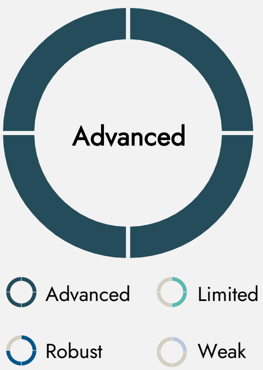
SECOND PARTY OPINION

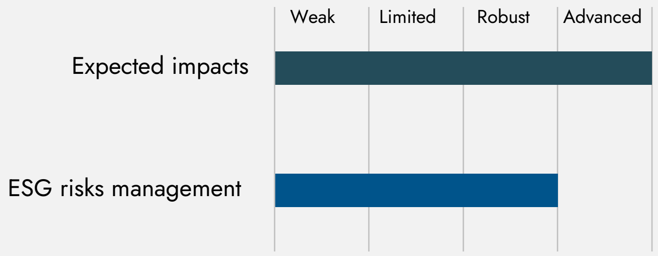
on the sustainability of LISC's Social Bond Framework

V.E is of the opinion that LISC's Bond Framework is **aligned** with the four core components the Social Bond Principles 2020 ("SBP").

Framework

Contribution to Sustainability:





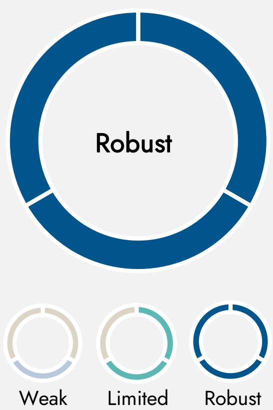
SDG Mapping

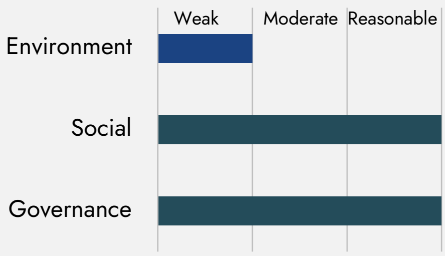
Characteristics of the Framework

Social Project Categories	⇒ Affordable housing ⇒ Access to essential services ⇒ Food security ⇒ Employment generation
Target Population	Defined for all Project categories
Project locations	Low to moderate income communities in the USA
Existence of framework	Yes
Share of refinancing	To be disclosed for each bond issuance
Look back period	Five years

Issuer

ESG Strategy as of December 2020





Controversies

Number of controversies	None
Frequency	NA
Severity	NA
Responsiveness	NA

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

☐ Alcohol
☐ Animal welfare
☐ Cannabis
☐ Chemicals of concern
☐ Civilian firearms
☐ Fossil fuels industry
☐ Coal
☐ Gambling
☐ Genetic engineering
☐ High interest rate lending
☐ Human embryonic stem cells
☐ Military
☐ Nuclear power
☐ Pornography
☐ Reproductive medicine
☐ Tar sands and oil shale
☐ Tobacco

Coherence

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Social Bond Framework is coherent with LISC's strategic sustainability priorities and sector issues and contributes to achieving the Issuer's sustainability commitments.

Keys findings

V.E is of the opinion that LISC's Social Bond Framework is **aligned** with the four core components of the SBP.

Use of Proceeds –aligned with SBP

- The Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations, and the location of Eligible Projects.
- The Social Objectives are clearly defined, these are relevant for all the eligible categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the eligible categories in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing for each bond issuance in the prospectus. The look-back period for refinanced eligible categories is five years.

Evaluation and Selection - aligned with SBP and best practices identified by VE

- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible categories). The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework.
- The eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for all of the eligible categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed (in the herewith SPO). The Process is considered robust: it combines monitoring, identification and corrective measures for all eligible categories.

Management of Proceeds - aligned with SBP and best practices identified by VE

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the Framework.
- The allocation period will be within 12 months.
- The net proceeds of the Bond will be placed in a segregated account.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months.

Reporting - aligned with SBP

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity.
- The reporting will cover relevant and exhaustive information related to the allocation of Bond proceeds and to the expected sustainable benefits of the eligible categories. The Issuer has also committed to report on material developments related to the projects.
- The Issuer has not committed to disclose the methodology and assumptions used to report on the social benefits of the Eligible categories.
- Tracking and allocation of funds to Eligible projects will be verified only internally by the Issuer. Indicators used to report on the social benefits of the eligible categories will be verified internally by the Issuer.

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter "Second Party Opinion" or "SPO") on the sustainability credentials and management of the Social Bonds[1] ("Bonds") to be issued by LISC (the "Issuer") in compliance with the Social Bond Framework (the "Framework") created to govern their issuance.

Our opinion is established according to V.E's Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the ICMA's Social Bond Principles ("SBP") - edited in June 2020 - voluntary guidelines.

Our opinion is built on the review of the following components:

- Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer's sustainability commitments, the Bonds' potential contribution to sustainability and its alignment with the four core components of the SBP 2020.
- Issuer: we assessed the Issuer's ESG strategy, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities[2].

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E's exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer's managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from December 22, 2020 to January 4, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. Reasonable efforts have been made to verify data accuracy.

Scope of External Reviews

☒	Pre-issuance Second Party Opinion	☐	Independent verification of impact reporting
☐	Independent verification of funds allocation		

[1] The "Social Bond" is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Social Bond" has been decided by the Issuer: it does not imply any opinion from V.E.

[2] The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Framework is coherent with LISC's strategic sustainability priorities and sector issues and contributes to achieving the Issuer's sustainability commitments.

Lending is a key instrument for policy change and promoting national and international goals. The main objectives of Specific Purpose Agencies (SPAs) are to promote local socio-economic development by financing investments, improving funding opportunities and enhancing employment in their country of operations. These efforts provide a direct contribution to human development and social well-being, which are fundamental objectives as underlined by the UN Sustainable Development Goals.

Through the integration of environmental and social risks in the assessments of loans, future investments and projects financing, SPAs can influence customer behavior towards more environmentally friendly activities and support projects with a high social outcome. In addition, as public institutions, SPAs can develop channels to boost private sector investments in the green and social economy.

LISC's mission is to contribute to the social and economic development of underserved communities throughout the United States, working closely with residents and partners. It provides financial instruments to invest in building resilient and inclusive communities with access to housing, employment, essential services and food security, among others. LISC invests in community infrastructure such as businesses and housing, to give opportunities for economic, health, safety and educational mobility for individuals and communities. LISC also works on strengthening alliances, building collaborations, and developing leadership and capacities of local partners.

LISC's activities are aligned with sector priorities and make several contributions to the UN Sustainable Development Goals. The contemplated Bond will contribute to the general purposes of LISC, through financing and refinancing, thus aligning with LISC's strategic priorities and main activities, in particular:

- Affordable housing: it is LISC's first activity and cornerstone of their work. It targets vulnerable populations (such as veterans and formerly homeless) in underserved communities. LISC has financed 419,339 homes, including sustainable, "green" construction and rehabilitation.
- Education: LISC promotes educational opportunity, by financing Public Charter Schools and Early Childhood Facilities, as well as afterschool options, and literacy classes for job-seekers.
- Economic Development: LISC pursues inclusive economic development through a range of products and services, including talent development initiatives, investment in legacy industrial districts, and support to businesses impacting underserved communities.
- Health: LISC's approach to health focuses on supporting three resources for neighborhoods, namely primary health care, affordable nutritious food, and safe places to exercise.

Specifically, LISC invests in building equity and wealth for Black, Indigenous, and People of Color ("BIPOC") under Project 10X, through investments in homeownership and small business ownership, community assets and wellbeing, and supporting quality jobs with good wages and benefits. The purpose of Project 10X is to work towards closing the racial gaps in health, wealth and opportunity. The contemplated Bonds fully integrate this aim by allocating a specific amount of proceeds, across eligible categories, to Project 10X.

By creating a Framework to issue Bonds that are intended to finance or refinance Eligible Projects that contribute to affordable housing, access to essential services, employment generation, and food security, the Issuer coherently aligns with its sustainability strategy and commitments and addresses the main issues of the sector in terms of sustainable development.

FRAMEWORK

The Issuer has described the main characteristics of the Bonds within a formalized Social Bond Framework which covers the four core components of the SBP 2020 (the last updated version was provided to V.E on January 4, 2021). The Issuer has committed to make this document publicly accessible on LISC's website[3], in line with good market practices.

Alignment with the Social Bond Principles

Use of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under four Social Project Categories ("Eligible Categories"), as indicated in Table 1.

- The Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations, and the location of Eligible Projects.
- The Social Objectives are clearly defined, these are relevant for all the eligible categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the eligible categories in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing for each bond issuance in the prospectus. The look-back period for refinanced eligible categories is five years.
  In addition, the Issuer has transparently communicated the estimated share of refinancing for the first issuance, which will be of 51-53%.

An area for improvement would be to limit the lookback period to a maximum of 36 months to be in line with market practices.

BEST PRACTICES

⇒ Content, eligibility and exclusion criteria are clear and in line with international standards for all categories
⇒ Relevant social benefits are identified and measurable for all project categories
⇒ The Issuer has committed to transparently communicate the estimated share of refinancing for each bond issuance in the prospectus

[3] https://www.lisc.org/our-model/impact-notes/

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: general corporate purposes, including to refinance certain of LISC's existing indebtedness, as capital for loans made by LISC and its affiliates, and to pay for offering expenses and sales commissions.
- Location of Eligible Projects: United States, in or within access to a low- to moderate-income (LMI) community[4]

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION AND ELIGIBILITY CRITERIA	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Affordable Housing		Loans for predevelopment,[5] acquisition, construction, operation or preservation[6] of affordable single, multi and mixed-use rental and for-sale housing in rural and urban areas. Eligible borrowers: Community development corporations,[7] community housing development organization,[8] non-profit and for-profit affordable housing developers. Eligibility criteria: Housing are affordable when the rent burden is not higher than 30% of 80% of the Area Median Income (AMI). At least 20% of the housing units financed within the project need to be set aside (through public subsidy) as affordable for population at or below 80% of the Area Median Income (AMI). Naturally Occurring Affordable Housing (residential rental properties that maintain low rents without federal subsidy) are also eligible. In these cases, LISC assesses at what level the market rate units are affordable without public subsidy through review of rent and market studies and will covenant that all units are affordable to 80% of AMI during the loan and that the Borrower will make best efforts to ensure affordability after loan repayment.	**Contribute to broaden access to affordable housing** Increase or preservation of the number of affordable for-sale homes and of affordable rental units	The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified. The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.

[4] Communities where at least 51% of households have incomes at or below 80% Area Median Income (AMI) according to census data.
[5] LISC Underwriting Manual considers as predevelopment early stage investments in design, environmental and structural assessments, and planning available for projects that are highly likely to proceed to construction.
[6] LISC Underwriting Manual considers as preservation rental housing that is at risk of losing its affordability restrictions or that needs to be stabilised, improved, and recapitalised for safe, decent occupancy in the future.
[7] Community development corporations (CDCs) are 501(c)(3) non-profit organisations that are created to support and revitalise communities, especially those that are impoverished or struggling. CDCs often deal with the development of affordable housing. They can also be involved in a wide range of community services that meet local needs such as education, job training, healthcare, commercial development, and other social programmes. More information can be found here: https://www.naceda.org/index.php?option=com_dailyplanetblog&view=entry&category=bright-ideas&id=25%3Awhat-is-a-community-development-corporation-&Itemid=171.
[8] As defined in the U.S. Code here: https://www.law.cornell.edu/uscode/text/42/12704.

		Exclusions: 100% market rate housing developments that do not meet definitions of naturally occurring affordable housing or areas that do not meet the definition of where LISC works; land banking.[9]		
Access to essential services	Education	Charter Schools: Loans for predevelopment, acquisition and construction of high-quality public charter schools that serve predominately low-income students. Eligible borrowers for charter schools: Individual charter schools, charter school management organizations and non-profit or for-profit real estate developers which lease to school operators. Screening criteria for Charter Schools: at least three years of operations, the school or manager is run by a non-profit, the school is brick and mortar, population eligible for Free Reduced Lunch[10] is greater than 40%, academics outperform the district, fair admissions policies, no controversies on school/school leader found on google, no conflicts of interest, transparent accountability, percent of special education[11] and English language learners, strong operational and financial governance and commitment to partnering with underserved communities. For-profit Charter Schools are excluded.	**Contribute to broaden access to education for low-income populations** Increase in the number of student seats Increase or preservation in the square footage of educational facilities (charter schools and childcare facilities) in low- to moderate-income communities or benefiting low- to moderate-income families	The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified. The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.
		Early Child Care Facilities: Loans for predevelopment, acquisition, construction and rehabilitation of quality early learning facilities serving children from birth to five years, with a focus in low to moderate-income and rural areas.[12] Eligible borrowers for early childhood facilities: Non-profit and for-profit early childhood program operators, community development corporations and other mission-driven development organizations providing space for early childhood centers. For Early Child Care Facilities: target population below 120% AMI and location in low to moderate-income and rural areas.		

[9] "Land bank" acquisition loans are defined as loans to acquire improved or unimproved land where there is (i) no well-developed project plan in place at the time of proposed acquisition, and (ii) no specific financing plan that appears achievable in the near term, and (iii) there is no clear sense of the need to be filled by development of the land, nor market that would be served.

[10] According to the definition/guidance from the National School Lunch Programme, https://fns-prod.azureedge.net/sites/default/files/resource-files/NSLPFactSheet.pdf.

[11] As defined by the Individuals with Disabilities Education Act.

[12] To determine a rural area, LISC takes into account: population size that adheres to the USDA Rural Development Standard of 50,000 or less; distance from metropolitan areas; federal agency funding flexibility; limitations in the range of economic activities supporting the local economy; and considerations of overall local resource availability.

Access to essential services	Healthcare	Loans for predevelopment, acquisition, construction and rehabilitation of Community-Health Centers and other service facilities, including federally qualified health centers (FQHCs), FQHC look-alikes and health centers. Healthcare financing focuses on expanding access to high quality, affordable healthcare to an underserved area or population.[13] Eligible borrowers: Federally Qualified Health Centers,[14] FQHC look-alikes and Community Health Centers.[15] Eligibility criteria: Health centers serving LISC's target populations according to the payor mix, servicing Medicaid and Medicare eligible individuals, serving medically underserved areas including those with large uninsured, underinsured or low-income populations and areas with limited access to healthcare.[16]	**Contribute to broaden access to healthcare in underserved areas or populations** Increase in the number of people served annually by a new healthcare facility Increase or preservation in the square footage of community-based healthcare	The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified. The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.
	Community Services	Loans for predevelopment, acquisition, construction and operation of facilities and service providers that provide vital community services (including job training, financial coaching, non-profit office space, education, mental health, HIV/AIDS, drug/alcohol and domestic violence counselling as well as services to youth, the disabled and elderly) that benefit low- to moderate-income individuals and / or communities. Eligible borrowers: community development corporations and other non-profit providers. Eligibility criteria: community facilities and service providers that work in either low- to moderate-income communities or serve low- to moderate-income individuals.[17] Target population: low (80% of the area median income) to moderate income (120% of the area median income) recipients.	**Contribute to broaden access to essential community services to underserved areas or populations** Increase in the number of people served annually by new facility Increase or preservation in the square footage of new community facilities	The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified. The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.

[13] Medically Underserved Areas/Populations are areas or populations designated by Health Resources and Services Administration as having too few primary care providers, high infant mortality, high poverty or a high elderly population. Health Professional Shortage Areas (HPSAs) are designated by HRSA as having shortages of primary medical care, dental or mental health providers and may be geographic (a county or service area), population (e.g. low income or Medicaid eligible) or facilities (e.g. federally qualified health center or other state or federal prisons) https://data.hrsa.gov/tools/shortage-area/mua-find.

[14] The definition of Federally Qualified Health Centers can be found here: https://www.hrsa.gov/opa/eligibility-and-registration/health-centers/fqhc/index.htm

[15] Community Health Centers are community driven nonprofits that serve as a net for underserved, uninsured and homeless individuals. As part of their charter, they are dedicated to serve communities with limited access to medical care, despite their ability to pay. FQHCs, FQHC look-alikes and health centers may receive a mix of public and private funding to serve their target communities, as well as develop sliding fee schedules to help individuals gain access to care despite their ability to pay.

[16] As part of its due diligence, LISC will compare individual projects to industry standards to ensure they have the funding and payor mix needed to continue serving the target population.

[17] Screened according to location of facility, pupose of new facility, other subsidy revenue that requires the organization to serve target populations.

Food Security		Loans for predevelopment, acquisition, construction and operation of healthy food[18] outlets and healthy food retailers[19] in USDA Food Deserts,[20] which identify areas with a substantial number or share of residents with low levels of access to retail outlets selling healthy and affordable foods. Loans for predevelopment, acquisition, construction and operation of healthy food non-retail outlets[21] involved in healthy food production, distribution and consumer education on the consumption of Healthy Foods. Eligible borrowers: Non-profit and for-profit operators of healthy food businesses including retail food stores, farmers' markets, food coops and other healthy food production or distribution activities. Eligibility criteria for healthy food retailers: retailers located in USDA Food Deserts. Additional preferential criteria: retailers accepting SNAP, WIC, or equivalent food benefits. Eligibility criteria for healthy food non-retail outlets: Outlets that broadening access to healthy foods in underserved areas including USDA Food Deserts or other target markets.[22]	**Contribute to broaden access to healthy food** Increase or preservation of access to healthy and affordable food for low-income groups Increase or preserve the number of retailers selling healthy and affordable food	The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified. The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.
Employment Generation	SME Financing	Financing (Equipment, Leasehold Improvements, Remodel/ Expansion, Furniture, Fixtures & Equipment) for for-profit businesses located in low- and moderate-income and rural communities, businesses owned by veterans, women and minority	**Contribute to job creation** Increase or preservation in the number of jobs for low- to	The definition of this category is clear and detailed, including the description and eligibility criteria. The

[18] Healthy Foods include unprepared nutrient-dense foods and beverages as set forth in the USDA Dietary Guidelines for Americans 2015—2020 including whole fruits and vegetables, whole grains, fat free or low-fat dairy foods, lean meats and poultry (fresh, refrigerated, frozen or canned). Healthy Foods should have low or no added sugars, and be low-sodium, reduced sodium, or no-salt-added. (See USDA Dietary Guidelines: http://www.choosemyplate.gov/dietaryguidelines).

[19] Defined as commercial sellers of Healthy Foods including, but not limited to, grocery stores, mobile food retailers, farmers markets, retail cooperatives, corner stores, bodegas, stores that sell other food and non-food items along with a range of Healthy Foods.

[20] According to the CDFI Fund's guidance for the Healthy Foods Financing Initiative, Food Deserts are defined as distressed geographic areas where either a substantial number or share of residents has low access to a supermarket or large grocery store. For the purpose of satisfying this requirement, a Food Desert must either: (1) Be a census tract determined to be a Food Desert by the U.S. Department of Agriculture (USDA), in its USDA Food Access Research Atlas; (2) be a census tract adjacent to a census tract determined to be a Food Desert by the USDA, in its USDA Food Access Research Atlas; which has a median family income less than or equal to 120 percent of the applicable Area Median Family Income; or (3) be a Geographic Unit as defined in 12 CFR part 1805.201(b)(3)(ii)(B), which (i) individually meets at least one of the criteria in 12 CFR part 1805.201(b)(3)(ii)(D), and (ii) has been identified as having low access to a supermarket or grocery store through a methodology that has been adopted for use by another governmental or philanthropic healthy food initiative.

[21] Healthy Food Non-Retail Outlets. Wholesalers of Healthy Foods including, but not limited to, wholesale food outlets, wholesale cooperatives, or other non-retail food producers that supply for sale a range of Healthy Food options; entities that produce or distribute Healthy Foods for eventual retail sale, and entities that provide consumer education regarding the consumption of Healthy Foods.

[22] Healthy Food Non-Retail Outlets require that the majority of the loan or investment is devoted to offering a range of Healthy Food choices, which may include, among other activities, investments supporting an existing retail store or wholesale operation upgrade to offer an expanded range of Healthy Food choices, or supporting a nonprofit organisation that expands the availability of Healthy Foods in underserved areas, including in USDA Food Deserts or other target markets approved by the CDFI Fund.

Employment Generation		entrepreneurs, and legacy businesses (independently owned businesses that have contributed to the history or identity of a particular neighborhood or community). Type of borrowers: For-profit small businesses (as defined by the US Small Business Administration program SBA.gov) located in one of LISC's 35 program cities or in a Rural LISC program area. Eligibility criteria: Veteran- (VBE), women- (WBE) or minority-owned business (MBE) and legacy business located in low and moderate-income and rural communities or in one of LISC's locations in 35 program cities[23] or in a Rural LISC program area. Excluded activities: Controversial businesses such as tobacco, liquor, weapons and adult businesses and ineligible businesses as defined by the US Small Business Administration Programme.[24]	moderate-income and rural communities Increase or preservation in access to finance for minority and women-owned small businesses or low to moderate-income areas	target populations have been clearly identified. The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.
	Creative economy	Loans for predevelopment, acquisition, construction and operation of spaces for business incubation, maker and artist studios, cultural activities and light manufacturing that contribute to the production and distribution of cultural goods, services and intellectual property while fostering quality middle-skill jobs for low- and moderate-income peoples to ensure creative and cultural activities are not vulnerable to displacement. Eligibility criteria: Creative activities included in the NAICS Codes for Creative Industries adopted by the New England Foundation for the Arts (NEFA). Activities benefit low- and moderate-income people (below 120% AMI). Excluded activities: Spaces for controversial businesses such as tobacco, liquor, weapons and adult businesses and ineligible businesses as defined by the US Small Business Administration Programme.[25]	**Contribute to job creation** Increase or preservation in the number of jobs for low- to moderate-income and rural communities Increase or preservation of access to spaces for the creative economy for low- to moderate-income people Increase in local tax revenue generation	The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified. The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.
	Financial services	Loans to provide lending capital to community development financial institutions[26] who deploy loans to minority and women-owned small businesses located within LISC communities or low- to moderate-income areas.	**Contribute to job creation** Increase or preservation in the number of jobs for low- to moderate-income and rural communities	The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified.

[23] LISC's locations can be found here: https://www.lisc.org/our-reach/#offices.

[24] The list of ineligible businesses can be found here: https://www.sba.gov/partners/lenders/7a-loan-programme/terms-conditions-eligibility#section-header-19.

[25] The list of ineligible businesses can be found here: https://www.sba.gov/partners/lenders/7a-loan-programme/terms-conditions-eligibility#section-header-19.

[26] CDFIs are regulated by the US Department of Treasury and must demonstrate the following requirements: Is a legal entity at the time of Certification application; Has a primary mission of promoting community development; Is a financing entity; Primarily serves one or more target markets; Provides development services in conjunction with its financing activities; Maintains accountability to its defined target market; and Is a non-government entity and not under the control of any government entity (Tribal governments excluded).

Employment Generation		Eligibility criteria: Loans of financial institutions are targeting small businesses (as defined by US government), with preference to loans for minority and women-owned businesses. Loans of financial institutions are targeting small businesses located within LISC communities or low- to moderate-income areas. Excluded activities: Funds for controversial activities such as tobacco, liquor, weapons and adult businesses and ineligible businesses as defined by the US Small Business Administration Programme.	Increase/preservation of infrastructure contributing to job creation Increase in local tax revenue generation	The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.
	Commercial Facilities	Loans for predevelopment, acquisition, construction and operation of infrastructure/spaces[27] (including mixed-use development[28]) to be leased or owned by non-profits, for-profits, or government entities in underserved communities[29] to foster job creation and community revitalization. Types of borrowers: community development corporations, other non-profits and mission-aligned for-profits[30] Eligibility criteria: Non-profit or community partner identified by LISC to develop community asset. Exclusion criteria: Non-target LISC community; no community buy-in of asset; speculative real estate transactions; land banking[31]; tenants that include SBA ineligible businesses and controversial businesses such as tobacco, liquor, weapons and adult businesses (e.g. porn)	**Contribute to job creation** Increase or preservation in the number of jobs for low- to moderate-income and rural communities Increase/preservation of infrastructure contributing to job creation Increase in local tax revenue generation	The definition of this category is clear and detailed, including the description and eligibility criteria. The target populations have been clearly identified. The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards. The expected benefits are clear, relevant, measurable, and will be quantified in the reporting.

[27] These infrastructure/spaces are intended for the following purposes: Commercial development for non-food retailers (e.g.: real estate developments housing retail businesses like credit unions, laundromats, restaurants, office supplies, and repair shops); Commercial Development for Nonprofit's Own Offices (community development corporations and other nonprofits that are developing or building out space which will house their own staff); Commercial Development for Other Organisation Office Space (e.g.: community development corporations and other nonprofits that are developing or building out space to be leased to other nonprofits, for-profits, or government entities). In addition, LISC provides leverage loans to New Markets Tax Credit transactions that fall into this category.

[28] Mixed-use development are projects that blend a combination of residential, commercial, cultural or institutional uses. A mixed-use development can offer many benefits to members of LISC target communities, including greater housing variety and density, reduced distances between housing, workplaces and retail businesses, stronger neighbourhood character and pedestrian and bicycle-friendly environments. Most often, such developments are comprised of buildings with retail space located on the lower floors and affordable rental housing on the higher levels.

[29] Underserved communities are here considered as "low to moderate income communities".

[30] Mission-aligned for-profits are identified by LISC on a project by project basis to develop an asset in a target LISC community. LISC works with community partners to identify existing gaps and needs on its communities and then brings public and private sector partners to develop needed assets. When a nonprofit developer does not exist on its markets, LISC will work with for-profit developers that are capable of developing projects that meet these gaps. The for-profit borrowers undergo additional underwriting scrutiny and are required to put in more equity.

[31] "Land bank" acquisition loans are defined as loans to acquire improved or unimproved land where there is (i) no well-developed project plan in place at the time of proposed acquisition, and (ii) no specific financing plan that appears achievable in the near term, and (iii) there is no clear sense of the need to be filled by development of the land, nor market that would be served.

SDG Contribution

The Eligible Categories are likely to contribute to eight of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Affordable housing Access to essential services	1 NO POVERTY	1.4. By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.
Food security	2 ZERO HUNGER	2.1. By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.
Access to essential services	3 GOOD HEALTH AND WELL-BEING	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.
Access to essential services	4 QUALITY EDUCATION	4.2. By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education. 4.4. By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. 4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.
Employment generation	8 DECENT WORK AND ECONOMIC GROWTH	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.
Employment generation	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
Access to essential services Employment generation	10 REDUCED INEQUALITIES	10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
Affordable housing	11 SUSTAINABLE CITIES AND COMMUNITIES	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrading slums.

Evaluation and Selection of Eligible Projects

Not Aligned	Partially Aligned	Aligned	Best Practices

- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible categories). The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework.
- The eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for all of the eligible categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed (in the herewith SPO). The Process is considered robust: it combines monitoring, identification and corrective measures for all eligible categories (see detailed analysis on pages 21 - 23).

Process for Project Evaluation and Selection

- The evaluation and selection of Eligible Loans is based on relevant internal expertise, with well-defined roles and responsibilities:
    - The evaluation and selection of Eligible Loans is based on LISC's standard approval process.
    - Staff in LISC's local offices and national program originate loan requests. At the beginning of due diligence, a national underwriter from LISC Lending's credit team and an intake committee also staffed by the credit team review potential loan requests and provide guidance on risks and mitigants, loan structure, conformance to LISC's underwriting policy and eligibility criteria as defined in the Framework. After satisfactory review, the national underwriter notifies program staff to move to underwriting.
    - After underwriting, loan requests are transferred to LISC's Credit Committee for formal approval to ensure the loan meets LISC's underwriting criteria and eligibility criteria as defined in the Framework. LISC's Credit Committee is made up of six voting members staffed from LISC's national Lending, Finance, and Legal departments. The Credit Committee evaluates loans on criteria including the financial strength and organizational capacity of the borrower, the ability of the borrower to repay the loan, the potential project risks and mitigating factors, and the strength of underlying collateral. LISC also reviews project and product risks based on experience with the borrower and market, and analysis of historical and projected performance.
    - LISC local offices maintain advisory boards, comprised of private and public leaders rooted in the relevant market, to ensure that loans meet the needs of local communities. When evaluating mission alignment, LISC considers how financing businesses, housing and other community infrastructure will catalyze economic, health, safety and educational mobility for individuals and communities. Factors include whether the project is located in a low- to moderate-income community, whether it will provide goods and services that benefit an underserved community, quality job opportunities to underserved populations, whether it develops partnerships with other community-based organizations and develops needed infrastructure.

- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:

- The Issuer reports that it will monitor continued compliance of selected projects with eligibility and exclusion criteria specified in the Framework throughout the life of the Bond and has provided details on content, frequency, and duration and on the procedure adopted in case of non-compliance. Loan monitoring is part of LISC's processes and detailed in the Underwriting Manual.
- The Issuer reports that it will monitor potential ESG controversies associated with the projects and has provided details on frequency and content.
- LISC's internal approval process guarantees a documented and sequential selection process.

Eligibility Criteria

The process relies on explicit eligibility criteria, relevant to the social objectives defined for the Eligible Categories.

- The selection criteria are based on definitions in Eligible Categories defined Table 1 in the Use of Proceeds section.
- In addition to the selection and exclusion criteria indicated in the table of the Use of Proceeds, in order to be eligible for LISC financing, projects must meet at least one of the criteria below, or serve a low- to moderate-income beneficiary:
  - Project location is in or within access to a low- to moderate-income (LMI) community;[32]
  - The project provides goods and services that benefit the surrounding LMI community;
  - The project is located in a New Market Tax Credit Qualified Census Tract (NMTC);[33]
  - The project is located in a Persistent Poverty Area;[34]
  - The project is located in a Rural Census Tract[35] or in Rural LISC communities;[36]
  - The project is located in an Area of Economic Distress;[37]

[32] Communities where at least 51% of households have incomes at or below 80% AMI according to census data.

[33] The NMTC Programme provides an incentive for investment in "Low-Income Communities" (LICs). LICs are census tracts: where the poverty rate is at least 20%; or where the median family income does not exceed 80% of the area median family income; or where the median family income does not exceed 85% of the area median family income provided the census tract is located in a high migration rural county; or where the census tract has a population of less than 2,000 and is contained within a Federally designated Empowerment Zone and is contiguous to at least one other LIC (https://www.cdfifund.gov/Documents/2017%20Introduction%20to%20NMTC%20Programme%20Presentation%20For%20Release.pdf and https://www.law.cornell.edu/uscode/text/26/45D).

[34] Persistent Poverty Counties (PPCs) are defined by Public Law Number 115-31 (enacted May 5, 2017) for the CDFI Fund as counties where 20% or more of their population lives in poverty as measured by the U.S. Census Bureau (1990 and 2000 decennial censuses, and 2011-2015 American Community Survey). Public Law 114—187 (enacted June 30, 2016) created the Congressional Task Force on Economic Growth in Puerto Rico, which recommended the CDFI Fund be inclusive of Puerto Rico in its programmes, including PPCs, if areas are qualified based on poverty and income criteria. Source: https://www.cdfifund.gov/Documents/PPC%20updated%20Oct.2017.xlsx.

[35] A Rural Area is defined per 12 CFR § 1282.1 (the Enterprise Duty To Serve Final Rule) as: (i) a census tract outside of a Metropolitan Statistical Area (MSA) as designated by the Office of Management and Budget (OMB); or (ii) a census tract in a MSA as designated by OMB that is outside the MSA's Urbanized Area, as designated by the U.S. Department of Agriculture's (USDA) Rural-Urban Commuting Area (RUCA) Code #1, and outside of tracts with a housing density of over 64 housing units per square mile for USDA's RUCA Code.

[36] LISC defines rural areas based upon several characteristics, including: a population size that adheres to the USDA RD standard of 50,000 or less; distance from metropolitan areas; federal agency funding flexibility; limitations in the range of economic activities supporting the local economy; considerations of overall local resource availability. LISC definition generally corresponds to the definition used by USDA for Business and Industry Guaranteed Loan Programme.

[37] Defined as areas (a) where at least 20 percent of households that are Very Low-Income (50% of AMI or below) spend more than half of their income on housing; or (b) where the unemployment rate is at least 1.5 times the national average; or (c) that are Low-Income Housing Tax Credit Qualified Census Tracts; or (d) where more than 20 percent of households have incomes below the poverty rate and the rental vacancy rate is at least 10 percent; or (e) where more than 20 percent of the households have incomes below the poverty rate and the homeownership vacancy rate is at least 10 percent; or (f) are Underserved Rural Areas as defined in the CMF Interim Rule (as amended February 8, 2016; 12 C.F.R. Part 1807). Source: https://www.cdfifund.gov/Documents/FY%202018%20CMF%20Application%20FAQs%20-%20Final%20Approved-cover.pdf

  - The project is located in a Federal Housing Finance Agency Duty to Serve area.[38]
  - The project is located in an Indian Tribe Areas.[39]
- Exclusion criteria across LISC portfolio: LISC does not provide loans to acquire improved or unimproved land where there is (i) no well-developed project plan in place at the time of proposed acquisition, and (ii) no specific financing plan that appears achievable in the near term, and (iii) there is no clear sense of the need to be filled by development of the land, nor market that would be served. Investments in controversial businesses such as tobacco, liquor, weapons and adult businesses are also excluded.

BEST PRACTICES

⇒ Eligibility and exclusion criteria for project selection are clearly defined and detailed for all eligible categories

⇒ The Issuer reports that it will monitor compliance of selected projects with eligibility and exclusion criteria specified in the Framework throughout the life of the instrument and has provided details on content, frequency, and duration and on the procedure adopted in case of non-compliance

⇒ The Issuer reports that it will monitor potential ESG controversies associated with the projects throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on a project

[38] Duty to Serve areas include very low-, low-, and moderate-income families tied to specific high needs and high opportunity areas as defined by the Duty to Serve regulation. These areas include Rural areas, Indian tribe areas, High opportunity areas and Areas of Concentrated Poverty. Official definitions for these areas can be found here: https://www.fhfa.gov/DataTools/Downloads/Pages/Duty-to-Serve-Data.aspx.

[39] LISC considers as Indian Tribe Area as areas within which an Indian tribe operates affordable housing programmes or the area in which a Tribally Designated Entity, as authorized by one or more Indian tribes, operates affordable housing programmes. Whenever the term jurisdiction is used in Native American Housing Assistance and Self Determination Act, it shall mean Indian Area, except where specific reference is made to the jurisdiction of a court. Source: https://www.law.cornell.edu/cfr/text/24/1000.10.

Management of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the Framework.
- The allocation period will be within 12 months.
- The net proceeds of the Bond will be placed in a segregated account.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months.

Management Process

- The net proceeds of the Bond will be deposited in a segregated account to be allocated to Eligible Loans as defined in the Framework.
- LISC plans to allocate proceeds within maximum 12 months upon receipt of capital, in line with best market practices.
- Pending full allocation, LISC may invest the balance of the net proceeds, at its own discretion, in cash or cash equivalent. The Issuer commits not to invest temporary unallocated proceeds in GHG or other controversial activities.
- LISC will monitor and track the allocation of the Bond's proceeds through its internal systems and control mechanisms.
- In case of project postponement, cancellation or divestment, LISC will hold proceeds as cash until reinvestment in another Eligible Project Category. LISC expects to be able to reallocate the proceeds in less than three months.

BEST PRACTICES

⇒ The allocation period is 24 months or less

⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities

⇒ The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months

Monitoring & Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity.
- The reporting will cover relevant and exhaustive information related to the allocation of Bond proceeds and to the expected sustainable benefits of the eligible categories. The Issuer has also committed to report on material developments related to the projects.
- The Issuer has not committed to disclose the methodology and assumptions used to report on the social benefits of the Eligible categories.
- Tracking and allocation of funds to Eligible projects will be verified only internally by the Issuer. Indicators used to report on the social benefits of the eligible categories will be verified internally by the Issuer.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive

REPORTING INDICATORS
⇒ Outstanding portfolio funded through Note proceeds by eligible category (USD) ⇒ The share of financing vs. refinancing (%) ⇒ Amount or Percentage of allocated versus unallocated proceeds ⇒ Allocated proceeds to a project versus total development cost of the project – (% of co-financing)

- Social benefits: The indicators selected by the Issuer to report on the social benefits are clear, relevant and exhaustive.

ELIGIBLE CATEGORIES	ELIGIBLE SUB-CATEGORIES	OUTPUT, OUTCOME AND IMPACT INDICATORS
Affordable housing		Number of affordable rental and for-sale units built or preserved
Access to essential services	Education	Number of student seats at full capacity Number of childcare slots at full capacity Percentage of population eligible for free- or reduced-lunch Percentage Special Education Percentage of population who are English Language Learners

	Healthcare	Number of people to be served annually by a new healthcare facility
	Community Services	Number of people to be served annually by new facility
Food Security		Number and square footage of retailers selling or producing healthy and affordable food serving low-income groups
Employment generation	SME Financing	Number of jobs created and retained Percentage of Women Business Enterprise (WBE), Minority Business Enterprise (MBE), Veteran Business Enterprise (VBE) supported
	Other	Number of jobs created and retained Tax revenues generated

The Issuer tracks internally additional indicators[40] on the social impact of its activities – which can be available to investors on an as needed basis – but does not plan to include them in its annual reporting. An area for improvement would be to include them in LISC's public reporting and to commit to publish key methodologies and assumptions used to calculate the social benefits of Eligible Projects.

LISC tracks a number of social and governance related indicators as part of loan monitoring and will communicate on ESG risks and indicators or controversies which may affect the projects or categories. An area for improvement is to formalize this commitment in the Framework.

LISC is subject to an annual assessment by an external verifier of the impact of its overall activities. However, it has not committed to an independent third-party verification, annually and until full allocation of proceeds, of the tracking and allocation of the net proceeds of the Bond in accordance in all material respect with the eligibility criteria set forth in their Social Bond Framework, and of the impact metrics used to report on the social benefits of the Eligible Categories. An area for improvement would be to commit to such verification.

BEST PRACTICES

⇨ The Issuer will report on the Use of Proceeds until bond maturity. The issuer report will be publicly available.

⇨ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the eligible categories. The Issuer has also committed to report on material development related to the projects, including ESG controversies.

⇨ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.

⇨ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories.

[40] Including: the square footage of educational facilities (charter schools and childcare facilities) in low- to moderate-income communities or benefiting low- to moderate-income families increased or preserved; the square footage of community-based healthcare increased or preserved; the square footage of new community facilities increased or preserved; the square footage of/or number of spaces for the creative economy for low- to moderate-income people increased or preserved; the number of minority and women-owned small businesses or in low- to moderate-income areas for which access to finance has been broadened; and the square footage of/or number of infrastructures contributing to job creation increase or preserved.

Contribution to sustainability

Expected Impacts

The potential positive impact of the eligible projects on social objectives is considered to be advanced.

ELIGIBLE CATEGORY	ELIGIBLE SUB-CATEGORY	EXPECTED IMPACT	ANALYSIS
Affordable housing		ADVANCED	LISC targets projects in low- and moderate-income communities, with detailed eligibility criteria ensuring that the projects benefit the population most in need. Affordable housing provides a structural improvement by fulfilling a basic need.
Access to essential services	Education: Charter schools and Early Child Care Facilities	ADVANCED	The overall performance of the US on SDG 4 Quality Education indicates that challenges remain in achieving the SDG (according to the Sustainable Development Report 2020)[41]. In addition, LISC's detailed eligibility criteria ensure that the projects benefit the population most in need. Education is a fundamental tool for empowerment, with the potential to provide structural improvements.
	Healthcare	ROBUST	The overall performance of the US on SDG 3 Good health and wellbeing indicates that significant challenges remain in achieving the SDG (Sustainable Development Report). LISC's detailed eligibility criteria ensure that the projects benefit the population most in need, namely medically underserved areas including large uninsured and underinsured populations. Healthcare projects provide long-term social benefits.
	Community Services	ADVANCED	LISC targets projects in low and moderate-income communities, with detailed eligibility criteria ensuring that the projects benefit the population most in need. Further, the US's performance on SDG 10 Reduced inequalities is at the lowest level, with major challenges remaining (Sustainable Development Report). Thanks to trainings and coaching, the community services support empowerment of the target populations.
Food Security		ADVANCED	The overall performance of the US on SDG 2 Zero hunger indicates that major challenges remain in achieving the SDG (Sustainable Development Report), which is the lowest performance level, indicating the relevance of food security projects. In addition, LISC targets the population most at need, namely living in food deserts. Providing access to heathy foods supports long-term social improvement.
Employment generation	SME Financing	ROBUST	The overall performance of the US on SDG 8 Decent work and economic growth indicates that challenges remain in achieving the SDG (Sustainable Development Report). In addition, LISC's detailed eligibility criteria ensure that the projects benefit the population most in need, located in designated priority areas. Supporting economic activity and jobs has the potential for a long-term positive impact.
	Other: Creative Economy, Financial Services, Commercial Facilities	ROBUST	The overall performance of the US on SDG 8 Decent work and economic growth indicates that challenges remain in achieving the SDG (Sustainable Development Report). In addition, LISC's detailed eligibility criteria ensure that the projects benefit the population most in need, namely populations in low- to moderate-income areas. Supporting economic activity and jobs has the potential for a long-term positive impact.
OVERALL ASSESSMENT:		ADVANCED	

[41] https://dashboards.sdgindex.org/map/goals/SDG4

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust.

Risks associated with all typologies of projects

LISC reports that, for all of its loans, it performs **due diligence** on the sponsor and/or borrower. This includes reviewing their organizational structure, organisational history and financial overview. For new borrowers, LISC reports that it also performs reference checks. LISC also reports that it requires all of its borrowers to confirm, and certify, that, among other things, they have neither been convicted of, nor had a civil judgment entered against them for theft, embezzlement, or other offense linked to **business ethics and corruption**. LISC commits to include environmental and social issues in its due diligence checks.

Approved loans are monitored on an ongoing basis in order to update their risk ratings. LISC requires borrowers to provide notice of any **material adverse events** that might affect the borrower or the project (such as the existence of litigation, liens, any event or default under the loan documents or any other change in financial or other conditions of the borrower). Loan officers ensure ongoing supervision of projects through revision of relevant documents, meetings with the borrower, on-site visits of the projects covering environmental and social requirements, and they rely on government compliance for federal, state and local subsidies. LISC reports that in the event a project cannot be completed on budget or without substantial delays, or if significant, adverse changes occur with respect to a project or a borrower's operations, procedures are started to negotiate and ensure that an asset is disposed of in a manner that does not create further harm.

In order to ensure **dialogue and consultation with local stakeholders**, community Boards meetings are held for specific projects[42] to allow local consultation and come up with appropriate solutions to address their concerns. At the Issuer level, advisory boards are conducted to ensure that loans meet the needs of local communities.

The accessibility of programs financed under LISC's financings appears to be good. In order to ensure that its loans are benefitting the target populations identified and **to prevent discrimination**, LISC reports that it performs diligence on all its project partners to ensure proper selection criteria are used and that appropriate supports are in place.[43]

The Issuer reports that it does not have verification systems in place to ensure that beneficiaries evaluate, monitor, or control the **performance of their suppliers** or loan beneficiaries on **environmental and social issues**, which is an area for improvement.

Specific risks associated with predevelopment, acquisition, construction and operation of affordable houses, schools and childcare facilities, health centers, community spaces, commercial facilities and outlets

LISC ensures that all legal **environmental and social requirements** for construction, rehabilitation and use of buildings and spaces are respected through requiring, at loan approval, evidence from borrowers and sponsors that all relevant permits, licenses and approvals have been issued by federal, state and local governments[44]. For any project that rehabilitates a structure built prior to 1978, LISC requires information about lead-based paint hazards in the structure

[42] This procedure does not cover small business loans.

[43] These include i) subsidies to restrict units to stated affordability levels; project-based vouchers for tenants at low incomes and partnerships with social service providers to provide onsite services and deed restrictions to maintain ongoing affordability of rental or for-sale units for affordable housing; ii) analysis of the number of free and reduced lunch students, number of English language learners and students served by special education, Charter Schools' compliance with academic and population targets, and schools' affordability assessments for schools; assessment of the payor mix of healthcare centers to understand the level of underserved populations the facility supports, and an analysis of the services proposed by community health centers in order to ensure target populations have access to their services.

[44] These includes: Government Approvals, Land Use Approvals, Site Plan Approvals and/or Building and other permits, Environmental Permits, Environmental Assessments, Architectural and Engineering Information, Soil engineering reports, Plans and specifications/work write-ups and availability of utilities reports, and Architect's agreement.

from a state or EPA-certified assessor, and a plan of action for treating such paint during rehabilitation. For the design of Early Childhood Facilities, LISC has a Resource Guide[45] for best practices for childcare spaces.

According to LISC Underwriting and Lending Manual, an **environmental assessment** is required for most loans[46] in order to address and assess potential liability under environmental laws and regulations and potential need for remediation. If remediation is suggested, the borrower is required to submit a remediation plan and reliable cost estimate with evidence of committed financing in an amount sufficient to pay such cost.

A construction inspector (a qualified architect, engineer or construction manager) is hired directly by LISC or by a third party to ensure ongoing monitoring and **an independent on-site inspection of construction works.** When the scope of work of a property is primarily cosmetic, limited in scope and does not involve a high level of construction risks (disbursements limited to USD 20,000 or less), LISC relies on the project architect's on-site inspection reports.

We consider that relevant environmental and social risks associated to the construction and rehabilitation of buildings and spaces, namely **environmental management and eco-design, GHG emissions, reduction of energy consumption, water consumption, workers and users' health and safety, human and labor rights as well as employment conditions** are covered through these procedures. With regards to energy efficiency, however, it must be noted that Building Energy Codes are not homogeneous across the United States (where some states are not covered by any code[47]), therefore the coverage of environmental risks linked to construction varies depending on project location.

LISC reports that, going beyond the requirements of **environmental legislation on construction** and compliance with local, state and federal regulation around energy efficiency, it also assesses commitment to **environmentally friendly design** by looking at green standards. These include Enterprise Green Communities; LEED; NAHB Green; EarthCraft; Build it Green; Energy Star with EPA Water Sense and EPA Indoor airPLUS; Energy Star. LISC has provided examples of projects funded that comply to these standards. However, the Issuer reports that compliance with green standards and certifications is not a requirement for granting financing. LISC also provided examples of projects where a particular effort has been made to ensure buildings are close to public transport (transit-oriented development - *TOD*). Similarly, while LISC reviews accessibility of a project during underwriting and finances a large number of projects that qualify as TOD, this is not a requirement to receive financing. An area for improvement would be to select, for project to be financed through the bond proceeds, those projects with the best environmental performance.

To ensure the safety of users in buildings and spaces, LISC reports that its legal team verifies during the loan closing that the property complies or will comply with all applicable zoning and other laws and regulations and that there are no outstanding notices of uncorrected violations of zoning, building, safety, fire and other laws, ordinances, codes and regulations. In addition, LISC reports that it requires borrowers to perform an environmental assessment of the property in order to assess and manage users' safety.

To ensure **accessibility** of dwellings/buildings, schools, health centers, other infrastructure to everyone (e.g. persons with disabilities, unemployed, vulnerable or low-income populations), LISC's borrowers have to warrant that they will comply fully with all applicable federal, state, local and any other government anti-discrimination laws, executive orders, and rules and regulations. Concerning access to buildings to people with disabilities, the Americans with Disabilities Act (ADA) includes enforceable standards for places of public accommodation, commercial facilities, and state and local government facilities. LISC reports that the same requirements apply to affordable housing.

Concerning specific risks associated with loans to retailers and wholesalers of healthy food, LISC reports that it manages the risk of adverse health impact linked to **food safety** by performing due diligence on the sponsor, borrower and project to ensure they have the appropriate measures and permits in place to ensure the health and safety of goods and people

[45] LISC - Resource Guide – Designing Early Childhood Facilities - https://www.lisc.org/media/filer_public/ef/02/ef02cf88-eef9-4091-9f96-aa03f88931cb/2005_cick_guide_vol2_designing.pdf

[46] Some flexibility is allowed in requiring phase I assessments in cases where property is located in primarily residential neighbourhoods and not adjacent to certain uses, such as gas stations, car repair facilities, printing facilities, dry cleaners, photo development labs, junkyards, landfills or waste treatment, storage, disposal processing or recycling facilities or other historic uses that are likely to have environmental risks.

[47] See here: US Department of Energy - Status of State Energy Code Adoption (https://www.energycodes.gov/status-state-energy-code-adoption) for geographical information.

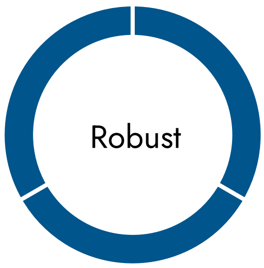
(e.g.: implementing some of the strictest food safety and manufacturing standards in the industry like USDA, Kosher, Gluten Free, Organic, HAACP and FDA).

Specific risks associated with SME financing and Financial Services (loans to lenders)

LISC's management of risks linked to **over-indebtedness** appears to be good. The Issuer has policies in place, including ensuring the borrower conforms with LISC's credit thresholds and due diligence to ensure that the borrower is able to manage debt and that they are not late or in default on their previous loans. In order to ensure that financial institutions funded through its loans prevent the risk of over-indebtedness of their beneficiaries, LISC reviews their policies and procedures to ensure they match LISC's guidance on preventing over-indebtedness.

The Issuer does not have verification systems in place to assess the **environmental and social performance of its SME beneficiaries** before granting loans. For loans to financial institutions, the Issuer verifies that their underwriting policies are aligned with LISC's social objectives. However, it does not have measures in place to ensure that the financial institutions receiving its loans evaluate, monitor, or control their loans beneficiaries' performance on **environmental and social issues**, which is an area for improvement.

ISSUER



LISC is a not-for-profit corporation and certified Community Development Financial Institution ("CDFI") based in New York. LISC acts as an intermediary financer between larger entities - such as government, foundations and for-profit companies - and local community organizations, especially working in underinvested places and serving vulnerable and underserved populations. LISC offers a variety of loan products to non-profit organizations, mission-aligned for-profit businesses and small businesses operating in or supporting affordable housing, health, education, community and recreational facilities, commercial facilities, the creative economy, employment and other projects that seek to forge resilient and inclusive communities across America and/or benefit low-income individuals and families.

Level of ESG strategy

The issuer has been evaluated by V.E on its ESG strategy, based on the relevance of its ESG commitments (content, visibility and ownership).

As of December 2020, we reach a robust level of assurance on LISC's capacity to integrate relevant ESG factors in its strategy, and to account on them. We reach a weak assurance on LISC's capacity to integrate relevant environmental factors in its strategy, and a robust assurance on LISC's capacity to integrate relevant social factors in its strategy. We reach a robust assurance on LISC's performance in the Governance pillar.

DOMAIN	COMMENTS	OPINION
Environment	**We reach a weak assurance on LISC's capacity to integrate relevant environmental factors in its strategy.** The issuer has not made formalized commitments on managing the environmental impacts of its activities, on integrating environmental standards in their lending and financing process, and on the climate change impact of its activities. Although some of its activities integrate environmental factors – for example some buildings financed have environmental certifications – no formalized commitment for the Issuer's own operations is in place.	Robust Limited Weak
Social	**We reach a robust assurance on LISC's capacity to integrate relevant social factors in its strategy.** LISC has issued a formalized commitment to promote local economic and social development, and racial equity, which is the core of LISC's activity. LISC's commitment addresses the main topics of the sector, including inclusive finance, creation of	Robust

	employment, and access to basic services (health, education, etc.). This commitment is applied throughout the company, at all levels. LISC's commitment to Human Rights is general, complying with applicable laws and regulations in the United States, where all its activities take place, but without formalizing a specific commitment to respect and promote human rights.	Limited
	LISC has made a formalized commitment to non-discrimination, in particular through its National Discrimination, Harassment, And Retaliation Prevention Policy, which explicitly defines and covers most categories, and defines the management processes to which these apply (recruitment, hiring, placement, promotion, transfer, training, compensation, benefits, employee activities, and general treatment during employment). LISC has made a formalized commitment to health and safety in its Employee Handbook, in particular regarding work accidents and compensations. LISC has a general commitment to protecting its employees, supported throughout the organization.	Weak
Governance	**We reach a robust assurance on LISC's performance in the Governance pillar.** The Issuer's Board of Directors is composed by a majority of non-executive directors and a majority are considered independent (60%). In addition, 42% are women, and several board members have demonstrated expertise in CSR and in LISC's sector of activity. The roles of Chairman and CEO are separated; however, the Chairman is not considered independent.	Robust
	LISC has set up an Audit Committee with a comprehensive role. Members of this Committee have financial and audit backgrounds. As LISC receives federal funding, it must comply with Government Auditing Standards.	Limited
	CSR issues are discussed by the Board of Directors, as LISC is a mission-based non-profit organization, although there is no explicit CSR strategy or CSR trainings, and the Company does not publish any significant CSR reporting on the key material issues for its sector. The Issuer has formalized a commitment to prevent corruption and money laundering through their Conflict of Interest Policy, Code of Ethics, and Employee Handbook.	Weak

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against LISC over the last four years.

Involvement in Controversial Activities

The Issuer appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council. All employees are signatories of V.E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Social Bond Principles - June 2020 ("SBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;[48]

ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;

iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);

iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Issuer's ESG strategy

Scale of assessment of ESG strategy: Weak, Limited, Robust

NB: The Issuer's integration of ESG factors in its strategy has not been assessed through a complete process of rating and benchmark developed by V.E. The assessment of the Issuer's ESG strategy has focused only on the Leadership item from V.E's ESG rating methodology (see below), based on information provided by the Issuer, public information and stakeholders' views and opinions collected from public documents.

The issuer has been evaluated by V.E on its ESG strategy, based on relevant ESG drivers organised in the 6 sustainability domains. The Issuer's strategy has been assessed by V.E based on its Leadership: relevance of the commitments (content, visibility and ownership).

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned

[48] The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).

- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advanced expected impact combined with a weak level of assurance of E&S risk management.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.

Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

DISCLAIMER

Transparency on the relation between V.E and the Issuer: V.E has executed one audit mission for LISC until now. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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