

Second-Party Opinion

Freddie Mac Multifamily Social Bonds Framework



Evaluation Summary

Sustainalytics is of the opinion that the Freddie Mac Multifamily Social Bonds Framework ("Framework") is credible, impactful and aligns with the four core components of the Social Bond Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Affordable Housing, is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically Goals 10 and 11.



PROJECT EVALUATION / SELECTION Freddie Mac will select and evaluate projects in line with its existing policies and procedures for risk management and underwriting. Freddie Mac will be responsible for conducting all underwriting and credit reviews. Loans intended to be securitized are underwritten to the same standards as loans that are to be held in its investment portfolio. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Social bonds proceeds will be managed in accordance with Freddie Mac's existing policies for capital management. The funds raised under the Framework have been or will be used exclusively for activities that meet the eligibility criteria, and Freddie Mac intends to allocate all of the proceeds accordingly. This is in line with market practice.



REPORTING Freddie Mac intends to provide investors with both asset-and-portfolio level reporting on an annual basis. Portfolio-level performance data will take into consideration various social impact characteristics, including the level of affordability of properties financed. Freddie Mac will publish all relevant information associated with bond issuances under the Framework on its website. Sustainalytics views Freddie Mac Multifamily's allocation and impact reporting as aligned with market practice.

Evaluation date August 27, 2020

Issuer Location Tysons Corner, Virginia, United States

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For inquiries, contact the Sustainable Finance Solutions project team:

Zach Margolis (Toronto)
Project Manager
zach.margolis@sustainalytics.com
(+1) 647 695 4341

Tina Ghaemmaghami (Toronto)
Project Support
tina.ghaemmaghami@sustainalytics.com
(+1) 647 264 6680

Paramjot Kaur (New York)
Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Introduction

Founded in 1970, Freddie Mac (or “the Organization”) is a government-sponsored enterprise (GSE) chartered by Congress to support the U.S. housing market. Freddie Mac operates in the secondary mortgage market, primarily through the purchase of mortgage loans that are originated by its approved lenders. Through its three key business lines, Single-Family, Multifamily and Capital Markets, Freddie Mac offers several products, including cash loans, bond credit enhancements and tax-exempt loans. Since 1993, Freddie Mac’s Multifamily business has provided over USD 681 billion in financing for approximately 91,000 multifamily properties, representing nearly 10.6 billion units.

Freddie Mac has developed the Freddie Mac Multifamily Social Bonds Framework under which it intends to issue social bonds to support affordable housing. The Framework defines eligibility criteria in two areas:

1. To provide liquidity to social impact financial institutions financing affordable housing
2. To finance multifamily properties originated by the Freddie Mac Multifamily network (“Freddie Mac Multifamily”) that are
 - a. affordable to an underserved population;
 - b. owned and operated by targeted sponsors and are affordable to low-to-moderate-income families; or
 - c. designed for social impact projects that meet the outlined eligibility criteria.

Freddie Mac engaged Sustainalytics to review the Freddie Mac Multifamily Social Bonds Framework, dated August 2020, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2020 (SBP).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

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

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

- The Framework’s alignment with the Social Bond Principles 2020, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.5, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

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

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

¹ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

² The Freddie Mac Multifamily Social Bonds Framework is available on Freddie Mac Multifamily’s website at: <https://mf.freddiemac.com/>

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

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

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

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Freddie Mac Multifamily Social Bonds Framework

Sustainalytics is of the opinion that the Freddie Mac Multifamily Social Bonds Framework is credible, impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category, Affordable Housing, is aligned with those recognized by the SBP.
 - The proceeds from Freddie Mac's social bonds may be used to either provide liquidity to eligible social impact financial institutions or to finance multifamily properties that meet specific affordability and social impact criteria.
 - All financing provided must meet Freddie Mac's 'Affordable Housing' and/or 'Workforce Housing' criteria in order to be granted eligibility. Sustainalytics views positively the targeted nature and thresholds of Freddie Mac's criteria and considers them to be aligned with market practice:
 - Affordable Housing is defined as either (i) 'Naturally Occurring Affordable Housing' -- units are affordable to households earning 60% or less of the Area Median Income (AMI) in most markets⁴ or (ii) 'Targeted Affordable Housing' -- units have regulatory agreements in place that preserve affordability over the long term.
 - Workforce Housing is defined as units that are affordable to the "missing middle" -- families who do not qualify for subsidized housing but cannot afford the market rates for housing in their communities.⁵ Workforce Housing considers units that are affordable to households earning 80% of the AMI or less in most markets.
 - In regards to the eligibility criteria of providing liquidity to social impact financial institutions financing Affordable Housing – namely Community Development Financial Institutions (CDFIs), Housing Financing Agencies (HFAs) and Small Financial Institutions operating in Underserved Markets (SFIs) – Sustainalytics notes the following:
 - Sustainalytics recognizes the role these institutions play in providing capital for underserved markets and communities and promoting economic opportunity in low-income communities and views Freddie Mac's role as the administrator and distributor of funds to be both positive and impactful. Sustainalytics additionally notes positively the criteria within the Framework describing the specific CDFIs and SFIs which will be

⁴ Some deviation from this threshold is allowed in cost-burdened markets. Sustainalytics recognizes this approach as in line with market practice.

⁵ Freddie Mac has identified that the "missing middle" may include individuals such as teachers, police officers and firefighters.

eligible for financing within this category, and views this as providing appropriate assurance that affordable housing is being promoted in line with the objectives of the Framework.

- Regarding the eligibility criteria of financing loans originated by the Freddie Mac Multifamily network, proceeds may be allocated to properties targeted to underserved populations,⁶ Transitional Housing and Housing for Extremely Low-Income Households, as well as to Minorities, Women and Disabled Individuals Owned (MWDOB) Borrowers and the Rental Assistance Demonstration (RAD)⁷ Program. Overall, Sustainalytics views such activities positively, and notes the following:
 - For Transitional Housing projects, more than 20% of the units must be dedicated to tenants in need of transitional housing. Sustainalytics recognizes the importance of transitional housing as part of holistic support for housing.
 - The Housing for Extremely Low-Income Households projects are properties where at least 50% of the units are affordable to households earning 30% of the AMI or less. Sustainalytics views positively the ambition of this threshold, noting it to be much more stringent than market expectations for affordable housing.
 - Recognizing the intersectional nature of housing instability and barriers in access to finance, Sustainalytics views positively that the Framework intends to support affordable housing for MWDOB borrowers. The RAD Program was created to give public housing authorities the ability to preserve and improve public housing properties. Sustainalytics has assessed the program and believes that in application with the Affordable and Workforce Housing Criteria, such projects will result in positive social impact and are in line with market practice.
- Project Selection and Evaluation:
 - Freddie Mac will select projects using its existing policies and procedures for risk management and prudent underwriting and in compliance with the social impact selection criteria. The Organization will be responsible for completing all underwriting and credit reviews, and loans intended to be securitized loans will be underwritten to the same standards as loans intended to be held in its investment portfolio.
 - Based upon the leveraging of existing procedures in its selection process, Sustainalytics considers project selection and evaluation process to be in line with market practice.
- Management of Proceeds:
 - Freddie Mac will manage the social bonds proceeds in accordance with its existing policies for capital management. In addition, social bonds proceeds will be tracked and reported monthly in line with the CRE Finance Council Investor Reporting Package,⁸ where feasible.
 - The funds raised under this Framework have been or will be used exclusively for activities that meet the eligibility criteria, with immediate allocation of all proceeds accordingly.
 - Based on Freddie Mac's commitment to allocate 100% of the social bonds proceeds to eligible activities upon issuance, Sustainalytics considers this process to be in line with market practice, and notes that there is no need to disclose an approach for the management of unallocated proceeds.
- Reporting:
 - Freddie Mac is committed to providing investors with asset-and-portfolio-level reporting in line with the core principles and recommendations of the SBP's Harmonized Framework for Impact Reporting for Social Bonds.⁹ Portfolio-level performance data will take into consideration various social impact characteristics, including the level of affordability of properties financed (as measured by the percentage of AMI required to afford the home).

⁶ Examples of underserved populations include , 1) persons living below the poverty line; 2) excluded and/or marginalized populations and/or communities; 3) persons with disabilities; 4) migrants and/or displaced persons; 5) undereducated; 6) underserved, owing to a lack of quality access to essential goods and services; 7) women and/or sexual and gender minorities ; 8) aging populations and/or vulnerable youth and 9) other vulnerable groups, including refugees as a result of natural disasters.

⁷ Rental Assistance Demonstration (RAD): <https://www.hud.gov/RAD>

⁸ CRE Finance Council, Investor Reporting Package (IRP): <https://www.crefc.org/irp>

⁹ The Social Bond Principles, Working Towards a Harmonized Framework for Impact Reporting for Social Bonds:

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Harmonized-Framework-for-Impact-Reporting-for-Social-BondsJune-2020-090620.pdf>

- All relevant information and disclosures associated with the social bonds issued under the Framework will be made available on Freddie Mac Multifamily's website on an annual basis.
- Sustainalytics considers Freddie Mac's reporting commitments to be in line with market practice.

Alignment with Social Bond Principles 2020

Sustainalytics has determined that the Freddie Mac Multifamily Social Bonds Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of Freddie Mac

Contribution of Framework to Freddie Mac sustainability mandate

Sustainability is embedded in Freddie Mac's business strategy, whose stated mission is to "provide liquidity, stability and affordability to the U.S. housing market".¹⁰ Through its Multifamily business line, Freddie Mac has provided over USD 681 billion in financing for approximately 91,000 multifamily properties since 1993, representing nearly 10.6 billion units. As of December 2019, Freddie Mac Multifamily's total book of business comprised USD 271 billion of multifamily guarantees, USD 30 billion of securitized loans and over USD 5 billion of multifamily mortgage-related securities. The view that accessible and affordable housing is crucial to vibrant and economically viable communities is the cornerstone of Freddie Mac's business model and approach.

With the goal of expanding affordable housing for all Americans, Freddie Mac partners with lenders and their borrowers to purchase mortgages secured by properties with five or more units, channeling private capital through the secondary market to support its social mission nationwide. The Organization packages loans into guaranteed mortgage-related securities in order to transfer mortgage interest-rate and liquidity risks away from Freddie Mac to third-party investors.¹¹ Specifically, through its Multifamily business line, Freddie Mac enables the purchase, refinancing and rehabilitation of older multifamily buildings, as well as the permanent refinancing of recently developed multifamily buildings.

According to its most recent Annual Report,¹² Freddie Mac provided a total of USD 558 billion in liquidity to the mortgage market in 2019, which enabled the financing of 2.6 million home purchases, refinancings, or rental units. Specifically, of the properties financed through its Multifamily business line, 86% of the units financed were affordable to families earning 100% of AMI, 69% of the units were affordable to families earning 80% of AMI, and 17% of the units were affordable to those earning 50% of the AMI or less.

As a GSE with a clear social lens, Freddie Mac's overall objectives are highly aligned with the focus of its social bonds. Overall, Sustainalytics is of the opinion that the Framework is aligned with and complementary to the Freddie Mac's core business objectives and social mission.

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

Sustainalytics recognizes that the proceeds from the social bonds issued under the Framework will be directed towards eligible projects that will generate positive social impact. However, as is the case with all housing projects, there may be both environmental and social risks associated that need to be taken into consideration. Some environmental risks that could emerge indirectly through the activities in the Framework include air, water and soil pollution as a result of infrastructure development undertaken by CDFIs and agencies receiving liquidity from Freddie Mac, while social risks include those related to occupational health and safety and the exacerbation of social inequities if projects are not appropriately targeted to vulnerable populations.

Sustainalytics is of the opinion that Freddie Mac is able to manage and/or mitigate potential risks through its comprehensive project selection and evaluation process, which requires strict adherence to the targeted nature of eligibility criteria, as well as through its public reporting and compliance requirements. Specifically, Sustainalytics notes Freddie Mac's following risk mitigation procedures and policies:

- Freddie Mac's Board of Directors ("Board") has four standing committees that meet on a regular basis to evaluate operational concerns and material risks. This includes: Audit, Compensation and

¹⁰ Freddie Mac, About Us: <http://www.freddiemac.com/about/>

¹¹ Freddie Mac Multifamily, What We Do: <https://mf.freddiemac.com/about/what-we-do.html>

¹² Freddie Mac, Annual Report 2019: http://www.freddiemac.com/investors/financials/pdf/10k_021320.pdf

Human Capital; Nominating and Governance and Risk.¹³ The Risk Committee assists the Board in its oversight, on an enterprise-wide basis, including as it relates to emerging environmental and social risks. In addition, Freddie Mac applies an Employee Code of Conduct and a Board Code of Conduct.

- Freddie Mac is regulated by the Federal Housing Finance Agency (FHFA), an independent federal agency in the United States. Sustainalytics considers this regulatory oversight, and the associated policies the FHFA imposes,¹⁴ as supporting responsible development and important for integrating stakeholder concerns.
- In order to mitigate occupational health and safety risks, as part of the credit underwriting process all of Freddie Mac's properties undergo a Property Condition and Environmental Report to assess and address health or safety concerns. All issues must be remediated prior to the loan funding or during a pre-set period of time right after the closing, which ensures property owners are held liable for appropriate repairs. Sustainalytics further notes that the laws and regulations of the United States provide stringent oversight of construction activities and that the United States is recognized under the Equator Principle's Designated Countries¹⁵ list for having robust environmental and social governance, as well as strong legislation in place.

Based on the above, Sustainalytics is of the opinion that Freddie Mac has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible category.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the SBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

The importance of accessible and affordable housing in the United States

According to a study conducted by the Harvard Joint Center for Housing Studies in 2020, approximately 10 million renter households with low incomes in the U.S. paid over 50 percent of their income for housing costs, making them severely housing cost burdened.¹⁶ To further set the context, nearly 75% of poor renter households, earning less than \$15,000 annually, spend more than half of their income on housing costs.¹⁷ Meanwhile, the National Low Income Housing Coalition estimates that there is a shortage of over 7 million affordable and available rental homes for extremely low-income¹⁸ renter households in the U.S. and that 48 percent of these extremely low-income renter households belong to the senior or disabled population.¹⁹ Further, it is estimated that only one in five households eligible for federal government housing assistance in the U.S. actually receive it.²⁰

As a result of the 2019 reduction in the US Department of Housing and Urban Development's budget,²¹ and a lack of sufficient affordable housing options in the private market for the lowest-income renters, the shortage of affordable housing has intensified in the recent years. The ongoing COVID-19 pandemic has further impacted the affordable housing crisis, as low-income home production continues to lag due to construction slowdowns and further budget cuts.²² In addition, the economic downturn, and its subsequent impact on employment rates, has resulted in many renters facing eviction and, in turn putting additional financial

¹³ Freddie Mac, Board Committees: <http://www.freddiemac.com/governance/board-committees.html>

¹⁴ Federal Housing Finance Agency, Policies: <https://www.fhfa.gov/AboutUs/Policies>

¹⁵ Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.

¹⁶ Joint Center for Housing Studies, 'America's Rental Housing 2020', at: https://www.jchs.harvard.edu/americas-rental-housing-2020?embargo=ZlZrezGk_nJs2QUiZrFct2wTZ0i9IbP_Olx7TgX9IqQ

¹⁷ Phys Org, 'The lack of affordable housing is getting worse in the U.S.', at: <https://phys.org/news/2020-06-lack-housing-worse.html#:~:text=Nearly%2075%20percent%20of%20poor,of%20income%20for%20housing%2C%20too.>

¹⁸ National Low-Income Housing Coalition defines extremely low-income households as households with income at or below the Poverty Guideline or 30% of Area Median Income, whichever is higher.

¹⁹ The Gap, 'A shortage of affordable homes, National Low-Income Housing Coalition', at: https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2019.pdf

²⁰ Urban Institute, 'The case for More, not Less, Urban Institute' at: https://www.urban.org/sites/default/files/publication/95616/case_for_more_not_less.pdf

²¹ National Low Income Housing Coalition 'President Trump Proposes Drastic Cuts to Affordable Housing Programs, National Low Income Housing Coalition', at: <https://nlihc.org/resource/president-trump-proposes-drastic-cuts-affordable-housing-programs>

²² Bloomberg, 'Covid-19 Is Killing Affordable House, Just as It's Needed Most', at: <https://www.bloomberg.com/news/articles/2020-07-30/the-u-s-affordable-housing-gap-is-getting-worse>

pressure on the landlords and/or nonprofits operating such housing.²³ Some experts have said that the value of Low-Income Housing Tax Credit – one of the key funding sources for low-cost housing in the country – is decreasing, translating into less funding for such projects overall.²⁴ As the nation continues to grapple with the ramifications of the crisis, affordable housing projects will continue to fall by the wayside, despite strong evidence that a lack of decent housing is known to have long-term negative social impact and is likely to increase crime, educational under-achievement, poor health, and lead to communal tensions.²⁵

Through its lower borrowing costs, Freddie Mac helps keep financing affordable for many properties that would otherwise have trouble securing funding, which includes aging properties and those in need of capital improvements as well as apartments in smaller communities. By transferring majority of the risk to private investors, Freddie Mac is able to fulfill its mission of increasing the supply of affordable housing in the U.S., while minimizing U.S. taxpayers’ exposure to potential losses. In this context, and considering the current socio-economic and affordable housing landscape in the U.S., Sustainalytics believes that the activities outlined in the Framework will yield strong positive social impacts.

Alignment with/contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Affordable Housing	10. Reduced Inequalities	10. 2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Conclusion

Freddie Mac has developed the Freddie Mac Multifamily Social Bonds Framework under which it will issue social bonds and use the proceeds to either provide liquidity to eligible social impact financial institutions or to finance multifamily properties that meet specific affordability and social impact criteria. Sustainalytics considers that the projects to be funded by the social bond proceeds will have positive social impact.

The Freddie Mac Multifamily Social Bonds Framework outlines a process by which proceeds will be tracked, allocated, and managed. Freddie Mac has committed to reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Freddie Mac Multifamily Social Bonds Framework is aligned with the overall mission of the company and that the social use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals, specifically Goals 10 and 11. Additionally, Sustainalytics is of the opinion that Freddie Mac has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Freddie Mac Multifamily is well-positioned to issue social bonds and that the Freddie Mac Multifamily Social Bonds Framework is robust, transparent, and in alignment with the core components of the SBP.

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ Social impact of poor housing, ECOTEC, at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.476.9406&rep=rep1&type=pdf>

Appendices

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

Section 1. Basic Information

Issuer name:	Freddie Mac
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Freddie Mac Multifamily Social Bonds Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 27, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds, Affordable Housing, is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically Goals 10 and 11.

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Freddie Mac will select and evaluate projects in line with its existing policies and procedures for risk management and underwriting. Freddie Mac will be responsible for conducting all underwriting and credit reviews, and loans intended to be securitized will be underwritten to the same standards as loans to be held in its investment portfolio. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

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

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Social bond proceeds will be managed in accordance with Freddie Mac's existing policies for capital management. The funds raised under the Framework have been or will be used exclusively for activities that meet the eligibility criteria, and Freddie Mac intends to allocate all of the proceeds accordingly. This is in line with market practice.

Tracking of proceeds:

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

Additional disclosure:

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

4. REPORTING

Overall comment on section (if applicable):

Freddie Mac intends to provide investors with both asset-and-portfolio level reporting on an annual basis. Portfolio-level performance data will take into consideration various social impact characteristics, including the level of affordability of properties financed. Freddie Mac will publish all relevant information associated with bond issuances under the Framework on its website. Sustainalytics views Freddie Mac Multifamily's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

Information reported:

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

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- Number of beneficiaries
- Target populations
- Other ESG indicators (*please specify*): the level of affordability of properties financed.

Frequency:

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

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): Private portal on website.
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

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

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP**

- i. Second-Party Opinion: An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Social Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. Certification: An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognised external social standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Social Bond Scoring/Rating: An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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