



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Starwood Property Trust Inc.
02 November 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none"> ▪ Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans
Relevant standards	<ul style="list-style-type: none"> ▪ Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines as administered by the ICMA (as of June 2021 with June 2022 Appendix I) ▪ Green Loan Principles and Social Loan Principles, as administered by the LMA (as of February and April 2021)
Scope of verification	<ul style="list-style-type: none"> ▪ Starwood Sustainable Finance Framework (as of October 31, 2022) ▪ Starwood Property Trust Selection Criteria (as of October 31, 2022)
Lifecycle	<ul style="list-style-type: none"> ▪ Pre-issuance verification
Validity	<ul style="list-style-type: none"> ▪ As long as there is no material change to the Framework

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SCOPE OF WORK

Starwood Property Trust (“the issuer¹” or “Starwood”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans by assessing three core elements to determine the sustainability quality of the instruments:

1. Starwood’s Sustainable Finance Framework (as of October 31, 2022) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), and the Loan Market Association’s (LMA) Green Loan Principles (GLP), and Social Loan Principles (SLP).
2. The Selection Criteria – whether the project categories contribute positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans link to Starwood’s sustainability strategy – drawing on Starwood’s overall sustainability profile and issuance-specific Use of Proceeds categories.

STARWOOD BUSINESS OVERVIEW

Starwood Property Trust, Inc. engages in originating, acquiring, financing, and managing commercial mortgage loans and other commercial real estate debt and equity investments. It operates through the following segments: Real Estate Commercial and Residential Lending, Real Estate Property, Infrastructure Lending, and Real Estate Investing and Servicing. The Real Estate Commercial and Residential Lending segment includes commercial first and subordinated mortgages, mezzanine loans, preferred equity, certain residential mortgage loans, and other real estate debt investments. The Real Estate Property segment consists of acquisition and managing equity interests in stabilized commercial real estate properties, such as multi-family properties, that are held for investment. The Infrastructure Lending Segment engages primarily in originating, acquiring, financing, and managing infrastructure debt investments. The Real Estate Investing and Servicing comprises servicing business that manages and works out problem assets, investment business that acquires and manages unrated, investment grade, and non-investment grade, mortgage loan business which originates conduit loans for the purpose of selling loans into securitization transactions and an investment business that acquires commercial real estate assets. The company was founded on August 17, 2009, and is headquartered in Greenwich, CT.

¹ In the case a loan is issued by Starwood Property Trust, Inc., the SPO remains valid by reading “borrower” instead of “issuer”.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
Part 1: Alignment with GBP/SBP/SBG /GLP/SLP	The issuer has defined a formal concept for its Green Bonds, Social Bonds, and Sustainability Bonds regarding Use of Proceeds, Processes for Project Evaluation and Selection, Management of Proceeds, and Reporting. This concept is in line with the Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), Green Loan Principles (GLP), and Social Loan Principles (SLP).	Aligned
Part 2: Sustainability quality of the Selection Criteria	<p>The Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans will (re-)finance eligible asset categories which include: green buildings, renewable energy, energy efficiency, pollution prevention and control, clean transportation, climate change adaptation, sustainable water and wastewater management, and affordable housing.</p> <p>Green Buildings and Affordable Housing Use of Proceeds categories have a significant contribution to SDGs 1 ‘No Poverty’, and 11 ‘Sustainable Cities and Communities’, and a limited contribution to SDGs 3 ‘Good Health and Wellbeing’ and 10 ‘Reduced Inequalities’.</p> <p>The remaining use of proceed categories improve the operational impacts of Starwood’s borrower(s) and mitigate potential negative externalities of their sectors on SDGs 6 ‘Clean Water and Sanitation’, 7 ‘Affordable and clean energy’, 11 ‘Sustainable Cities and Communities’ and SDG 13 ‘Climate action’.</p> <p>The environmental and social risks associated with those Use of Proceeds categories are partially managed.</p>	Moderate
Part 3: Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans link to the issuer’s sustainability strategy	The key sustainability objectives and the rationale for issuing Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans are clearly described by the issuer. The majority of the project categories financed are in line with the sustainability objectives of the issuer.	Consistent with the issuer’s sustainability strategy

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES, SUSTAINABILITY BOND GUIDELINES, GREEN LOAN PRINCIPLES, AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of Starwood’s Sustainable Finance Framework (dated October 31, 2022) Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), Green Loan Principles (GLP), and Social Loan Principles (SLP).

GBP, SBP, SBG	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Starwood’s Sustainability Bond Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p> <p>The issuer’s green/social categories align with the project categories as proposed by the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines administered by ICMA and the Green Loan Principles and Social Loan Principles as administered by LMA, Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and environmental/social benefits are described.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Starwood’s Sustainability Bond Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.</p> <p>Starwood also commits to include ESG Committee members in the Sustainability Bond Allocation Committee.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by Starwood’s Sustainability Bond Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p>

² The evaluation is based on Starwood’s Sustainability Bond Framework (October 31, 2022 version), on the analysed Asset Pool as received on October 31, 2022, and on the ISS ESG Corporate Rating updated on October 25, 2022, and applicable at the SPO delivery date.

		<p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>Starwood also commits to disclose the nature of temporary investments, and the procedure of fund reallocation in the case of divestment.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Starwood’s Sustainability Bond Framework is aligned with the GBP, SBP, SBG, GLP, and SLP.</p> <p>The issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the issuer’s website. Moreover, the issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>Starwood also commits to disclose the impact metrics for each project category.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN BONDS, SOCIAL BONDS, SUSTAINABILITY BONDS, GREEN LOANS, AND SOCIAL LOANS TO THE UN SDGs ³

Companies can contribute to the achievement of the SDGs by investing in or providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed/invested in by the issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.



1. Products and services

The assessment of UoP categories for (re)financing/investing in products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing / invested in specific products and services is displayed on a 5-point scale (see Annex 1 for methodology):






Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁴	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings <i>Investments involving projects or properties that have either received or are projected to receive green building or health and well-being certifications, such as:</i></p> <ul style="list-style-type: none"> ▪ LEED (Silver, Gold, Platinum) ▪ BREEAM (Very Good, Excellent, Outstanding) 	Significant contribution	
<p>Green Buildings <i>Investments involving projects or properties that have either received or are projected to receive green building or health and well-being certifications, such as:</i></p> <ul style="list-style-type: none"> ▪ ENERGY STAR (Rating of >=75) 	Limited contribution	

³ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the issuer's description in the framework.

⁴ Our review is limited to the examples of projects spelled out in the framework.





<p>Green Buildings <i>Investments involving projects or properties that have either received or are projected to receive green building or health and well-being certifications, such as:</i></p> <ul style="list-style-type: none"> ▪ Fitwel Certification ▪ WELL Certification (Silver, Gold, Platinum) 	<p>Limited contribution</p>	
<p>Affordable Housing <i>Investments related to the support of affordable housing, including multi-family projects with access restricted to households who earn under a minimum threshold relative to the area's median income.</i> <i>Starwood's owned affordable housing portfolio rents only to qualifying tenants at a below-market rate.</i> <i>Target Population metrics:</i> <i>U.S. Dept of Housing and Urban Development (HUD) defines income limits as Low (≤80% of AMI), Very Low (≤50%), and Extremely Low (≤30%).</i></p>	<p>Significant contribution</p>	  
<p>Affordable Housing (Mortgage Lending) <i>Non-qualified mortgage investments that provide financing to typically underserved borrowers.</i> <i>Target Population:</i> <i>First-time homebuyers, low-income area borrowers, self-employed borrowers, non-prime borrowers, small business owners</i></p> <p><i>Qualification includes:</i></p> <ul style="list-style-type: none"> - Minimum FICO score of 580 - Typically no bankruptcy or foreclosure in the last two years, although shortened time-frames are considered by exception - Minimum DSCR of 1.0x, although a lower rate is considered an exception with compensation factors - Maximum DTI of 50% 	<p>Limited contribution</p>	

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the issuer.

Starwood finances operations/processes in a variety of third-party sectors. For clarity, ISS ESG does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES) ⁵	OPERATIONAL IMPACT IMPROVEMENT ⁶	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy</p> <p><i>Investments related to the design, procurement, and operation of renewable energy sources, including through power purchase agreements and installation of solar panels, or investments into renewable energy infrastructure projects. May include both on-site or off-site renewable energy sources. Renewable energy infrastructure projects can include wind and solar project investments (such as material procurement, installation, and maintenance).</i></p>	✓	
<p>Energy Efficiency</p> <p><i>Investments in energy efficiency projects such as LED lighting upgrades, HVAC replacements, energy management systems, and other technologies or projects that improve energy efficiency.</i></p>	✓	
<p>Clean Transportation</p> <p><i>Investments that support the transition to clean transportation, including the installation of electric vehicle charging stations or bicycle accommodations.</i></p>	✓	
<p>Climate Change Adaptation</p> <p><i>Investments involving projects or properties that either include or are seeking property resiliency improvements and retrofits.</i></p> <p><i>Examples of resiliency improvement can include:</i></p> <ul style="list-style-type: none"> ▪ <i>Flooding barrier</i> ▪ <i>Relocation of building equipment to above-grade locations</i> ▪ <i>Regrading parking areas</i> ▪ <i>Upsizing storm-water drainage systems</i> ▪ <i>Replacing windows with impact-resistant glass</i> ▪ <i>Installing wildfire defense systems</i> ▪ <i>Installing high-quality air filters</i> ▪ <i>Installing cool roofs to combat temperature rise</i> 	✓	
<p>Climate Change Adaptation</p> <p><i>Investments in information support systems.</i></p> <p><i>Inform climate risk assessment for properties and allow the company to be able to respond to risks accordingly.</i></p>	-	

⁵ Our review is limited to the examples of projects spelled out in the framework.

⁶ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

Sustainable Water and Wastewater Management

Investments involving projects to decrease overall water consumption, including improving efficiency and reuse of wastewater (i.e. collecting and using for landscaping). Includes smart irrigation systems, low flow fixtures, xeriscaping, and other technology.



B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA

The majority of assets will be located in the U.S, with potential financing/investment transactions in Europe and Australia.

ASSESSMENT AGAINST KPIS

ESG guidelines into lending/investment process

Starwood mentioned that it has a climate risk assessment process in its financing activities⁷. However, these assessments only cover climate risks posed on their financed assets instead of the ESG risks generated by their assets.

Among the different arms of Starwood Property Trust, Starwood has set up an ESG committee to discuss updates in ESG integration, climate-related risks and opportunities, and overall risk management processes. Starwood analyse environmental data points in the climate-risk due diligence process, including 100-year flood zones, hurricane risks, and wildfire risks to understand the resiliency of each asset. Starwood also utilizes software to project potential insurance costs 10 years from now, and survey the outlook on how potential severe events can affect the capital needed to provide appropriate insurance for assets and loans in high-risk areas. In each acquisition or financing, the borrower ensures appropriate insurance is in place to provide coverage for forward-looking scenarios that are possible at that asset's location.

Regarding the climate risk assessment, each of the borrower's business lines analyse which defined physical and transition risks could impact the investment/financing. Certain groups will also provide an ESG rating to each project financing, looking at environmental site assessments, energy project type, and asset location to develop a score that represents the project's level of climate risk. To manage climate-related risks, specific groups such as the Starwood Infrastructure Finance Team assign a 1-5 stars rating with 5 stars being a sustainable, renewable asset.

Labour, Health, and Safety standards

- Starwood does not have dedicated labour, health, and safety standards for borrowers/investees to adhere to. However, U.S has an Occupational Safety and Health Act in place to uphold health and safety standard for employees.
- There is no policy in place ensuring that assets financed under this framework guarantee that labour standards are respected.

Biodiversity

- There is currently no policy in place ensuring that assets financed under this framework feature the respect of biodiversity as an integral part of the planning process (e.g. protection of critically endangered species, vulnerable species, and

⁷ Starwood Property Trust, March 2022, SASB & TCFD Indices, https://www.starwoodpropertytrust.com/wp-content/uploads/2022/03/Starwood_SASB_TCFD_Index_v13.pdf

setting aside of biodiversity areas). There is also no policy in place to ensure that the borrowers/investees adhere to the IFC Performance Standards and enforce them. While the issuer carries out environmental phase 1 and 2 assessments, these assessments are more concerned about environmental contamination instead of biodiversity.

Community Dialogue

- Starwood does not have a policy in place to ensure that assets financed under this framework feature community dialogue as an integral part of the planning process. However, the company has individual measures in place, part of the underwriting process is engaging with the community to make sure it is a successful project to help build stakeholder engagement. The borrowers engage with local groups, and Starwood, as the lender, is made aware of such engagements.

Responsible treatment of corporate customers with debt repayment problems

- Starwood has implemented qualifications for corporate lenders such as: Minimum FICO score threshold, no bankruptcy or foreclosure in the last 2 years, a minimum Debt-Service Coverage Ratio (DSCR) of 1.0x, and a maximum Debt-to-Income ratio (DTI) of 50% to prevent potential debt repayment problems. In addition, the borrower's mortgage servicer will review the borrowers' circumstances should the borrower falls behind in payment, leveraging on solutions including but not limited to capitalizing or deferring delinquent principal and interest payments, and repayment plans.

Exclusion criteria

Starwood has a policy for the exclusion of entities and individuals found to have engaged in prohibited conduct contained in the Financial Institution policies (e.g. anti-fraud). In connection with its commercial loan origination activities, Starwood conducts a thorough analysis of key deal parties owning and controlling the borrowing entity. As a critical component of this process, Starwood identifies key controlling principals, guarantors, and individuals or entities with significant ownership interests and engages external investigative firms to provide a report for each such party. The regulatory databases that are utilized by the investigative firms generally include sanctions, law, and regulatory enforcement lists designated by, among others, the US Department of Treasury's Office of Foreign Assets Control (OFAC), the United Nations, the European Union, Interpol, and the Financial Conduct Authority. The screening also covers Politically Exposed Persons. However, there is no exclusion criteria related to the lending-investing products/the nature of their borrowers-investees since the borrower does not deem it applicable to Starwood Property Trust's business as an owner and lender of real estate properties and infrastructure assets.

ASSESSMENT AGAINST KPIs

Real Estate Portfolio

User safety



Starwood has systematically assigned third party consultant to conduct building safety assessment (i.e Fire Safety System, Fire Alarm System) on real estate assets within its own portfolio to ensure tenant safety. However, it remains unclear if the suggested actions are implemented.

Water



While Starwood has implemented water use reduction initiatives on assets in the property portfolio, only 14% of the buildings in the overall portfolio has implemented such measures. However, certain Green Building Certifications such as LEED and BREEAM have water reduction measures embedded in their certification process.

PART III: GREEN BONDS, SOCIAL BONDS, SUSTAINABILITY BONDS, GREEN LOANS, AND SOCIAL LOANS LINK TO STARWOOD'S SUSTAINABILITY STRATEGY

A. STARWOOD'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the issuer's industry

The issuer is classified in the Mortgage & Public Sector Finance industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY

Sustainable investment criteria

Employee relations and work environment

Customer and product responsibility

Statutory ESG-standards linked to the geographical allocation of the lending portfolio

Sustainability impacts of lending and other financial services/ products







ESG performance of the issuer

Leveraging ISS ESG's Corporate Rating research, further information about the issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ⁸	DIRECTION OF IMPACT	UN SDGS
Management of healthcare properties	5%	CONTRIBUTION	
Financing of affordable housing (for low- to median-income households)	2.5%	CONTRIBUTION	  
Financing of renewable energy	1%	CONTRIBUTION	 

Breaches of international norms and ESG controversies

At issuer level

At the date of publication and leveraging ISS ESG Research, no severe controversy in which the issuer would be involved has been identified.

At industry level

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 industry are as follows: Failure to pay fair share of taxes, Differentiated treatment of consumers on the grounds of race, and Failure to mitigate climate change impacts.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

⁸ Percentages presented in this table are not cumulative.

B. CONSISTENCY OF GREEN BONDS, SOCIAL BONDS, SUSTAINABILITY BONDS, GREEN LOANS, AND SOCIAL LOANS WITH STARWOOD'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Starwood identifies three sustainability priorities:

1. Making affordable housing viable for thousands of families
 - In 2021, Starwood Property Trust established its first affordable housing fund, in which they own a 79.4% interest. The assets in the fund, which were valued at \$2.3 billion at inception, consist of 15,027 rent-restricted multifamily units, making Starwood a top 10 owner of affordable housing in the United States.
 - As of June 30, 2022, 98% of these homes are occupied by households earning 60% or less of the household median income of each respective property's region.
 - Starwood provides support services to residents such as the Soldiers to Scholars program, which offers free rent, utilities, and maintenance to military veterans who are obtaining a college degree; and free transportation to medical and retail destinations at seniors-only communities.
2. Investing in renewable energy and integrating environmental due diligence into Starwood's lending practices
 - Since 2018, Starwood has financed nearly \$840+ million of renewable energy assets, including wind, hydro, solar, and geothermal projects.
 - 27% of Starwood's Commercial Real Estate Lending portfolio assets have or are seeking an energy certification.
3. Helping to make homeownership possible for people who can't access traditional bank loans
 - As of 2016, Starwood has deployed \$12B of capital toward its residential lending business which provides mortgages to high-quality borrowers who would otherwise struggle to secure access to housing credit (e.g. small business owners, contractors, and other members of the 'gig economy').

Rationale for issuance

To date, Starwood has priced three private offerings of Sustainability Bonds, of which the proceeds were intended for eligible green and/or social projects. The investments, financing, and/or acquisitions were for (i) Energy, (ii) Green Buildings, and (iii) Affordable Housing via Starwood Property Trust's owned portfolio. This Sustainable Finance Framework is aimed at expanding their ESG financing strategy to encompass the organization's sustainability initiatives.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans are clearly described by the issuer. The majority of the project categories financed are in line with the sustainability objectives of the issuer.*

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ANNEX 1: Methodology

Green/Social KPIs

The Green/Social KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the Use of Proceeds of Starwood’s Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans.

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

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green/Social Bond and Green/Social Loan 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 or that the information provided did not fulfil the requirements of the Green/Social Bond and Green/Social Loan KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Starwood (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, the extent to which Starwood’s Green Bonds, Social Bonds, and Sustainability Bonds, Green Loans, and Social Loans contributes to related SDGs has been identified.

ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

ANNEX 3: Quality management processes

SCOPE

Starwood commissioned ICS to compile a Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), and the Loan Market Association's (LMA) Green Loan Principles (GLP), and Social Loan Principles (SLP) and to assess the sustainability credentials of its Green Bonds, Social Bonds, Sustainability Bonds, Green Loans and Social Loans as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, as administered by the ICMA (as of June 2021 with June 2022 Appendix I)
- Green Loan Principles and Social Loan Principles, as administered by the LMA (as of February and April 2021)
- Key Performance Indicators relevant for Use of Proceeds categories selected by the issuer

ISSUER'S RESPONSIBILITY

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

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the Eligibility Criteria 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.

This independent Second Party Opinion of the Green Bonds, Social Bonds, and Sustainability Bonds to be issued by Starwood has been conducted based on a proprietary methodology and in line with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines administered by ICMA.

The engagement with Starwood took place from October to November, 2022.

ISS' 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 behavior 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 this 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.

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

For more information on this specific Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, and Social Loans SPO, please contact: SPOOperations@iss-esg.com

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