

Second-Party Opinion
BX Commercial Mortgage Trust 2022-AHP,
 Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework



Evaluation Summary

Sustainalytics is of the opinion that the BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. 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 investments in the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 11.



PROJECT EVALUATION / SELECTION Wells Fargo Commercial Mortgage Securities, Inc.'s (the "Depositor") and Wells Fargo Bank, National Association's ("Wells Fargo") process in evaluating and selecting the eligible loan entailed assessment by Wells Fargo's internal risk committees. Wells Fargo has a dedicated environmental and social risk assessment system that is applicable to the allocation decision made under the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Proceeds from the issuance will be fully allocated immediately upon issuance. Hence, there will be no unallocated net proceeds to manage after the securitization closing. Wells Fargo further confirms that there is no flexibility to re-allocate the use of proceeds or have any temporary use of proceeds. This is in line with market practice.



REPORTING Wells Fargo will provide an offering circular to investors containing information on the mortgage loan, the properties and their key affordability features. As all net proceeds will be allocated upon issuance, there will be no further reporting throughout the lifetime of the instruments. Sustainalytics considers the reporting process to be in line with market practice.

Evaluation date January 25, 2022

Issuer Location New York, US

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Introduction

BX Commercial Mortgage Trust 2022-AHP (the “Trust” or the “Issuer”) is a single-purpose investment vehicle. The Issuer is exclusively structured to acquire a mortgage loan (the “Loan”) originated by Wells Fargo Bank, National Association (“Wells Fargo” or the “Bank”) and Goldman Sachs Bank USA (the “GS Bank”) – together referred to as the “Originating Lenders”. The Loan is secured by and financed the acquisition of the Blackstone - Cornerstone Affordable Housing Portfolio (the “Portfolio”), which consists of 43 properties (10,965 units) located in Florida, US. Wells Fargo is a multinational financial services company that provides a diversified set of banking, investment and mortgage products and services, as well as consumer and commercial finance.

Wells Fargo Commercial Mortgage Securities, Inc. (the “Depositor”) has developed the BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework (the “Framework”) under which commercial mortgage pass-through certificates (“CMBS”) will be issued, the net proceeds of which will be used to acquire the Loan.¹ The Framework defines eligibility criteria in the area of affordable housing.

An overview of the Portfolio is provided in Appendix 1.

The Depositor engaged Sustainalytics to review the Framework, dated January 2022, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).² The Framework has been shared with Sustainalytics for review and an excerpt is included in Appendix 2.

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the Framework with current market standards and the extent to which the eligible project 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 2021, as administered by the International Capital Market Association (“ICMA”);
- The credibility and anticipated positive impacts of the use of proceeds; and
- 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 1.11, 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 the Depositor’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. The Depositor representatives have confirmed (1) they understand it is the sole responsibility of the Depositor to ensure that the information provided is complete, accurate and 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.

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

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

¹ The Depositor has communicated that the borrower is BREIT Operating Partnerships L.P.

² 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/>

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.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of the eligible project expected to be financed with CMBS proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through the project financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

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

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework

Sustainalytics is of the opinion that the Framework is credible and 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.
 - Proceeds from the issuance will be utilized to acquire the Loan that financed the acquisition of the Portfolio of which around 96.2%⁴ are affordable housing units.
 - The Portfolio consists of 43 properties (10,965 units) that are located in Florida and participate or participated in the Low-Income Housing Tax Credit ("LIHTC") program.⁵
 - The Framework specifies the target population as households that earn less than or equal to 80% of the Area Median Income ("AMI") as defined by the US Department of Housing and Urban Development.⁶ Refer to Appendix 1 for a full breakdown of the Portfolio by different AMI levels.
 - The Issuer intends to ensure affordability by limiting monthly rents on these units to less than 30% of the monthly unit income.⁷ Sustainalytics notes that a small portion (~3.8%) of the units do not adhere to the affordability criteria set forth in the Framework. Market expectation is that 100% of the proceeds raised under a social financing framework be allocated to eligible units and primarily targeted at low-income segments of the population. Sustainalytics considers the inclusion of units that do not meet affordability criteria, even if they represent a small proportion, to be a deviation from market practice.
- Project Evaluation and Selection:
 - As the lead Loan originator, Wells Fargo assessed and selected the Loan through a series of approvals from Wells Fargo's internal committees. This included the Real Estate Valuation Services team's review of third-party environmental assessments, property condition reports, appraisals and zoning reports carried out on the Portfolio.

⁴ As of December 2021.

⁵ The U.S. Department of Housing and Urban Development (HUD) website, "Low-Income Housing Tax Credit (LIHTC)", at: <https://www.huduser.gov/portal/datasets/lihtc.html>

⁶ HUD website, "Methodology for Calculating FY 2021 Medians", at: <https://www.huduser.gov/portal/datasets/il/il21/Medians-Methodology-FY21.pdf>

⁷ Sustainalytics notes that when setting the maximum rents, the Framework includes utility allowance in the monthly unit income estimations.

- In addition, Wells Fargo has an Environmental and Social Risk Management Framework in place which is applicable to the allocation decision made under the Framework. Sustainalytics considers these risk management systems to be adequate and aligned with market expectation. Refer to Section 2 for additional detail on Wells Fargo's processes.
- Sustainalytics considers these processes to be in line with market practice.
- Management of Proceeds:
 - Proceeds from the issuance will be fully allocated immediately to acquire the Loan that financed the acquisition of the Portfolio. The Loan will no longer remain on the Originating Lenders' balance sheets as the Depositor will acquire the Loan at securitization closing and deposit it into the Trust.
 - The Framework further confirms that neither the Depositor nor the Issuer will retain the flexibility to re-allocate the proceeds.
 - Based on the intention to fully allocate at issuance, Sustainalytics considers this arrangement to be in line with market practice.
- Reporting:
 - The Depositor intends to provide an offering circular to investors containing information on the Loan, the properties and their key affordability features. Distribution date statements will also be made available to investors on a monthly basis. Given that all net proceeds will be used to acquire the Loan that financed the acquisition of the Portfolio, there will be no other ongoing reporting.
 - Considering that the entire proceeds will be immediately used to acquire the Loan that financed the acquisition of the Portfolio, Sustainalytics considers the upfront reporting process to be in line with market practice.

Alignment with Social Bond Principles 2021

Sustainalytics has determined that the BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework aligns to the four core components of the Social Bond Principles. For detailed information please refer to Appendix 3: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Performance of Wells Fargo

Wells Fargo's commitment to advance sustainability through the issuance

Wells Fargo has focused on three key pillars that underpin its broader ESG goal: (i) diversity and inclusion; (ii) economic empowerment; and (iii) environmental sustainability. Sustainalytics notes that Community Development is well addressed under (i) and (ii).⁸ Through various initiatives and social programmes, Wells Fargo supports affordable housing projects targeted at low- and moderate-income (LMI) communities across the US.⁹ Sustainalytics highlights the following aspects of Wells Fargo's sustainability performance that are particularly aligned with the Framework:

- Wells Fargo has committed to the economic empowerment of underserved individuals with a specific focus on LMI neighborhoods.¹⁰ In this regard, the Bank has developed key programmes and initiatives such as the Wells Fargo NeighborhoodLIFT programme to support homeownership for LMI neighborhoods.¹¹ As part of its 2020 goals, Wells Fargo has provided more than 11,300 homeowners with down payment assistance, built more than 2,100 homes or rehabs in LMI households, and assisted more than 14.2 million customers in accessing their credit scores for free.¹² Furthermore, the Bank has invested USD 9 billion in LIHTC equity over the last five years,

⁸ Wells Fargo, "Wells Fargo Environmental, Social, and Governance (ESG) Goals and Performance Data", (2021), at: <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/goals-performance-data.pdf>

⁹ Wells Fargo, "Housing Affordability Breakthrough Challenge", at: <https://stories.wf.com/series/housing-affordability-breakthrough-challenge/>

¹⁰ Wells Fargo, "Wells Fargo Environmental, Social, and Governance (ESG) Goals and Performance Data", (2021), at: <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/goals-performance-data.pdf>

¹¹ Wells Fargo, "Wells Fargo Environmental, Social, and Governance (ESG) Goals and Performance Data", (2021), at: <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/goals-performance-data.pdf>

¹² Wells Fargo, "Wells Fargo Environmental, Social, and Governance (ESG) Goals and Performance Data", (2021), at: <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/goals-performance-data.pdf>

marking its progress towards becoming a responsible affordable multifamily housing investor in the US.¹³

- Wells Fargo has committed USD 1 billion to help solve the housing affordability crisis in the US.¹⁴ The Bank has launched a Housing Affordability Breakthrough Challenge in collaboration with Enterprise Community Partners to address problems in housing construction, financing and support services for LMI families, the elderly, and the homeless.

Sustainalytics acknowledges that the eligible affordable housing units being financed under the Framework are expected to have social benefits for the targeted LMI population and communities across 24 submarkets in Florida. Therefore, Sustainalytics is of the opinion that the Framework effectively demonstrates Wells Fargo's commitment to advance its sustainability objectives.

Approach to managing environmental and social risks associated with the issuance

Sustainalytics recognizes that the net proceeds raised under the Framework will be used to acquire a mortgage loan that financed the acquisition of an affordable housing portfolio, which is expected to generate positive social impact. However, Sustainalytics is aware that such financing could also lead to negative E&S outcomes. Some key risks associated with the eligible portfolio could include issues involving community relations and business ethics. Although the Originating Lenders have a limited role in the execution of the acquisition and future operation of the properties, Sustainalytics is of the opinion that Wells Fargo is able to manage or mitigate potential risks through the implementation of the following Bank-level policies and processes:

- Wells Fargo has an Environmental and Social Risk Management Framework (ESRM) in place. Under the ESRM the Bank conducts due diligence on its customers' commitment, capacity, and track record in managing environmental and social risks. At the same time, Wells Fargo's product approval process ensures that the financial services it provides do not facilitate adverse impact on communities. The Wells Fargo & Company Corporate Responsibility Committee is responsible for overseeing the ESRM Framework and corporate responsibility policies including social responsibility, stakeholder relations and risks.^{15,16}
- Wells Fargo has established three lines of defense in its operating model to manage risk: the Frontline, Independent Risk Management (IRM), and Internal Audit.¹⁷ The Frontline identifies, measures, controls, and monitors risks including E&S risks generated by or associated with its business activities. IRM provides oversight on the Frontline's execution of risk management while Internal Audit acts as a third independent assurance function on the risk management programme. Wells Fargo also factors the risk management into executive compensation and its company culture as seen in its Proxy Statement.¹⁸
- Wells Fargo's Code of Ethics and Business Conduct document lays out how the Bank conducts business, including how to help customers make informed financial decisions that are fair and honest.^{19,20}
- Wells Fargo has been a signatory to the Equator Principles (EP) since 2005.²¹ The EPs are intended to serve as a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks when financing projects, which provides investors and relevant stakeholders with a certain level of confidence that the projects the Bank

¹³ Affordable Housing Finance, "Wells Fargo Named Top Affordable Housing Investor", at: https://www.housingfinance.com/finance/wells-fargo-named-top-affordable-housing-investor_o

¹⁴ Wells Fargo, "Housing Affordability Breakthrough Challenge", at: <https://stories.wf.com/series/housing-affordability-breakthrough-challenge/>

¹⁵ Wells Fargo, "Wells Fargo & Company Corporate Responsibility Committee", (2021), at:

<https://www08.wellsfargomedia.com/assets/pdf/about/corporate/corporate-responsibility-committee-charter.pdf?https://www.wellsfargo.com/assets/pdf/about/corporate/corporate-responsibility-committee-charter.pdf>

¹⁶ Wells Fargo, "Environmental and Social Risk Management Framework", (2018), at: <https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/esrm-framework.pdf>

¹⁷ Wells Fargo, "Environmental, Social, and Governance Report Published July 2021", at:

<https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/environmental-social-governance-report.pdf>

¹⁸ Wells Fargo, "Annual Reports and Proxy Statement", at: <https://www.wellsfargo.com/about/investor-relations/annual-reports/>

¹⁹ Wells Fargo, "Code of Ethics and Business Conduct", (2021), at: <https://www08.wellsfargomedia.com/assets/pdf/about/corporate/code-of-ethics.pdf>

²⁰ Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

²¹ Equator Principles, "MEMBERS & REPORTING", at: <https://equator-principles.com/members-reporting/>

finances are developed in a socially responsible manner and reflect sound environmental management practices.

Based on the above-mentioned policies, standards and assessments, Sustainalytics is of the opinion that the Issuer and Wells Fargo have implemented adequate measures and are well-positioned to manage and mitigate environmental and social risk.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the SBP. Sustainalytics explains below how this project category generates positive social impact and is relevant in the local context.

Importance of affordable housing in the US

The US Department of Housing and Urban Development estimates that homelessness has increased for four consecutive years, with an estimated of 580,000 people at the start of 2020, expected to be further exacerbated by the impact of the global pandemic.²² Furthermore, over 18.5 million households spend over 30% of their income on rent and approximately 10.8 million spend more than 50%.²³ Additionally, 75% of all extremely low-income families pay more than half of their income on rent. The National Low Income Housing Coalition's Affordable Housing Gap Analysis 2021 identifies the unavailability of housing for extremely low-income renters and how the shortage at the lower end of the market leads to cumulative shortages for higher-income households as well. Given that social housing programmes are still underfunded, only 1 in 4 extremely low-income families receive the financial assistance they need.²⁴ Florida has the third-largest homeless population in the US, after California and New York, with 44% living unsheltered.²⁵ Moreover, the lack of affordable housing in the US leads to negative social outcomes across multiple dimensions as families and individuals are compelled to make tradeoffs between spending on rent and other necessities such as food, transportation, and healthcare.

Addressing this severe shortage will require both private investment and state-sponsored solutions. Existing state programmes include (i) the National Trust Fund, an annual grant to state for creation, preservation, or rehabilitation of affordable rental housing for low-income householders, and (ii) the LIHTC, a tax incentive to construct or rehabilitate affordable rental housing for low-income households. In 2020, the government announced the allocation of USD 326 million towards the National Housing Trust Fund.²⁶ Furthermore, in 2021, the government brought in the American Rescue Plan Act in response to the COVID-19 pandemic, to bring USD 50 billion in essential housing and homelessness assistance, including USD 27.4 billion in rental assistance and USD 5 billion to assist people experiencing homelessness.²⁷

Given the above context, Sustainalytics views positively the investment in affordable housing across the US and expects that the Issuer's investment under the Framework will contribute to addressing the challenges described above, especially in the State of Florida.

²² US Department of Housing and Urban Development, "2020 Annual Homeless Assessment Report to Congress", (2020), at: <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>

²³ Ibid.

²⁴ NLIHC, "The Problem", at: <https://nlihc.org/explore-issues/why-we-care/problem>

²⁵ HUD, "2020 Annual Homeless Assessment Report to Congress", (2020), at: <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>

²⁶ National Low Income Housing Coalition, "FHFA Authorizes \$326.4 Million Disbursement for National Housing Trust Fund for 2020", (2020), at: <https://nlihc.org/resource/fhfa-authorizes-3264-million-disbursement-national-housing-trust-fund-2020>

²⁷ National Low Income Housing Coalition, "American Rescue Plan Act", (2021), at: https://nlihc.org/sites/default/files/COVID-Relief-Budget_Reconciliation.pdf

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Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The CMBS issued under the Framework advances the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Affordable Housing	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

The Depositor has developed the BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework under which the Issuer intends to issue CMBS and use the proceeds to purchase the Loan that finances affordable housing properties. Sustainalytics considers that the Portfolio funded by the CMBS proceeds are expected to provide positive social impact.

The Framework outlines a process by which proceeds will be allocated, and commitments have been made for upfront reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the social use of proceeds category will contribute to the advancement of the UN SDG 11. Additionally, Sustainalytics is of the opinion that the Issuer and Wells Fargo have adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible loan funded by the proceeds.

Based on the above, Sustainalytics is confident that the Issuer is well-positioned to issue CMBS designated as social bonds and that the Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021.

Appendices

Appendix 1: Percentage Breakdown of the Units Occupied by AMI Levels²⁸

Unit attribute(s)	Number of Units	Percentage of Units
≤ 80% of AMI and rent-capped ²⁹	10,544	96.16% (~96.2%)
≤ 80% of AMI and not rent-capped	87	3.83% (~3.8%)
80% < AMI ≤ 140%	8	
Market units ³⁰	326	
Total portfolio	10,965	100%

²⁸ As of December 2021.

²⁹ Rent-capped: Limiting monthly rents on these units to less than 30% of the monthly unit income. Refer to footnote 7 for more details.

³⁰ The market units are part of the ~3.8% units in the Portfolio that are not considered affordable per the Framework criteria.

Appendix 2: Excerpt from BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework

Introduction

Wells Fargo Commercial Mortgage Securities, Inc. (the “Depositor”) intends to cause BX Commercial Mortgage Trust 2022-AHP (the “Trust”) to issue commercial mortgage-backed securities (“CMBS”), the net proceeds of which will be used to acquire a mortgage loan that financed the acquisition of a portfolio of affordable housing properties located in the State of Florida (the “Blackstone - Cornerstone Affordable Housing Portfolio” or the “Portfolio”). This Framework summarizes the manner in which the CMBS issuance will be aligned with the four core components of the Social Bond Principles 2021.

1. Use of Proceeds

The net proceeds from the sale of the CMBS will be exclusively used to acquire the Blackstone - Cornerstone Affordable Housing Portfolio mortgage loan made to the borrowers (the “Mortgage Loan”). The Portfolio consists of 43 affordable housing properties containing 10,965 individual units in Florida. The Mortgage Loan was originated by Wells Fargo Bank, National Association (“Wells Fargo Bank”) and Goldman Sachs Bank USA (“GS Bank”) (together, the “Originating Lenders”). The Blackstone - Cornerstone Affordable Housing Portfolio secures the Mortgage Loan. The Mortgage Loan that was used to finance the acquisition of the Blackstone - Cornerstone Affordable Housing Portfolio is the only eligible project.

Social/Sustainable features of the project include:

- The Portfolio contains one, two, three, and four-bedroom units, the majority of which are affordable. Affordable rent payments (both tenant rent and tenant-based voucher) account for approximately 96.4% of the Portfolio’s total revenue. The top five submarkets, represented by total units, are Miami Gardens/Opa-Locka (19% of total units), Homestead/South Dade (9%), Southeast Tampa (9%), Coral Springs (8%), and Pompano Beach/Deerfield Beach (6%).
- On a portfolio level, 97.0% of the total units are income and/or rent restricted, of which 96.2% of units are affordable (80% AMI or less income restricted and rent restricted). Eight units at the Preserve at Boynton Beach target tenants with an AMI less than or equal to 140% (high-cost affordable).
- Except for 326 market-rate units (3.0% of total units), tenancy at the Properties is restricted to tenants earning a certain percentage of AMI. Affordable units’ (income restricted and rent restricted, 96.2% of the units) maximum monthly rents are determined by taking 30% of the unit income restriction divided by 12 months, inclusive of a utility allowance. All affordable units (income and rent restricted) within the Portfolio are designated for households earning 80% or less of AMI.

Affordable Housing:

- On May 21, 2021, Florida enacted legislation that increased the property tax exemption for LIHTC properties with at least 70 affordable housing units and that have been and continue to be subject to a recorded restriction in favor of the Florida Housing Finance Corporation for at least 15 years from 50% in 2021 to 100% starting in 2022.
- All of the Properties in the Portfolio except for three (Mirabella, Valencia Pointe, and Preserve at Boynton Beach) meet these conditions and as such, are exempt from property taxes (excluding special assessments) based on the percentage of the total number of units rented to persons at or below 80% AMI at the related Property.
- In order to qualify for the Affordable Housing Property Tax Exemption, properties must meet the following requirements:
 - The property must contain 70 units or more rented to tenants of 80% AMI or less.
 - The property must be subject to a recorded agreement with Florida Housing Finance Corporation in which the property is required to provide affordable housing to tenants meeting the extremely-low income (30% AMI), very-low-income (50% AMI), or low-income (80% AMI) limits. The exemption can be applied to properties starting the year after their 15th completed year of the term of the recorded affordable housing agreement.

- The exemption is based on the percentage of the total number of units at a property rented to persons at or below 80% AMI.
- Due to their participation in the LIHTC program, as well as other low income housing incentive programs, the Properties are subject to various restrictions regarding the required minimum affordable unit mix at the Properties and other requirements regarding services and amenities required to be offered to tenants at the Properties.

Importance of affordable housing in the US:

- According to the National Low Income Housing Coalition ("NLIHC"), across Florida, there is a shortage of rental homes affordable and available to extremely low-income households ("ELI"), whose incomes are at or below the poverty guideline or 30% of their area median income. Many of these households are severely cost burdened, spending more than half of their income on housing. Severely cost burdened poor households are more likely than other renters to sacrifice other necessities like healthy food and healthcare to pay the rent, and to experience unstable housing situations like evictions.
 - According to NLIHC, affordable housing in Florida is undersupplied, with only 0.8 available affordable units per renter household at or below 80% of AMI and 0.4 available affordable units per renter household at or below 50% of AMI.
 - There is a shortage of over 380,000 rental homes affordable and available for extremely low-income renters (at or below 30% of AMI) in Florida.
- LIHTC tax credit allocations in Florida, which increase based on population growth, have lagged increases in construction costs, causing LIHTC deliveries to decelerate and in turn exacerbate the shortage of affordable housing in Florida.
- According to the 2020 NLIHC Gap Report, renters in the United States will experience an under-supply of affordable and available units up to 100% of AMI. More specifically and on a nationwide basis:
 - 37 units are available for every 100 renter households whose AMI is 30% or less
 - 60 units are available for every 100 renter households whose AMI is 50% or less
 - 94 units are available for every 100 renter households whose AMI is 80% or less
 - It is not until a household is qualified at 100% of AMI that they experience a slight surplus is available and affordable housing (102 per 100 renter households).

2. Process for Project Evaluation and Selection

The Depositor and its affiliate, Wells Fargo Bank, which originates numerous mortgage loans in the ordinary course of business upon receipt of approvals from various internal committees, selected the Mortgage Loan that was used to finance the acquisition of the Portfolio as the eligible project based on their assessment that, given the clear affordable housing benefits across 24 submarkets in Florida, the project was suitable for social bond evaluation. Internal committee reviews performed by Wells Fargo Bank included reviews by Wells Fargo Bank's internal Real Estate Valuation Services team (which is independent of the financing deal team) of the following third party reports: appraisals, property condition reports, environmental assessments and zoning reports.

3. Management of Proceeds

All of the net proceeds of the CMBS will be immediately dedicated to acquire the Mortgage Loan that financed the acquisition of the Blackstone - Cornerstone Affordable Housing Portfolio. The Mortgage Loan will no longer remain on the Originating Lenders' balance sheets as the Depositor will acquire the Mortgage Loan at securitization closing and deposit the Mortgage Loan into the Trust. The Trust will be administered by the servicers and the certificate administrator for the duration of the securitization. There will be no unallocated net proceeds to manage after the securitization closing. The CMBS will only be entitled to receive distributions attributable to, and will only incur losses resulting from, the Mortgage Loan. Neither the Depositor nor the Trust will retain any flexibility to re-allocate the use of proceeds or have any temporary use of proceeds.

4. Reporting

The Depositor will provide investors in the initial offering and sale of the CMBS with an offering circular, which will contain a description of the Mortgage Loan, the properties comprising the Portfolio, and the

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respective key affordability features. Investors will receive, on a monthly basis, distribution date statements prepared by the certificate administrator. However, such distribution date statements will not contain any updated information about such affordability features. Because 100% of the net proceeds will be used to acquire the Mortgage Loan that financed the acquisition of the Blackstone - Cornerstone Affordable Housing Portfolio, there will be no ongoing reporting under the Framework.

Appendix 3: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name:	BX Commercial Mortgage Trust 2022-AHP
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 25, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize 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 that investments in the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 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):

Wells Fargo Commercial Mortgage Securities, Inc.'s (the "Depositor") and Wells Fargo Bank, National Association's ("Wells Fargo") process in evaluating and selecting the eligible loan entailed assessment by Wells Fargo's internal risk committees. Wells Fargo has a dedicated environmental and social risk assessment system that is applicable to the allocation decision made under the Framework. 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)*:

Proceeds from the issuance will be fully allocated immediately upon issuance. Hence, there will be no unallocated net proceeds to manage after the securitization closing. Wells Fargo further confirms that there is no flexibility to re-allocate the use of proceeds or have any temporary use of proceeds. 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): Net proceeds will be fully allocated at the time of issuance.

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)*:

Wells Fargo will provide an offering circular to investors containing information on the mortgage loan, the properties and their key affordability features. As all net proceeds will be allocated upon issuance, there will be no further reporting throughout the lifetime of the instruments. Sustainalytics considers the reporting process to be in line with market practice.

Use of proceeds reporting:

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

BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework

Information reported:

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

Frequency:

- Annual
- Semi-annual
- Other (please specify): Once at the time of issuance.

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*): Description of the mortgage loan, the properties comprising the Portfolio, and the respective key affordability features

Frequency:

- Annual
- Semi-annual
- Other (please specify): Once at the time of issuance.

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): Offering circular
- 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.)

N/A

BX Commercial Mortgage Trust 2022-AHP, Commercial Mortgage Pass-Through Certificates, Series 2022-AHP Social Bonds Framework

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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