

Second-Party Opinion

Century Housing Corporation

Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Century Housing Corporation (“Century”) Sustainability Bond Framework (“Framework”) aligns with the four core components of the International Capital Markets Association’s Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Affordable Housing, Green Buildings & Energy Efficiency and Transit Oriented Development are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental and social impacts and advance the United Nations (“UN”) Sustainable Development Goals (“SDGs”), specifically SDGs 1, 7, 10 and 11.



PROJECT EVALUATION / SELECTION Century’s loan policies require the selection of projects which are in compliance with the eligibility criteria using its existing loan approval policies. The legal requirements of Century’s federal and state exemptions require that all loans be made for the purpose of affordable housing as defined in the Framework. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Upon issuance, Century intends to allocate 100% of the proceeds from its bond offerings to its affordable housing lending operations. This will be carried out by funding new loans as well as refinancing existing debt. In this context, no commitments for ongoing management are required. The application of the proceeds will be tracked in accordance with Century’s internal corporate accounting systems. Sustainalytics considers this to be in line with market practice.



REPORTING Century intends to provide allocation and impact reporting on its website on an annual basis, until full allocation. Allocation reporting will include the share of loans used for new housing compared to retrofitting existing affordable homes and the share of financing allocated to green criteria compared to social criteria. Impact reporting will draw on several relevant quantitative and qualitative metrics. Sustainalytics views Century’s allocation and impact reporting as aligned with market practice.

Evaluation date June 9, 2020

Issuer Location Los Angeles, United States

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Introduction

Century Housing Corporation (“Century”, or the “Issuer”) is a non-profit community development financial institution (CDFI) that provides lending to specialized developers and preservers of affordable multifamily housing targeted at low-income wage earners across California. Century was privatized in 1995 and has since focused its investments in early stage acquisition and bridge loan products.

Century has developed the Century Housing Corporation Sustainability Bond Framework under which it intends to issue sustainability bond(s) and use the proceeds to finance and/or refinance, in whole or in part, existing or future loans that align with its mission of building sustainable cities by supporting the supply of quality affordable housing within its service areas. The Framework defines eligibility criteria in three areas:

1. Affordable Housing
2. Green Buildings & Energy Efficiency
3. Transit Oriented Development

Century engaged Sustainalytics to review the Framework, dated June 2020, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the International Capital Market Association’s (ICMA) Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published in separate documents.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework’s alignment with the ICMA Sustainability Bond Guidelines 2018;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.3, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Century’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Century representatives have confirmed (1) they understand it is the sole responsibility of Century to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

¹ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Century Sustainability Bond Framework will be made available on Century Housing Corporation’s website and an overview of the Framework will be included in the Position Offering Statement.

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Century Sustainability Bond Framework

Sustainalytics is of the opinion that the Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2018 (SBP). Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories –, Affordable Housing, Green Buildings & Energy Efficiency and Transit Oriented Development – are aligned with those recognized by the GBP and SBP.
 - The proceeds raised by these bonds will be used to finance and/or refinance a portion of Century's existing loan portfolio, which consists of pre-development, acquisition, construction, bridge and permanent loans. These loans intend to finance the creation, rehabilitation, and/or preservation of quality affordable housing with environmentally friendly features, promoting community revitalization and resident health while mitigating negative environmental impacts. Sustainalytics notes that Century originates more than \$200 million in new loans annually, an amount well in excess of the amount of sustainability bonds being issued.
 - Sustainalytics views the targeted nature of Century's projects positively and notes that in 2019 the average Century-originated loan was affordable for individuals and families earning 49.3% of Area Median Income ("AMI"), while, as of May 2020, the average home financed by Century's loans, year-to-date, was affordable to individuals and families earning 40.1% of AMI.⁴ Century's loans must also comply with state and federal regulatory criteria for affordability.^{5,6} Sustainalytics views the required thresholds positively, highlighting that 100% of the bond proceeds will be applied to financing the creation and preservation of affordable homes.
 - In addition to the Framework's social eligibility criteria, Century has defined a subset of its lending as having environmental benefits, making up the "green" portion of its sustainability bond(s). These include financing of Green Buildings & Energy Efficiency, in the form of both new

⁴ Century has communicated that using a percentage of AMI to measure affordability is based on the assumption that no more than 30% of gross household income should be required for either rent or mortgage payments.

⁵ Century benefits from specific IRS exemptions related to its status as a provider of affordable housing lending. The "Safe Harbor" exemption requires that 75% of the units financed be affordable to individuals or families earning no more than 80% of the AMI while the "Lessening the Burdens of the Government" exemption is designed to finance the creation of "workforce" housing which allows the financing of affordable housing to individuals and families earning up to 120% of AMI.

⁶ A majority of Century's loans will ultimately be financed with either 4% or 9% Low Income Housing Tax Credits (LIHTC). In order to qualify for funding under both LIHTC programs, developers must meet requirements as administered by the California Tax Credit Allocation Committee (CTCAC), including limiting rental costs to a maximum of 80% of AMI.

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construction as well as energy retrofits, as well as the promotion of Transit Oriented Development.

- Century will rely on approval of LIHTC status to determine if projects are to be classified within the Green Buildings & Energy Efficiency category. This credential relies on meeting minimum construction and environmental standards for both new construction and rehabilitation projects. Century has communicated to Sustainalytics that prospective developers must score full points on various environmental and energy metrics in the areas of sustainable design, building methods and materials, including compliance with various recognized green building standards and the integration of energy and water efficiency measures to be competitive in the awarding of LIHTC investments.⁷ Sustainalytics views the assessment process, requirements, and scope of the LIHTC programs positively and is of the opinion that such affordable housing developments will have an overall positive environmental impact.
 - Sustainalytics notes that refurbishments of existing housing that will be funded by the LIHTC programs generally target improvements in energy efficiency.
- Century intends to promote an increase in affordable housing opportunities that are situated near public transportation, with the goal of reducing workforce commute times as well as transportation-related emissions; these projects are classified as Transit Oriented Development (TOD). While qualification for this category is at the discretion of Century's internal assessments, Sustainalytics notes the high greenhouse gas (GHG) mitigation potential of these activities.
- In addition to the specific eligibility criteria above, all buildings financed by Century's loans are subject to California's building code. Sustainalytics notes that the Climate Bonds Initiative has approved the 2013 California Building Standards Code ("CALGreen, 2013") as a proxy to meet the Low-Carbon Building Standard,⁸ representing a high level of emissions performance, and therefore views compliance with CALGreen 2013, or its updated versions, as indicative of positive environmental impacts.
- As of May 2020, 56.6% of Century's loans were made to LIHTC projects, 28.1% were for Transit Oriented Developments and 4.0% had specific energy retrofit components, beyond those required by regulation. While all affordable housing projects are considered social, as of mid-May 2020, \$213 million (67%) of Century's portfolio of affordable housing loans also qualified as green, in line with the sustainability bond criteria.
 - It is noted that the green bond market has evolved certain thresholds pertaining to green building certifications levels and quantitative energy performance. While some of the investments labeled by Century as green are not guaranteed to meet these performance levels, as they will otherwise qualify under the social eligibility criteria of the Framework, Sustainalytics considers all the financing to be aligned with market practice.
- Project Evaluation and Selection:
 - Century will select projects using its existing loan approval policies and in compliance with the eligibility criteria, and has confirmed that it will prioritize projects that provide the greatest social benefit, which is measured by a series of quantitative and qualitative indicators such as affordability (based on a percentage of AMI) and populations served. Century's revolving bank credit facilities require that all loans be made, at minimum, for the purpose of affordable housing as defined in the Framework.

⁷ California State Treasurer, California Tax Credit Allocation Committee (CTCAC): <https://www.treasurer.ca.gov/ctcac/index.asp>

⁸ Climate Bond Standard on Low Carbon Buildings allow 2013 California Building Standards Code (Title 24) as approved proxies for identifying the "top 15%" low-carbon buildings. CBI, Location Specific Criteria for Residential Buildings: <https://www.climatebonds.net/files/files/California%20-%20Residential%20Proxy.pdf>

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- Sustainalytics considers this project selection and evaluation process to be in line with market practice.
- Management of Proceeds:
 - Upon issuance, Century intends to allocate 100% of the proceeds, net of issuance costs, from its bond offerings to its affordable housing lending operations. This will be carried out by funding new loans as well as refinancing of higher priced existing debt. In this context, no commitments for ongoing management are required. The application of the proceeds will be tracked in accordance with Century’s internal corporate accounting systems.
 - Based on Century’s commitment to allocate 100% of the proceeds to eligible projects upon issuance, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Century intends to provide allocation and impact reporting as well as any other disclosures made in association with its bond issuance on an annual basis on its website, until full allocation. Allocation reporting will include the share of loans used for new housing vs. retro-fitting existing affordable homes and the number and funding dollar amount of homes which meet the green, social or sustainable criteria. Impact reporting will draw on several relevant metrics, including the number of homes created through Century’s financing, the level of affordability of the homes measured (as measured by the percentage of AMI required to afford the home)⁹, jobs created through the construction of homes and the geography of the homes created.
 - Sustainalytics considers Century’s reporting commitments to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Framework aligns to the four core components of the GBP and SBP. For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Century

Contribution of Framework to Century Housing Corporation’s sustainability mandate

Through the stated belief that “everything starts with housing”, Century views affordable housing as the cornerstone to building healthy, sustainable communities. Century’s ultimate mission is to increase the supply of quality affordable housing within its service areas in order to give communities and its individuals the agency to improve their educational, employment and health outcomes. Since its establishment, Century has invested approximately USD \$2 billion in sustainable affordable housing projects, resulting in the creation of upwards of 43,000 homes. As a certified CDFI solely dedicated to leveraging capital to increase access to quality affordable housing, Century’s overall objectives are highly aligned with the focus of its sustainability bond.

Century’s annual report communicates its belief that environmental sustainability complements its core mission of community revitalization through affordable housing.¹⁰ Specifically, Century posits that quality housing built to regulated environmental standards reduces the impacts of human density, particularly in urban areas. By working with programs that mandate ongoing compliance to strict environmental standards, such as LIHTC, Century promotes green building practices such as the integration of energy and water efficient fixtures. As previously noted, all of Century’s activities take place within California where buildings are permitted subject to the State’s building code and green building standards; the code is currently the strictest of its kind in the United States. California’s requirements include guidelines for both energy and water efficiency, as well as low emission flooring and other building materials, and requires that all new residential construction meet extremely low or zero net energy requirements, as of January 2020.

⁹ Refer to footnote 4.

¹⁰ Century Housing Corporation, 2018 Annual Report: <https://secureservercdn.net/198.71.233.141/4d7.916.myftpupload.com/wp-content/uploads/2018-Century-Annual-Report.pdf>

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According to its most recent Annual Report,¹¹ Century financed 4,274 homes in 2019, distributing more than USD \$218 million in acquisition, construction and permanent financing toward new and preserved affordable projects targeting individuals earning, on average, 49.3% of AMI or less. This helped create over 4,625 construction jobs. In line with its Framework, as of mid-May 2020, out of a loan portfolio of USD \$316 million, USD \$179 million (56%) were LIHTC projects, USD \$89 million (28.1%) were Transit Oriented Development projects and USD \$12.4 (4%) had specific energy retrofit components, beyond those required by regulation. Going forward, Sustainalytics encourages Century to report on both the social and environmental aspects of its projects, where feasible.

Sustainalytics is of the opinion that the Framework is aligned with the company's overall sustainability efforts and will further the Company's action on fulfilling its mission.

Well positioned to address common social and environmental risks associated with the projects

Sustainalytics acknowledges that the projects funded under the Framework will generate overall positive environmental and social impacts; however, as with any construction and development-oriented projects, there may be risks associated. In regards to potential social risks, Sustainalytics recognizes that well-intentioned social programs such as affordable housing may inadvertently exacerbate existing inequalities if they are not well targeted to specific communities and groups, while some of the environmental risks may include adverse impact on local biodiversity and communities such as pollution and displacement.

Sustainalytics is of the opinion that Century is well positioned to manage and mitigate these risks through the following policies and procedures, and the context in which it operates:

- As part of its loan approval policies, Century mandates that all of its loans comply with one of its two IRS tax exemptions, Century's "Safe Harbor" and Century's "Lessening the Burdens of the Government", which both contain minimum thresholds and requirements that ensure loan proceeds are effectively targeted to communities and groups in need, including AMI cut offs. As part of this process, the loans issued under the "Lessening the Burdens of the Government" exemption require the approval of two members of Century's Board, referred to as "Government Directors". Sustainalytics believes this level of oversight strengthens the loan approval process.
- During the project selection process, Century prioritizes projects which will yield the greatest social benefit. This process takes into consideration several social and environmental factors, including the number of homes created or preserved, and their associated affordability, the populations served with attention to the economic conditions existing in the areas of the housing, as well as the environmental attributes and footprint of the potential project.
- Regarding adverse impact on biodiversity and communities, Sustainalytics considers that these impacts are mitigated by the laws and regulations in place in the jurisdictions in which Century operates as well as Century's internal selection process which prioritizes environmentally sustainable practices with a commitment to creating equitable and accessible communities. In addition, the LIHTC program, through which majority of Century's projects are ultimately financed, requires the incorporation of sustainable design, building methods and materials from the beginning of each development.
- Century's affordable housing initiatives are often delivered in cooperation with government bodies, such as the California Tax Credit Allocation Committee and in alignment with national environmental standards such as the National Environment Policy Act Part 58. Sustainalytics considers this cooperation with regulatory authorities as supporting responsible development and important for addressing potential stakeholder concerns.

Overall, Sustainalytics is of the opinion that through its own efforts as well as its adherence to and compliance with applicable laws and regulations, Century is well positioned to mitigate the environmental and social risks associated with the projects financed under its Framework.

¹¹ Century Housing Corporation, 2018 Annual Report: <https://secureservercdn.net/198.71.233.141/4d7.916.myftpupload.com/wp-content/uploads/2018-Century-Annual-Report.pdf>

Section 3: Impact of Use of Proceeds

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

Importance of affordable housing in the state of California

The lack of affordable housing is a substantial problem in the United States and particularly in the state of California. More than 3 million Californian households spend greater than 30% of their income on rent, with more than 1.5 million households spending more than 50%.¹² While homelessness declined in most states in the US between 2018 and 2019, California reported a 16% increase during the same period, contributing to a national increase in homelessness by 3%. Over 151,000 people experienced homelessness in California in 2019, representing ~27% of the national total¹³ despite being home to only ~12% of the country's population.¹⁴ Furthermore, studies have shown that housing poverty leads to negative social outcomes across multiple dimensions as families and individuals are compelled to make trade-offs between spending on rent and on other essentials such as food, healthcare, and transportation.¹⁵

Overcoming California's severe housing crisis entails significant investment in projects with positive social impact. The State has already directed \$3 billion to combat homelessness in the last two years and the Governor has requested an additional \$1.4 billion this year to tackle this problem.¹⁶ In addition to this direct funding, housing development at the level required will also require private-sector debt investment, notably the early stage loans that Century provides. In this context, and considering the thresholds which are used by Century to determine eligibility, Sustainalytics views positively investment in subsidized and affordable housing projects in the state of California.

Incorporation of environmentally friendly attributes into affordable housing

The building sector is the second-largest source of GHG emissions in the state of California¹⁷ and has been subject to increasing regulation. Even under the LIHTC program, which ultimately finances a majority of the projects that Century lends to, eligibility is determined by a point-based system with additional points awarded to projects with sustainable design components. Given the high level of competition for credits under LIHTC, full-point scoring has practically become a prerequisite thereby making green design elements "de rigueur" and part of developer's preliminary site assessment criteria.

Further, an area of focus for Century is Transit-Oriented Development (TOD) which seeks to locate housing and other community services in proximity to public transport. This reduces the time and money spent by residents in commute and contributes to their social and economic well-being. TOD also contributes to positive environmental outcomes directly, by reducing overall vehicle-miles traveled and indirectly, through ancillary benefits such as increased suitability for energy conservation and district energy applications, improved stormwater management as less impermeable surfaces are required for parking, and greater opportunities for solar power usage.¹⁸ The environmental footprint of well-developed TODs is estimated to be ~35% lower than that of conventional developments.¹⁹

This environmental lens is of particular relevance considering the populations that Century serves, as low-income and minority communities "often bear the most severe consequences of environmental degradation

¹² California Department of Housing and Community Development, "California's Housing Future: Challenges and Opportunities", <https://hcd.ca.gov/policy-research/plans-reports/docs/California's-Housing-Future-Main-Document-Draft.pdf>

¹³ The US Department of Housing and Urban Development, "The 2019 Annual Homeless Assessment Report to Congress", <https://files.hudexchange.info/resources/documents/2019-AHAR-Part-1.pdf>

¹⁴ World Population Review, <https://worldpopulationreview.com/states/california-population/>

¹⁵ CityLab, "For Low-Income Renters, the Affordable Housing Gap Persists", <https://www.citylab.com/equity/2018/03/for-low-income-renters-the-gap-in-affordable-housing-persists/555458/>

¹⁶ Lozano, Alicia V., "California governor seeks \$1.4 billion to combat homelessness as crisis grows" <https://www.nbcnews.com/news/us-news/california-governor-seeks-1-4-billion-combat-homelessness-crisis-grows-n1113926>

¹⁷ California Air Resources Board, "Research on Green Buildings", <https://ww2.arb.ca.gov/research/research-green-buildings>

¹⁸ Center for Neighborhood Technology, "Transit Oriented Development and The Potential for VMT-related Greenhouse Gas Emissions Growth Reduction", https://www.cnt.org/sites/default/files/publications/TOD-Potential-GHG-Emissions-Growth.FINAL_.pdf

¹⁹ Cervero & Sullivan, "Toward Green TODs", <https://trid.trb.org/view/1084149>

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and pollution.”²⁰ A study from Yale University found that, in major US metro areas, communities with higher rates of poverty and unemployment were more likely to be exposed to higher levels of fine particulate air pollution, including toxic substances, and face commensurately greater health risks.²¹ Considering the foregoing, Sustainalytics views positively both the specific green investments considered under the Framework, as well as the broader focus on addressing the environmental impact of building accommodation to serve low-income populations.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG goals and targets:

Use of Proceeds Categories	SDG	SDG target
Affordable Housing	1. No Poverty	1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions
	10. Reduced Inequalities	10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard
	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums according to national definitions
Green Buildings & Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Transit Oriented Developments	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

Conclusion

Century has developed the Framework under which it will issue sustainability bonds and use the proceeds to finance and/or refinance affordable housing loans in the State of California. The Framework has also defined eligible green categories, specifically Green Building & Energy Efficiency and Transit Oriented Development.

²⁰ Massey,R, “Environmental Justice: Income, Race, and Health”, http://www.ase.tufts.edu/gdae/education_materials/modules/environmental_justice.pdf

²¹ Katz, C, “People in Poor Neighborhoods Breathe More Hazardous Particles”, <https://www.scientificamerican.com/article/people-poor-neighborhoods-breathe-more-hazardous-particles/>

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Sustainalytics considers that the projects funded by the sustainability bond proceeds will help build safe, healthy and sustainable communities.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 7, 10 and 11. Additionally, Sustainalytics is of the opinion that Century has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Century Housing Corporation is well-positioned to issue sustainability bonds and that the Century Housing Corporation's Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2018).

Appendices

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Century Housing Corporation
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Century Housing Corporation Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 9, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds, Affordable Housing, Green Buildings & Energy Efficiency and Transit Oriented Development are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental and social impacts and advance the United Nations (“UN”) Sustainable Development Goals (“SDGs”), specifically SDGs 1, 7, 10 and 11.

Use of proceeds categories as per GBP:

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

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

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |

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- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs
 Other (please specify):

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Century's loan policies require the selection of projects which are in compliance with the eligibility criteria using its existing loan approval policies. The legal requirements of Century's federal and state exemptions require that all loans be made for the purpose of affordable housing as defined in the Framework. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Upon issuance, Century intends to allocate 100% of the proceeds from its bond offerings to its affordable housing lending operations. This will be carried out by funding new loans as well as refinancing existing debt. In this context, no commitments for ongoing management are required. The application of the proceeds will be tracked in accordance with Century's internal corporate accounting systems. Sustainalytics considers this to be in line with market practice.

Tracking of proceeds:

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

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Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Century intends to provide allocation and impact reporting on its website on an annual basis until full allocation. Allocation reporting will include the share of loans used for new housing compared to retrofitting existing affordable homes and the share of financing allocated to the green criteria compared to social criteria. Impact reporting will draw on several relevant quantitative and qualitative metrics. Sustainalytics views Century Housing Corporation’s allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

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Information reported (expected or ex-post):

- | | |
|--|--|
| <input type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): See Framework for various indicators. |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

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

- i. Second Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria.

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Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.

Green, Social and Sustainability Bond Scoring/Rating: An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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