

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and its Sustainability Bond Framework

USAA
May 11, 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Sustainable Bonds
Relevant standards	<ul style="list-style-type: none">Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA)
Scope of verification	<ul style="list-style-type: none">USAA Sustainability Bond Framework (as of May 2021)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">As long as USAA's Sustainability Bond Framework and Selection Criteria (May 2021) does not change

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Scope of work

USAA commissioned ISS ESG to assist with its Sustainable Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. Sustainable Bond Framework link to USAA's sustainability strategy – drawing on USAA's overall sustainability profile and framework-specific Use of Proceeds categories.
2. USAA's Sustainability Bond Framework (May 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG).
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).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Sustainable Bond link to issuer's sustainability strategy	<p>The mission of the association is to facilitate the financial security of its members, veterans who have served in the U.S. military and their families associates and their families through provision of a full range of financial products and services.</p> <p>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 for the majority of the categories. The rationale for issuing green bonds is described by the issuer.</p>	Consistent with issuer's sustainability strategy
Part 2: Alignment with GBP, SBP, and SBG	<p>The issuer has defined a formal concept for its Sustainable Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP, SBP, and SBG.</p>	Aligned
Part 3: Sustainability quality of the Selection Criteria	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Sustainable Bond will (re-)finance eligible asset categories which include: green buildings, renewable energy, energy efficiency, sustainable water and wastewater management, clean transportation, access to essential services and socioeconomic advancement, affordable housing, COVID-19 relief, and employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises.</p> <p>Those use of proceeds categories have a significant contribution to SDG 1 'No poverty', SDG 5 'Clean water and sanitation', SDG 7 'Affordable and clean energy', SDG 8 'Decent work and economic growth', SDG 10 'Reduced inequalities', SDG 11 'Sustainable cities and communities' and 13 'Climate action'; a limited contribution to SDG 3 'Good health and well-being'. The environmental and social risks associated with those use of proceeds categories have been managed to an extent.</p>	Positive

¹ ISS ESG's evaluation is based on the USAA's Sustainability Bond Framework (May 2021 version) and on the analysed Selection Criteria.

ISS ESG SPO ASSESSMENT

PART I: SUSTAINABLE BOND LINK TO USAA'S SUSTAINABILITY STRATEGY

A. USAA'S INDICATIVE SUSTAINABILITY PROFILE

Industry classification: Insurance

Key Issues of the industry:

1. Sustainability impacts of insurance underwriting
2. Customer and product responsibility
3. Sustainable investment criteria
4. Labor standards and working conditions
5. Climate change

Indicative ESG risk and performance assessment:

USAA operates across various financial segments ranging from property & casualty, life and health insurance to banking, lending and asset management.

While risks regarding its core business (i.e. insurance and lending operations) are more limited due to its retail and small business only client base, the company does not seem to have a strategic approach for integrating ESG considerations, neither into the core business nor asset management and own investments. Moreover, USAA does not leverage its potential to provide green or social financial services, such as green insurance, green loans, or insurance and lending to low-income customers.

In the area of customer and product responsibility, USAA faces risks regarding marketing, sales practices, and the claims management process. Apart from easily accessible claims submissions and follow-up, there are no public commitments with regard to responsible practices in those areas.

Staff-related risks are considered to be mitigated to some extent by high labor standards that are prevalent in the US. In addition, USAA shows its commitment to equal opportunities and non-discrimination through respective policies and an affirmative action program. Flexible work options, special leave and health measures, including mental health, are mentioned, there are no details on ensuring work-life balance or health management, especially mental health.

In terms of climate change, the company addresses certain climate risks and implements emission reduction and other environmental management measures. However, there is no indication of a more comprehensive strategy to address climate-related impacts, including in the value chain. USAA has a comprehensive code of conduct as well as measures to ensure business ethics compliance.

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Sustainability impact of products and services portfolio

- **Social impact of the product portfolio:**

As part of its product range, USAA provides health insurance, long-term care protection and annuities, which have social benefits. The product portfolio as a whole, however, does not seem to have significant positive or negative social impacts.

- **Environmental impact of the product portfolio:**

As part of its product range, USAA offers insurance and financing for automobiles and other vehicles, with negative climate impacts. Therefore, the product portfolio likely has a slight net negative environmental impact.

Breaches of international norms and ESG controversies

Based on a review of controversies in the period of 1 January 2019 – 28 April 2021, the greatest risk reported against companies operating in the Insurance Brokers/Services industry relate to activities that may have adverse impacts on human rights and the environment. This is closely followed by activities related to labor rights. The top three issues that have been reported against companies within the industry are as follows: alleged failure to respect consumers' rights, failure to mitigate climate change impacts and deceptive, misleading and fraudulent practices. This is closely followed by the alleged failure to prevent workplace discrimination, failure to respect the right to health and failure to assess environmental impacts.

B. CONSISTENCY OF SUSTAINABLE BOND WITH USAA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

At USAA, corporate responsibility means supporting military family resiliency and helping to address needs in local communities where USAA has a physical location with significant employee presence.

National focus

USAA focuses on these areas to address the challenges of military life:

- Military caregivers; families of the fallen; wounded, ill, and injured service members; and military children.
- Financial readiness.
- Careers for veterans and spouses.

Local focus

In the communities where USAA's employees live and work, USAA supports:

- Programs that address hunger and homelessness.
- Science, technology, engineering and math (STEM) education and financial literacy.
- Safety and natural disaster response.

USAA has outlined its commitment to diversity, equity and inclusion (DE&I) and has developed a DE&I strategy centered around attracting, retaining, and developing diverse talent within the company. As part of this commitment to DE&I, USAA has a CEO Diversity, Equity & Inclusion Council in place comprised of a diverse group of 25 leaders, with the objective of promoting DE&I within the company

and upholding accountability. Moreover, USAA has various programs in place to deepen understanding around diversity and inclusion (e.g. innovation lab to foster inclusion and innovation, providing diversity and inclusion skill building and training).

In terms of its support for the environment, USAA has outlined the following areas:

- Health & Safety
- Recycling
- Paperless
- Water savings
- Energy savings

Rationale for issuance

Through the issuance of green, social and sustainability bonds by USAA Capital Corporation, the company aims to finance green and social projects that align with USAA's sustainability priorities. According to the issuer's statement, the selected Use of Proceeds categories are core and relevant to USAA's business. In addition to their corporate real estate footprint being fairly large, USAA can also have meaningful social and environmental impacts through the company's insurance and banking entities.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under the Sustainable 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 Insurance sector. 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.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Sustainable Water and Wastewater Management	✓	—	Contribution to a non-material objective

Clean Transportation	✓	✓	Contribution to a material objective
Access to Essential Services	✓	✓	Contribution to a material objective
Socioeconomic Advancement and Empowerment	✓	✓	
Affordable Housing	✓	✓	Contribution to a material objective
COVID-19 Relief	✓	✓	Contribution to a material objective
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	✓	✓	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 for the majority of the categories. The rationale for issuing green bonds is described by the issuer.

PART II: ALIGNMENT WITH ICMA's GBP, SBP, AND SBG

1. Use of Proceeds

The net proceeds of USAA Capital Corporation's issuance of Sustainable Bonds will be allocated to existing or future investments in or financings of Eligible Projects that meet USAA's Sustainable Bond Framework Eligibility Criteria as defined below. Eligible Projects are investments and expenditures made by USAA or any of its subsidiaries beginning with the issuance date of any Sustainable Bonds to the maturity date of the bonds, or in the 36 months prior to any such issuance, in eligible green projects and/or eligible social projects (as defined herein).

"Eligibility Criteria" means any of the following:

GBP Category	Eligible Projects and Examples
Green Buildings	Investments related to real estate projects that have received or are expected to receive third-party sustainable certifications or verification, such as BREEAM Excellent, Energy Star 85+, LEED Gold or Platinum, or equivalent certification. Investments may include: design, development, construction, materials, and equipment and certification costs.
Renewable Energy	Investments for new renewable energy generation including the acquisition or development of facilities (including supporting transmission infrastructure and energy storage) that generate renewable power from only wind or solar resources, power purchase agreements and virtual power purchase agreements.
Energy Efficiency	Investments related to energy efficiency projects and technologies that are designed to enable energy and emissions reductions, such as the installation of controls and energy monitoring equipment, heating, cooling and ventilation retrofits, lighting retrofits, smart thermostats, efficient reflective roofs and the purchase of hardware certified to be energy efficient including Energy Star that aim to achieve a 15% or 30%, where feasible, increase in energy efficiency for spend associated with the company's own operations.
Sustainable Water and Wastewater Management	Investments related to sustainable water management, such as water reuse and recycling, efficiency, conservation, restoration and water quality projects. Investments may include: waste water recycling and harvesting systems, green roofs, low flow fixtures and appliances, and water including lake restoration projects.
Clean Transportation	Investments related to clean transportation that are designed to/expected to reduce greenhouse gas emissions limited to electric, hybrid, or plug-in hybrid vehicles, hydrogen fuel cell vehicles, electric vehicle charging stations and clean mass transportation including electric rail and electric buses. Electric and any hybrids must be designed to comply with an emissions threshold of <50g of CO2 per passenger kilometer.

SBP Category	Eligible Projects and Examples
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Access to Essential Services	Expenditures focused on advancing economic opportunity and equity for under-represented communities
Socioeconomic Advancement and Empowerment	<p>Target Population: youth and students focusing on those from underrepresented communities, including the Black, Brown, and Latinx communities, persons with disabilities, rural populations and students from households who earn less than 80% of the Area Median Income</p>
Affordable Housing	<p>Investments related to low income housing properties, or in funds that exclusively invest in such properties in the United States and U.S. territories.</p> <p>Low income housing properties are those which qualify for U.S. Federal Low Income Housing Tax Credits at the time of USAA's investment or the investment of a fund in which we invest, or meet one or more of the criteria below:</p> <ul style="list-style-type: none"> ▪ At least 50% of the units are qualified low-income rental units; that is, units where rents do not exceed 30% of the relevant income limit, where the relevant income limit is less than or equal to 60% of the area median gross income, as defined by the U.S. Department of Housing and Urban Development; or ▪ At least 40% of the units are both rent restricted (those for which all or a portion of the units are restricted for occupancy by tenants with limited incomes and which may restrict the rents which can be charged for those units) and where rents do not exceed 30% of an income equal to 60% of the area median income; or ▪ The average rent of all the apartments within the property does not exceed 30% of an income equal to 60% of the area median income; or ▪ At least 20% of the units are qualified low-income rental units, for investments in areas that are already classified as Low-Income Qualified Census Tracts, as defined by the U.S. Department of Housing and Urban Development.
COVID-19 Relief	<p>Investments related to addressing the effects of COVID-19, which may include relief and response efforts related to the COVID-19 pandemic such as measures taken to alleviate financial burdens on USAA members caused by the COVID-19 crisis, including:</p> <ul style="list-style-type: none"> ▪ Fee waivers for Insufficient Funds, Overdrafts, Late Payments, CD Early Withdrawals and Annuity Withdrawals; ▪ Mortgage payment and consumer loan deferrals; and ▪ Deductibles and co-payments waived by USAA for Medicare supplement clients for testing or treatment of illnesses related to the COVID-19 virus.
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming	Expenditures and programs related to enabling opportunities for minority-owned small businesses and suppliers. Examples include:

from socioeconomic crises, including through the potential effect of small-medium enterprise financing and microfinance	<ul style="list-style-type: none">▪ Procurement of products and services from certified diverse suppliers for USAA's operations▪ Programs that enable minority owned small businesses through mentoring and skills training related to technology, infrastructure, and professional development <p>Target Population: Minority-owned small businesses and suppliers</p>
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Exclusions:

USAA will not knowingly allocate proceeds from any issuance of Sustainable Bonds to the following:

- Activities related to the exploration, production or transportation of fossil fuels (e.g., coal, oil and gas);
- Consumption of fossil fuels for the purpose of power generation;
- Large hydroelectric power generation (e.g., plants with a capacity of greater than 20 megawatts or dams with a height greater than ten meters);
- Nuclear energy
- Activities involving exploitation of human rights, modern slavery (e.g., forced labor or human trafficking) or child labor; or
- Any other activity that USAA determines is ineligible for allocation of proceeds at the time of allocation.

Opinion: ISS ESG considers the Use of Proceeds description provided by USAA's Sustainability Bond Framework as aligned with the GBP, SBP, and SBG. The eligible project categories are aligned with the issuer's sustainability strategy. Exclusion criteria are defined, according to best market practices.

2. Process for Project Evaluation and Selection

USAA's Sustainable Bond Steering Team comprised of members from Treasury, Legal and other decision makers across the enterprise are responsible for the review and selection of the green and social projects that will qualify as Eligible Projects. Subject to the Eligibility Criteria, USAA's Sustainable Bond Steering Team will review and select Eligible Projects for the final approval of USAA's Treasury and Legal Departments. The Sustainable Bond Steering Team will also be responsible for identifying and managing potential ESG risks associated with eligible projects.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by USAA's Sustainability Bond Framework as aligned with the GBP, SBP, and SBG. The issuer has a structured process to identify eligible projects and ESG risks associated with the eligible projects. Moreover, the issuer has set up a Sustainable Bond Steering Team comprised of relevant stakeholders, which is considered best market practice.

3. Management of Proceeds

USAA will track allocations of Eligible Projects using its internal recording system. Internal records will show an allocation of the net proceeds for the full term of the bond. Pending the allocation of net proceeds, USAA may temporarily invest such proceeds in accordance with USAA's internal liquidity

portfolio guidelines. Payment of principal and interest on USAA Sustainable Bonds will be made from the company's general funds and will not be directly linked to the performance of any Eligible Projects. USAA intends to allocate an amount of the net proceeds as soon as practicable, with a majority to be allocated within the first 12 months after issuance, where feasible.

Opinion: ISS ESG finds that Management of Proceeds proposed by USAA's Sustainability Bond Framework is aligned with the GBP, SBP, and SBG. All proceeds will be tracked in an appropriate manner, and the temporary investments are disclosed.

4. Reporting

Allocation Reporting

USAA will provide updates to investors annually regarding the allocations and investments of the net proceeds until such amount has been fully allocated. The updates will be provided to the Issuing and Paying Agent who will make such updates available on a dedicated internet portal.

Impact Reporting

Where feasible, the allocation reporting will include qualitative and quantitative environmental performance indicators such as those included below.

Project Category	KPI
Green Building	<ul style="list-style-type: none"> ▪ Green building certifications ▪ Total number of buildings certified ▪ Total square feet certified ▪ Percentage of overall company square feet certified
Renewable Energy	<ul style="list-style-type: none"> ▪ Renewable energy capacity sourced and developed (MW) ▪ Renewable energy procured and produced from the capacity above (MWh) ▪ Emissions (including metric tons of CO₂e) avoided or reduced ▪ Annual renewable energy procured and produced as a % of annual global electricity consumption
Energy Efficiency	<ul style="list-style-type: none"> ▪ Energy savings (MWh) ▪ Emissions (including metric tons of CO₂e) avoided or reduced ▪ Office energy consumption/square foot ▪ Office energy consumption/employee ▪ Data center Power Usage Effectiveness
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> ▪ Volume of water consumption avoided or reduced ▪ Volume of treated or recycled water ▪ Volume of verified water restoration projects in high water stress regions ▪ Verified water restoration as a percent of annual water consumption in high stress regions

Clean Transportation	<ul style="list-style-type: none"> ▪ Commuter carbon Emissions (including metric tons of CO₂e) avoided or reduced ▪ Number of Vehicles
Access to Essential Services and Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> ▪ Number of underserved people reached
Affordable Housing	<ul style="list-style-type: none"> ▪ Rental costs compared to the national/regional rent index ▪ Participation (rate) of tenants ▪ Share of under-served tenants ▪ Number of dwellings
COVID-19 Relief	<ul style="list-style-type: none"> ▪ Number of affected USAA members served
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of small-medium enterprise financing and microfinance	<ul style="list-style-type: none"> ▪ Number of businesses served ▪ Number of programs created ▪ Number of underserved people reached

Reporting will cover the full scope of investments towards which an amount equal to the net proceeds will be allocated. Reporting will be made in an aggregated manner and/or in some cases at a more granular project category level.

Opinion: ISS ESG finds that the reporting proposed by USAA's Sustainability Bond Framework is aligned with the GBP, SBP, and SBG. The issuer has clearly defined the scope and level of reporting. Moreover, the issuer has defined relevant metrics to report on the social and environmental impact of the projects financed, aligned with the ICMA Harmonized Framework for Impact Reporting.

External review

Second Party Opinion

USAA has obtained and will make available to the Issuing and Paying Agent a Second Party Opinion ("SPO") from a consultant with recognized environmental and social expertise to provide an opinion on the environmental and social benefits of this Framework as well as the alignment to the GBP and SBP.

Assurance

USAA expects that the Sustainable Bond Report will be accompanied by (i) an assertion by USAA's management as to the amount of the net proceeds from the sale of any Sustainable Bonds that have been allocated to Eligible Projects; (ii) an attestation report from a registered public accounting firm in respect of its examination of management's assertion conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SUSTAINABLE BOND TO THE UN SDGs

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

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

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Sustainable 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
Green Buildings² <i>Including strict sustainable building certifications</i>	Significant Contribution	
Green Buildings³ <i>Including energy performance certificates</i>	Limited Contribution	  
Renewable Energy <i>Wind and solar</i>	Significant Contribution	 
Energy Efficiency	Significant Contribution ⁴ Limited Contribution ⁵	 

² According to ISS ESG methodology, green building certifications with strict requirements have a significant contribution to SDG 11 (e.g. LEED, BREEAM), while less strict certifications have a limited contribution to SDG 11 (e.g. Energy Star).

³ According to ISS ESG methodology, green building certifications with strict requirements have a significant contribution to SDG 11 (e.g. LEED, BREEAM), while less strict certifications have a limited contribution to SDG 11 (e.g. Energy Star).

⁴ This encompasses products/services that enable energy efficiency/savings with a high impact (insulating materials, battery technology that allows improvements in the field of renewable energy storage, enabling technologies that significantly increase the energy efficiency of other sectors/products).

⁵ Best market practices are to achieve an improvement of 30% in terms of energy efficiency for green buildings. USAA has defined an eligibility criteria of 15% of improvement, and 30% where feasible. While this criteria does not align with best market practices, ISS ESG concludes that the energy efficiency improvement still contributes to SDGs 7 & SDG 13, in a limited manner only.

Sustainable Water and Wastewater Management	Significant Contribution	
	Limited Contribution	
Clean Transportation <i>Hydrogen fuel cell, Electric, hybrid, and plug-in hybrid vehicles</i>	Limited Contribution	 
Access to Essential Services Socioeconomic Advancement and Empowerment	Significant Contribution	
Affordable Housing <i>Related to provision of affordable housing</i>	Significant Contribution	 
COVID-19 Relief	Significant Contribution	
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of small-medium enterprise financing and microfinance	Significant Contribution ⁶	
	Limited Contribution	

⁶ For the purpose of Second Party Opinions, this category is assessed as having a Significant Contribution to SDG 8. This goes beyond the ISS ESG SDGA proprietary methodology to consider framework-specific considerations.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ELIGIBLE CATEGORIES

Key performance indicators (KPIs) covering both Green and Social activities

ASSESSMENT AGAINST ISS ESG KPI

Labor and Health & Safety

- ✓ The company has earned the WELL Health-Safety seal, which rates safety protocol efforts in place for employees. Moreover, there is an Environmental, Health and Safety policy in place.

Impact of operations on biodiversity

- An Environmental Impact Assessment is completed for all infrastructure projects financed by USAA, where feasible. However, due to the nature of USAA's business, limited information is available regarding the way potential biodiversity impacts are evaluated in the EIA and, then, mitigated.

Waste management & pollution prevention

- The existence of an environmental management system (e.g. ISO 14001) is considered by USAA both during the pre-investment and monitoring phase. Once the asset is financed, the issuer will try to improve the environmental management system

Dialogue with local communities

- The company runs long-term programs to engage with local communities through governments, industry coalitions, suppliers, employees, members, and other experts. This multi-stakeholder engagement process covers the Use of Proceeds categories considered under this framework.

Key performance indicators (KPIs) specific to Green activities

ASSESSMENT AGAINST ISS ESG KPI

User safety (clean transportation)

- ✓ All vehicles are top rated by regulatory bodies assessing the safety of the vehicles (i.e. Insurance Institute for Highway Safety and the National Highway Traffic Safety Administration).

Water minimization in buildings

- ✓ USAA improves its water use efficiency in buildings beyond its headquarters through the use of water-efficient appliances, greywater systems where feasible and analyses if such items are available in its investments.

Environmental impact of Solar PV

- ✓ There is a group-wide protocol in place regarding environmental standards on take-back and recycling of solar modules at end-of-life stage.
- ✓ All solar PV modules and installers will be certified against ISO-14001 Environmental Management System. Furthermore, solar PV installers will include a decommissioning provision, which will include options for the reuse, recycling, storage, and disposal of retired and end of life PV system materials, in accordance with federal, state, and local legislation.

Key performance indicators (KPIs) specific to Social activities

ASSESSMENT AGAINST ISS ESG KPI

Inclusion

- ✓ The issuer has implemented specific measures to promote inclusion and non-discriminatory access internally. Projects financed by USAA under both the Affordable Housing, the Socioeconomic Advancement & Empowerment, and Employment Generation categories target well described underserved population.

User safety (affordable housing)

- ✓ All the assets financed under the affordable housing category of this framework are / will be located in the US. National legislations ensure operational safety (e.g. emergency and safety measures, exits, fire sprinklers, fire alarm systems)⁷.

⁷ https://www.osha.gov/pls/oshaweb/owastand.display_standard_group?p_part_number=1926&p_toc_level=1

DISCLAIMER

1. Validity of the SPO: As long as no material changes are made to USAA's Sustainability Bond Framework and Selection Criteria.
2. ISS ESG uses a scientifically based rating concept to analyze 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.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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 KPIs

The ISS ESG Sustainable 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 USAA's Sustainable 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.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

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 Sustainable 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 Sustainable Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by USAA (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 USAA's Sustainable Bond contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

USAA commissioned ISS ESG to compile a Sustainable Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability Bond Framework aligns with the ICMA GBP, SBP, and SBG and to assess the sustainability credentials of its Sustainable Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBP, SBP, and SBG
- ISS ESG KPI

ISSUER'S RESPONSIBILITY

USAA'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 Sustainable Bond to be issued by USAA based on ISS ESG methodology and in line with the ICMA GBP, SBP, and SBG.

The engagement with USAA took place in April – May 2021.

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/>

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