are clearly anticipated to deliver tangible efficiency improvements.

- District heating distribution networks that are at least 50% powered by renewable energy or waste heat. Sustainalytics notes that waste heat recovery from fossil fuel operations is excluded and considers the indicated threshold to be aligned with market expectations.
  - Research and development towards technologies, including battery cell technology, behind-the-meter, smart metering, underground thermal heat storage (UTES), gravity storage, ICE storage and biofuels. Noting that these are expected to represent a small proportion of allocated proceeds, Sustainalytics considers these expenditures as aligned with market practice.
- Clean Transportation expenditures may include the following projects related to private and public transportation:
  - Financing of fully electric private passenger vehicles (EVs), hybrid vehicles with emissions below 75 gCO<sub>2</sub>/pkm. iA may also invest in supporting infrastructure such as EV charging stations.
  - Financing public transportation vehicles that meet at least one of the following criteria: (i) fully electric rails, trams and trolley buses; (ii) electric and hydrogen buses with no direct emissions; and (iii) hybrid buses with emissions below 50 gCO<sub>2</sub>/pkm. In addition, to support public transport, the net proceeds under the Framework may be directed towards supporting related infrastructure such as the expansion of metro and train networks, and station upgrades.
  - Financing of public transport subsidy programmes for iA's employees. Sustainalytics views the implementation of programmes to subsidize employee public transit and decrease barriers to public transit use as aligned with market practice.
  - Investments in multimodal transportation assets and infrastructure which will be dedicated to supporting public transportation vehicles that meet the emissions thresholds outlined above.
  - Sustainalytics considers the expenditures under this category and the applicable thresholds specified in the Framework as aligned with market practice.
- Under the Green Building category, iA may finance the acquisition and development of commercial and residential buildings that meet as least one of the eligibility criteria as follows:
  - Buildings that have achieved or are expected to achieve third-party certifications at the following minimum levels: LEED Gold, BOMA Best Gold, BREEAM Excellent, Energy Star with a score of 85, Toronto Green Standard (v3) Tier 2 or higher, or BC Step Code at Step 3 or above. The Passive House EnerPHit certification standard is also being considered to qualify projects as eligible under the Framework. Sustainalytics considers the referenced certification standards to be credible and the selected levels to be aligned with market practice. See Appendix 1 for an overview of Sustainalytics' assessment of these certifications.
  - Buildings among the top 15% emissions intensity performers in their region. Sustainalytics notes that iA will engage third parties for determining the 15% criteria. Sustainalytics considers the financing of buildings in the top 15% emissions intensity performers as aligned with market practice.
- In the Sustainable Water and Waste Management category, iA intends to finance a range of projects that relate to water recycling and water treatment systems, flood prevention, defence and stormwater management systems as well as water metering, water distribution, aquifer storage and sewer systems.
  - iA has confirmed to Sustainalytics that wastewater treatment projects will not relate to fossil fuel operations.
  - iA has also communicated to Sustainalytics that flood management infrastructure projects will be selected based on environmental and climate change vulnerability assessments.
  - Sustainalytics considers these expenditures as aligned with market practice.
- Pollution Prevention and Control expenditures contemplated under the Framework may relate to the construction, development, operation, acquisition and maintenance for the collection, treatment, recycle and reuse of waste and hazardous waste, including e-waste. Eligible projects include remediation of contaminated soil, diversion of waste from landfills, methane capture

- projects with gas capture efficiency and carbon capture utilization (CCU) or carbon capture and storage (CCS) technologies. Sustainalytics notes the following:
- iA has confirmed to Sustainalytics that investments in e-waste and hazardous waste recycling will be subject to robust waste management processes to identify and mitigate associated risks.
  - In CCU and CCS projects, iA intends to finance technologies that result in a net reduction in GHG emissions and do not lock in carbon. The Group has confirmed to Sustainalytics that eligible projects will not relate to fossil fuel operations nor hard-to-abate industrial sectors.
  - Landfill gas projects for energy generation will include the capture of methane from closed or decommissioned landfills with a gas capture efficiency of 75% or more. Sustainalytics notes that recovering methane produced from closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste. Given the aforementioned, this activity is aligned with market expectation and is expected to mitigate the impact of pollutants.
- iA contemplates Environmentally Sustainable Management of Living Natural Resources and Land Use investments directed towards a range of projects, including:
    - Sustainably managed forests and forestry products which are certified under the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest certification (PEFC) or the Sustainable Forestry Initiative (SFI) schemes.
    - Sustainable agricultural projects certified under Canada Organic, USDA Organic, Fairtrade, UTZ or Rainforest Alliance standards.
    - Sustainable aquaculture projects certified under the Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC), Best Aquaculture Practices (eligible with two stars or more) or Global G.A.P for Aquaculture.
    - Sustainalytics considers the certification schemes to be robust and credible. Please refer to Appendix 2, 3 and 4 for Sustainalytics' assessment of these forestry, agriculture and aquaculture certifications.
  - In the Access to Essential Services & Infrastructure category, iA aims to invest in publicly available, free or subsidized services targeted at providing benefits to low-income and underserved communities.<sup>4</sup> This may include investments in infrastructure and services to provide education, such as public schools, dormitories and training centres.
    - iA has confirmed to Sustainalytics that services financed under this category will be available to all regardless of ability to pay.
    - In addition, the Group may finance healthcare in jurisdictions with public and universal healthcare systems. This relates to infrastructure, medical equipment and programmes for public hospitals, mental health facilities and other institutions targeted towards specific age groups and people with disabilities. As part of this category, the Framework contemplates the financing of care centres that provide childcare, eldercare, as well as facilities for people with disabilities.
    - Sustainalytics considers enhancing access to such services for low-income and vulnerable groups as impactful and aligned with market practice. Furthermore, these investments may additionally benefit the general public, bringing significant positive societal benefits in the applicable jurisdictions.
  - The Affordable Housing and Basic Infrastructure category includes investments in affordable housing projects, and projects that enable access to water, electricity, sanitation and plumbing, communication, as well as transportation infrastructure for underserved, vulnerable and rural communities.<sup>5</sup>
    - iA may finance affordable housing projects directly or through non-profit social housing associations,<sup>6</sup> including permanent housing, shelters, transitional housing, and

<sup>4</sup> The Framework relies on the Government of Canada's Low-Income Measures and is based on households with income below 50% of median household incomes which may be adjusted for household or family size and specific categories of individuals. For more information, see Statistics Canada, "Low-income definitions", at: <https://www150.statcan.gc.ca/n1/pub/75f0011x/2012001/notes/low-faible-eng.htm#a5>.

<sup>5</sup> iA defines rural communities in accordance with Statistics Canada's definition, which refers to all areas outside of population centres or areas having at least a population of 1,000 and a population density of 400 persons or more per square kilometres.

<sup>6</sup> iA has communicated to Sustainalytics that social housing associations are limited to those registered with the UK Regulator of Social Housing or the Irish Regulation Office.



subsidized rentals and ownership homes. Such projects are required to meet the accredited or registered affordable housing definitions as applicable in specific programmes (such as the Canada Mortgage and Housing Corporation's Investment in Affordable Housing Initiative),<sup>7</sup> or meet definitions of social and affordable housing outlined by government regulators. The Framework relies on official definitions for low-income populations and definitions for affordability in relevant jurisdictions, including Statistics Canada and relevant government policy frameworks.

- In this category, iA contemplates investments in projects that increase access to drinking water, sanitation, communication networks and enhance rural transportation infrastructure in areas where these were not previously available or are relatively inadequate. In addition, the Framework may finance improvements to electricity transmission and distribution infrastructure in underserved areas.
- Sustainalytics considers enhancing access to affordable housing and other basic infrastructure for underserved communities and vulnerable groups, as providing positive societal benefits and to be in line with market practice.
- The Group intends to provide financing to businesses that are majority owned (>50%) and operated by women with proceeds raised under the Framework. This will be limited to micro, small- and medium-sized businesses.<sup>8</sup> Sustainalytics considers the definition of target populations as aligned with market practice.
- The Indigenous Communities and Businesses category contemplates financing of and lending to MSMEs which are majority owned by Indigenous governments or individuals. Sustainalytics believes that the projects financed in this category will have a positive social impact by enhancing Indigenous peoples' access to financing options that improve their socio-economic conditions.
- Project Evaluation and Selection:
  - iA has established a Sustainability Bond Committee ("SBC") to oversee the project evaluation and selection process. This committee is comprised of the CFO, CIO, CRO, EVP Corporate strategy and development and Head of Investor Relations and Sustainable Development. The SBC intends to meet biannually to oversee the development of the Framework and ensure projects financed are in line with the Framework's eligibility criteria.
  - The Group integrates ESG analysis for all investments made in accordance with its Responsible Investment Policy. This analysis is conducted for all allocation decisions made under the Framework. Sustainalytics considers this risk assessment process to be adequate and aligned with market practice. For additional details on iA's risk assessment and mitigation policies, please refer to Section 2.
  - Based on the allocation of responsibilities and the presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - iA Financial Group's SBC will be responsible for overseeing the management of proceeds. The net proceeds of the sustainability bonds will be deposited in the Group's general funding account and earmarked for allocation within the Group's Sustainability Bond Register. iA intends to allocate proceeds within 36 months of issuance of each bond. Pending full allocation, unallocated proceeds will be held in cash, cash equivalent or liquid assets, including government bonds, money market instruments or used to repay existing indebtedness not related to fossil fuel investments. Where feasible iA will prioritize investment in green, sustainable or ESG securities.
  - Based on the management of proceeds, disclosure of temporary proceeds and allocation period, Sustainalytics considers this process to be in line with market practice.
- Reporting:

<sup>7</sup> Canadian provinces and territories are responsible for choosing the programmes they design and deliver to address local housing needs and priorities. For more information about CMHC's Investment in Affordable Housing programme, see: <https://www.cmhc-schl.gc.ca/en/professionals/industry-innovation-and-leadership/industry-expertise/affordable-housing/provincial-territorial-agreements/investment-in-affordable-housing>.

<sup>8</sup> MSMEs are defined in accordance with the International Finance Corporation's definition, which is based on assessment of an enterprise's employee count, total assets and annual sales. For details, see: [https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors)

- The Group intends to report on the allocation and impact of bond proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amounts allocated to eligible projects and categories, the balance of unallocated amounts, the share of financing to refinancing as well as quantitative and qualitative performance descriptions where relevant. iA Financial intends to appoint an external reviewer to provide limited assurance over the allocation of proceeds on an annual basis until full allocation.
- In addition, iA is committed to reporting on relevant impact metrics, such as annual renewable energy generation in MWh, annual GHG emissions reduced or avoided in tCO<sub>2</sub>, number of individuals and families benefitting from affordable housing, and number of underserved patients who received access to healthcare services. For a more detailed list of impact indicators, please refer to Appendix 5.
- Based on the commitment to both 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 iA Financial Group Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 6: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Performance of iA

### Contribution of Framework to iA Financial Group's sustainability strategy

iA has developed a Group sustainability strategy that guides its approach across the scope of its operations. The Group's 2020 Sustainability Report focuses on eight sustainable development guidelines: (i) ensuring the financial well-being of clients, (ii) effectively managing risks; (iii) following high standards of governance; (iv) actively contributing to communities; (v) managing environmental impact; (vi) creating a rewarding work environment centred around diversity and inclusion; (vii) practising responsible sourcing; and (viii) incorporating ESG factors in investment processes.<sup>9</sup> Sustainalytics highlights the following initiatives, targets and progress achieved as being particularly aligned with the Framework.

In 2020, iA invested CAD 80.5 million (USD 63.3 million) in renewable energy projects, including solar, hydro, wind and geothermal energy, which represents an increase of approximately 10% from 2019. With regard to its own operations, iA is committed to managing carbon emissions and achieved carbon neutrality in 2020,<sup>10</sup> among other initiatives via the purchase of Gold Standard<sup>11</sup> certified carbon credits matched for investment in three major reforestation, conservation and wind energy generation projects in Canada and the United States.<sup>12</sup> As a result, the Group financed the reforestation of 16,000 trees in Quebec, preserved 7,900 hectares of inland rainforest in British Columbia, and developed 75 wind turbines in Texas. In addition, iA has committed to reducing its GHG emissions by 20% per employee by 2025 relative to a 2019 baseline. The Group reduced its GHG emissions by 3,945 tCO<sub>2</sub>e in 2020 in comparison to 2019. Additionally, the Group aims to uphold environmental performance standards in its buildings and has obtained BOMA Best Gold for 11 of its buildings and LEED Gold Certification for eight buildings.<sup>13</sup>

Given iA's approach to sustainability, Sustainalytics is of the opinion that the iA Financial Group Sustainability Bond Framework is aligned with its overall strategy and encourages the Group to further develop and formalize sustainability commitments related to its social strategy and develop time-bound quantitative targets.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. 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, could

<sup>9</sup> iA Financial Group, "2020 Sustainability Report", (2020), at: [https://ia.ca/-/media/Files/IA/APropos/dev-durable/82-108A\\_SustainabilityReport-2020-V3.pdf](https://ia.ca/-/media/Files/IA/APropos/dev-durable/82-108A_SustainabilityReport-2020-V3.pdf)

<sup>10</sup> Ibid.

<sup>11</sup> Gold Standard for the Global Goals is a standard for designing projects for maximum positive impact in climate and development, and to measuring and reporting outcomes. For more information, please refer to: <https://www.goldstandard.org/>.

<sup>12</sup> iA Financial Group, "2020 Sustainability Report", (2020), at: [https://ia.ca/-/media/Files/IA/APropos/dev-durable/82-108A\\_SustainabilityReport-2020-V3.pdf](https://ia.ca/-/media/Files/IA/APropos/dev-durable/82-108A_SustainabilityReport-2020-V3.pdf)

<sup>13</sup> Ibid.



include worker's health and safety, community relations and stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, emissions, effluents and waste generated in construction.

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

- iA has a dedicated Responsible Investment Policy to guide the Group's asset analysis and management.<sup>14</sup> The guiding principles of the policy are corporate governance, environmental stewardship, people and communities, and transparency and disclosure. iA is committed to ensure compliance with environmental regulations and overall aims to reduce the environmental footprint of its investments with respect to climate change, energy, water, waste management, transportation, and indoor and outdoor environments.
- iA is a signatory of the UN Principles for Responsible Investment (PRI) as part of its commitment to integrate ESG criteria into its lending and investment decisions.<sup>15</sup> The Group has dedicated socially responsible investment funds that are responsible for integrating ESG factors into investment decisions and exclude the financing of fossil fuels, tobacco, nuclear power, military weapons, adult entertainment and gaming.<sup>16</sup>
- The Group has in place an integrated risk management framework that identifies, assesses, communicates, manages, mitigates and monitors the Group's exposure to key risks and receives periodic reporting from the Chief Risk Officer on the steps taken to monitor and control such exposure.<sup>17</sup>
- iA has operations in Canada and the United States, which are recognized as Designated Countries under the Equator Principles, ensuring the presence of robust environmental and social governance, legislation systems and institutional capacity to mitigate common environmental and social risks associated with projects financed under the Framework.<sup>18</sup> Compliance with the Equator Principles has led to the Group creating a standard due diligence process to support its credit decisions.
- iA has enacted standards and processes mandating ethical behaviour, including a code of conduct.<sup>19</sup> In addition, the Group has a Supplier Code of Conduct in place which requires that suppliers implement adequate environmental practices as well as comply with applicable laws and regulations.<sup>20</sup>
- The Group also participates in the Carbon Disclosure Project (CDP),<sup>21</sup> through which it discloses information related to carbon risks and opportunities through its response to the CDP's annual Carbon Questionnaire. In its 2020 Climate Disclosure report, the Group outlines its approach to climate change disclosure and commitment to assessing its exposure to climate-related risks and opportunities.<sup>22</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that iA is well positioned to manage and mitigate environmental and social risks possibly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All 11 use of proceeds categories are aligned with those recognized by the GBP or SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

<sup>14</sup> iA Financial Group, "Responsible Investment Policy", at: [https://ia.ca/-/media/files/ia/apropos/dev-durable/update-decembre-2021/iA-Investment-Management-RI-Policy\\_FINAL\\_20211220.pdf](https://ia.ca/-/media/files/ia/apropos/dev-durable/update-decembre-2021/iA-Investment-Management-RI-Policy_FINAL_20211220.pdf)

<sup>15</sup> Ibid.

<sup>16</sup> iA Financial Group, "Socially Responsible Investing", at: <https://ia.ca/individuals/investment-products/segregated-funds/categories/responsible-funds>

<sup>17</sup> iA Financial Group, "Risk Management, Governance and Ethics Committee Charter", at: [https://ia.ca/-/media/files/ia/apropos/gouvernance/administrateur/en/iafincorp\\_mandat\\_cgrge\\_juillet\\_2021\\_en\\_final\\_acc.pdf](https://ia.ca/-/media/files/ia/apropos/gouvernance/administrateur/en/iafincorp_mandat_cgrge_juillet_2021_en_final_acc.pdf)

<sup>18</sup> Equator Principles, "About us", at: <https://equator-principles.com/about/>

<sup>19</sup> iA Financial Group, "Code of Business Conduct of the Industrial Alliance Group of Companies", at: <https://ia.ca/-/media/files/ia/apropos/gouvernance/employees/en/code-of-business-conduct.pdf>

<sup>20</sup> iA Financial Group, "Supplier Code of Conduct", at: <https://ia.ca/-/media/Files/IA/APropos/dev-durable/Supplier-Code-of-Conduct-ACC.pdf>

<sup>21</sup> CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. For more information, please refer to: <https://www.cdp.net/en>.

<sup>22</sup> iA Financial Group, "Climate Disclosure Project", at: <https://ia.ca/-/media/Files/IA/APropos/dev-durable/Carbon-Disclosure-Project-2020.pdf>

## The role of green buildings in reducing GHG emissions in Canada

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.<sup>23</sup> Buildings in Canada have relatively high energy intensity compared to other countries,<sup>24</sup> mainly due to climatic conditions and a high standard of living. Space heating, which is primarily powered by fossil fuels,<sup>25</sup> consumes the largest share of a building's energy (61%), followed by water heating (19%), appliances (14%), lighting (4%) and space cooling (3%).<sup>26</sup> In 2017, 17% of GHG emissions in Canada came from residential, commercial and institutional buildings, making it the third-largest emitting sector, trailing only oil and gas, and transportation.<sup>27</sup> In 2017, residential and commercial buildings accounted for close to 20% of Canada's energy consumption,<sup>28</sup> mostly used for lighting as well as space and water heating.<sup>29</sup>

As a signatory to the Paris Agreement, Canada has committed to net zero GHG emissions by 2050.<sup>30</sup> In this regard, Canada committed to reduce its emissions by 30% below 2005 levels by 2030 under the Pan-Canadian Framework on Clean Growth and Climate Change in 2016.<sup>31</sup> This plan was enhanced in 2020, with the release of the country's strengthened climate plan, which enabled Canada to commit to a strengthened 2030 target of 40-45% from the 2005 baseline.<sup>32</sup> These commitments include strengthening codes to ensure new buildings are more energy efficient, incentivizing the retrofit of existing buildings, encouraging fuel switching, improving the efficiency of appliances and equipment, and supporting mandatory energy labelling and disclosure.<sup>33</sup> Investments in building performance and net zero buildings are critical for Canada to meet its 2030 emissions targets, according to the Canada Green Building Council.<sup>34</sup> Improving buildings' energy efficiency alone has the potential to reduce Canada's overall GHG emissions by 44% from a 2005 baseline, save CAD 6.2 billion (USD 49.3 billion) in energy-related costs and contribute an additional CAD 32.5 billion (USD 25.8 billion) to the Canadian GDP, according to the Canada Green Building Council.<sup>35</sup>

Based on the above, Sustainalytics is of the opinion that eligible projects under the Framework have the potential to provide substantial environmental benefits for Canada's built environment, contributing to the country's national GHG reduction targets.

## Importance of essential services for vulnerable and underserved populations in Canada

### Importance of providing access to essential services for Indigenous communities

Indigenous peoples represent a significant segment of the labour market and local economy in Canada, with over 1.6 million people accounting for approximately 4.9% of the total population.<sup>36</sup> The population is rapidly growing, with the self-identified Indigenous population having increased by 42.5% between 2006 and 2016,<sup>37</sup> highlighting the need for new solutions to meet this growing segment of the Canadian population.

<sup>23</sup> Standing Senate Committee on Energy, the Environment and Natural Resources, Reducing Greenhouse Gas Emission from Canada's Built Environment, November 2018, at: [https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV\\_Buildings\\_FINAL\\_e.pdf](https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf)

<sup>24</sup> Ibid.

<sup>25</sup> Standing Senate Committee on Energy, the Environment and Natural Resources, Reducing Greenhouse Gas Emission from Canada's Built Environment, November 2018, at: [https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV\\_Buildings\\_FINAL\\_e.pdf](https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf)

<sup>26</sup> Natural Resource Canada, Heating equipment for residential use, (accessed in July 2020), at: <https://www.nrcan.gc.ca/energy-efficiency/energy-efficiency-products/product-information/heating-equipment-residential-use/13740>

<sup>27</sup> Senate Canada, "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](https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf)

<sup>28</sup> Natural Resources Canada, "Energy Fact Book 2020-2021", at: [https://www.nrcan.gc.ca/sites/nrcan/files/energy/energy\\_fact/energy-factbook-2020-2021-English.pdf](https://www.nrcan.gc.ca/sites/nrcan/files/energy/energy_fact/energy-factbook-2020-2021-English.pdf)

<sup>29</sup> Ibid.

<sup>30</sup> Government of Canada, "Progress towards Canada's greenhouse gas emissions reduction target", at: <https://www.canada.ca/en/environmentclimate-change/services/environmental-indicators/progress-towards-canada-greenhouse-gas-emissions-reduction-target.html>

<sup>31</sup> Government of Canada, "Pan-Canadian Framework on Clean Growth and Climate Change", at: [https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework/introduction.html#1\\_4](https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework/introduction.html#1_4)

<sup>32</sup> Government of Canada, "Canada's Enhanced Nationally Determined Contribution" at: <https://www.canada.ca/en/environment-climate-change/news/2021/04/canadas-enhanced-nationally-determined-contribution.html>

<sup>33</sup> 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](https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework/complementary-actions-reduce-emissions.html#3_2)

<sup>34</sup> Canada Green Building Council, "Building Solutions to Climate Change – How Green Buildings Can Help Meet Canada's 2030 Emissions Targets", (2021), at: [https://www.cagbc.org/CAGBC/Advocacy/Building\\_Solutions\\_to\\_Climate\\_Change.aspx](https://www.cagbc.org/CAGBC/Advocacy/Building_Solutions_to_Climate_Change.aspx)

<sup>35</sup> Canada Green Building Council, "Building Solutions to Climate Change: How Green Buildings Can Help Meet Canada's 2030 Emission Targets", at: [https://www.cagbc.org/CAGBC/Advocacy/Building\\_Solutions\\_to\\_Climate\\_Change.aspx](https://www.cagbc.org/CAGBC/Advocacy/Building_Solutions_to_Climate_Change.aspx)

<sup>36</sup> OECD, Indigenous Employment Skills and Strategies in Canada: <https://www.afn.ca/uploads/files/housing/factsheet-housing.pdf>

<sup>37</sup> CBC, Indigenous population growing rapidly, (2017): <https://www.cbc.ca/news/indigenous/indigenous-census-rapid-growth-1.4370727>

Indigenous communities and individuals face a number of challenges in the economy. A 2018 OECD study found significant differences in the economic reality of Indigenous and non-Indigenous people in Canada, particularly the unemployment rate (15.3% versus 7.4%), lower average earnings (by CAD 2.5 or USD 1.9 per hour) and level of education, with 40% of the Indigenous population having completed postsecondary education in 2016 in contrast with 55.9% of non-Indigenous population.<sup>38</sup> Indigenous peoples in Canada also face inadequate housing, with 23.4% of First Nation adults living in overcrowded housing, which often results in social tensions and long-lasting health problems.<sup>39</sup> Ongoing challenges in First Nations communities also include a lack of safe drinking water, unsatisfactory heating systems, a lack of adequate sewage services as well as obstacles to accessing viable housing programmes due to inadequate third-party management as well as rapidly increasing debt burden.

Sustainalytics views positively the Framework’s investments geared towards access to essential services for Indigenous communities in Canada, and expects that they will benefit these communities, ultimately providing overall positive social impacts for Canadian society at large.

**Infrastructure for childcare and eldercare**

Childcare costs vary widely across Canada, ranging from approximately CAD 1,600 (USD 1,270) per month to approximately CAD 450 (USD 357) per month depending on the province.<sup>40</sup> Canada ranked second last among OECD countries in government spending on early childhood education and care.<sup>41</sup> An OECD report from as far back as 2005 already recommended to Canadian governments to increase funding for childcare “to ensure that a broader group of Canadians have access to affordable good-quality childcare”.<sup>42</sup> The Government of Canada’s 2021 budget includes investment of billions of dollars into a national childcare plan to work with Canada’s provincial governments to reduce fees for regulated childcare to CAD 10 (USD 7.8) per day and achieve a 50% reduction in average fees by the end of 2022.<sup>43</sup>

In parallel to early childhood education, the aging demographics of Canada presents complex socio-economic and healthcare challenges. Eldercare services will be vital for the Canadian economy as one third of Canada’s population is expected to be 65 or older by 2056<sup>44</sup>. Senior citizens already outnumber children in Canada and account for half of all healthcare spending in the country. Waiting times for adequate eldercare may reach up to three years in certain provinces and communities due to lack of available long-term care facilities and infrastructure.<sup>45</sup>

Sustainalytics believes that iA’s intended investments in free or subsidized services for childcare as well as eldercare centres will help support Canada’s long-term and inclusive economic growth.

**Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds issued under the iA Financial Group Sustainability Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
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	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

<sup>38</sup> OECD, Indigenous Employment Skills and Strategies in Canada: <https://www.afn.ca/uploads/files/housing/factsheet-housing.pdf>  
<sup>39</sup> Assembly of First Nations, First Nations Housing On-Reserve: <https://www.afn.ca/uploads/files/housing/factsheet-housing.pdf>  
<sup>40</sup> CBC, “Liberals promise \$30B over 5 years to create national child-care system”, at: <https://www.cbc.ca/news/politics/federal-budget-freeland-tasker-1.5991137>  
<sup>41</sup> CBC, “Child-care affordability varies widely across Canada” at: <https://www.cbc.ca/news/business/child-care-affordability-varies-widely-across-canada-1.2829817>  
<sup>42</sup> OECD, “OECD urges Canadian governments to increase funding for childcare” at: <https://www.oecd.org/canada/oecdurgescanadiangovernmentstoincreasefundingforchildcare.htm>  
<sup>43</sup> Government of Canada, “Budget 2021: A Canada-wide Early Learning and Child Care Plan”, at: <https://www.canada.ca/en/department-finance/news/2021/04/budget-2021-a-canada-wide-early-learning-and-child-care-plan.html>  
<sup>44</sup> Canada Medical Association, at: <https://www.cma.ca/seniors-care>  
<sup>45</sup> Ibid.

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
Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Access to Essential Services and Infrastructure	3. Good Health and Well Being  4. Quality Education	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.  4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
Affordable Housing and Basic Infrastructure	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.
Majority Women-owned Businesses	5. Gender Equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

<p>Indigenous Communities and Businesses</p>	<p>10. Reduced Inequalities</p>	<p>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</p>
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## Conclusion

iA has developed the iA Financial Group Sustainability Bond Framework under which it may issue sustainability bonds and use the proceeds to finance environmental and social projects in areas such as renewable energy, green buildings, clean transportation, affordable housing and access to essential services. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The iA Financial Group Sustainability Issuance Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the iA Financial Group Sustainability Issuance Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 5, 6, 7, 10, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that iA has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds until full allocation of proceeds.

Based on the above, Sustainalytics is confident that iA Financial Group is well positioned to issue sustainability bonds and that that iA Financial Group Sustainability Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).

## Appendices

### Appendix 1: Green Building Certification Schemes

	LEED <sup>46</sup>	BOMA BEST <sup>47</sup>	BREEAM <sup>48</sup>	ENERGY STAR <sup>49</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BOMA BEST, administered by the Building Owners and Managers Association (BOMA) of Canada, is a certification program for existing buildings. The assessment considers performance and operation of buildings in a wide range of performance and operations categories.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, this scheme can be used for new, refurbished and extension of existing buildings.	ENERGY STAR is a U.S Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.
<b>Certification levels</b>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• 1-100 score, 75 is minimum for certification.</li> </ul>
<b>Areas of assessment</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Water</li> <li>• Air</li> <li>• Comfort</li> <li>• Health and Wellness</li> <li>• Custodial</li> <li>• Purchasing</li> <li>• Waste</li> <li>• Site</li> <li>• Stakeholder Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy use</li> </ul>
<b>Requirements</b>	Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.  The rating system is adjusted to apply to specific sectors, such	Minimum requirements independent of level of certification; score based on checklist to determine certification level.  The minimum best practices and category scoring is adjusted for seven different asset	Minimum requirements depending on the level of certification; scoring system weighted by category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which	1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least that percentage of similar buildings nationwide.

<sup>46</sup> LEED, "LEED Rating System", at: <https://www.usgbc.org/leed>





<sup>47</sup> 8 Building Owners and Managers Association of British Columbia, "Building Environmental Standards" at: <https://www.boma.bc.ca/greenbuildings/boma-best/>

<sup>48</sup> 6 BREEAM, "Scoring and Rating BREEAM assessed buildings", at:

[https://www.breeam.com/BREEAM2011SchemeDocument/Content/03\\_ScoringRating/scoring.htm](https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm).

<sup>49</sup> Energy Star, "Energy Star Certification for Buildings", at: [https://www.energystar.gov/buildings/building\\_recognition/building\\_certification](https://www.energystar.gov/buildings/building_recognition/building_certification)





	as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.	classes: office, enclosed shopping centres, light industrial, open air retail, universal, MURB, and health care.	to comply with to build their performance score.  BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	
<b>Qualitative Considerations</b>	Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.	Most commonly used certification for existing buildings in Canada, and considered less administratively burdensome for existing buildings.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.	Accounts only for energy use, not other measures of environmental performance. It is a key component of other green building certification schemes.
<b>Performance display</b>				

	Passive House Institute <sup>50</sup>	Toronto Green Standard <sup>51</sup>	BC Energy Step Code <sup>52</sup>
<b>Background</b>	<p>Passive House (also known by its German name, Passivhaus) is a certification scheme for very low energy buildings, first developed in Germany and administered by the non-profit Passive House Institute (PHI) and implemented in the United States by the US Passive House Institute (PHIUS).</p> <p>The PHI has three types of certifications:</p> <ol style="list-style-type: none"> <li>1) Certified</li> <li>2) EnerPHit (for retrofits only)</li> <li>3) Low Energy Buildings</li> </ol> <p>The certification for PHIUS is PHIUS+ Certified.</p>	<p>The Toronto Green Standard (TGS) represents a set of performance standards that facilitate more sustainable development in Toronto and implementing the environmental policies in the City of Toronto's Official Plan. The TGS was initially introduced as a voluntary standard for new building development in 2006. Subsequent versions, beginning in 2010, adopted a multi-tiered system – Tier 1 being mandatory and Tier 2-4 being another voluntary. Achievement of Tier 2 and higher makes projects eligible for financial incentives, including a partial refund of development charges.</p>	<p>The certification is allocated in various "Steps", which are then standardized based on two categories. The categories either refer to Part 3 or Part 9 of the Building Compliance tools. Part 3 focuses on larger buildings that are four storeys and taller, and the targets are organized from Steps 1-4. Part 9 focuses on smaller buildings that are three storeys or less and includes Steps 1-5. These Steps are organized based on the levels of energy efficiency achieved under each Step.</p>
<b>Scope of Scheme</b>	<ul style="list-style-type: none"> <li>• Space Heat/Cooling Demand</li> <li>• Building Airtightness</li> <li>• Total Primary Energy Demand</li> </ul>	<ul style="list-style-type: none"> <li>• The TGS addresses Toronto's urban environmental pressure, promoting sustainable site and building development.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Use</li> </ul>
<b>Certification Levels</b>	<p>The PHI certifications can achieve: Classic, Plus or Premium. PHIUS+ Certified includes two add-on badges: Supply Air Heating and Cooling Sufficient and PHIUS+ Source Zero.</p>	<p>Tier 1 (Mandatory) Tier 2 (Voluntary) Tier 3 (Voluntary) Tier 4 (Voluntary)</p>	<p>The certification is allocated in various "Steps", which are then standardized based on two categories. The categories either refer to Part 3 or Part 9 of the Building Compliance tools. Part 3 focuses on larger buildings that are four storeys and taller, and the targets are organized from Steps 1-4. Part 9 focuses on smaller buildings that are three storeys or less and includes Steps 1-5. These Steps are organized based on the</p>

<sup>50</sup> Passive House Canada, "Criteria for the Passive House, EnerPHit and PHI Low Energy Building Standard", at: [https://www.passivehousecanada.com/wpcontent/uploads/2017/02/Passive-House-and-EnerPHit\\_building\\_criteria.pdf](https://www.passivehousecanada.com/wpcontent/uploads/2017/02/Passive-House-and-EnerPHit_building_criteria.pdf)

<sup>51</sup> City of Toronto, "Toronto Green Standard Version 3" at: <https://www.toronto.ca/city-government/planning-development/official-planguidelines/toronto-green-standard/toronto-green-standard-version-3/>

<sup>52</sup> BC Energy Step Code, "BC Energy Step Code Requirements", at: <https://energystepcode.ca/>

			levels of energy efficiency achieved under each Step.
<b>Awarding of Points under the Scheme</b>	<p>PHI Certified includes threshold requirements in three areas: space heat demand, building pressurization test result, and total primary energy demand, calculated per unit of usable floor area. For building retrofits, EnerPHit certification can be achieved by demonstrating the maximum space heating demand (at a less stringent level than full certification), or by utilizing components certified by the PHI.</p> <p>PHIUS+ Certified is a pass-fail standard with additional quality assurance inspection and low-moisture-risk design requirements.</p>	<p>For buildings greater than 2,000 m<sup>2</sup> GFA, Tier 1 requires the submission of a Design Development Stage Energy Report prior to Site Plan Approval that demonstrates a minimum level of compliance with the TGS energy efficiency requirements. A building receives Tier 1 certification if it meets the requirements set for each category. An As-Construction Stage Energy Report is required for Tier 2 or higher-level performances.</p> <p>For Tier 2, 3, and 4 there are optional performance measurements that need to be met. Tier 2, 3, and 4 projects that have been verified may be eligible for a refund of development charges.</p> <p>There are currently three standards of the TGS ("Low-Rise Residential", "Mid to High-Rise Residential and Non-Residential" and "City Agency, Corporation &amp; Division – Owned Facilities") each relating to different development types.</p>	Buildings can obtain new "steps" by enhancing the energy efficiency thresholds as listed in the requirements.
<b>Governance of Scheme</b>	<p>The PHI scheme was developed by PHI which is an independent research institute. They routinely review the certification scheme to ensure ongoing viability and credibility.</p> <p>PHIUS+ developed their standard with Building Science Corporation under a DOE grant. The standard is routinely reviewed and updated.</p>	City Planning Division of Toronto Third party reviewer for Tier 2,3,4 applications.	The Code was established by the Energy Step Code Council, which was set up by the Province of British Columbia. The Council is made up of government, industry and utility partners.
<b>Certification Process</b>	Independent quality assessment.		Local authorities ensure compliance with the respective levels of the building code that are applicable in their jurisdictions
<b>Market Commentary</b>	PHIUS+ is the largest Passive Building Certification in North America. 98% of the institutes North American projects were certified through PHIUS in 2017 and 100% of all certified projects were guided by PHIUS-certified professionals.	<p>The TGS certification system is part of the City of Toronto's TransformTO action plan, which aims at reducing the GHG emissions by 80% by 2050 (compared to the 1990 levels).</p> <p>Applications submitted on or after May 1, 2018 are required to meet v3 of the TGS.</p>	It is still relatively new in its stages of adoption across BC. In a March 2019 survey, 14 out of 76 local governments reported they had implemented by the BC Energy Step Code; and 17 governments reported they were in the process of implementing it during the survey. It is anticipated that the Province of BC may require certain steps to be met to meet their provincial climate targets.
<b>Performance Display</b>	 <p>Passive House Institute US</p>	None	 <p>ENERGY STEP CODE BUILDING BEYOND THE STANDARD</p>

## Appendix 2: Sustainalytics' Analysis of FSC, PEFC, and SFI Certifications

	FSC <sup>53</sup>	PEFC <sup>54</sup>	SFI <sup>55</sup>
<b>Background</b>	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems.	In 2005, the PEFC recognized the SFI standard with an aim to advance sustainable forestry and responsible purchasing globally. The SFI program has on-product labels to help consumer interact with the forestry supply chain by supporting responsible forestry. The SFI standards pertain to - Forest Management Standard, Fiber Sourcing Standard and Chain-of-Custody Standard
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>	<ul style="list-style-type: none"> <li>• To practice sustainable forestry that integrates land stewardship ethic and conservation of ecosystem services</li> <li>• To protect and maintain forest productivity and health</li> <li>• To protect water resources and biological diversity</li> <li>• To manage the visual impacts of forest operations, and to provide recreational opportunities for the public</li> <li>• To manage and protect integrity of forests and lands of special significance (ecologically, geologically or culturally important)</li> <li>• To use and promote sustainable forestry practices that are both scientifically credible and economically, environmentally and socially responsible</li> <li>• To avoid Controversial Sources including Illegal logging in Offshore Fiber Sourcing as well as sourcing from countries that do not have effective social laws.</li> <li>• To comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations</li> <li>• To support advances in sustainable forest management through forestry research as well as improve the practice of sustainable forestry through training and education programs</li> <li>• To broaden the practice of sustainable forestry on public lands through community involvement as well as the understanding of the standard by documenting certification audits and making the findings publicly available.</li> </ul>

<sup>53</sup> Forest Stewardship Council, FSC: <https://ca.fsc.org/en-ca>

<sup>54</sup> Programme for the Endorsement of Forest Certification, PEFC: <https://www.pefc.org/>

<sup>55</sup> Sustainable Forestry Initiative, at: <https://www.sfiprogram.org/>

			<ul style="list-style-type: none"> <li>To continually improve the practice of forest management</li> </ul>
<p><b>Governance</b></p>	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p>	<p>PEFC’s governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC’s governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organization does include stakeholders from all sectors.</p>	<p>The SFI program is operated by SFI Inc., a fully independent non-profit charitable 501(c)(3) organization.</p> <p>SFI Inc. is governed by an 18-member board of directors made up of three chambers with equal membership: environmental, social and economic. This multi-stakeholder board of directors is the sole governing body over all aspects of the SFI program, including the SFI 2010-2014 Standard, chain-of-custody, labeling and claims, marketing and promotion.</p> <p>The SFI has an External Review Panel, comprising environmental, conservation and forestry experts. This panel annually reviews the program’s progress and releases a report publicly.</p> <p>There are thirty-seven SFI Implementation Committees across North America that operate at the regional, state and provincial level to help promote the SFI Standard through targeted local actions. They involve public agencies, universities, local forestry associations, landowners, loggers, partnerships with conservation groups, and other community-based organizations</p>
<p><b>Scope</b></p>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)<sup>46</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>SFI Standards promote sustainable forest management in North America and responsible procurement of forest products around the world.</p> <p>The SFI Forest Management Standard particularly applies to organizations in the United States and Canada and the Fiber Sourcing Standard as well as the Chain-of-Custody standard apply to any organization globally.</p>

<p><b>Chain-of-Custody</b></p>	<p>The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards. CoC standard includes procedures for tracking wood origin. CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products. CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC.</p>	<ul style="list-style-type: none"> <li>• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC.</li> <li>• Only accredited certification bodies can undertake certification.</li> <li>• CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>• The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials.</li> <li>• The CoC standard includes specifications for the physical separation of certified and non-certified wood.</li> <li>• The CoC standard includes specifications about procedures for dealing with complaints related to participant's chain of custody.</li> </ul>	<ul style="list-style-type: none"> <li>• Any entity harvesting, transporting, handling or processing forest-based products can use CoC certification to track and communicate forest fiber content using one of the following optional approaches for chain of custody: physical separation, average percentage or volume credit method.</li> <li>• These entities shall obtain an independent, third-party certification by an SFI certification body to the requirements set out in this standard if they choose to utilize an SFI CoC label or claim.</li> <li>• Quality or environmental management systems (ISO 9001: 2008) or environmental management system (ISO 14001:2004) can be used to meet minimum requirements for the management system.</li> <li>• This standard shall be used together with the requirements specifying the origin, which is to be verified by the CoC. Usage of labels and claims based on the implementation of this standard shall follow ISO 14020:2000 (Environmental labels and declarations)</li> </ul>
<p><b>Non-certified wood sources</b></p>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>b. Wood harvested in violation of traditional and civil rights,</li> <li>c. Wood harvested in forests where high</li> </ol>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>a. forest management activities that do not comply with local, national or international laws related to:</li> <li>b. operations and harvesting, including land use conversion,             <ul style="list-style-type: none"> <li>○ management of areas with designated high environmental and cultural values,</li> <li>○ protected and endangered species, including CITES species,</li> <li>○ health and labor issues,</li> <li>○ indigenous peoples' property, tenure and use rights,</li> <li>○ payment of royalties and taxes.</li> </ul> </li> </ol>	<p>SFI requires program participants to:</p> <ol style="list-style-type: none"> <li>a. Comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations such as - The Clean Water Act, The Endangered Species Act, The Species at Risk Act, The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) etc.</li> <li>b. Avoid controversial sources including Illegal Logging and Fiber Sourced from Areas that do not have Effective Social Laws pertaining to: workers' health and safety, fair labor practices, indigenous peoples' rights, anti-discrimination and anti-harassment measures, prevailing wages and workers' right to organize.</li> <li>c. Document information that includes knowledge about direct suppliers' application of the principles of sustainable forestry.</li> </ol>

	<p>conservation values are threatened by management activities,</p> <p>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</p> <p>e. Wood from management units in which genetically modified trees are planted.</p>	<p>c. genetically modified organisms,</p> <p>d. forest conversion, including conversion of primary forests to forest plantations.</p>	
<b>Accreditation/verification</b>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>	<p>All SFI certifications require independent, third-party audits and are performed by internationally accredited certification bodies.</p> <p>Accredited certification bodies are required to:</p> <ul style="list-style-type: none"> <li>maintain audit processes consistent with the requirements of ISO 17021:2006 conformity assessment – requirements for bodies providing audit and certification of management systems; and</li> <li>conduct audits in accordance with the principles of auditing contained in the ISO 19011:2002 Guidelines for Quality and/or Environmental Management Systems Auditing.</li> </ul>
<b>Conclusion</b>	<p>Sustainalytics views both FSC and PEFC, as well as the PEFC-affiliated scheme SFI, as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>47</sup> and both have also faced criticism from civil society actors.<sup>48,49</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are equal or similar to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>		

### Appendix 3: Overview of Agriculture Sustainability Certifications

	Canada Organic <sup>56</sup>	USDA Organic <sup>57</sup>	Rainforest Alliance <sup>58</sup>	Fairtrade <sup>59</sup>	UTZ <sup>60</sup>
<b>Background</b>	Canada Organic is a regulatory certification implemented by the Government of Canada's	The USDA Organic label is a US certification system overseen, administered and enforced by the National Organic Program of the United States Department	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and	The FAIRTRADE Mark is a global certification system that seeks to address power	The UTZ Label is a global certification system for coffee, cocoa, tea and

<sup>56</sup> 7 Government of Canada, "Canadian Organic Standards", at: <https://www.inspection.gc.ca/organicproducts/standards/eng/1300368619837/1300368673172>.

<sup>57</sup> USDA, "USDA Organic", at: <https://www.usda.gov/topics/organic>.





<sup>58</sup> Rainforest Alliance, Sustainable Agriculture Certification: <https://www.rainforest-alliance.org/business/certification/>

<sup>59</sup> Fairtrade, Fairtrade Standards", at: <https://www.fairtrade.net/standard/fairtrade-standards>

<sup>60</sup> UTZ Certification, The UTZ Standard: <https://utz.org/>



	Canadian Food Inspection Agency, based on authorities granted in section 13 of the SFCR regulations. A Canada Organic claim applies to food, feed, or seed that is produced in or imported to Canada.	of Agriculture. The US Organic label is regulated by the US Organic Foods Production Act of 1990 and involves input from the National Organic Standards Board (a Federal Advisory Committee made up of 15 members of the public) and the public.	Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	imbalances in trading relationships. Organizations certified to Fairtrade standards must meet general, trade, product and business development requirements.	hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.
<b>Clear Positive Impact</b>	Promote sustainable agricultural processes and products.	Promoting sustainable farming practices that improve water quality, conserve energy, increase biodiversity and contribute to soil health.	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable practices for agricultural products, consumer goods and gold.	Promoting sustainable practices in Coffee, Cocoa Tea and Hazelnut farming and trading.
<b>Minimum Standards</b>	The Canada Organic regulation prohibits specific chemicals, and mandates minimum standards for agricultural practices.	The USDA Organic seal sets strict production and labeling requirements: <ul style="list-style-type: none"> <li>produced without genetic engineering, ionizing radiation or sewage sludge</li> <li>produced using allowed substances based on a comprehensive list of authorized synthetic and non-synthetic substances overseen by a USDA NOP authorized agent</li> </ul>	Rainforest alliance establishes a minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.	Fairtrade has a set of core requirements that must be met and development requirements that are intended to foster continuous improvement and which certified producers must make progress on.	UTZ establishes a minimum threshold for impact through mandatory points and additional points, and requires farmers to go beyond by demonstrating compliance with an increasingly large proportion of both mandatory and additional points.
<b>Scope of certification programme</b>	Specific standards apply to crop production, livestock production, aquaculture, chain of custody, and products. The regulations also specifically name prohibited and permitted substances.	The USDA Organic system addresses key risks such as substance use through the regulation of synthetic and non-synthetic substances to preserve soil quality and in line with federal guidelines on animal raising practices, pest and weed control and the use of additives.	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	Fairtrade addresses key risks through its requirements, including child labour, forced labour and pesticide use.	UTZ addresses key risks such as human rights, child labor, pesticide use and biodiversity use through its criteria.

<b>Verification of standards and risk mitigation</b>	Certification of products and processors is granted by CBs, and requires annual verification.	The USDA seal has a twofold enforcement mechanism, one by Organic Certifiers and one by the USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement.	Certified entities undergo third-party verification to ensure compliance with criteria and continuous improvement.
<b>Third party expertise and multi-stakeholder process</b>	Developed by the Government of Canada through a consultative legislative process.	The USDA Organic seal is organized by the National Organic Program which develops the rules and	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.
<b>Performance Display</b>					
<b>Third-Party Verified</b>	Certification Bodies (CBs) are accredited by Conformity Verification Bodies (CVBs), which are in turn accredited by the Canada Food Inspection Agency.	80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.	<ul style="list-style-type: none"> <li>• Africert</li> <li>• Conservacion y Desarrollo</li> <li>• Certified S.A.</li> <li>• Imafloa</li> <li>• IMO India</li> <li>• CERES</li> <li>• IBD</li> <li>• Indocert</li> <li>• NaturaCert</li> <li>• Productos y Procesos Sostenables, A.C.</li> <li>• NEPCon</li> </ul>	FLO-CERT GmbH. FLO-CERT is the largest certifier for Fairtrade, responsible for the certification of all producers and most traders.	60 UTZ approved certification bodies split by country and by relevant commodity (coffee, cocoa, tea, hazelnut, herbs, Rooibos)
<b>Qualitative Considerations</b>	The Canada Organic certification is the only legally recognized organic scheme in Canada, and applies to both imports and domestically-produced agriculture products.	Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredient and labeled 100% organic, products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic. A third category with at least 70% organic ingredients may be labeled as "made with organic ingredients" but cannot	Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of	Global recognition across 74 countries present in the Fairtrade System. The system covers 1.4 million farmers and workers in 1,140 producer organizations. The Fairtrade certification scheme is less strict on the scope of the environmental	UTZ has been criticized for lack of setting minimum wages criteria and for potentially allowing from genetically modified coffee, even though these plants are not yet available. Global recognition across 131 countries around the

		<p>display the USDA Organic seal.</p>	<p>social and environmental mitigation processes.</p>	<p>and social requirements as it does not cover human rights issues and impact on biodiversity.</p>	<p>world. There are 987,000 UTZ Certified farmers in the UTZ programme with more than 368,000 workers on the UTZ certified farms in 41 producing countries and more than 3.4 million hectares of UTZ certified crops. The UTZ name or label is present on more than 15,000 products in 131 countries worldwide.</p>
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## Appendix 4: Overview of the MSC, ASC, BAP and Global GAP Aquaculture





	Marine Stewardship Council <sup>61</sup>	Aquaculture Stewardship Council <sup>62</sup>	Best Aquaculture Practices <sup>63</sup>	Global GAP Aquaculture <sup>64</sup>
<b>Background</b>	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	The BAP certification is administered by the Global Aquaculture Alliance (GAA), a non-profit organization focused on advocacy, the education and leadership of on responsible aquaculture matters.	GLOBAL G.A.P. is a trademark and a set of standards for good agricultural practices (G.A.P.). They are a global organization with the objective to ensure safe, sustainable agriculture worldwide. They set voluntary standards for the certification of agricultural products around the globe.
<b>Clear positive impact</b>	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.	Promoting sustainable aquaculture practices.	Promoting sustainable aquaculture practices
<b>Minimum standards</b>	<p>A minimum score must be met across each of the performance indicators.</p> <p>As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.</p>	<p>Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.</p> <p>Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.</p>	<p>The BAP assessment has mandatory minimums, but also includes indicators which allow the proponent to define individual targets.</p> <p>As the certification process is fishery-specific, the standard may be more robust for some species. For example, the Monterey Bay Aquarium's Seafood Watch programme recommends BAP as a reputable label for freshwater fish, mussels, and shrimp, but not salmon, scallops, or clams.<sup>65</sup></p>	Regarding aquaculture, the Control Points and Compliance Criteria document consists of 3 types of control points: Major Musts, Minor Musts and Recommendations. To obtain Global GAP certification, 100% of Major Musts are compulsory, 95% of Minor musts are compulsory and Recommendations are not required.
<b>Scope of certification or programme</b>	<p>The MSC standard consists of a fisheries standard and a chain of custody standard.</p> <p>The Fishery Standard assess three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these</p>	<p>ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.</p> <p>Additionally, a Chain of Custody Standard is mandatory for all supply</p>	Different certifications are available for different parts of the supply chain: farms, processing plants, hatcheries, feed mills. In practice, that means that a processing plant that does not necessarily source all of its fish from certified farms can still be certified (a star	The standard covers aquaculture compound feed production, hatcheries and farms and chain of custody

<sup>61</sup> Marine Stewardship Council, "The MSC Fisheries Standard", at: <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>62</sup> ASC, Farm standards: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

<sup>63</sup> Best Aquaculture Practices, at: <https://www.bapcertification.org/About>.

<sup>64</sup> Global G.A.P. "Global G.A.P. Aquaculture Standard", at: [https://www.globalgap.org/uk\\_en/for-producers/globalg.a.p./integrated-farm-assurance-ifa/aquaculture/](https://www.globalgap.org/uk_en/for-producers/globalg.a.p./integrated-farm-assurance-ifa/aquaculture/)

	<p>account for the major environmental and social impacts.</p> <p>The Chain of Custody standard addresses certified purchasing, product identification, separation, traceability and records, and good management.</p>	<p>chain actors in order to ensure traceability.</p>	<p>rating display on the label provides this information).</p> <p>Within each fishery-specific standard there are requirements and recommendations which apply to social, environmental, animal health &amp; welfare, and food safety issues.</p>	
<b>Verification of standards and risk mitigation</b>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.</p> <p>Certification is valid for up to five years.</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.</p> <p>Major non-compliances must be remedied within three months.</p>	<p>Third-party certification bodies such as Global Trust, Bureau Veritas, Control Union, Lloyd’s Register, NSF, SGS assess compliance against the standard.</p> <p>Non-compliance precludes recertification until the violation is remedied.</p>	<p>Certification process requires an initial assessment and ongoing annual third-party audits. 10% of all audits carried out annually by certification bodies must be unannounced.</p>
<b>Third party expertise and multi-stakeholder process</b>	<p>Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)</p>	<p>Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organisation (ILO) principles.</p> <p>Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.</p>	<p>The standard is managed by an oversight committee, which takes development input from a technical committee as well as public comments.</p> <p>Aligned with Global Food Safety Initiative (GFSI), Global Social Compliance Programme (GSCP) and Global Sustainable Seafood Initiative (GSSI).</p>	<p>GLOBALG.A.P. standards and implementation are developed and defined by various Technical Committees, Focus Groups and the Certification Body Committee. National Technical Working Groups support the work of the committees on a local level. The Integrity Surveillance Committee (ISC) assesses integrity issues and certification body non-conformances, defines correctional measures and proposes sanctions.</p>
<b>Performance display</b>				
<b>Qualitative considerations</b>	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments.</p>	<p>Widely recognized and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived</p>	<p>Widely recognized within the industry.</p> <p>As the certification process is fishery-specific, the standard may be more robust for some species than for others.</p>	<p>On 20 April 2018 the Global Sustainable Seafood Initiative has provided formal recognition of the GLOBALG.A.P. Aquaculture Certification System for the scope of Aquaculture.</p> <p>GSSI’s recognition shows that the GLOBALG.A.P. Aquaculture Certification System, for their</p>

	<p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	<p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture. GSSI's recognition shows that the two-star Best Aquaculture Practices Certification, for their Salmon Farms, and Finfish and Crustacean Farms standards, is in alignment with all applicable Essential Components of the GSSI Global Benchmark Tool. The Tool is underpinned by the FAO Technical Guidelines on Aquaculture Certification and consists of performance areas related to scheme governance, operational management (including chain of custody) and applied aquaculture farm audit standards.</p>	<p>GLOBALG.A.P. Integrated Farm Assurance System is in alignment with all applicable Essential Components of the GSSI Global Benchmark Tool. The Tool is underpinned by the FAO Technical Guidelines on Aquaculture Certification and consists of performance areas related to scheme governance, operational management (including chain of custody) and applied aquaculture farm audit standards.</p>
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### Appendix 5: Key Impact Indicators<sup>66</sup>

Eligible Categories	Potential Quantitative Performance Measures
Clean Energy	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tons of CO<sub>2</sub> equivalent</li> <li>• Annual renewable energy generation in MWh/GWh</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh</li> <li>• Annual GHG emissions reduced/avoided in tons of CO<sub>2</sub> equivalent</li> </ul>
Clean Transportation	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tons of CO<sub>2</sub> equivalent</li> <li>• Reduction of air pollutants &amp; particulate matter</li> <li>• # of clean vehicles deployed</li> <li>• Km's of new or improved train lines/dedicated bus, BRT, LRT corridors, bicycle lanes</li> </ul>
Green Building	<ul style="list-style-type: none"> <li>• % of energy use reduced/avoided vs local baseline/building code</li> <li>• Annual GHG emissions reduced/avoided vs local baseline/baseline certification level</li> <li>• Amount of waste minimized, reused or recycled</li> <li>• Certification level</li> <li>• Amount of rainwater harvested and reused</li> <li>• Energy efficiency from installation of motion detectors (kWh) vs baseline</li> </ul>
Sustainable Water and Waste Management	<ul style="list-style-type: none"> <li>• Reduction in water consumption of economic activities</li> <li>• Annual absolute water use before and after the project</li> <li>• Wastewater treated to appropriate standards</li> <li>• % total waste prevented, minimized, reused or recycled</li> </ul>
Pollution Prevention and Control	<ul style="list-style-type: none"> <li>• Tons of waste diverted or recycled</li> <li>• # new facilities, systems and equipment used to divert waste from landfills or reduce emissions</li> <li>• Absolute amount of carbon captured through CCUS technologies</li> </ul>
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> <li>• # of hectares purchased / protected and certified</li> <li>• # of hectares of farmland converted to sustainable agriculture practices or # new sustainable agriculture certifications</li> <li>• # nautical miles protected and certified</li> </ul>
Access to Essential Services & Infrastructure	<ul style="list-style-type: none"> <li>• # of underserved patients receiving access to healthcare</li> <li>• # of students receiving access to affordable housing</li> <li>• # of elderly provided access to retirement homes</li> <li>• # of students receiving training and education</li> </ul>
Affordable housing and basic infrastructure	<ul style="list-style-type: none"> <li>• % rental costs below the national/regional rent index</li> <li>• % of rent/revenue below market</li> </ul>
Women-owned businesses	<ul style="list-style-type: none"> <li>• Number of investments in women owned businesses</li> <li>• Number of women entrepreneurs supported</li> <li>• Income per employee</li> <li>• # of jobs created and/or retained</li> </ul>
Indigenous communities & businesses	<ul style="list-style-type: none"> <li>• Number of individuals/ families benefiting from subsidized housing</li> <li>• Number of residents benefitting from basic infrastructure</li> <li>• Indigenous unemployment rate</li> </ul>

<sup>66</sup> iA Financial Group Sustainable Bond Framework 2022

## Appendix 6: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	iA Financial Group
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	iA Financial Group Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 08, 2022
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <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 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 categories for the use of proceeds – Clean Energy, Energy Efficiency, Clean Transportation, Green Buildings, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Access to Essential Services and Infrastructure, Affordable Housing and Basic Infrastructure, Majority Women-owned Businesses, and Indigenous Communities and Businesses – are aligned with those recognized by the Green Bond Principles and Social Bond 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 SDG 3,4,5,6,7,10,11,12 and 15.

**Use of proceeds categories as per GBP:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation  |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

**Use of proceeds categories as per SBP:**

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

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

iA Financial Group's Sustainability Bond Committee will oversee the internal process for evaluating and selecting projects. The Group will undertake an ESG analysis which is applicable to all allocation decisions made under the Framework, in accordance with the Group's Responsible Investment Policy. Sustainalytics considers these risk management systems to be adequate and the process for project evaluation and selection in line with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green 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 Sustainability Bond proceeds | <input checked="" 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 (please specify):  |

### Information on Responsibilities and Accountability

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

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

iA Financial Group's Sustainability Bond Committee will oversee the management of proceeds. The net proceeds of the sustainability bonds will be placed in iA Financial Group's general funding account and earmarked for allocation withing the Sustainability Bond Register. Pending allocation, unallocated proceeds will be held in cash, cash equivalent or other liquid assets including government bonds, money market instruments or used to repay existing indebtedness not related to fossil fuel investments. iA Financial Group intends to reach full allocation within 36 months of issuance. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability 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 (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 checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

**4. REPORTING**

Overall comment on section (if applicable):

iA Financial Group intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount allocated per eligible category, balance of unallocated proceeds and the share of financing versus refinancing. In addition, iA Financial Group is committed to reporting on relevant impact metrics. Sustainalytics views iA Financial Group's 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 checked="" type="checkbox"/> Other (please specify):      |

**Information reported:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts   | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): share of financing versus refinancing |   |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact 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 (please specify):                 |

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

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings          |
| <input checked="" type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Number of beneficiaries |

- Target populations  Other ESG indicators (please specify): Please refer to Appendix 5

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
 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:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability 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 environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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