

SECOND PARTY OPINION

on the sustainability of Terwilliger Plaza's Green Bond

V.E is of the opinion that Terwilliger's Bond is aligned with the four core components of the Green Bond Principles 2021 ("GBP").



Issuance

Contribution to Sustainability:

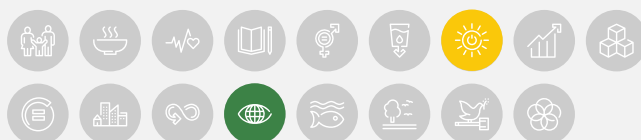


○ Advanced ○ Limited

○ Robust ○ Weak

| | Weak | Limited | Robust | Advanced |
|----------------------|----------|---------|--------|----------|
| Expected impacts | Advanced | | | |
| ESG risks management | Robust | | | |

SDG Mapping



Characteristics of the issuance

| | |
|------------------------|--|
| Green Project Category | Green building for senior residency apartments |
| Project locations | Portland, OR. US. |
| Existence of framework | No |
| Share of refinancing | 13% |
| Look back period | 25 months |

Issuer

Controversial Activities

Terwilliger Plaza appears to be not involved in any of the 17 controversial activities screened by V.E

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Fossil Fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Coal | <input type="checkbox"/> Human Embryonic Stem Cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Civilian firearms | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Alcohol | | | |

ESG Controversies

| | |
|-------------------------|------|
| Number of controversies | None |
| Frequency | NA |
| Severity | NA |
| Responsiveness | NA |

Coherence

Coherent

Partially coherent

Not coherent

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

Key findings

V.E is of the opinion that Terwilliger Plaza's Bond are aligned with the four core components of the GBP.

Use of Proceeds – aligned with GBP

- The Selected Project is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of the Selected Project.
- The Environmental Objective is clearly defined, it is relevant for the Selected Project and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are clear, these are considered relevant, measurable, and will be qualified in the project reporting.
- The issuer has transparently communicated the estimated share of refinancing at bond level and it is less than 50%. The look-back period for refinanced expenditures is equal or less than 36 months, in line with market practices.

Evaluation and Selection - aligned with GBP

- The process for the Project Evaluation and Selection has been clearly defined by the Issuer, it is considered structured. The roles and responsibilities are clear and include internal expertise. The process will be publicly disclosed in this SPO.
- Eligibility Criteria for the selection of the Project are clearly defined.
- The process applied to identify and manage potentially material E&S risks associated with the Project is publicly disclosed in the herewith SPO. The process is considered robust: it combines monitoring, identification, and corrective measures.

Management of Proceeds - aligned with GBP

- The Process for Management and Allocation of proceeds is clearly defined and is disclosed in the herewith SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bond will be placed in a segregated account.
- The funds will be held by the Bond Trustee in instruments under Terwilliger's Permitted Investments as indicated in the Bond Indenture.
- The Issuer has provided information on the procedure that will be applied in case of project postponement/cancellation: the bond will be redeemed.

Reporting - aligned with GBP

- The Issuer has committed to report on the Use of Proceeds until Bond maturity. The report will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected environmental benefits of the Selected Project. The Issuer has also committed to report on material development related to the project, including ESG controversies.
- An external auditor will verify the tracking and allocation of funds to the Selected Project until bond maturity.
- Indicators used to report on the environmental benefits of the Selected Project 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 Green Bond¹ (“Bond”) to be issued by Terwilliger Plaza (the “Issuer”) in compliance with its 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 Green Bond Principles (“GBP”) - edited in June 2021 - voluntary guidelines (referred as the “GBP”).

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

- Issuance: we assessed the Bond documentation, including the coherence between the Bond and the Issuer’s environmental commitments, the Bonds’ potential contribution to sustainability and their alignment with the four core components of the GBP 2021.
- Issuer²: we assessed the Issuer’s potential stakeholder-related ESG controversies and its involvement in controversial activities³.

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 Bond issuance, held via a telecommunications system.

We carried out our due diligence assessment from July 12th to August 3rd, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

Scope of External Reviews

| | | | |
|-------------------------------------|--|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Pre-issuance Second Party Opinion | <input checked="" type="checkbox"/> | Independent verification of impact reporting |
| <input checked="" type="checkbox"/> | Independent verification of funds allocation | <input type="checkbox"/> | Climate Bond Initiative Certification |

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

² The Issuer is not part of our ESG performance rating universe.

³ 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 Issuance is coherent with Terwilliger's Plaza strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

In 2015, the United Nations Member States adopted the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDGs), recognizing the urgent challenge of achieving sustainable development, including energy efficiency challenge into building more sustainable communities raising the global rate, and contributing on the reduction of green house gases emissions.

In 2019 the United Nations Environment Programme (UNEP), published the 2019 Global Status Report for Buildings and Construction Sector, the results showed that for 2018, buildings and construction sector accounted for 36% of final energy use and 39% of energy and process-related carbon dioxide (CO₂) emissions resulting in 9.7 gigatonnes of carbon dioxide (GtCO₂). The major source of rising energy use and emissions by the global building stock is electricity, which has increased more than 19% since 2010. This shows the importance of making clean and renewable sources of energy accessible, and to use passive and low-energy designs more widely in building construction. In terms of the energy consumption due to significantly higher electricity use since 2010 for space cooling, appliances, and hot water, is resulting in increased emissions. Space cooling demand rose more than 33% during 2010-18 and by 5% in 2017-18, while energy demand for appliances in 2018 increased by 18% since 2010 and for water heating by 11%. At the same time, space heating demand decreased 1% from 2010, though it has remained stable for the past five years at one-third of total global energy demand in buildings⁴.

Terwilliger Plaza, Inc. (the "Issuer") is an Oregon nonprofit, public benefit corporation, incorporated in 1958 and registered by the Seniors and People with Disabilities Division of the Oregon Department of Human Services as a continuing care retirement community. They own and operate a continuing care retirement community known as Terwilliger Plaza located in Portland, Oregon. The Plaza includes a 12-story apartment building and a 10-story apartment building and consists of 246 independent living units, 43 assisted living apartments and 22 residential care beds and several services for 62 years of age and older residents.

The Corporation reports to have a policy to comply and promote sustainability in their community, the design is for maximize efficiency, including illumination characteristics, heating and cooling systems, installation of solar panels, composting areas. They have achieved various accreditations, CARF, the Care Retirement Community (CCRC) Accreditation received seventeen years in a row, and they were recognized in the community as part of the 100 Best Green Companies in Oregon in 2014, and Age-Friendly Business Certification since 2011.

Parkview isa building being constructed by the Issuer, it will have one- and two-bedroom apartments with amenities and it is designed using the international certification Passive House® a recognized proven construction standard and quality assurance system of the efficiency characteristics of the building. Parkview is projected to use half the energy of a similar code compliant high-quality conventional building; it is design to have the mechanical equipment and residential unit appliance selections for ultra-high efficiency performance. Approximately 350,000 kWh of energy will be offset with renewable energy production.

⁴ <https://www.unep.org/resources/publication/2019-global-status-report-buildings-and-construction-sector>

ISSUANCE

The Issuer has described the main characteristics of the Bond which covers the four core components of the GBP 2021 in internal documentation (the last updated documentation was provided to V.E on July, 2021). The Issuer has committed to make this document publicly accessible on its website, in line with good market practices.

Alignment with the Green Bond Principles

Use of Proceeds



The net proceeds of the Bond will exclusively finance one project as indicated in Table 1.

- The Selected Project is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of the Selected Project.
- The Environmental Objective is clearly defined, it is relevant for the Selected Project and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are clear, these are considered relevant, measurable, and will be qualified in the project reporting.
- The issuer has transparently communicated the estimated share of refinancing at bond level, and it is less than 50%. The look-back period for refinanced expenditures is equal or less than 36 months, in line with market practices.

BEST PRACTICES

- ⇒ Definitions and eligibility criteria are clear and in line with international standards for the Selected Project.
- ⇒ Relevant environmental benefits are identified and measurable for the Selected Project.
- ⇒ The issuer has transparently communicated the estimated share of refinancing at bond level, and it is less than 50%.



Table 1. V.E' analysis of the Selected Project, Sustainability Objectives and Expected Benefits as presented in the Issuer's internal documentation submitted to V.E.

- Nature of expenditures: Development and construction.
- Location of Eligible Projects/Assets: Portland. Oregon. US.

| ELIGIBLE CATEGORIES | DESCRIPTION | SUSTAINABILITY OBJECTIVES AND BENEFITS | V.E'S ANALYSIS |
|-------------------------------|---|---|---|
| PARKVIEW AT TERWILLIGER PLAZA | Parkview is a building being constructed within the Terwilliger Plaza campus,, it will have one- and two-bedroom apartments with amenities and it is designed using the international certification Passive House© energy standard. | <u>Climate change mitigation</u> CO2 emissions avoided Energy savings | <p>The Selected Project is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of the project.</p> <p>The Environmental Objective is clearly defined, it is relevant for the project and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear and precise, they are considered relevant, measurable, and will be qualified in the project reports.</p> |

SDG Contribution

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

| SELECTED PROJECT | SDG | SDG TARGETS |
|-------------------------------|---|--|
| |  7 Affordable and Clean Energy | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency. |
| PARKVIEW AT TERWILLIGER PLAZA |  13 Climate Action | UN SDG 13 consists of taking urgent action to combat climate change and its impacts. Banks can contribute to this goal by investing or lending in transition to a low carbon economy in its portfolio. |

Evaluation and Selection of Eligible Project



- The process for the Project Evaluation and Selection has been clearly defined by the Issuer, it is considered structured. The roles and responsibilities are clear and include internal expertise. The Process will be publicly disclosed in this SPO.
- Eligibility Criteria for the selection of the Project are clearly defined.
- The process applied to identify and manage potentially material E&S risks associated with the Project is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification, and corrective measures.

Process for Project Evaluation and Selection

- The selection and evaluation process for the Project follows the usual corporation procedure. The roles and responsibilities of the different entities are described below:
 - The Terwilliger Plaza Corporation has a Board of Directors with several standing committees, including the Executive Committee, Finance, Nominating, Governance and Retirement Plans fiduciary Committees.
 - The Executive Team, Outside Financial Feasibility Consultant and Finance Committee reviewed all the financial and sustainability characteristics of the project and the Finance Committee with support of the resolution recommended to the Board of Trustees' final approval of the project.
 - The Project evaluation and selection included the selection of Walsh Construction Company as the General Contractor, LRS Architects as the architect's firm in charge of the project design, MHS Consulting as the main development consultant firm and BC Group as the owner's representative.
 - Additionally, Terwilliger Plaza and the Parkview project have received advice and counsel from a resident council committee on sustainability and ecological best practices, called the "Green Team", which is a recognized committee within the organization.
 - The selection and the Project characteristics are documented in a resolution recommended by the CEO and signed by the Chair of the Board of Trustees following unanimous approval by the entire Board of Trustees.
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
 - The issuer reports that they will monitor compliance reviewing the metrics and certification requirements on an annual basis through the services of external engineers. The results of their review will be included in the annual report available to bond holders.
 - In case of non-compliance a plan of action will be presented to the Board of Trustees with input from the Green Team.
 - The commitment of Terwilliger Plaza and Parkview project includes quarterly tracking of water, gas and electricity to determine trends and any needed interventions operationally.
 - The recognized Green Team, and Resident Council communicate directly with the Executive Team and Resident Council is able to communicate the Board of Trustees.
 - The Issuer reports that it will monitor potential ESG controversies and the resolutions will be detailed in the annual report.

Eligibility Criteria

The process relies on explicit eligibility criteria, relevant to the environmental objective defined for the Selected Project.

- The selection criteria are based on the definition of the Selected Project defined Table 1 in the Use of Proceeds section.

BEST PRACTICES

- ⇒ Eligibility criteria for Project selection are clearly defined and detailed.
- ⇒ The Issuer reports that it will monitor compliance of selected project with eligibility and exclusion criteria specified and has provided details on content and frequency and on procedure adopted in case of non-compliance.

Management of Proceeds

| Not Aligned | Partially Aligned | Aligned | Best Practices |
|---|-------------------|---------|----------------|
| <ul style="list-style-type: none"> • The Process for Management and Allocation of proceeds is clearly defined and is disclosed in the herewith SPO. • The allocation period will be 24 months or less. • Net proceeds of the Bond will be placed in a segregated account. • The funds will be held by the Bond Trustee in instruments under Terwilliger's Permitted Investments as indicated in the Bond Indenture. • The Issuer has provided information on the procedure that will be applied in case of project postponement/cancellation: the bond will be redeemed. | | | |

Management Process

- The net proceeds of the Bond will be allocated, managed, and tracked by the Bond Trustee pursuant to the Bond Indenture (bond agreement). The proceeds will be credited to specific accounts and sub-accounts established under the Bond Indenture.
- The Bond Trustee will sign off on all monthly draws pursuant to the Construction Disbursement and Management Agreement. There will be an external Construction Monitor, who signs off on each monthly draw and track project progress to ensure balances on hand sufficient to complete the project with proper contingencies. They will deliver monthly reports.
- The funds will be held by the Bond Trustee in instruments under Terwilliger's Permitted Investments as indicated in the Bond Indenture.
- In case of the Project postponement, or cancellation the Issuer has committed to redeem in whole or part at a redemption price equal to the aggregate principal amount of the Bond to be redeem plus accrued interest to the redemption date.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project postponement or cancellation and it has committed to redeem the funds.

Monitoring & Reporting

| Not Aligned | Partially Aligned | Aligned | Best Practices |
|---|-------------------|---------|----------------|
| <ul style="list-style-type: none"> The Issuer has committed to report on the Use of Proceeds until Bond maturity. The report will be publicly available until bond maturity. The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected environmental benefits of the Selected Project. The Issuer has also committed to report on material development related to the project, including ESG controversies. An external auditor will verify the tracking and allocation of funds to the Selected Project until bond maturity. Indicators used to report on the environmental benefits of the Selected Project will be verified internally and externally by the Issuer. <p>The reporting methodology and assumptions used to report on environmental benefits of the Eligible Project will be disclosed only to bondholders.</p> | | | |

Indicators

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

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

| REPORTING INDICATORS |
|--|
| <ul style="list-style-type: none"> ⇒ Project status ⇒ The aggregated amount of (re)allocated net proceeds to the Selected Project ⇒ Balance or % of unallocated funds ⇒ The proportion of refinancing ⇒ Types of temporary unallocated funds uses |

- Environmental benefits: The indicators selected by the Issuer to report on the environmental benefits are clear and relevant:

| SELECTED PROJECT | ENVIRONMENTAL BENEFITS INDICATORS | |
|-------------------------------|--|---|
| | OUTPUTS AND OUTCOMES | IMPACT INDICATORS |
| PARKVIEW AT TERWILLIGER PLAZA | <ul style="list-style-type: none"> - Annual heating demand (kBtu/ft²yr) - Annual cooling demand (kBtu/ft²yr) - Peak heating load Btu/hr ft² - Peak cooling load Btu/hr ft² - Source energy kWh/person/yr - Site energy kBtu/ft²yr - Air tightness CFM/ft | <ul style="list-style-type: none"> - CO₂ emissions avoided (in kgCO₂e/year) - Energy savings (in kBtu/ft²yr or MWh/m²yr or absolute savings in MWh/yr). |

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 Project. The Issuer has also committed to report on material development related to the projects, including ESG controversies.
- ⇒ The issuer will report on allocation of proceeds and on environmental benefits at project level.
- ⇒ 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 Project.
- ⇒ Environmental benefits and impacts will be externally verified until bond maturity⁵.

⁵ The environmental benefit indicators will be verified by the US Passive House Institute annually in order to maintain certification.

Contribution to sustainability

Expected Impacts

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

| ELIGIBLE PROJECT | EXPECTED IMPACT | ANALYSIS |
|---|-----------------|---|
| Parkview project (Passive House certification) | ADVANCED | According to the United Nations Environment Program Global Status Report 2020, buildings and construction together account for 35% of global final energy use and 38% of energy-related carbon dioxide (CO ₂) emissions when upstream power generation is included. According to the U.S. Energy Information Administration ⁶ the real estate sector accounts for 29% of the U.S. energy consumption in 2020 of which the residential sector accounts for 22%. The Parkview project will be developed under the Passive House certification ⁷ , which follows one of the most stringent standards in terms of energy efficiency and emissions reduction. Particularly in terms of GHG emissions, the Passive House standard can be comparable to the highest levels of LEED certification. The Passive House standards also provides for greater isolation, maintaining temperature longer and decreasing the need for heating. In addition, the nature of the project (senior care facility) should also contribute to a lower environmental impact in the long term compared to other buildings with commercial purposes, which may have a more intensive use of energy and higher GHG emissions. |

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.

Environmental risks

Environmental Management System

The project was subject to a Phase 1 and Phase 2 Environmental Site Assessment, as well as Indoor Air Testing for existing buildings. These Environmental site Assessment were conducted by Black Mountain Consultancy LLC firm. Black Mountain identified a dry-cleaning business occupied a property near the Project construction site from at least 1970 through 2015. This lot was also occupied by a gas station in the late 1930s through approximately the early 1960s, which resulted in the contamination of the soil in the construction site. The Issuer reports over 3600 tons of contaminated soil were removed from the site and t

This construction site was given a permit from the Oregon Department of Environmental Quality (DEQ 1200c permit), which included a Contaminated Media Plan, Erosion and Sediment Control Plan, Stormwater Discharge Permit, Turbidity Monitoring, and 3rd party visual inspections.

The General Contractor of the project is Walsh Construction Co.⁸, which has an extensive experience developing buildings for commercial, housing, education and healthcare purposes, among others. Walsh Construction also has experience developing projects with different “green building” certifications, including LEED, Passive House, and others.

The Issuer also reported it selected zumBrunnen⁹, a full-service construction consulting company specialized in the senior living industry, to review construction progress, quality, and contractor requirements requests on a monthly basis for the project during the construction period.

⁶ <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

⁷ https://passiv.de/en/03_certification/03_certification.htm

⁸⁸ <https://www.walshconstruction.com/>

⁹ <https://www.zumbrunnen.com/>

GHG emissions and energy efficiency

Walsh Construction Co. works with its design teams and subcontractors to install envelope systems to ensure the desired level of quality and energy efficiency in their projects. These envelope systems allow for air and water leaks to be minimized, enabling the building's energy systems to work more efficiently by keeping heated air and water to stay inside.

In compliance with the "Passive House" Standards, the Parkview project is expected to use 50% less energy compared to a conventional building of this type. The Issuer reports it will provide 'Progress updates for pollution control' as part of Terwilliger Plaza's annual reporting using the tracking measurements outlined in the Passive House criteria.

In addition, the project includes the addition of PV Panels calculated to create 391,000 kWh of renewable energy per year.

Water management

During the operation, the Parkview will use water detention through a series of rain garden and green walls and roofs that have been incorporated into the design of the building. Low volume fixtures are used in all Terwilliger units with WaterSense labels¹⁰.

In addition, the Issuer reported on other water reduction strategies to be implemented for the project, including monitoring water meters, elimination of single-pass cooling, actions to minimize landscape irrigation and use of weather-based irrigation controllers. Terwilliger also reports all toilets, showers, bathtubs, faucets, dishwashers, and washers, meet the Energy Trust of Oregon¹¹ requirements for low flow.

Prevention and mitigation of inconveniences

The Issuer reports working hours for the General Contractor and sub-contractors are posted and in compliance with noise ordinance in the City of Portland. In addition, neighbors have been notified of the hours and have been provided with the Site Superintendent's cell phone and email to report any concerns or violations.

Social Risks

Human Rights

The Issuer reports Walsh Construction Co. complies with all federal, state and local laws regarding labor, employment, and employee health and safety. The Contractor's Human Resources Director is responsible for ensuring compliance with labor and employment regulations and also partners with their Safety Manager to ensure compliance with employee health and safety regulations. Walsh is also subject to audits by any federal, state or local agency responsible for enforcing the laws under which they are regulated, including the Occupational Safety and Health Act, Fair Labor Standards Act (FLSA), National Labor Relations Act, Taft-Hartley Act, Family and Medical Leave Act, among others.

In addition to the FLSA, Walsh reports to comply with state minor labor laws when employing any individual aged 15-17. These laws prohibit specific activities and the use of specific tools by minor employees. The Contractor prohibits minor employees from working on construction sites and they report they do not employ individuals under the age of 15.

In compliance with federal, state and local employment agency requirements, the Contractor reports every work location has printed posters in common areas visible to all employees that cover their rights under employment, labor and health and safety laws. These posters also include the phone number for the specific agency to which complaints and/or violations can be anonymously reported.

Regarding human rights risks during the operation of the project, Terwilliger has received CARF Certification¹², which include staff and resident requirement regarding fair treatment, quality care and the respect of dignity of all that work and live in the Terwilliger Plaza Community.

Health & Safety

The Issuer reports Walsh Construction Co. complies with all federal, state and local laws regarding labor, employment, and employee health and safety. The Contractor's Human Resources Director is responsible for ensuring compliance with labor and employment regulations and also partners with their Safety Manager to ensure compliance with employee health and safety regulations.

¹⁰ <https://www.epa.gov/watersense/watersense-label>

¹¹ <https://energytrust.org/>

¹² <http://www.carf.org/home/>

Walsh has a Health & Safety Policy in place to set high standards of safety throughout their operations and to ensure that no employee is required to work under any conditions that are hazardous or unsanitary without proper safeguards and training. Walsh also has an Employee Assistance Program that includes an 800 hotline for the reporting of ethical, safety or health concerns.

In addition, there is a Safety Committee that serves as an advisory capacity to all Walsh Construction Co. projects. This Committee makes recommendations on how to make the workplace safer and promoting employee adherence to safe work practices. The Safety Committee meets once a month and is open to employee participation.

Additionally, in attention to the COVID-19 pandemic, Walsh Construction reports to have implemented COVID-19 Site Management Plans to follow all recommendations by health authorities and ensure communication and monitoring of all its subcontractors.¹³

During operations, the Parkview project is expected to comply with the same standards provided for the other Terwilliger facilities. Terwilliger is part of the Caring Communities Risk Retention Group¹⁴, a liability insurance company serving not-for-profit senior housing and care organizations, which mandates the implementation of prescriptive "Tool Kits" that assure safety protocols, monitoring and routine audits.

Integration of social and environmental factors in the procurement

The Issuer reports during the General Contractor Selection process, the interviews included a review of the corporate compliance program and safety record to Walsh Construction and its related companies. The Issuer was also able to pre-qualify all subcontractors used by Walsh.

During the operation of the project, the Issuer reports all procurement of the different services provided in the Parkview facilities will be in accordance with Terwilliger Guiding Principles with specific guidelines to be developed by the community when it begins operations.

Ethics risks

Terwilliger has a Corporate Compliance Policy which includes the appointment of a Corporate Compliance Officer, Terwilliger Code of Conduct and a third-party hotline and reporting mechanism for employees to report violations of the Code of Conduct, which has specific procedures to conduct investigations on any possible violations.

The Corporate Compliance Policy also states employees and key contractors will be trained on a regular basis on the Code of conduct and the mechanisms to report Code violations.

Terwilliger Plaza has a Risk Management program to address risk management in the corporation's daily activities. This risk Management Program includes the appointment of a Risk Management Officer, to respond to incidents and engage with all departments and service areas, and with all employees, as well as a Risk Management Committee to review Risk Management program outcomes and Risk Management Officer recommendations.

For neighbors living around the Selected Project, there is an office number of the contractor and their Site Superintendent's mobile phone number and email address. The two neighboring homeowner associations can contact the CEO of Terwilliger Plaza directly should there be a need to report project related concerns or health and safety issues.

Finally, members of the Terwilliger Board of Directors are all required to file a Conflict of Interests Disclosure Statement.

¹³ <https://www.walshconstruction.com/2021/07/our-continued-response-to-covid-19/>

¹⁴ <https://caringcomm.org/about-us/>

ISSUER

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against Terwilliger Plaza 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.

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 Bond has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP") 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;¹⁵
- 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.

ESG risk management for eligible activities

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

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable¹⁶ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

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 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:

¹⁵ 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.

¹⁶ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

- 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 financial instrument's Contribution to sustainability | | Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles | |
|---|--|---|---|
| Advanced | An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks. | 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. |
| Robust | 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. | 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. |
| Limited | 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 advance expected impact combined with a weak level of assurance of E&S risk management. | 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. |
| Weak | 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. | 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. |

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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 Vigeo Eiris. Vigeo Eiris 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/Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer/Borrower. The Issuer/Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. Vigeo Eiris 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. Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the client. Vigeo Eiris grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer/Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond/loan(s) issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

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