Sustainability Bond Framework
June 2020

This Sustainability Bond Framework (the “Framework”) represents a further progression in the City of Vancouver’s (“City”) efforts to issue any one of Green Bonds, Social Bonds or Sustainability Bonds, when Green and Social Projects are combined, to promote and support our environmental and socially responsible goals and objectives. It aligns with our priorities to embed sustainability into the City’s financing and investment activities in order to help us contribute positively to society while enabling the transition to a low-carbon, socially responsible, and climate-resilient future. Since this Framework already includes the principles from the Green Bond Framework, it supersedes the City’s Green Bond Framework that was established in 2018.

For the purpose of issuing Green Bonds, Social Bonds or Sustainability Bonds, the City has developed this Framework which aligns with the four core components of the ICMA Green Bond Principles, the ICMA Social Bond Principles, the ICMA Sustainability Bond Guidelines, and their recommendations on: (i) use of proceeds; (ii) process for project evaluation and selection; (iii) management of proceeds; and (iv) reporting. This Framework may be updated as market practices evolve.

1. Vision and Strategy
   The City strives to create a great city of communities that cares about our people, our environment, and our opportunities to live, work and prosper. It is our vision to be recognized as a city that meets the needs of generations to come. People are at the heart of everything the City does, and we are working hard to ensure our activities support fairness, equality, and access for all. Through a set of measureable and attainable targets, we are ensuring that the City is considered as one of the most liveable cities in the world.

   To make this happen, the City has made bold commitments to achieve a society that is accessible, all-inclusive and sustainable. These commitments are built on a suite of notable strategies such as the Climate Emergency Action Plan, Renewable City Action Plan, Rain City Strategy, Resilient Vancouver Strategy, and the Housing Vancouver Strategy. The goal is to become a city that uses only renewable sources of energy while respecting the principles of sustainability. Striving to use 100% renewable energy provides an opportunity to enhance the City’s society, economy and environment. To achieve this, the strategy targets buildings, transportation and green economic opportunities. It builds on a number of strategies already in place such as the Greenest City Action Plan, Transportation 2040, Vancouver Economic Action Strategy and the Healthy City Strategy Action Plan. The Resilient Vancouver Strategy is a citywide strategy that takes a comprehensive approach to addressing shocks, such as earthquakes, and stresses, such as aging infrastructure. The Housing Vancouver Strategy is a 10 year strategy which aims to address the lack of affordable housing in the City and reduce its housing affordability gap. Together, these strategies provide a strong foundation for the future and ensure that the City remain on the leading edge of urban sustainability.

2. Use of Proceeds
   Green Bonds are bonds where the proceeds are allocated to green projects, Social Bonds are bonds where the proceeds are allocated to social projects, and Sustainability Bonds are bonds where the proceeds are allocated to green and social projects. It is understood that certain social projects in the City may also have environmental co-benefits, and that certain green projects may have social co-benefits. The classification of a use of proceeds bond as a Green Bond, Social Bond, or Sustainability Bond will be determined by the City based on its primary objectives for the underlying projects. This Framework gives the City the flexibility to issue any one of Green Bonds, Social Bonds or Sustainability Bonds depending on the eligible projects that the City is seeking financing.
The net proceeds of each of the City's Green Bond, Social Bonds or Sustainability Bonds will be used to finance or refinance, in part or in full, new and/or existing green and/or social eligible capital projects across the City that meet the Eligibility Criteria (the "Eligible Projects") as outlined in the Eligibility Criteria. Eligible Projects will include projects that have been completed by the City within 36 months preceding the date of each Green Bond, Social Bond or Sustainability Bond issuance.

Eligible Projects are projects identified by the City as capital projects that are or which carry components that are beneficial to the environment and/or society, as determined by the City.

3. Eligibility Criteria for Eligible Projects

Without limitation, capital projects in the following categories will generally be considered eligible but not limited to:

<table>
<thead>
<tr>
<th>Eligible Category as per ICMA Green Bond Principles</th>
<th>Eligibility Criteria for Eligible Projects: Description of Projects (include but not limited to the following items)</th>
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<tbody>
<tr>
<td>A. Renewable Energy</td>
<td>• Solar power installations including solar thermal, on-site power generation, etc.</td>
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<td>• Sustainable bio methane (such as landfill biogas recapture), other biofuels sourced from local waste products, or hydrogen fuel sources</td>
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<td>• Low-carbon neighbourhood-scale energy systems that use renewable energy sources to provide heat and hot water</td>
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<td>B. Energy Efficiency</td>
<td>• Energy management and reduction systems, such as smart thermostats and energy monitoring systems¹</td>
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<td>• Building energy retrofit projects and building control optimization projects that reduce energy consumption and support the City’s Zero Emission Building Plan, BC Hydro Continuous Optimisation program, amongst others.</td>
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<td>• Equipment to reduce energy consumption including LED building lighting, and efficient heating, ventilating, air conditioning (HVAC) systems, such as air-source and geo-exchange heating systems</td>
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<tr>
<td>C. Green Buildings</td>
<td>• New buildings or retrofitted existing buildings that meet regional, national or international third-party environmental certifications, such as LEED Gold / Platinum, Passive House² Standards (EnerPhit), Living Building Challenge, or any other similar recognized standards.</td>
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<tr>
<td>D. Clean Transportation</td>
<td>• Supporting infrastructure for electric and hybrid public transit</td>
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<td>• Electric vehicle (EV) infrastructure to support EV uptake</td>
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<td></td>
<td>• Fleet for electric, hybrid, public, rail, non-motorised, multi-modal transportation</td>
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<td></td>
<td>• Supporting infrastructure for active transportation modes, such as cycling and walking infrastructure</td>
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<td>E. Pollution Prevention and</td>
<td>• Expansion of organic, wood and demolition waste recycling</td>
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¹ Systems which monitor or control natural gas will be excluded.

² Passive Houses limit energy consumption and air leakage to achieve deep energy use reductions for heating and cooling.
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<tr>
<th>Control</th>
<th>Value-added products from waste and remanufacturing</th>
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</table>
| F. Sustainable Water and Wastewater Management | Infrastructure for clean water and water efficiency  
Infrastructure for wastewater treatment including green infrastructure projects such as those to be considered under the City’s Rain City Strategy and Clean Water Plan  
Construction or maintenance of water collection and urban drainage infrastructure including storm water management and combined sewer separation |
| G. Environmentally Sustainable Management of Living Natural Resources | Nature conservation that preserve biological diversity, restores and preserves valuable natural habitats and landscapes, such as forests, marshes, creeks, coastal ecosystem, and the ongoing management of such assets.  
Promote, restore or preserve biological diversity in urban areas such as parks, green rooftops, and other green spaces. |
| H. Climate Change Adaptation | Redesigning, retrofitting and upgrading of buildings and infrastructure (including policy, projects, capital investment) to mitigate the negative impact of climate change and build resilience for extreme weather events, e.g., flooding, extreme rain, high wind, or extreme temperatures.  
Climate risk information and planning: information support systems (e.g., climate observation, early-warning systems); hazard/vulnerability and cascading-effects analysis; heat/air quality mapping; integrated water-drainage modelling; Climate Lens approach development.  
Procurement, restoration and conservation of natural areas and urban forest in response to climate change and carbon sequestration. |

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<tr>
<th>Eligible Category as per ICMA ICMA Social Bond Principles</th>
<th>Eligibility Criteria for Eligible Projects - Description of Projects (include but not limited to the following items)</th>
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<tbody>
<tr>
<td>I. Affordable Housing</td>
<td>Create more affordable housing options under the Housing Vancouver Strategy (2018-2027) including increasing rental supply for young people, growing families, seniors and vulnerable or underserved residents including low-to-middle income residents.</td>
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</tbody>
</table>
| J. Access to affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy public safety services) | Water distribution system and combined sewer separation and connections system  
Clean water treatment and recycling systems including green infrastructure projects such as those to be considered under the City’s Rain City Strategy and Clean Water Plan  
Low-carbon neighbourhood-scale energy systems that use renewable energy sources to provide heat and hot water  
Accessibility improvements to street and bridge infrastructure and street lighting for public safety, such as curb cuts and audible traffic and crosswalk signals, and improving accessible public transportation and parking options. |
| K. Access to essential services (e.g. child care, health, education and | Develop infrastructure to support integrated community services, including licensed group care and other family support services to deliver quality, affordable and accessible child care, in conjunction with the Province of B.C. and other sectoral partners |
vocational training, healthcare, recreation and community services) • Develop and expand of parks, community, civic and recreational infrastructure, facilities and programs.

4. Process for Project Evaluation and Selection

- Finance, Risk and Supply Chain Management Department ("FRS") is responsible for evaluating and screening capital projects in consultation with other City departments such as Engineering Services; Planning, Urban Design, and Sustainability; and Real Estate Facilities Management.

- FRS will choose Eligible Projects that meet the prerequisites set out in the Eligibility Criteria which shall comply with the relevant policies of the City, including assessments of the social and environmental risks of a given project.

- Based on the primary objectives of the selected projects, FRS will assign the classification of a use of proceeds bond as a Green Bond, Social Bond, or Sustainability Bond, as appropriate.

5. Management of Proceeds

- FRS will be responsible for the allocation of the net proceeds from the issuance of Green Bonds, Social Bonds or Sustainability Bonds to the relevant and approved Eligible Projects and Assets.

- Net proceeds from all Green Bonds, Social Bonds or Sustainability Bonds will be deposited and recorded on an aggregate basis which tracks the use of and allocation of funds for Eligible Projects.

- In most cases when such projects are underway, proceeds from the Green Bonds, Social Bonds or Sustainability Bonds issued by the City will be directly applied to the Eligible Projects.

- In the case where projects are delayed, any portion of the net proceeds that have not been allocated can be temporarily held in the account of the City and invested in cash or liquid fixed income instruments in accordance with the Vancouver Charter.

- Payment of principal and interest on any Green Bonds, Social Bonds or Sustainability Bonds issuance will be made from our general or sinking funds and will not be directly linked to the performance of any Eligible Project.

6. Reporting & Disclosure

As long as there are outstanding Green Bonds, Social Bonds or Sustainability Bonds issued under this Framework, the City will publish updates once a year, where feasible, through the [https://vancouver.ca/your-government/investor-relations.aspx](https://vancouver.ca/your-government/investor-relations.aspx) on:

- Allocation of the proceeds from the Green Bonds, Social Bonds or Sustainability Bonds into Eligible Projects,
- Summary of Eligible Projects including updates and status reports, and;
- Qualitative commentaries and quantitative key performance indicators on project specific level (if reasonably practicable) or on a City wide basis as appropriate which includes, but not limited to:
<table>
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<tr>
<th>Eligible Category</th>
<th>City-wide Sample of Key Performance Indicators would include the following but not limited to:</th>
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</table>
| A. Renewable Energy | • Biomethane produced/captured (t CH4)  
• GHG emissions reduced/avoided (tCO2e)  
• % of NEU energy supplied from renewable resources |
| B. Energy Efficiency | • Energy saved per year (kWh)  
• GHG emissions reduced/avoided (tCO2e)  
• Total tonnes of community GHG emissions from all community buildings (tCO2e)  
• Greenhouse gas emissions from City of Vancouver municipal operations (tonnes CO2e) |
| C. Green Buildings | • List of third-party environmental certifications received.  
• % of permitted building area that is near zero emission  
• Greenhouse gas emissions intensity of newly permitted building area (weighted average) |
| D. Clean Transportation | • Cycling, Walking, and Transit trips (% of transportation mode share)  
• Bike lanes installed (km) - Kilometers of total bike network |
| E. Pollution Prevention and Control | • Total number of instances of non-compliance to air quality standards  
• GHG emissions reduced/avoided (tCO2e)  
• Amount of waste diverted from landfill and incinerator (tonnes) |
| F. Sustainable Water and Wastewater Management | • Total water consumption per capita  
• Total number of instances of non-compliance to water quality standards  
• % of the City covered by integrated water management plans |
| G. Environmentally Sustainable Management of Living Natural Resources | • Area of natural assets conserved/protected/restored  
• % of canopy coverage  
• Hectares of park space  
• Trees maintained and planted  
• % of land base within a 5-minute walk to green space |
| H. Climate Change Adaptation | • Resilience improvement indicators such as # of buildings retrofitted)% of land area procured, restored or conserved; carbon sequestration rates; ecosystem services preserved/restored; % of flood plain (or other spatial climate-risk indicator) assessed; land base value; # or % vulnerable housing/tenants/citizens assessed; # watersheds assessed; etc.); # of people engaged, # of equity seeking groups engaged, # of project partners |
| I. Affordable Housing | • Cumulative # of purpose-built market rental housing units completed  
• Cumulative Family Units approved  
• Cumulative # of units affordable to incomes earning <$80,000 |
| J. Access to affordable basic | • Percentage of water system that is separated storm and |
### Infrastructure
- **Sanitary Sewers**
  - Length (kilometres) of pipe completed
  - # of sewer connections constructed
  - Kilometres of sewer pipe replaced
  - Number of street lights installed
  - Number of audible cross walk signals installed
  - Length of street and sidewalk improvement delivered

### Access to Essential Services
- Number of child care spaces delivered - New and replacement childcare spaces opened (annual)
- Updates on community centres completed
- Number of clients served (homelessness services) including subsidized meals, laundry services, nights of sheltering services, total overdoses responses etc.

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