

# Second-Party Opinion

## Freddie Mac Multifamily Sustainability Bonds Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Freddie Mac Multifamily Sustainability Bonds Framework (“Framework”) is credible, impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers social and environmental projects related to the areas of Affordable Housing, Socio-Economic Advancement, Energy Efficiency, Green Buildings, and Transit-Oriented Development to have positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically Goals 1, 7, 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** Sustainability 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 to which 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 financial factors as well as environmental and social impacts. 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.

<b>Evaluation date</b>	September 21, 2020
<b>Issuer Location</b>	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 Sustainability Bonds Framework under which it intends to issue sustainability bonds to finance affordable multifamily properties, which may include indicators that foster economic opportunity for residents as well as environmental impact features. The Framework defines eligibility around social impact criteria,<sup>1</sup> as well as providing supplementary criteria related to economic opportunity and/or environmental impact which may also be achieved by the financing provided. These social impact, economic opportunity, and environmental impact criteria can be classified into the following categories:

1. Affordable Housing
2. Socio-Economic Advancement
3. Energy Efficiency
4. Green Buildings
5. Transit Oriented Development

Freddie Mac engaged Sustainalytics to review the Freddie Mac Multifamily Sustainability Bonds Framework, dated September 2020, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> 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 Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, 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.

<sup>1</sup> Eligible loans backing sustainability bonds must satisfy as least one of the social impact criteria.

<sup>2</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>3</sup> The Freddie Mac Multifamily Sustainability Bonds Framework is available on Freddie Mac’s website at: <https://mf.freddie.com/>

<sup>4</sup> 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.

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

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 sustainability bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion will be considered a statement, representation, warrant or argument either in favor 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 Second-Party Opinion.

## Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Freddie Mac Multifamily Sustainability Bonds Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of Freddie Mac's Sustainability Bonds Framework:

- Use of Proceeds:
  - The eligible categories are aligned with those recognized by the GBP and/or the SBP.
  - Sustainalytics highlights the context of this Framework, which complements the issuer's own social and green frameworks in financing projects that are socially and potentially environmentally impactful but that may not qualify within either of the programs by themselves.
  - The proceeds from Freddie Mac's sustainability bonds may be used to finance multifamily properties that meet specific affordability and social impact criteria, and may include properties that additionally foster economic opportunity and/or meet environmental impact criteria. Sustainalytics views positively the structure of the outlined criteria and the additional areas of focus, highlighting that as a baseline, all projects financed will comply with the social impact criteria.
  - All financing provided must meet Freddie Mac's 'Affordable Housing', 'Workforce Housing' and/or 'Manufactured Housing Communities ("MHC") with tenant protections or owned by residents' criteria (collectively referred to as "Social Impact 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 markets<sup>5</sup> or (ii) 'Targeted Affordable Housing' – units have regulatory agreements in place that preserve affordability over the long term. The thresholds for this program are aligned with market expectations for affordable housing.
    - 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.<sup>6</sup> Workforce Housing considers units that are

<sup>5</sup> Some deviation from this threshold is allowed in cost-burdened markets. Sustainalytics recognizes this approach as in line with market practice.

<sup>6</sup> Freddie Mac has identified that the "missing middle" may include individuals such as teachers, police officers and firefighters.

- affordable to households earning 80% of the AMI or less in most markets. Considering the intended outcomes, these definitions are aligned with market expectations.
- Under the Federal Housing Finance Agency (FHFA) program, Freddie Mac is required to facilitate a secondary market for MHC mortgages that provide housing for very low-, and moderate-income families and provide tenant protections and/or are owned by residents. Sustainalytics has assessed the Freddie Mac Duty to Serve Underserved Markets Plan<sup>7</sup> and views these criteria to be eligible and impactful.
- The Economic Opportunity criteria allow the financing of housing projects that aim to result in increased economic opportunity for their residents. This may include targeted housing in i) Designated High Opportunity Areas; ii) Areas with Indicators of Opportunity and/or iii) Mixed-Income Housing. Sustainalytics views positively these criteria, and notes that all properties within this category will also meet the specific affordability and Social Impact Criteria discussed above. In regards to the specific criteria, Sustainalytics notes the following for each economic opportunity criteria defined in the Framework:
- Sustainalytics has assessed the FHFA definition Freddie Mac uses to define “Designated High Opportunity Areas”<sup>8</sup> and views positively the associated criteria. It also recognizes that investing in quality affordable housing in these areas can promote economic opportunity and mobility for residents in these areas. Further, Sustainalytics recognizes the positive impact of targeting properties that may be in communities that have the features of a high opportunity area, but have not yet been formally designated as such.
  - Mixed-Income Housing is defined as housing that has a mix of units affordable to renters earning up to 50% of AMI and those earning above 80% of AMI, with the goal of creating economic diversity and expanding the availability of quality affordable housing throughout an area. Sustainalytics recognizes that mixed-income housing can provide access to neighborhoods of opportunity for low- and moderate-income residents, and views the defined thresholds positively, while acknowledging that determining the relative share for the Mixed-Income Housing unit types is not feasible.
- Through the environmental impact criteria, Freddie Mac will aim to incorporate the principles of environmentally sound development into the evaluation of projects financed through its sustainability bonds. It is acknowledged that these criteria will be applied to eligible projects that have already satisfied at least one of the Social Impact Criteria. The environmental impact criteria include (i) Building Standards for Energy Efficiency; (ii) Green Building Certifications; (iii) Existing Energy/Water Efficiency Improvements and/or (iv) Transit-Oriented Development. Sustainalytics notes the following regarding each of the green criteria defined in the Framework:
- Building Standards for Energy Efficiency – The Framework specifies that properties may be eligible if they meet one of the following criteria: (i) properties whose owners have committed to making renovations that should result in reduced energy usage of 15% from a baseline usage and may in addition also result in reduced water usage of 15% from a baseline; (ii) Properties that have a Home Energy Rating System (HERS) score of 85 or less for rehabs;<sup>9</sup> and/or (iii) properties with an energy performance equivalent to the 2009 Residential International Energy Conservation Code (IECC) or the 2009 Commercial IECC – ASHRAE 90.1-2007.
    - Sustainalytics views these criteria positively in the context of Freddie Mac’s Framework, in which all projects meet additional social criteria.
  - Green Building Certifications – The following green building certifications will be used to determine eligibility: (i) ENERGY STAR; (ii) Enterprise Green Communities; (iii) National Green Building Standard (NGBS); (iv) LEED; (v) GreenPoint Rated Multifamily

<sup>7</sup> FHFA, Freddie Mac Duty to Serve Underserved Markets Plan (2018-2020):

<https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/Freddie-Mac-Plan-Modifications-122019.pdf>

<sup>8</sup> High opportunity areas include areas designated by Housing and Urban Development as a “Difficult Development Area”, as well as areas designated in a state’s Low-Income Housing Tax Credit Qualified Allocation Plan (QAP) as a high opportunity area, whose poverty rate is lower than the rate established by FHFA.

<sup>9</sup> A home with a HERS Index of 85 is 15% more energy efficient than the HERS Reference Home (based on the 2006 IECC), while a score of 80 represents a 20% energy performance improvement from the same code.

Whole Building Label; (vi) EarthCraft; (vii) Green Globes and/or (viii) Passive House Institute.

- Sustainalytics views positively these certifications in the context of Freddie Mac's Framework, in which all projects meet additional social criteria, recognizing the environmental benefits that are anticipated to be delivered as well as the robust management systems in place. See Appendix 1 for an analysis of each scheme.
- Existing Energy/Water Efficiency Improvements – The Framework defines additional criteria for properties that do not meet energy and water efficiency standards or one of the green building certifications. In order to be eligible, the property must have had the improvement installed at the property at least by loan origination or no earlier than three years from loan origination<sup>10</sup> and the retrofits must range between a total 10-30% of projected energy consumption savings and/or projected water consumption savings. Sustainalytics views these additional criteria positively in the context of Freddie Mac's sustainability bonds program, where all projects in this category will additionally qualify under one of the Framework's Social Impact Criteria definitions.
- Transit-Oriented Development – Freddie Mac will select properties in areas that are located near public transportation, including bus stops (urban areas), train lines, and subway lines, with the goal of reducing transportation-related emissions, while also providing increased access to affordable housing and quality jobs. The Framework states that in order to qualify, properties must be located within half a mile of public transportation, and that Freddie Mac measures walking distance in miles from property using Bureau of Transportation Statistics (BTS) National Transit Map. Through the use of BTS, Freddie Mac will be able to select transit stops based on the number of users per stop to ensure that it is achieving the intended impact by targeting highly-populated, urban areas. Sustainalytics recognizes the greenhouse gas mitigation potential of these activities, as well the potential to provide increased accessibility for users, and notes that the projects in this category also qualify under one of the Framework's Social Impact Criteria definitions.
- 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 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 sustainability bonds proceeds in accordance with its existing policies for capital management. In addition, sustainability bonds proceeds will be tracked and reported monthly in line with the CRE Finance Council Investor Reporting Package,<sup>11</sup> 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 sustainability 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:

<sup>10</sup> Properties that have completed efficiency improvements as a part of our Green Advantage® loan program within the past five years or commenced efficiency improvements under Green Advantage loan program are also considered to be eligible.

<sup>11</sup> CRE Finance Council, Investor Reporting Package (IRP): <https://www.crefc.org/irp>

- Freddie Mac is committed to providing investors with asset- and portfolio-level reporting in line with the core principles and recommendations in the published harmonized frameworks for both Green Bond and Social Bond impact reporting.<sup>12</sup>
- Portfolio-level reporting will focus on the financial, environmental, and social impacts of the projects. Financial impact analysis may include factors such as total loan count, loan amount and unit affordability. Environmental metrics may include aggregate greenhouse gas emissions reduction/avoidance, and the social impact reports will analyze tenant benefits based on the opportunities provided to them as residents in the financed properties.
- All relevant information and disclosures associated with the sustainability 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 Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Freddie Mac Multifamily Sustainability Bonds Framework aligns to the four core components of the Green Bond Principles (2018) and the Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Freddie Mac

### Contribution of Framework to Freddie Mac's sustainability

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".<sup>13</sup> 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.<sup>14</sup> 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.

In recent years, Freddie Mac has expanded its scope of impact and has moved beyond merely fulfilling its social mission by incorporating environmental programs within its core offerings. This has primarily been achieved through the Freddie Mac Multifamily Green Advantage® Program (the "Program"), which requires borrowers to make energy and water efficiency improvements to their properties.<sup>15</sup> Since the Program's inception in 2016, Freddie Mac has purchased more than USD 60 billion in green loans. In order to qualify, borrowers must be able to reduce whole property energy consumption by at least 15% and reduce either energy and/or water whole property consumption by an additional 15% for a total of 30% reduction in whole property energy and water consumption.<sup>16</sup> The Program uses several accredited green building and energy efficiency schemes to provide discounted loan pricing for properties, and thereby, incentivizing borrowers to improve their environmental performance.<sup>17</sup> While it is acknowledged that the Program is distinct from the intended purpose of the sustainability bonds issuance, Sustainalytics views it as indicative of Freddie Mac's emphasis on addressing environmental challenges, and therefore to support the position that the Framework is aligned with the Organization's overall sustainability strategy and ongoing environmental initiatives.

<sup>12</sup> ICMA, Green, Social and Sustainability bonds, Impact Reporting: <https://www.icmagroup.org/green-social-and-sustainability-bonds/impact-reporting/>

<sup>13</sup> Freddie Mac, About Us: <http://www.freddie-mac.com/about/>

<sup>14</sup> Freddie Mac Multifamily, What We Do: <https://mf.freddie-mac.com/about/what-we-do.html>

<sup>15</sup> Freddie Mac Multifamily, Freddie Mac Multifamily Green Advantage: <https://mf.freddie-mac.com/product/green-advantage.html>

<sup>16</sup> Freddie Mac Multifamily offers two assessments – Green Assessment® and Green Assessment Plus® which give recommendations for improvements. See more at: <https://mf.freddie-mac.com/product/green-advantage.html>

<sup>17</sup> Freddie Mac Multifamily, Freddie Mac Multifamily Green Advantage: <https://mf.freddie-mac.com/product/green-advantage.html>

According to its most recent Annual Report,<sup>18</sup> 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.

Sustainalytics is of the opinion that the Framework is aligned with the Organization's overall sustainability efforts and that the outlined activities will further enhance the Company's action on fulfilling both its social and environmental objectives.

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

Sustainalytics recognizes that the proceeds from the sustainability 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 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 Human Capital; Nominating and Governance and Risk.<sup>19</sup> 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 FHFA, an independent federal agency in the United States. Sustainalytics considers this regulatory oversight, and the associated policies the FHFA imposes,<sup>20</sup> 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 and environmental remediation. 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 Countries<sup>21</sup> 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**

All five use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

### **The role of mixed-income housing in the provision of accessible and affordable housing**

According to the Urban Land Institute, the development of mixed-income housing has contributed to successfully addressing the scarcity of affordably priced housing in many communities across the United States.<sup>22</sup> The U.S. Department of Housing and Urban Development (HUD) states that mixed-income housing

<sup>18</sup> Freddie Mac, Annual Report 2019: [http://www.freddiemac.com/investors/financials/pdf/10k\\_021320.pdf](http://www.freddiemac.com/investors/financials/pdf/10k_021320.pdf)

<sup>19</sup> Freddie Mac, Board Committees: <http://www.freddiemac.com/governance/board-committees.html>

<sup>20</sup> Federal Housing Finance Agency, Policies: <https://www.fhfa.gov/AboutUs/Policies>

<sup>21</sup> 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.

<sup>22</sup> Urban Land Institute, 'Mixed-Income Housing': <http://inclusionaryhousing.ca/wp-content/uploads/sites/2/2010/01/ULI-Mixed-Income-Hsg-2003.pdf>

raises the standard of living for low-income residents by increasing property values, while stabilizing and diversifying communities.<sup>23</sup> While there is no single accepted definition of “mixed-income housing”, according to Freddie Mac, federal, state and/or local programs in the United States often define it as a property in which at least 20% of the units are affordable to households making 50% or less of the AMI, or at least 40% of the units are affordable to households making 60% or less of AMI; and at least 20% of the units are unaffordable to households making less than 80% AMI. An inadequate supply of affordable housing has proven to have a negative ripple effect on economic growth. As demand for affordable housing is high, more people have to devote more of their income to housing. They have less to spend on other goods and services, which simultaneously affects the ability of businesses to expand as there is not enough housing available for their prospective workforce.<sup>24</sup>

Increasingly, workforce families – families earning too much to qualify for housing assistance but not making enough to afford market-rate housing – are finding that having a job does not guarantee a place to live at an affordable cost. Mixed-income housing is a solution that allows working families to live in the communities in which they are employed, while increasing the marketplace’s insufficient supply of affordable housing.<sup>25</sup> Public policy and financial support at all levels of the government is critical to supporting the development of mixed-income housing. Some of the ways this can be realized is through inclusionary zoning, density bonuses, and land assembly assistance.<sup>26</sup> Inclusionary zoning has been an increasingly popular tool for local municipalities in the United States, as it helps provide a wider range of housing options than provided by the free market on its own.<sup>27</sup> While inclusionary zoning programs vary by jurisdiction, they often provide incentives such as development rights or zoning variances to allow developers to include affordable housing units in their projects from the outset, making the provision of affordable housing predictable.<sup>28</sup> Research also shows that affordable units created through inclusionary zoning policies are more likely to be located in higher-income neighborhoods when compared to other kinds of housing available to low-income families.<sup>29</sup> This provides more opportunity for low-income families to live in locations that are low in crime, have good schools, and are close to employment centers. In this context, Sustainalytics believes that Freddie Mac’s projects in the area of Mixed-Income Housing will result in widespread positive social impact.

### **The benefits of incorporating environmentally friendly attributes into affordable housing**

As the current stock of residential dwellings in the United States consists largely of older buildings,<sup>30</sup> it is important to recognize the long-lasting positive environmental impact of upgrading buildings to fit modern green building codes.<sup>31</sup> It has also been proven that sustainable buildings are cost-effective, as these types of buildings tend to make use of cost-efficient materials and often pay themselves off more quickly when compared to conventional techniques.<sup>32</sup> In addition to helping avoid 33 metric tons of CO<sub>2</sub> from 2000 to 2016 in six countries globally, it is estimated that U.S. landowners could save USD 126 billion in energy costs through 2040 by following the requirements of green building certifications such as LEED and advanced building codes.<sup>33</sup> From an energy savings perspective, the United Nations Environment Programme has found that while commercial and residential buildings currently consume approximately one third of the world’s energy, these types of buildings could account for 50% of global energy savings by 2050 if construction and operating practices become more energy-efficient.<sup>34</sup> In addition to accounting for environmental criteria, Enterprise Green Communities, the leading green building standard for affordable housing, considers health-related criteria in order to address the issue of building healthy homes for low-income communities.<sup>35</sup> The health lens is particularly important as low-income and minority communities “often bear the most severe

<sup>23</sup> U.S. Department of Housing and Urban Development:

[https://www.hud.gov/program\\_offices/comm\\_planning/affordablehousing/library/modelguides/2004/200315](https://www.hud.gov/program_offices/comm_planning/affordablehousing/library/modelguides/2004/200315)

<sup>24</sup> Urban Land Institute, ‘Mixed-Income Housing’: <http://inclusionaryhousing.ca/wp-content/uploads/sites/2/2010/01/ULI-Mixed-Income-Hsg-2003.pdf>

<sup>25</sup> Urban Land Institute, ‘Mixed-Income Housing’: <http://inclusionaryhousing.ca/wp-content/uploads/sites/2/2010/01/ULI-Mixed-Income-Hsg-2003.pdf>

<sup>26</sup> *Ibid.*

<sup>27</sup> Health Affairs, ‘Housing and Health: The Role of Inclusionary Zoning’: <https://www.healthaffairs.org/doi/10.1377/hpb20180313.668759/full/>

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

<sup>30</sup> As of March 2020, the most common age bracket for American homes was between 11 and 20 years old with approximately 27 million homes in the United States falling within this range. See more at: <https://www.statista.com/statistics/1042458/home-age-usa/>

<sup>31</sup> World Green Building Council, ‘The benefits of green buildings’: <https://www.worldgbc.org/benefits-green-buildings>

<sup>32</sup> BioFriendly Planet, ‘Why Green Building May Be a Key To Affordable Housing’: <https://biofriendlyplanet.com/green-ideas/eco-friendly/design/why-green-building-may-be-a-key-to-affordable-housing/>

<sup>33</sup> BioFriendly Planet, ‘Why Green Building May Be a Key To Affordable Housing’: <https://biofriendlyplanet.com/green-ideas/eco-friendly/design/why-green-building-may-be-a-key-to-affordable-housing/>

<sup>34</sup> World Green Building Council, ‘The benefits of green buildings’: <https://www.worldgbc.org/benefits-green-buildings>

<sup>35</sup> Enterprise Green Communities:

<https://www.google.com/search?q=enterprise+green+communities+governance&oq=enterprise+green+&aqs=chrome.69i59l3j69i57j0j69i60l3.4923j0j1&sourceid=chrome&ie=UTF-8>

consequences of environmental degradation and pollution”.<sup>36</sup> A study from Yale University found that, in major US metro areas, communities with higher rates of poverty and unemployment were more likely to be exposed to higher levels of fine particulate air pollution, including toxic substances, and face commensurately greater health risks.<sup>37</sup> Open dumping and mismanagement of waste resulting in heavy metal pollution and marine litter often occurs in lower-income neighborhoods.<sup>38</sup> This can be corrected through sustainable building techniques that incorporate better handling of solid waste together with other green considerations in the context of building affordable housing. The ongoing COVID-19 pandemic has shed light on the disproportionate impact health crises can have on minority groups, with high rates of death in African American, Native American and Latin American communities.<sup>39</sup> While this can be attributed to lower access to healthcare and existing chronic medical conditions, minority communities are also more likely to live and work in conditions that predispose them to worse outcomes if such diseases are constructed.<sup>40</sup> In this context, the integration of sustainable building techniques in affordable housing can be leveraged as a mechanism to yield positive outcomes for such communities.

Considering the above, Sustainalytics views positively both the specific green attributes considered under the Framework, as well as the broader positive impact of environmentally friendly affordable housing.

### 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. The Framework advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Affordable Housing	1. No Poverty	1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions
	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
Socio-Economic Advancement	10. Reduced Inequalities	10.3 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Transit Oriented Development	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in

<sup>36</sup> Massey, R, 'Environmental Justice: Income, Race, and Health': [http://www.ase.tufts.edu/gdae/education\\_materials/modules/environmental\\_justice.pdf](http://www.ase.tufts.edu/gdae/education_materials/modules/environmental_justice.pdf)

<sup>37</sup> Katz, C, 'People in Poor Neighborhoods Breathe More Hazardous Particles': <https://www.scientificamerican.com/article/people-poor-neighborhoodsbreathe-more-hazardous-particles/>

<sup>38</sup> BioFriendly Planet, 'Why Green Building May Be a Key To Affordable Housing': <https://biofriendlyplanet.com/green-ideas/eco-friendly/design/why-green-building-may-be-a-key-to-affordable-housing/>

<sup>39</sup> Oxford Academic, 'Disproportionate Impact of COVID-19 on Racial and Ethnic Minorities in the United States': <https://academic.oup.com/cid/advance-article/doi/10.1093/cid/ciaa815/5860249>

<sup>40</sup> *Ibid.*

		vulnerable situations, women, children, persons with disabilities and older person
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**Conclusion**

Freddie Mac has developed the Freddie Mac Multifamily Sustainability Bonds Framework under which it will issue sustainability bonds and use the proceeds to finance projects that meet social impact criteria and may in addition include indicators that foster economic opportunity and/or meet one of the environmental impact criteria outlined in the Framework. Sustainalytics considers that the projects funded by the sustainability bond proceeds will provide positive environmental and social impact.

The Freddie Mac Multifamily Sustainability Bonds Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Freddie Mac Multifamily Sustainability Bonds Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 1, 7, 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 is well-positioned to issue sustainability bonds and that that Freddie Mac Multifamily Sustainability Bonds Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

## Appendices

### Appendix 1: An Overview of the Green Building Certification Standards

	<b>ENERGY STAR</b>	<b>Enterprise Green Communities</b>	<b>National Green Building Standard (NGBS)</b>	<b>LEED</b>
<b>Background</b>	ENERGY STAR is a U.S Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.	Enterprise Green Communities aligns affordable housing investment strategies with environmentally responsive building practices. It is available for any housing project in the US that includes affordable dwellings. Certification involves a two-step online submission and review process: Prebuild and Postbuild.	NGBS is a Green building rating system for homes and apartments approved by the American National Standards Institution (ANSI). It provides a blueprint for builders to follow for the design and construction of new and renovated single-family homes and multifamily apartment buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
<b>Scope of Scheme</b>	<ul style="list-style-type: none"> <li>• Energy use</li> </ul>	<ul style="list-style-type: none"> <li>• Integrative Design</li> <li>• Location and Neighborhood Fabric</li> <li>• Site Improvements</li> <li>• Water</li> <li>• Operating Energy</li> <li>• Materials</li> <li>• Healthy Living Environment</li> <li>• Operations and Maintenance</li> <li>• Resident Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Efficiency</li> <li>• Water Efficiency</li> <li>• Resource Efficiency</li> <li>• Lot &amp; Site Development</li> <li>• Operation &amp; Maintenance</li> <li>• Indoor Environmental Quality</li> </ul>	<ul style="list-style-type: none"> <li>• Energy and Atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and Resources</li> <li>• Water Efficiency</li> <li>• Indoor Environmental Quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>
<b>Certification Levels</b>	<ul style="list-style-type: none"> <li>• 1-100 score, 75 is minimum for certification.</li> </ul>	<p>There are two types of binary certifications:</p> <ol style="list-style-type: none"> <li>1) Enterprise Green Communities Certification</li> <li>2) Enterprise Green Communities Certification Plus</li> </ol>	<ul style="list-style-type: none"> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> <li>• Emerald</li> </ul>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>

<p><b>Awarding Points under the Scheme</b></p>	<p>1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least that percentage of similar buildings nationwide.</p>	<p>All projects must achieve compliance with mandatory criteria measures applicable with their construction type. New construction projects earning at least 40 optional points, and substantial and moderate rehab projects achieving at least 35 optional points, will be recognized with EGC certification. Projects that also comply with either a) Moving to Zero Energy: Near Zero Certification Criterion or b) Achieving Zero Energy, will be recognized with the Enterprise Green Communities Certification Plus. EGC updated its criteria in 2020 such that all new buildings must be certified under ENERGY STAR standards, and existing buildings must follow either ASHRAE (equivalent or better than ASHRAE 90.1-2013) or ERI (achieving a HERS score of 80 or less - 20% improvement compared to 2006 IECC).</p>	<p>All project must meet the minimum threshold levels in every category of green building practice (point 3 in scope). After that, points are awarded for achieving certain voluntary criteria. In order to move up a level, a building must attain more points in <u>every category</u> of green building practice. Note: if a project missed the threshold for Emerald in one category by a single point, it will still only achieve Gold. Silver represents a 25% reduction in energy consumption and a 30% reduction in water consumption for existing buildings.</p>	<p>Prerequisites (independent of level of certification) and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance (EB:OM).</p>
<p><b>Governance of Scheme</b></p>	<p>The scheme was developed by the Department of Energy (DOE) and the Environmental Protection Agency (EPA) and is government-backed. It is jointly run by EPA and the DOE who are responsible for reviewing it on an ongoing basis.</p>	<p>The scheme was developed by leading green building practitioners, and is reviewed on an ongoing basis.</p>	<p>NGBS was developed in partnership with the ASHRAE, the International Code Council (ICC), and the National Association of Home Builders (NAHB). Since its inception, there have been four iterations of NGBS, undergoing three updates by Consensus Committees of industry and non-profit individuals and in partnership with the ICC and NAHB.</p>	<p>USGBC developed the scheme. Technical Expert Groups are responsible for reviewing the scheme on an ongoing basis.</p>
<p><b>Certification Process</b></p>	<p>Independent third-party verifiers.</p>	<p>Independent third-party verifiers.</p>	<p>The certification is issued by Home Innovation Research Labs, and assessments are carried out by third-party independent verifiers (NGBS Green Verifier). Every project is subject to two independent and mandatory, third-party verification inspections.</p>	<p>Projects certified by accredited LEED assessors. Certifiers have substantial training and expertise.</p>
<p><b>On-going Certification</b></p>	<p>ENERGY STAR certifications last for 12 months. After this period, facilities must undergo the scoring and application process again to demonstrate that it has sustained top performance.</p>	<p>One-time certification.</p>	<p>One-time certification, but certifiers come back for a final inspection when the refurbishments are complete to ensure all the green practices installed after their first inspection are correct.</p>	<p>Certification can be one-time, though EB:OM certification and/or reporting through ARC is encouraged.</p>

<p><b>Market Commentary</b></p>	<p>Accounts only for energy use, not other measures of environmental performance. It is a key component of other green building certification schemes.</p>	<p>Leading certifier for green buildings in the affordable housing sector in the United States.</p>	<p>The scheme is perceived positively and is widely used in the US. Projects can't continue to be certified to older versions of NGBS for longer than 4 years.</p>	<p>Generally perceived well globally, and in North America in particular. LEED is generally seen as the leading scheme in the world with strong assurance of overall quality.</p>
<p><b>Performance display</b></p>				

	GreenPoint Rated	EarthCraft	Green Globes	Passive House Institute
<p><b>Background</b></p>	<p>GreenPoint Rated was developed by Build it Green, a professional non-profit membership organization with a mission of promoting healthy, energy and resource efficient buildings. Ratings are performed by certified GreenPoint Raters, independent professionals who are trained and certified by Build it Green. GreenPoint Rated offers labels in the following two areas: GreenPoint Rated New Home and GreenPoint Rated Existing Home.</p>	<p>In 1999, Southface Energy Institute and the Greater Atlanta Home Builders Association developed the EarthCraft high-performance building certification to address energy, water and climate conditions. More than 50,000 properties have been certified under an EarthCraft label. Launched in 2003, the EarthCraft Multifamily program is designed to certify new construction low-, mid- and high-rise residential buildings. It was the first multifamily-specific green building program in the nation.</p>	<p>Green Globes, administered by the U.S. Green Building Initiative (GBI), is a building certification used primarily in Canada, as well as in the US. Originally based off of the BREEAM standard, and re-worked under the specifications of the Canadian Standards Association (CSA) and the American National Standards Institute (ANSI).</p>	<p>Passive House (also known by its German name, Passivhaus) is a certification scheme for very low energy buildings, first developed in Germany and administered by the non-profit Passive House Institute (PHI) and implemented in the United States by the US Passive House Institute (PHIUS).</p> <p>The PHI has three types of certifications:</p> <ol style="list-style-type: none"> <li>1) Certified</li> <li>2) EnerPHIt (for retrofits only)</li> <li>3) Low Energy Buildings</li> </ol> <p>The certification for PHIUS is PHIUS+ Certified.</p>
<p><b>Scope of Scheme</b></p>	<ul style="list-style-type: none"> <li>• Energy Efficiency</li> <li>• Indoor Air Quality/Health</li> <li>• Water Conservation</li> <li>• Resource Conservation</li> <li>• Community</li> </ul>	<ul style="list-style-type: none"> <li>• Site Planning</li> <li>• Construction Waste Management</li> <li>• Resource Efficiency</li> <li>• Durability and Moisture management</li> <li>• Indoor Air Quality</li> <li>• High Performance Building Envelope</li> <li>• Energy Efficiency Systems</li> <li>• Water Efficiency</li> <li>• Education and Operations</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Project Management</li> <li>• Site</li> <li>• Energy</li> <li>• Water</li> <li>• Materials &amp; Resources</li> <li>• Emissions</li> <li>• Indoor Environment</li> </ul>	<ul style="list-style-type: none"> <li>• Space Heat/Cooling Demand</li> <li>• Building Airtightness</li> <li>• Total Primary Energy Demand</li> </ul>
<p><b>Certification Levels</b></p>	<p>GreenPoint Rated New Home:</p> <ul style="list-style-type: none"> <li>• Platinum</li> <li>• Gold</li> <li>• Silver</li> <li>• Certified</li> </ul>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Globe</li> <li>• 2 Globes</li> <li>• 3 Globes</li> <li>• 4 Globes</li> </ul>	<p>The PHI certifications can achieve: Classic, Plus or Premium. PHIUS+ Certified includes two add-on badges: Supply Air</p>

	<p>GreenPoint Rated Existing Home:</p> <ul style="list-style-type: none"> <li>• These are binary certifications. Eligible projects must obtain a minimum number of points and fulfill all prerequisites in order to achieve labels for either Single Family Homes or Multifamily Homes.</li> </ul>			<p>Heating and Cooling Sufficient and PHIUS+ Source Zero.</p>
<p><b>Awarding of Points under the Scheme</b></p>	<p>GreenPoint Rated New Home:</p> <ul style="list-style-type: none"> <li>• Score-based performance levels with a total of 300 points available. The higher tiers signify that more green features were incorporated into a project. All GreenPoint Rated new homes have a baseline of satisfying prerequisites depending on the type of unit (Multifamily or Single Family). This includes meeting meeting ASHRAE 62.2-2016 Ventilation Residential Standards and CALGreen’s mandatory measures where necessary and</li> </ul> <p>GreenPoint Rated Existing Home:</p> <ul style="list-style-type: none"> <li>• Units must meet certain prerequisites and achieve a minimum point requirement in each of the five environmental categories to score the required number of points.</li> </ul>	<p>ENERGY STAR (New Homes or Multifamily High Rise) is required at the Gold and Platinum levels depending on the building type. Appropriate ventilation based on ASHRAE guidelines in a requirement of the program implemented at either the unit or building level. Outside of these areas, the program is very flexible and can be customized by individual developers to suit their individual projects within the scoring system.</p>	<p>Score-based performance levels, with 1,000 total points available. The number of points available in each category varies on the certification type (i.e. new construction or existing building). A score of 35% (350 points) must be obtained in order to receive the lowest (1 Globe) rating.</p> <p>The evaluation system combines web-based submissions by the project team and remote and on-site assessments by qualified third party assessors.</p> <p>Qualification systems exist for New Construction (NC), Existing Buildings (EB), and Sustainable Interiors (SI).</p>	<p>PHI Certified includes threshold requirements in three areas: space heat demand, building pressurization test result, and total primary energy demand, calculated per unit of usable floor area. For building retrofits, EnerPHit certification can be achieved by demonstrating the maximum space heating demand (at a less stringent level than full certification), or by utilizing components certified by the PHI.</p> <p>PHIUS+ Certified is a pass-fail standard with additional quality assurance inspection and low-moisture-risk design requirements.</p>
<p><b>Governance of Scheme</b></p>	<p>This label was developed by Build it Green.</p>	<p>EarthCraft was developed by Southface Energy Institute and the Greater Atlanta Home Builders Association. Since its inception, EarthCraft has developed various new programs to address increased demand.</p>	<p>The GBI acquired the U.S. rights to the Green Globes building assessment program in 2004 and adapted it for the U.S. market as an alternative to the commercial building rating system.</p>	<p>The PHI scheme was developed by PHI which is an independent research institute. They routinely review the certification scheme to ensure ongoing viability and credibility.</p> <p>PHIUS+ developed their standard with Building Science</p>

				Corporation under a DOE grant. The standard is routinely reviewed and updated.
<b>Certification Process</b>	Independent third-party verifiers.	Independent third-party verifiers and diagnostic testing.	Independent third-party trained auditors and certifiers.	Independent quality assessment.
<b>On-going Certification</b>	One-time certification.	One-time certification.	One-time certification.	One-time certification.
<b>Market Commentary</b>	GreenPoint Rated differs from certifications like LEED in that it is binary and is more closely aligned with California’s energy code and green building requirements. Since the program’s implementation in early 2011, it has seen strong use and support from building owners, developers, policy makers, and building departments. Remodelers often partner with third-party raters, but they can also become certified as GreenPoint Raters themselves and rate their own projects.	Recognized as one of the leading residential green building programs in the United States. It is currently the largest system for green home development in the United States.	Limited recognition outside of North America.	PHIUS+ is the largest Passive Building Certification in North America. 98% of the institutes North American projects were certified through PHIUS in 2017 and 100% of all certified projects were guided by PHIUS-certified professionals.
<b>Performance Display</b>				

## Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Freddie Mac
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	Freddie Mac Multifamily Sustainability Bonds Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	September 21, 2020
<b>Publication date of review publication:</b>	

### 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 GBP and 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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

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 categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers social and environmental projects related to the areas of Affordable Housing, Socio-Economic Advancement, Energy Efficiency, Green Buildings, and Transit-Oriented Development to have positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically Goals 1, 7, 10 and 11.

**Use of proceeds categories as per GBP:**

- |  |  |
|--|--|
| <input type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings  |

- Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- Other (please specify): Transit-oriented development

If applicable please specify the environmental taxonomy, if other than GBPs:

**Use of proceeds categories as per SBP:**

- Affordable basic infrastructure
- Affordable housing
- Food security
- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP
- Access to essential services
- Employment generation (through SME financing and microfinance)
- Socioeconomic advancement and empowerment
- 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. Loans intended to be securitized are underwritten to the same standards as loans that are to held in its investment portfolio. Sustainalytics considers the project selection process to be in line with market practice.

**Evaluation and selection**

- Credentials on the issuer’s social and green objectives
- Defined and transparent criteria for projects eligible for Sustainability Bond proceeds
- Summary criteria for project evaluation and selection publicly available
- Documented process to determine that projects fit within defined categories
- Documented process to identify and manage potential ESG risks associated with the project
- 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):

Sustainability 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 to which Freddie Mac intends to allocate all of the proceeds accordingly. This is in line with market practice.

#### Tracking of proceeds:

- Sustainability 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 financial factors as well as environmental and social impacts. 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
- Sustainability 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):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Number of beneficiaries  |
| <input checked="" type="checkbox"/> Target populations      | <input checked="" type="checkbox"/> Other ESG indicators (please specify): An analysis of tenant benefits based on opportunity provided by residing in the financed properties. |

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents  | <input type="checkbox"/> Other (please specify):                        |
| <input type="checkbox"/> 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 <sup>nd</sup> 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 GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

## Disclaimer

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