

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Social Bond Framework

Southwest Stage Funding LLC DBA Cascade Financial Services  
18 March 2022

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Social Bonds</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• ICMA's Social Bond Principles (SBP) (June 2021)</li><li>• Cascade Financial Services Social Bond Framework (as of 04 March 2022)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Cascade Financial Services Selection Criteria (as of 04 March 2022)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• As long as there is no material change to the Framework</li></ul>

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## SCOPE OF WORK

Southwest Stage Funding LLC DBA Cascade Financial Services (“the Issuer” or “Cascade”) commissioned ISS ESG to assist with its Social Bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. Social Bonds link to Cascade’s sustainability strategy – drawing on Cascade’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Cascade’s Social Bond Framework (04 March 2022 version) – benchmarked against the International Capital Market Association's (ICMA) Social Bond Principles (SBP).
3. The Selection Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

## CASCADE BUSINESS OVERVIEW

Southwest Stage Funding LLC DBA Cascade Financial Services (“Cascade”) is a leading originator and servicer of home loans specializing in factory-built housing market. Founded in 1999, Cascade has focused on the Government Insured and GSE markets until 2017 when it launched a suite of products catering to typically lower income or poorer credit buyers of homes. Cascade operates offices in Chandler, Arizona and Buda, Texas.

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Social Bonds link to issuer's sustainability strategy</b></p>	<p>Cascade is an originator and servicer of home loans specializing in factory-built housing market. Cascade also serves as a third-party servicer for seasoned manufactured housing loans. As of December 31, 2021, Cascade serviced over 33,000 loans. Manufactured housing represents the vast majority of new homes sold under \$200,000, helping to bring down the cost of financing for underserved buyers of homes.</p> <p>The Use of Proceeds financed through these Social Bonds are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Social Bonds is clearly described by the issuer.</p>	<p><b>Consistent with issuer's sustainability strategy</b></p>
<p><b>Part 2:</b></p> <p><b>Alignment with SBP</b></p>	<p>The Company has defined a formal concept for its Social Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is aligned with ICMA's Social Bond Principles.</p>	<p><b>Aligned</b></p>
<p><b>Part 3:</b></p> <p><b>Sustainability quality of the Selection Criteria</b></p>	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimization is good based upon the ISS ESG assessment. The Social Bond will (re-)finance eligible asset categories which include: Essential Services (financial services) to manufactured housing buyers. The use of proceeds category has a limited contribution to SDGs 1 'No Poverty' and 10 'Reduced Inequalities'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p><b>Positive</b></p>

<sup>1</sup> ISS ESG's evaluation is based on the Cascade's Social Bond Framework (March 4<sup>th</sup>, 2022 version), on the selection criteria as received on March 4<sup>th</sup>, and on the ISS ESG Indicative Corporate Rating updated on March 4<sup>th</sup> and applicable at the SPO delivery date

## ISS ESG SPO ASSESSMENT

### PART I: SOCIAL BONDS LINK TO CASCADE'S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF CASCADE'S ESG PERFORMANCE

**Methodological note: Please note that Cascade Financial Services is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Mortgage & Public Sector Finance sector mainly based on publicly available information. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.**

#### *Industry classification:*

Mortgage & Public Sector Finance

#### *Key issues of the industry:*

1. Sustainability impacts of lending and other financial services/products
2. Customer and product responsibility
3. Employee relations and work environment
4. Statutory ESG-standards linked to the geographical allocation of the lending portfolio

#### *Indicative ESG risk and performance assessment*

Cascade Financial Services ("Cascade") is a specialized originator and servicer of home loans in the factory built housing market in the United States. By financing social and affordable housing, Cascade contributes to providing basic services for a market underserved by other financing sources. Cascade focuses on the US market, where poor social and environmental standards, either set by law or industry agreements, apply to the company's portfolio. There are no indications that further ESG criteria are considered in the credit rating process.

According to the company, strategies are in place to support financially distressed customers. Yet, no details are available regarding a comprehensive framework to ensure an adequate treatment of clients with debt repayment problems, including pre-emptive actions, debt counselling, or restructuring options under non-detrimental conditions. The firm's adherence to TILA regulations illustrates its process regarding the provision of accurate and balanced information in a clear manner. Advertising procedures and interactions with existing and prospective customers follow strict guidelines, all advertisement require approval from its legal department. Anti-discrimination policies are in place, though a comprehensive client complaint monitoring systems are not disclosed. In addition, the company has implemented some elements of an information security management system. Audits to assess compliance with ECOA are performed, but its frequency and conclusions are not publicly disclosed.

Staff related risks such as discrimination as well as health and safety are mitigated to some extent by high labor standards applicable in the United States. In addition, Cascade fosters employees' mental health through an Employee Assistance Program and has taken initial measures to promote work-life balance (e.g., flexible working, telecommuting).

#### *Indicative product portfolio assessment*

Cascade finances social housing as well as affordable housing. These products constitute a large share of the company's overall portfolio.

Cascade's product portfolio does not seem to have any net positive or negative environmental impact. According to the Manufactured Housing Institute, part of new manufactured homes are built to meet or exceed Energy Star standards. The Energy star certification typically results in a home being at least 10% more energy efficient than a model built to the minimum code, which is not sufficient to award a higher rating according to ISS ESG methodology.

#### *Controversy assessment*

##### **Company Screening**

The analyst in charge of producing this report conducted a high-level controversy assessment, based on publicly available information exclusively. There is no indication of Cascade Financial Services being involved in any of the below mentioned controversies.

##### **Industry risks**

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Mortgage & Public Sector Finance sector are as follows: Failure to pay share of taxes, failure to mitigate climate change impacts, and failure to conduct human rights due diligence. This is closely followed by failure to prevent money laundering, workplace discrimination on the grounds of gender and failure to manage cybersecurity.

## **B. CONSISTENCY OF SOCIAL BONDS WITH CASCADE'S SUSTAINABILITY STRATEGY**

Cascade's board approves an ESG Summary and Targets on an annual basis. The key sustainability objectives for the issuer are derived from their 2021-22 ESG Summary and Targets. The strategy is focused on internal processes within their offices and employees.

#### *Key sustainability objectives and priorities defined by the issuer*

1. Energy Efficiency in Offices and Home Builds
  - a. Partner with manufactured home builders and retailers which focus on the use of Energy Star rated materials in their builds.
  - b. Remote work has allowed Cascade to reduce their Carbon Footprint through reduction of use of their facilities, printers, water, and electricity.
2. Focus on Prefabricated Homes to Expand Affordable Housing
  - a. Focus has been to lend to people to facilitate purchases of prefabricated homes, costing up to 50 percent less per square foot than conventional site-built homes.

- b. Lending to a lower income demographic without stressing the borrower's ability to pay.
  - c. Cascade's President founded and currently chairs a committee at the Manufactured Housing Institute focused on increasing zoning for manufactured housing across the country.
3. ESG Outline and Sustainability Goals Revised Annually
- a. Focused on reducing energy consumption by 50% and reducing paper, water, and printer waste through a remote work force.
  - b. Achieve SOC2 rating for year 2022 and complete company-wide Cybersecurity training KnowBeFor.
  - c. Aiming to receive no negative audit ratings from Cascade's annual independent financial audit for 2022.

For all sustainability priorities, Cascade defined specific sustainability objectives and priorities, as well as a period of relevance for most of the objectives.

### *Rationale for issuance*

The proceeds from the issuance of the Social Bonds by Cascade will be utilized by the company to purchase a specific pool of loans that finance manufactured housing to underserved borrowers that lack access to affordable housing. Cascade's goal is to provide financing for buyers of manufactured housing as well as those simply looking to refinance. Cascade claims that by creating a competitive dynamic, they aim at bringing down the cost of financing for underserved buyers of homes – often in rural areas, for minorities as well as for lower income people.

Cascade's focus has been to lend to people to facilitate purchases of prefabricated homes – predominately homes built in accordance with HUD code. Such homes cost up to 50 percent less per square foot than conventional site-built homes<sup>2</sup>, expanding the opportunity for borrowers to own their home despite an ever-increasing housing affordability gap. The buyers of manufactured housing are underserved by traditional lenders as they tend to have lower income, lower assets, less formal education and poorer credit than site-built home buyers.

### *Contribution of Use of Proceeds categories to sustainability objectives and challenges*

ISS ESG mapped the Use of Proceeds categories financed under this Social Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Mortgage & Public Sector Finance industry. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g., climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

<sup>2</sup> According to the U.S. Census, in 2020, the average price of a manufactured home was \$87,000 at \$59 per square foot. For the same year, the average price of a new single-family [site-built home was \\$391,900 at \\$122 per square foot](#)

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
<b>Manufactured housing loans</b>	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Social Bonds is clearly described by the issuer.*



## PART II: ALIGNMENT WITH ICMA'S SOCIAL BOND PRINCIPLES

### 1. Use of Proceeds

#### FROM ISSUER'S FRAMEWORK

The proceeds from the issuance of Social Bonds must be applied to Social Projects that generate specific and well-defined social benefits. Social Projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for target populations.

**In the proposed financing of manufactured housing, the loans have the following characteristics:**

- Average FICO score at origination of 657
- Average original rate of 7.87%
- 89% Chattel loans
- Greater than 7% will be LandSmart loans to borrowers that are credit impaired with FICO scores <660
- Average down payment of 9%
- Over 85% of the loans in the proposed transaction will be to borrowers that are either in low- or moderate-income census tracts, in an Underserved Middle Income census tract, have incomes less than 80% AMI or are workforce housing (defined by <120% AMI).

The target population are buyers of manufactured housing. Retailers of manufactured housing target sales to lower to moderate income households.

One hundred percent of the net proceeds of each Social Bond issued by Cascade Manufactured Housing Asset Trust (CMHAT) under the Framework will be applied to fund the issuer's purchase of portfolios of loans originated by Cascade and to pay certain expenses incurred in connection with the issuance of the Social Bonds. The issuer will finance the purchase of these loans through a term non-recourse securitization of the underlying loan portfolio, involving the issuance of securitized Social Bonds to one or more investors.

The positive social impact of the Eligible Social Project will derive from its direct contribution to improving access to credit and socio-economic advancement and empowerment through equitable access to and control over assets, in each case by making home loan finance available to applicants who cannot access affordable financing from traditional lenders, as they are typically denied credit for such purposes by the leading housing lenders in the country.

Unlike the largest traditional lenders, Cascade will make loans to buyers of homes pledging only the home as collateral, buyers seeking loans for manufactured housing that do not qualify for Government insurance or for which GSEs will not buy. There are few lenders in this space, and due to that lack of competition and lack of Government subsidy, borrowers are underserved. According to data submitted in accordance with The Home Mortgage Disclosure Act ("HMDA"), four lenders originated 79% of all chattel loans in 2020. The two largest of these lenders (representing 61% of all chattel origination) are owned by the same parent company and do not compete with each other. Cascade considers applications from borrowers with complex income, poorer credit and fewer

assets. Chattel loans are not purchased by the GSEs nor effectively insured by FHA. The loans are more difficult and expensive to originate at an affordable rate given the fixed costs of fulfilment and small loan sizes. They are also less profitable to service as servicing fees are typically paid as a percentage of the unpaid principal balance. The Housing and Economic Recovery Act of 2008 amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to establish a duty for Fannie Mae and Freddie Mac to serve three specific underserved markets – manufactured housing, affordable housing preservation and rural housing by increasing the liquidity for mortgage instruments (inclusive of Chattel) and improving the distribution of investment capital to these sectors. To date, neither Enterprise has successfully purchased chattel loans leaving all borrowers with greatly reduced financing options relative to the site-built sector.

**Exclusion List:**

Cascade's products are targeted towards home loan borrowers and is not knowingly involved in financing any of the following activities through the proceeds of any social bond: weapons, gambling, tobacco, predatory lending, or fossil fuel production.

**Opinion:** ISS ESG considers the Use of Proceeds description provided by Cascade's Social Bond Framework as aligned with the ICMA Social Bond Principles (SBP). Cascade has identified a target population consisting of buyers of manufactured housing enhancing access to Affordable Housing by providing chattel loans. Borrowers that are either in low or moderate income census tracts, in an Underserved Middle Income census tract, have incomes less than 80% AMI or are workforce housing (defined by <120% AMI), make-up c. 85% of the population who will receive financing through the social bond.

## 2. Process for Project Evaluation and Selection

### FROM ISSUER'S FRAMEWORK

The evaluation and selection process will ensure that the proceeds of the Social Bonds issued under this Framework will ultimately be used to originate owner-occupied home loans aimed at the target population described above. All portfolio loans eligible for securitization (not currently encumbered in a REMIC) originated since 2017 will be examined by a newly formed Social Bond Working Group consisting of representatives of Capital Markets and Financial Planning and Analysis to ensure that Cascade is improving access to home loan finance and facilitating home ownership for borrowers almost entirely ignored by mainstream lenders. The committee will be charged with ensuring that 100% of the loans are made to buyers of prefabricated homes and that greater than 95% of the loans were made for purchase prices well below the median home price for new homes in the country. Any homes that were site built are excluded from the pool. Any borrowers currently struggling to remain current on the loan (defined as 60 days or more delinquent or initiated loss mitigation in the most recent month) are also excluded from the pool. All borrowers are required to attest that they intend to occupy the home themselves.

Most new manufactured homes built today are far superior from an energy efficiency perspective than old site built homes. According to the Manufactured Housing Institute:

- The controlled environment of the factory-built process not only offers consumers unmatched quality and affordability due to technological advancements and other advantages, but the industry has also become a pioneer in the development of processes that value efficiency and reduce waste. The construction of a manufactured home produces significantly less waste than the construction of a site-built home due to the factory-built process which utilizes exact dimensions and measurements for most building materials and ordering those materials in bulk.
- With an emphasis on safety and energy efficiency, MHI and its members are constantly developing new initiatives and technologies, such as comprehensive recycling programs or ductless “mini-split” heat pump systems.
- Today’s modern manufacturing plants are so efficient that in two weeks they can build a home that is ready for delivery and installation with no more scrap waste than can fill a few garbage barrels, unlike site-built homes which require large dumpsters. Everything else is reused or recycled - cardboard, plastic, carpet padding, vinyl siding, scrap wood and much more.
- In comparison, the National Association of Homebuilders (NAHB) estimates that construction of an average 2,000 square foot site-built home generates 1,500 to 3,700 pounds of solid waste and 1,000 to 1,800 pounds of engineered wood waste.
- With respect to the energy efficiency of manufactured homes, just like site-built homes, manufactured homes are constructed and fitted with energy efficient features that are tailored to the climate demands of the region in which each home will be sited.
- In 2020, over 30% of all homes produced included the Energy Star label. New homes are constructed according to HUD code.

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by Cascade’s Social Bond Framework as aligned with the ICMA’s SBP. Cascade has outlined measures to identify and manage social risks related to the project categories. Moreover, the projects selected show alignment with the corporate mission strategy of the issuer. The evaluation and selection process is well described, with the companies originating the loans and department involved in the process clearly identified.

### 3. Management of Proceeds

#### FROM ISSUER’S FRAMEWORK

Cascade is an accredited, established retail facing housing lender and sponsor of non-recourse, term securitizations. Cascade’s internal accounting and financial management and information systems will maintain data relevant to its Social Bond and management of its proceeds.

US Bank will act as Trustee for the securitization and will publish monthly remittance reports displaying loan payment and performance for all investors. One hundred percent of net proceeds of the bond offering will be used by the Issuer to purchase a specific pool of loans originated by Cascade. There will be no unallocated proceeds. All proceeds will be allocated on day 1 as all the loans will have already been selected.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by Cascade's Social Bond Framework is aligned with the ICMA's Social Bond Principles (SBP), as the proceeds will be used by the issuer on the issuance date.

#### 4. Reporting

##### FROM ISSUER'S FRAMEWORK

Cascade will ensure that US Bank (or another suitable Trustee) will report monthly to all current investors on the status of the Bond offering. Reports will be provided until all offered bonds have been 100% completely paid off. This report will include sizes of each bond offering, remaining unpaid principal balance of each offering, legal final maturity dates as well as the status of every loan in the purchased portfolio.

Where possible, reporting of the social impacts resulting from loans financed by the Social Bond proceeds will include:

- # of loans included in portfolio
- aggregate principal balance of loans included in portfolio
- average principal balance of loans included in portfolio
- weighted average loan to value ratio in portfolio
- weighted average interest rate in portfolio
- geographic distribution of loans in portfolio
- loss mitigation activity of loans in portfolio
- loans that have paid off or been liquidated during the month

**Opinion:** ISS ESG finds that the reporting proposed by Cascade's Social Bond Framework is aligned with the ICMA's Social Bond Principles (SBP). The level, frequency and duration of the social financing instrument reporting is clearly defined.

#### External review

##### FROM ISSUER'S FRAMEWORK

The Second Party Opinion will be made publicly available on Cascade's website.

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

### A. CONTRIBUTION OF THE SOCIAL BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Social Bond Selection Criteria and using a proprietary methodology, ISS ESG assessed the contribution of Cascade’s Social Bond to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on a 5-point scale (see Annex 2 for methodology):



Each of the Social Bond’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Essential Services (financial services) Financing of manufactured housing	Limited Contribution <sup>3</sup>	1 NO POVERTY, 10 REDUCED INEQUALITIES

### B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

#### Key performance indicators (KPIs) covering social categories

##### ASSESSMENT AGAINST ISS ESG KPI

##### Inclusion

- ✓ Cascade has a policy in place to ensure they adhere to state or federal law that addresses inclusion, including, but not limited to, the Equal Credit Opportunity Act (“ECOA”) and its implementing regulation (Regulation B) and the Fair Housing Act (“FHA”). These regulations prohibit discrimination in all aspects of residential real-estate related transactions. Additionally, Cascade has utilized a third party (ADI Consulting) to assess their Fair Lending compliance program. The 2020 Fair Lending Analysis identified that they have a relatively low level of Fair Lending risk.

<sup>3</sup> This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology, designed to assess the impact of an Issuer’s product and service portfolio on the SDGs. By providing financial services to manufactured housing buyers in the U.S., Cascade facilitates access to social housing/affordable housing solutions.

### Responsible sales practices

- ✓ Cascade has individual measures in place to ensure a commitment to responsible sales practices. Cascade's Loan Officer's compensation is not based on the product that the customer chooses, and the underwriter's compensation is not based on successful closing of the loan. The Loan Officer's responsibilities are separate from the underwriter's responsibilities. Additionally, there is an extensive underwriting and audit process to ensure the borrower has chosen a loan they can afford and that there is ample residual income after servicing of all debt inclusive of housing debt. Moreover, Loan Officers receive extensive and ongoing training as to best sales practices

### Responsible marketing

- ✓ The issuer has policies in place to ensure responsible marketing. It complies with the Truth in Lending Act (TILA) and Regulation Z which require a Truth in Lending Statement, itemization of amount financed, notice of right to cancel, etc. Additionally, advertising procedures and interactions with existing and prospective customers follow strict guidelines, and all advertisements require approval from its legal department.

### Responsible treatment of customers

- ✓ Pre-emptive actions to prevent client debt repayment problems: Measures/practices are in place to prevent client debt repayment problems. Cascade's policy adheres to the Ability-to-Repay ("ATR") requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The ATR requires that Cascade makes a reasonable, good faith assessment of a consumer's ability to repay a loan secured by a dwelling before extending credit to that consumer. According to the company, once the loan is granted, if borrowers miss a payment, the issuer sends them a delinquency notice and follow-up on how to enter in contact with Cascade and how to find counselling in their area. Still limited information is available on a comprehensive and detailed framework regarding pre-emptive actions to prevent client debt repayment problems.
- ✓ Selling of contractually serviced loans: Cascade has never sold servicing rights and views the servicing function as a critical part of the customer relationship and business plan. In its framework, the issuer confirms it does not plan to ever sell its servicing rights.
- ✓ Sustainable solutions offered to customers with debt repayment problems: Cascade implemented solutions for customers with debt repayment problems. The issuer adheres to The United States Department of Housing and Urban Development (HUD) Loss Mitigation Program. The Mortgagee must evaluate Borrowers using the Loss Mitigation Option Priority Waterfall to determine which, if any, Loss Mitigation Options are appropriate in accordance with HUD guidance. According to the company's Framework, whenever borrowers are offered Loss Mitigation options, they are not charged (the debt burden is either temporarily or permanently lowered). Still limited information is available on a comprehensive and detailed framework regarding restructuring solutions offered under non-detrimental conditions.

## DISCLAIMER

1. Validity of the SPO: As long as there is no material change to the Framework
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 1: Methodology

### ISS ESG SOCIAL KPIS

The ISS ESG Social Bond KPIS serve as a structure for evaluating the sustainability quality – i.e., the social and environmental added value – of the use of proceeds of Cascade’s Social Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets, and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

### Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Social Bond KPIS.

All percentages refer to the amount of assets within one category (e.g., wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIS.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Cascade (e.g., Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Cascade’s Social Bond contributes to related SDGs.



## ANNEX 2: Quality management processes

### SCOPE

Cascade commissioned ISS ESG to compile a Social Bond SPO. The Second Party Opinion process includes verifying whether the Social Bond Framework aligns with the ICMA Social Bond Principles and to assess the sustainability credentials of its Social Bond, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Social Bond Principles
- ISS ESG Key Performance Indicators relevant for Use of Proceeds categories selected by Cascade

### ISSUER'S RESPONSIBILITY

Cascade's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Social Bond to be issued by Cascade based on ISS ESG methodology and in line with the ICMA Social Bond Principles.

The engagement with Cascade took place from January to March 2022.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific Social Bond SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

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