National Rural Utilities
Cooperative Finance Corporation
Created and Owned by America's Electric Cooperative Network

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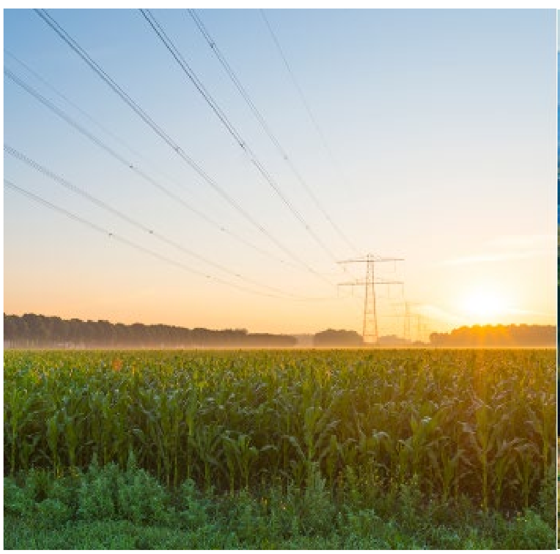
Sustainability Bond Framework



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1. Introduction

The National Rural Utilities Cooperative Finance Corporation (CFC) is a nonprofit, private lender focused on providing financing to the nation's more than 900 rural electric cooperatives. We were created in 1969 to supplement and complement the federal lending programs of the United States Department of Agriculture (USDA) Rural Electrification Administration (REA) – the predecessor agency to the Rural Utilities Service (RUS). Today, we maintain our focus on strengthening this public-private relationship to help ensure that electric cooperatives are able to construct, maintain and improve the electric and broadband utility infrastructure necessary to provide these essential services in communities across rural America.

CFC provides exceptional services that go beyond the balance sheet to meet the ever-changing needs of our member-owners in a dynamic environment. These services include, but are not limited to, long-term shelf financing for electric infrastructure, such as distribution lines and power generation projects, emergency lines of credit so power can be restored quickly after natural disasters, specialized financing including loan syndications and loan resales, strategic planning and financial analysis, financial education and training. The Federal Financing Bank, Farmer Mac, Capital Markets, and Member Investments are all funding sources of CFC. CFC provides funding and financial support to CFC members, that in turn provide investments and credit strength to CFC.

Our electric cooperative members, which trace their origin back to the U.S. federal government's "New Deal Initiative," were created by farmers and local residents to provide affordable and dependable electricity in rural communities where for-profit utilities had no interest in providing essential services. Today, the U.S. Congress continues to recognize this important "social purpose" and public-private partnership by making billions of dollars available annually to the electric cooperative network through the USDA, the U.S. Department of Energy, the Federal Communications Commission, and others to meet these unique needs.

Electric cooperatives are organized primarily as private, not-for-profit cooperative businesses that are owned and managed by their members. As such, they qualify for tax exemption under the Internal Revenue Code (IRC). CFC also operates under the cooperative business model and qualifies for tax exemption under the IRC as a 501 (c)(4) social welfare organization. Our mission remains focused on providing financing to our members to ensure they have the capital needed to make necessary investments in infrastructure projects to provide essential electric and telecommunications services, thereby fostering economic growth and development in rural communities across America. Over the past 20 years, CFC has contributed an estimated $175 million to the USDA's Rural Economic Development Loan and Grant Program (REDL&G) through the proceeds CFC pays to participate in a USDA guarantee program. The REDL&G program provides grants and loans to rural electric cooperatives, which can then provide funding to local businesses that support job creation or to community-based entities for important initiatives.

The electric cooperative network delivers essential utility service to 42 million Americans across more than half of the nation's landmass and 2,500-plus U.S. counties. Electric cooperatives provide service in more than 90 percent of the nation's persistent poverty counties (poverty rates ranging from 20 percent to more than 60 percent), as defined by the U.S. Department of Treasury's Community Development Financial Institutions (CDFI) program.

2. Approach to Sustainability

Throughout CFC's 51-year history, our cooperative principles and core values have been reflected in all aspects of our business. Today's investors are focused on a company's sustainability and societal impact by means of three universal criteria—environmental, social, and governance—known as ESG. We have taken additional steps to strengthen our members' understanding of the ESG criteria—and how to make it a greater priority for their individual cooperatives—through webinars and training events, strategic planning consultations, and other measures. ESG is integrated into our employee education programs and is a corporate measure of our annual success.

CFC and the members we serve are engaged in sustaining our environment across multiple fronts—from the LEED Gold-certified building and the 42-acre eco-friendly campus that serves as CFC's headquarters to the many energy efficiency and renewable energy projects we've helped fund for the benefit of the electric cooperative network. Beyond the energy-efficient systems in the building, CFC helps employees be good stewards of the environment through a robust recycling effort.

CFC's members are moving forward with renewable energy adoption. For decades, electric cooperatives have been producing and delivering energy through renewable resources. CFC continues to support our members by funding energy efficiency and renewable energy initiatives that pave the way for a greener future. According to National Rural Electric Cooperative Association ("NRECA"), the national service organization that represents the interests of over 900 electric cooperatives in the U.S., co-renewable energy capacity has increased 151 percent from 4 GW to 10 GW since 2010. Further, more than 560 cooperatives in 36 states use enough wind energy to serve 2 million homes and more than 95 percent of electric cooperatives provide electricity generated by renewable energy resources. Electric cooperatives have plans to add 6 GW of new renewable capacity by 2023. CFC and the National Renewables Cooperative Organization developed the Solar Cooperative Community Projects (sCOOP) program to enable tax-exempt electric cooperatives to benefit from federal tax incentives for renewable projects.

CFC makes financial contributions and devotes employee time to organizations that are integral to the fabric of Northern Virginia, which has been home to our organization for decades. The bulk of these efforts, including identifying various opportunities for community service and charitable giving throughout the year, are led by CFC employees.

Our commitment to CFC members begins with our commitment to CFC employees – the people who each day demonstrate our values of service, integrity, and excellence. Through investments in their training and continuing education, progressive work-life policies, and opportunities to contribute their time and talents to social causes that matter to them, we put CFC employees in a position to succeed for our members, as well as themselves.

Cooperatives operate according to a core set of seven principles. CFC's operations are grounded in the below seven cooperative principles, and we adhere to our core values of service, integrity, and excellence.

1. Open and Voluntary Membership- Owned by the members they serve.
2. Democratic Member Control- One member, one vote.
3. Members' Economic Participation- Equal share in financial success.
4. Autonomy and Independence- Member controlled.
5. Education, Training, and Information- Empowering members, representatives and employees.
6. Cooperation Among Cooperatives- Cooperatives are stronger together.
7. Concern for Community- Giving back to sustain the membership.

3. Lack of Access – A Social Challenge

According to the Federal Communications Commission (FCC), "Broadband is an important tool for expanding educational and economic opportunities for consumers in remote locations"[1]. Reliable and high-speed broadband access allows individuals to work and learn remotely, take advantage of telemedicine, and access social and cultural resources. In today's connected world, the lack of high-speed broadband puts underserved communities at a distinct disadvantage. The Bureau of Labor Statistics employment data reflects that the counties with the lowest available broadband access are often those with the highest unemployment rates[2].

Reliable internet connection is even more vital while schools and companies remain on lockdown due to the Novel Coronavirus (COVID-19); the pandemic has only further exacerbated this so-called "digital divide." Among parents in rural areas, 31 percent report that it is very or somewhat likely that their child will have to use public Wi-Fi to finish their schoolwork because there is not a reliable internet connection at home[3].

4. Rationale for Issuance

Through the issuance of our Sustainability Bonds, we aim to finance improved access to essential services for underserved communities, increased renewable generation capacity, and other projects that align with our sustainability priorities. We hope the issuance of our Sustainability Bonds will inspire other similar companies to do the same.

5. Alignment with the Sustainability Bond Guidelines

Sustainability Bonds are bonds for which the proceeds will be exclusively applied to finance or re-finance green projects, social projects, or a combination thereof. The Sustainability Bond Guidelines (SBG), as administered by the International Capital Markets Association (ICMA), recommend alignment of Sustainability Bonds with the four core components of both the Green Bond Principles, 2018 (GBP) and Social Bond Principles, 2020 (SBP), collectively known as "The Principles." The GBP and SBP outline eligible project categories for green and social projects. The Principles are voluntary process guidelines

[1] https://www.fcc.gov/consumers/guides/getting-broadband-qa
[2] https://data.bls.gov/timeseries/LNS14000000
[3] https://www.pewresearch.org/internet/2020/04/30/53-of-americans-say-the-internet-has-been-essential-during-the-covid-19-outbreak/

that recommend transparency, disclosure, and promote integrity for best practices when issuing Green Bonds, Social Bonds, and Sustainability Bonds. Our Sustainability Bond Framework is aligned with the SBG.

5.1 Use of Proceeds

An amount equal to the net proceeds from the sale of the Sustainability Bond will be used to finance or refinance, in whole or in part, one or more new or existing Eligible Projects. Eligible Projects are investments, expenditures, or disbursements made during the three years preceding the issuance date of the Sustainability Bond up to and including the maturity date of the Sustainability Bond, and aligned with the four core components of the Green Bond Principles, 2018, and the Social Bond Principles, 2020, and in accordance with Sustainability bond Guidelines 2018.

Eligible Projects may include those related to our own operations or facilities, or those of our subsidiaries or affiliates, disbursements to our co-op members, their subsidiaries, joint ventures, or affiliates, as well as lending to certain non-member initiatives. Such disbursements may be funded through lending structures including but not limited to Long Term Loan Facilities and drawn Lines of Credit.

We have identified Eligible Projects in two main categories. These projects are meant to address the strategic areas where we believe we can make the most positive social and environmental impact.

- Access to Essential Services for underserved and rural populations
- Renewable Energy including but not limited to solar, wind, geothermal and renewable battery storage

In the case of Access to Essential Services for underserved and rural populations, disbursements will be made through CFC and/or CFC affiliate National Cooperative Services Corporation (NCSC) to our co-op members, or their subsidiaries or affiliates. In the case of Renewable Energy, disbursements will be made through CFC and/or NCSC to parties that are not co-op members. We intend to allocate as soon as practicable.

Eligibility Criteria are outlined below:

GBP / SBP Eligible Project Category	Eligibility Criteria and Example Projects	Target Population and Broadband Access Benefits[4]
Access to Essential Services	Investments, expenditures or disbursements related to funding the construction, improvement, acquisition, or maintenance and operation of facilities and equipment needed to provide broadband service at a minimum of 25Mbps downstream and 3Mbps upstream	**Target Populations:** Electric cooperatives with a service territory that is generally considered rural and underserved populations without sufficient broadband access. A rural area is generally defined as one with a population less than 50,000 **Broadband access expected benefits:** • Increased Productivity: Foster economic development, job growth, rural entrepreneurship, and innovative technologies • Improved Operations: Provide reliable, real-time internet connectivity to Farms and rural businesses • Enhanced Healthcare Options: Access to telemedicine • Educational Opportunities: Access to online, remote distance learning for rural students and vocational training for adult learners • Competitive Entrepreneurship: Expand rural entrepreneurship
Renewable Energy	Investments, expenditures or disbursements related to the construction, development, acquisition, maintenance, and operation of renewable energy including, but not limited to solar, wind, geothermal, and renewable battery storage with direct emissions of less than 100 g CO_2/kWh	

[4] https://www.usda.gov/broadband

5.2 Process for Project Evaluation and Selection

CFC business units in consultation with the CFC treasury team will identify and evaluate projects for eligibility based on the criteria described in Section 5.1 and within the amount of the Sustainability Bond proceeds. Final approval will be made by the CFO.

5.3 Management of Proceeds

CFC has established an internal tracking system to monitor and account for the proceeds. The treasury team will track the actual amount of net proceeds from the sale of any Sustainability Bonds spent on Eligible Projects. Pending allocation, an amount equal to the net proceeds from the sale of any Sustainability Bonds may be temporarily used to pay down Commercial Paper borrowings or invested in cash, cash equivalents, and/or U.S. government securities. Funds will not knowingly be placed in investments that include greenhouse gas-intensive projects inconsistent with the delivery of a low carbon economy. If a transaction selected as an Eligible Project is in default, has terminated, is otherwise no longer outstanding, or no longer meets our eligibility criteria, the portion of the proceeds of any issuance of Sustainable Bonds allocated to that transaction will be reallocated to one or more other projects in accordance with CFC's internal policies and procedures.

5.4 Reporting

Annually, until all the proceeds have been allocated, and on a timely basis in case of material developments, CFC will publish a Sustainability Bond Report on its website (https://www.nrucfc.coop/content/nrucfc/en/investor-relations.html) which will include (i) the amount of net proceeds allocated to each Eligible Project Category, (ii) expected impact metrics, where feasible, (iii) examples of individual project descriptions along with (iv) the outstanding amount of net proceeds yet to be allocated to projects at the end of the reporting period.

GBP / SBP Eligible Project Category	Expected Example Impact Metrics
Access to Essential Services	• List of projects funded • Region of projects funded • Select case studies
Renewable Energy	• percent reduction in GHG emissions • Renewable energy capacity financed

6. External Review

6.1 Second Party Opinion

CFC has retained an independent consultant with recognized environmental and social expertise to provide a Second Party Opinion (SPO) on the environmental and social benefits of CFC's Sustainability Bond Framework as well as the alignment to GBP, SBP, and SBG. The SPO is available on the SPO provider's website.

6.2 Assurance

Within one year of any issuance of Sustainable Bonds and annually, until all the proceeds of an offering of bonds have been allocated, a report will be made public on CFC's website which will include (i) assertions by management regarding amounts allocated to each Eligible Project Category during the reporting period, and (ii) an attestation report from an independent registered public accounting firm in respect of its examination of management's assertions conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Disclaimer

The information and opinions contained in this CFC Sustainability Bond Framework (the Framework) are provided as at the date of this Framework and are subject to change without notice. None of CFC or any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current CFC policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights, or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved, or endorsed by the CFC and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by CFC as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are generally identified through the inclusion of words such as "aim," "anticipate," "believe," "drive," "estimate," "expect," "goal," "intend," "may," "plan," "project," "strategy," "target" and "will" or similar statements or variations of such terms and other similar expressions. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. None of the future projections, expectations, estimates, or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance, or guarantee that the assumptions on which such future projections, expectations, estimates, or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any bonds to fulfill environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such bonds regarding the use of proceeds and its purchase of bonds should be based upon such investigation as it deems necessary. CFC has set out its intended policy and actions in this Framework in respect of the use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the CFC Sustainability Bonds. However, nothing in this Framework is intended to modify or add to any covenant or other contractual obligation undertaken by CFC in any sustainability bonds that may be issued in accordance with this Framework. This Framework does not create any legally enforceable obligations against CFC; any such legally enforceable obligations relating to any sustainability bond bonds are limited to those expressly set forth in the indenture and notes governing such sustainability bond bonds. Therefore, unless expressly set forth in the indenture and the notes governing such sustainability bond bonds, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such bonds if CFC fails to adhere to this Framework, whether by failing to fund or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of

Eligible Projects. Each environmentally-focused potential investor should be aware that Eligible Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. This Framework does not constitute a recommendation regarding any securities of CFC or any member of CFC. This Framework is not, does not contain, and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by CFC or any member of CFC. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any bonds should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions.