

CFC SUSTAINABILITY BOND REPORT

POWERING THE FUTURE
OF RURAL AMERICA

August 2021





“ As a member-owned cooperative, CFC is committed to the mutual interests of our members, electric cooperatives and the communities they serve. In October 2020, we issued a \$400 million sustainability bond—the first ESG bond issued for and by the electric cooperative industry—to finance renewable energy and broadband initiatives benefiting rural communities throughout the U.S.”

— *Andrew Don, CEO, CFC*

Introduction

Electric cooperatives have been essential to the quality of life in rural America for many decades—a reality that was never more evident than in 2020 due to the crippling effects of the COVID-19 pandemic.

Despite business shutdowns and interruptions, electric cooperatives continued to provide affordable, reliable energy to more than half of the nation's landmass while accelerating the use of renewable energy. They also helped build out the nation's broadband infrastructure—a service that became especially critical as Americans turned to remote work and schooling. In fact, the Federal Communications Commission describes such connectivity as a modern-day necessity.

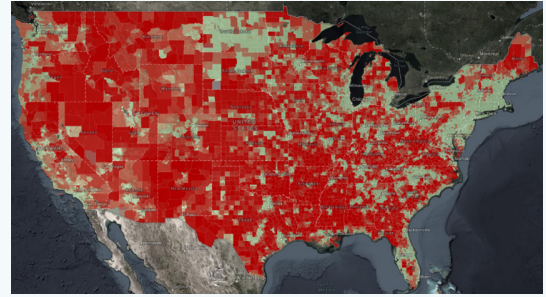
CFC Issues Inaugural Sustainability Bond

In October 2020, CFC successfully issued a \$400 million Sustainability Bond—an industry first—that exemplifies the convergent interests of electric cooperatives and society.

Through the issuance of sustainability bonds, CFC aims to finance improved access to essential services for underserved communities, increased renewable generation capacity and other projects that align with our sustainability priorities.

As of Feb. 28, 2021, all of the proceeds from the first bond have been allocated to improve access to essential services for underserved and rural populations in communities served by CFC member cooperatives.





Broadband Need



Areas in red show where the median fixed broadband internet speeds are below 25 Mbps download and 3 Mbps upload—the FCC's current benchmark for fixed broadband service.

Source: U.S. Department of Commerce National Telecommunications and Information Administration

CFC Sustainability Bond Framework Summary

	<p>Use of Proceeds</p> <ul style="list-style-type: none"> • Access to Essential Services such as Broadband • Renewable Energy
	<p>Evaluation</p> <ul style="list-style-type: none"> • CFC business units, in consultation with the CFC treasury team, identify and evaluate projects based on eligibility criteria and availability of Sustainability Bond proceeds. • The chief financial officer (CFO) reviews and approves project selection.
	<p>Funds Tracking</p> <ul style="list-style-type: none"> • CFC established an internal tracking system to monitor and account for the proceeds.
	<p>Reporting</p> <ul style="list-style-type: none"> • CFC provides annually, until all the proceeds have been allocated, a Sustainability Bond Report. • The CFC treasury team reviews and approves each Sustainability Bond Report, which includes: <ul style="list-style-type: none"> » Aggregate amounts of funds allocated to each eligible project category. » Aggregate funded projects by region. » Select case studies. • Review report from an independent registered public accounting firm on Management's Assertion that all of the loans in National Rural Utilities Cooperative Finance Corporation's (CFC) Sustainable Bond Loan Portfolio, as defined in Management's Assertion, as of February 28, 2021, were used to finance projects that were Eligible Projects and met the Eligibility Criteria, as described in Management's Assertion (the "Reporting Criteria") and that the total outstanding balance of the loans in CFC's Sustainable Bond Loan Portfolio as of February 28, 2021 is at least equal to the net proceeds of the sustainability collateral trust bond issued on October 8, 2020 (the "Sustainability Collateral Trust Bonds") as defined in Management's Assertion (the "Incremental Reporting Criteria").

Second-Party Opinion

A second-party opinion from Sustainalytics on the CFC Sustainability Bond Framework was determined to be credible, impactful and in alignment with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2020.

"CFC has developed the Sustainability Bond Framework under which it will issue sustainability bonds and use the proceeds to finance or refinance projects to enhance access to broadband services and renewable energy projects. Sustainalytics considers that the projects funded by the Sustainability Bond proceeds will provide positive environmental and social impact."

—Sustainalytics Second-Party Opinion, September 2020



Project Evaluation

CFC's Sustainability Bond Framework is overseen and governed by the CFC treasury team, which is led by the CFC CFO.

CFC business units identify and evaluate projects for worthiness based on the eligibility criteria and in consultation with the CFC treasury team.



Eligible Projects

Eligible Projects means investments, expenditures or disbursements made during the three years preceding the issuance date of the bonds up to and including the maturity date of the bonds for projects that meet one or more of the Eligibility Criteria (as described in Management's Assertion), including the development or implementation of new and ongoing Eligible Projects (including research and development and related supporting expenditures).



Project Categories

- Access to Essential Services for underserved and rural populations includes investments, expenditures or disbursements related to fund the construction, improvement, acquisition or maintenance and operation of facilities and equipment needed to provide a broadband service.
- Renewable Energy includes 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.



Broadband Access Benefits

- Increased Productivity: Enable remote work, 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: Increase access to telemedicine.
- Educational Opportunities: Expand access to online, remote distance learning for rural students and vocational training for adult learners.
- Competitive Entrepreneurship: Expand rural entrepreneurship.



Selection Process and Management of Proceeds



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.



Selection Process

Once a CFC business unit identifies and recommends a project for consideration, the CFC treasury team reviews the recommendation against eligible project criteria and endorses it for inclusion to the CFC CFO. The CFC senior leadership team then reviews project recommendations and determines inclusion or exclusion for use of proceeds from the sustainability bonds.



Management of Proceeds

CFC has established an internal tracking system to monitor and account for the proceeds. The treasury team tracks the actual amount of net proceeds from the sale of 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 be 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.

Report

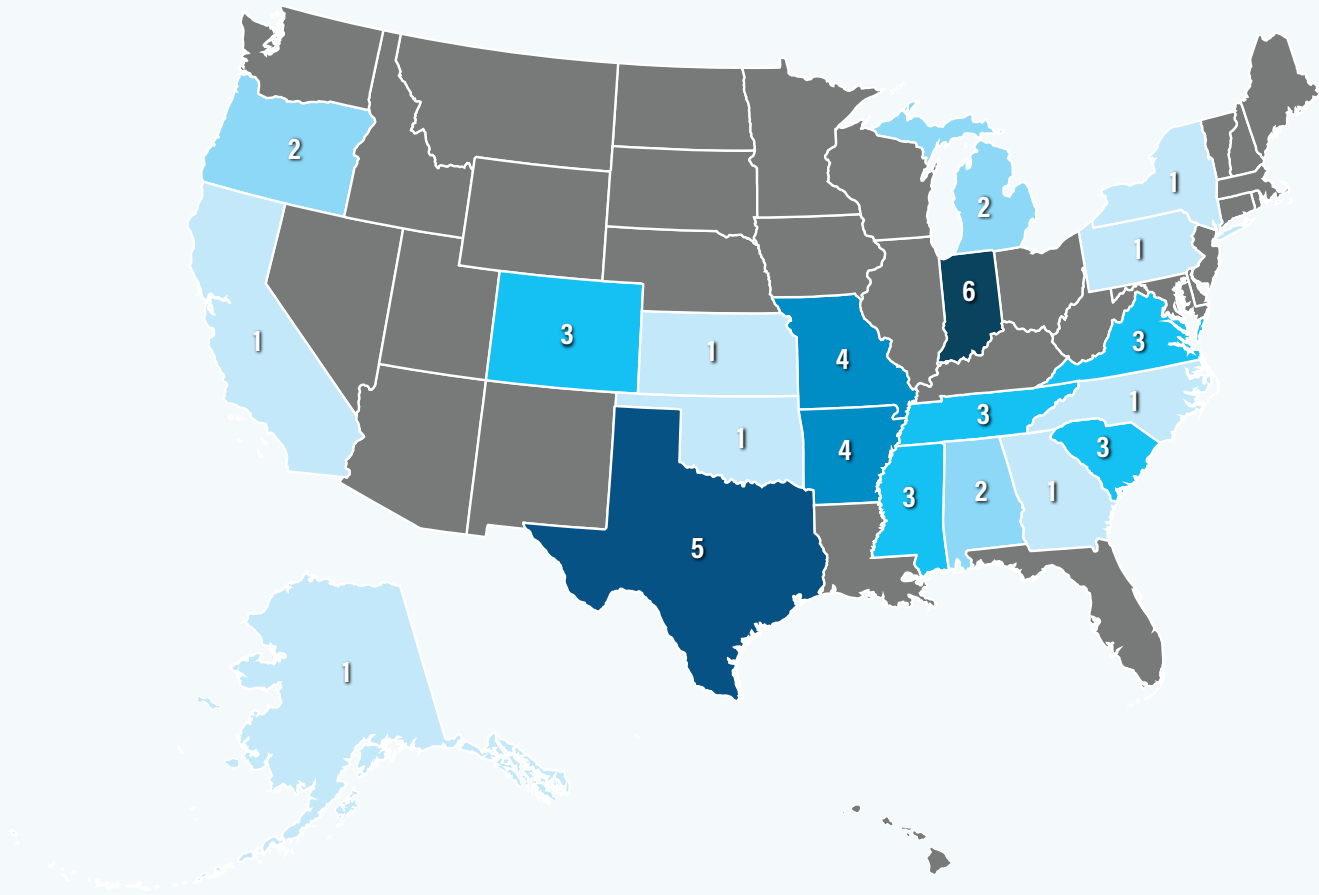
CFC Sustainability Bond Details

- ▶ Issue Date: October 8, 2020
- ▶ Tenor: 10 years
- ▶ Issued Amount: \$400 million
- ▶ ISIN: US637432NW12

Use of Proceeds as of February 28, 2021

- ▶ Number of Projects/Cooperatives Supported: 48
- ▶ Project Categories: 100% Broadband
- ▶ Geographic Allocation of Projects: By State

Broadband Projects by State



“CFC’s Sustainability Bond is a great example of how you can align what’s good for CFC, our members and their communities.”

— Andrew Don, CEO, CFC

Case Studies



Broadband Case Study

ACCESS TO ESSENTIAL SERVICES

Introduction

OEC Fiber's community includes parts of seven rural counties—Caddo, Canadian, Cleveland, Grady, McClain, Oklahoma and Pottawatomie—in central Oklahoma. The region is located south of Oklahoma City and includes the cities of Blanchard, Chickasha, Moore, Noble, Norman and Washington.

The region's economy is driven by farming, oil production, cattle raising and horse breeding. The state's largest university, the University of Oklahoma, is located in Norman. As of 2018, Oklahoma placed 47th in the nation for internet connectivity. Residents had to rely on DSL or had no internet service option.

Benefits of Broadband

OEC Fiber's broadband services support the communities it serves by offering choice in internet service providers. Its services open possibilities for subscribers to work and attend school from home, access telemedicine and conduct business with the same technology amenities as businesses in large cities. Broadband access touches all ages and all walks of life in the region while fostering economic development, expanding opportunities for rural entrepreneurship and supporting job growth.



High-speed internet is essential and many rural communities lack access to affordable and reliable high-speed internet. Bringing gigabit speeds to communities throughout OEC's service territory ensures all residents have access to the best internet and fastest speeds in the nation.



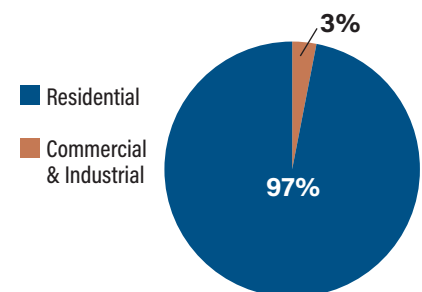
Norman, Oklahoma

- 60,000 meters
- 5,563 miles of line



Norman, Oklahoma

- Project started in April 2018
- Project expected to be complete in December 2021
- Internet, HDTV and phone services provided
- Internet speeds (download/upload):
 - 100 Mbps/100 Mbps
 - 1 Gbps/1 Gbps
- 6,500 miles of fiber planned
- 3,300 miles of fiber completed
- 22,000 subscribers
- Type of customers:





SUBSCRIBER TESTIMONIALS

"Just got OEC Fiber installed last week, and what a difference! It is 10x faster than our previous internet service provider and costs less each month. Installation was professional and fast, and service thus far has been without issue."

— **Matt W., Subscriber**

"Once we ordered OEC Fiber, their communication with us was prompt. Every step was indicated how and when, and completed with top-notch professionalism. We love our new internet."

— **Mary B., Subscriber**





PRESIDENT OF OEC FIBER

"We are investing in the communities we serve and making a commitment to bring affordable and reliable high-speed internet to all residents, not just certain neighborhoods."

— **David Goodspeed**



OEC Fiber presents the City of Noble with a Gig City plaque after completing a fiber build to all Noble, Oklahoma, residents.

CEO OF OKLAHOMA ELECTRIC COOPERATIVE

"Having reliable high-speed internet has become a necessity during these unprecedented times. I am proud of the way OEC and OEC Fiber have risen to the occasion to ensure people have the service they need to keep moving forward in a time of extraordinary change."

— **Patrick Grace**



Broadband Case Study

ACCESS TO ESSENTIAL SERVICES

Introduction

OEConnect serves Otsego County and parts of southern Herkimer, southeastern Madison and northeastern Chenango counties in central New York. Otsego County is located west of Albany, southeast of Syracuse and northeast of Binghamton. Cities, towns and villages in the region include Cherry Valley, Cooperstown, Gilbertsville, Oneonta and Schenevus.

The region's economy is driven by tourism, health care and education, and has had a legacy of dairy farming that has been declining since the mid-1980s. The area includes some of the highest rates of poverty in upstate New York. Many residents did not have access to internet services, let alone high-speed broadband services, or had to rely on inadequate satellite internet service.



Otsego Electric Cooperative, Inc.

A Touchstone Energy® Cooperative

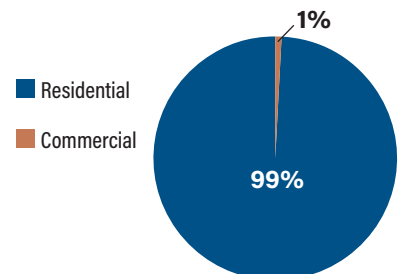
Hartwick, New York

- 4,768 meters
- 774 miles of line



Hartwick, New York

- Project started in 2018
- Project expected to be complete in 2021
- Internet and phone services provided
- Internet speeds (download/upload):
 - 100 Mbps/100 Mbps
 - 250 Mbps/250 Mbps
 - 1 Gbps/1 Gbps
- 800 miles of fiber planned
- 700 miles of fiber completed
- 2,975 subscribers
- Type of customers:





Benefits of Broadband

The investments and commitments made by Otsego Electric Cooperative and OEConnect are bringing affordable high-speed broadband services to their community that will have positive and long-lasting effects on the region's economy, education and health care opportunities. The pandemic-related business and school closures made internet service even more of an essential service.

For rural residents in upstate New York, access to state-of-the-art fiber and internet technology will put subscribers on the same playing field as residents in larger towns and cities around the world.

The OEConnect fiber network will foster economic development, job growth, rural entrepreneurship and support the development of innovative technologies. Faster and more reliable internet will make it easier for residents to run their businesses and work remotely from their homes.

Rural students with high-speed broadband will have access to remote learning opportunities and will be on equal technological footing with students from metropolitan and suburban areas.

OEConnect's network provides subscribers access to telemedicine and the ability for remote doctor diagnostic sessions. High-speed broadband improves the delivery of healthcare to everyone in the region.



SUBSCRIBER TESTIMONIAL

"The provision of fiber-optic internet service in this underserved area of upstate New York has been a game changer in so many ways. For our area to continue to grow and thrive economically, it is vital that every household have the opportunity to share in the wonderful experience that has been provided to us by OEConnect. We could not be more grateful to OEC for the foresight and leadership that brought us to this point and we encourage our co-op to continue to expand services as much as possible so that others can share in the joy of being fully connected to the 21st century!"

— **Pat**, Subscriber



SUBSCRIBER TESTIMONIAL

“...when we did a speed test after the installation was complete, magic! The speed test showed the download speed was 10 times faster than what we had previously. The Xbox worked. The laptop worked. Everyone’s cellphones could operate off the Wi-Fi instead of using expensive cellular data. And needless to say, this made everyone in the house very happy. Then fast forward to 2020 and COVID. We literally couldn’t have made it through the online schooling and socializing during the lockdown without this service.”

– **Bryon**, *Subscriber*



“Fast and reliable internet is just as important to rural residents as electricity was when Otsego Electric Cooperative and the other rural electric cooperatives in the nation brought service to these same hard-to-reach areas over 75 years ago.”

– **Tim Johnson**, *CEO of Otsego Electric Cooperative*



Broadband Case Study

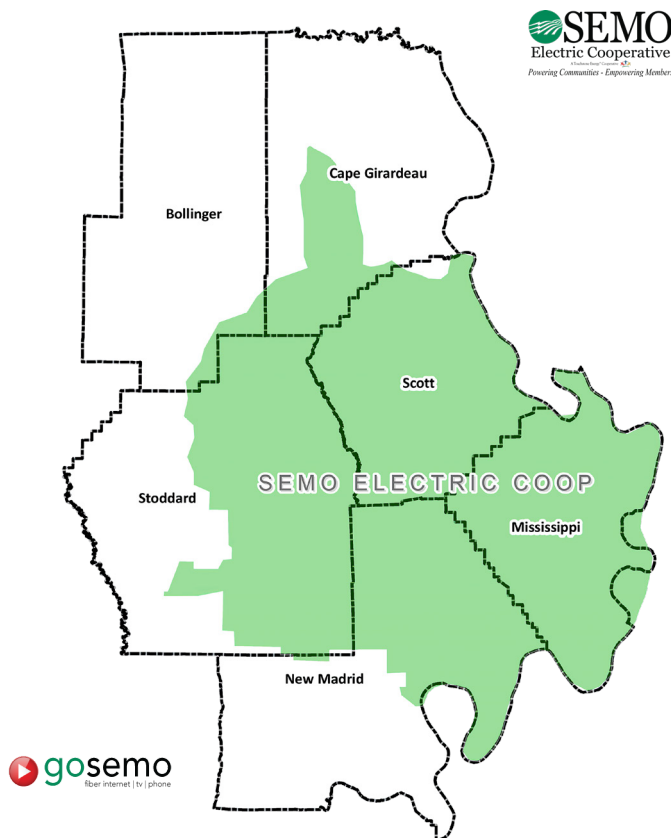
ACCESS TO ESSENTIAL SERVICES

Introduction

GoSEMO's community includes six rural counties—Bollinger, Cape Girardeau, Mississippi, New Madrid, Scott and Stoddard—in southeast Missouri. The Bootheel region is bordered on the south by the state of Arkansas and on the east by the Mississippi River and the states of Kentucky and Tennessee. Cities in the region include Dexter, Sikeston, New Madrid and Charleston.

Much of the region's cultural, community, economic and social history is tied to agriculture and the Mississippi River. Both have contributed to the development of the region and its geography and topography. Characteristics of the region are fertile farmland, extensive wetlands, abundant wildlife, significant natural resources, lower cost of living and a relaxed lifestyle.

SEMO Electric Cooperative's Service Area



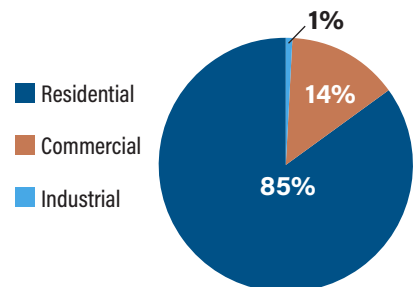
Sikeston, Missouri

- 16,150 meters
- 2,600 miles of line



Sikeston, Missouri

- Project started in March 2017
- Project expected to be complete in August 2021
- Internet, HDTV and phone services provided
- Internet speeds (download/upload):
 - 100 Mbps/100 Mbps
 - 1 Gbps/1 Gbps
- 2,000 miles of fiber planned
- 1,800 miles of fiber completed
- 6,712 subscribers
- **Type of customers:**



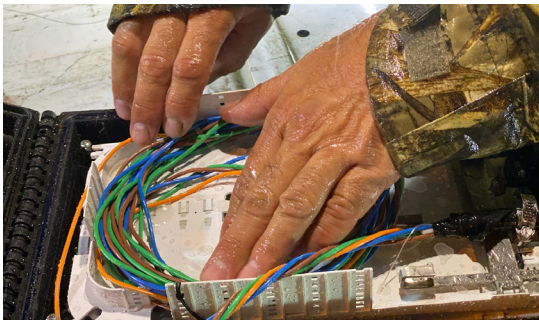


The region struggles with generational poverty, lower levels of educational attainment, high unemployment, lack of jobs and, regrettably, class and racial differences. Most counties experienced negative population growth in the past decade. Additionally, while 10 percent of Missourians have no or only some high school education, 24 percent of those in the Bootheel fall into these groups. While the rest of Missouri has lower unemployment rates than the country as a whole, the region and each of its individual counties have higher rates than both Missouri and the United States.

Benefits of Broadband

Broadband will aid in long-term business and agricultural growth and development, tourism development and access to educational opportunities—all factors that contribute to the overall quality of life of residents. Most of SEMO Electric's member-owners did not have access to broadband. Most members were lucky if they had access to 10 Mbps download and 3 Mbps upload.

Today, GoSEMO is changing people's lives by delivering access to a minimum of 100/100 Mbps. For example, farmer Andrew Jenkins had wireless internet. It took him more than three hours to download his daily farm report. Jenkins switched to GoSEMO's fiber-to-the-premise. Now, it takes him less than three minutes to download his farm report.



SUBSCRIBER TESTIMONIALS

"So excited!! [I'm getting] GoSEMO for half of what we were paying. Thank you, Thank you!! OMG... I can see the videos on Facebook without watching the circle every 20 seconds!"

— **Judy F.**, Subscriber

"It's the best internet ever. Best electric company ever. Best group of people ever, too."

— **Joyce K.**, Subscriber



SEAN VANSLYKE | SEMO CEO AND GENERAL MANAGER

"CFC funds have been used for all aspects of the 2,000-mile project. From the network operations center to fiber huts for connectivity to fiber construction to salaries and subscriber equipment, we have done our best to leverage every dollar."

"CFC has been there from the beginning. CFC is not a bank to us; CFC is a partner. Together, we are making people's lives better."

"For the first time in SEMO Electric Cooperative's history, we have sustained more than 16,000 active electric services for one year, and we have more than 9,000 active GoSEMO Fiber broadband services. That's a total of 25,000 active essential services in the cooperative's six-county area in southeast Missouri."



GoSEMO recognized its 6,000th subscriber in May 2021.



Broadband Case Study

ACCESS TO ESSENTIAL SERVICES

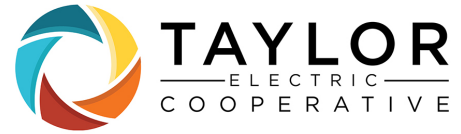
Introduction

Taylor Electric Cooperative's community includes parts of 11 rural counties—Callahan, Coke, Coleman, Eastland, Fisher, Jones, Mitchell, Nolan, Runnels, Shackelford and Taylor—in the north-central plains of Texas. The region is west of Fort Worth and northwest of San Antonio and includes the cities of Abilene, Clyde, Baird, Buffalo Gap, Hawley, Merkel, Putnam, Roscoe, Sweetwater, Trent and Tuscola.

The region's economy is driven by farming, with cotton and wheat being the dominant crops, oil production and cattle ranching. Dyess Air Force Base is a major employer and is southwest of Abilene.

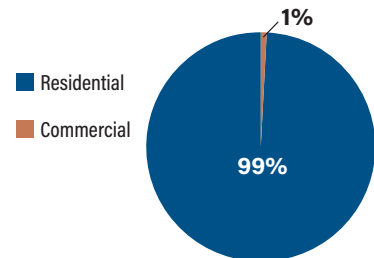
Seven of the counties served by Taylor Electric Cooperative have higher rates of poverty than the 2019 Texas state average, including four counties with 17 percent in poverty and two counties with 20 percent in poverty. The 2019 U.S. poverty threshold for a family of four with two children was less than \$25,926.

Prior to Taylor Electric Cooperative's broadband service, residents had to rely on slower service, 25 Mbps download and 3 Mbps upload speeds, or had no access to internet service.



Merkel, Texas

- 18,700 members
- 4,995 miles of line
- Project started in June 2017
- Project expected to be complete by 2028
- Internet services provided
- Internet speeds (download/upload):
 - 100 Mbps/100 Mbps
 - 500 Mbps/500 Mbps
 - 1 Gbps/1 Gbps
- 2,500 miles of fiber planned (approximate)
- 380 miles of fiber completed
- 2,502 subscribers
- Type of customers:





Benefits of Broadband

Taylor Electric Cooperative's affordable, high-speed and reliable broadband service ensures current and future generations of rural Texans have the same levels of access to health care, government services and business opportunities as urban residents. The pandemic highlighted how broadband has become vital for the quality of life and opportunity for rural Americans.

Providing high-speed internet access to farmers and ranchers enables them to communicate with customers, watch commodity prices in real time and access additional markets more quickly.

Broadband is essential for distance learning, telemedicine doctor appointments, employees working remotely, fostering rural economic development and supporting rural entrepreneurship.



MEMBER TESTIMONIALS

"Our service through Taylor ACCESS is flawless, allowing us to focus our attention on our jobs and our children's learning objectives. We are grateful for the role Taylor ACCESS played in our children's education because without their excellent service our boys would likely have experienced a setback academically."

— **Sam**, Member

"Taylor Electric has a true interest in what we need locally. When there was a shortage in internet service, that's something that Taylor Electric really came and said we need to provide that to our customers. Through ACCESS that's something that we're going to be able to get."

— **Katie**, Member



DIRECTOR OF COMMUNICATIONS FOR TAYLOR ELECTRIC CO-OP

“Just like the co-op first brought electricity to our area in 1939, we’re doing the exact same thing with fiber. It’s so wonderful to offer a new service that our membership so desperately needs. It’s no longer an option these days, it’s a must-have.”

— **Elizabeth McVey**



CEO OF TAYLOR ELECTRIC CO-OP

“We understand how critical it is that our members have access to fast, reliable internet at an affordable rate and we are proud to be the solution for so many of our members.”

— **Ryan Bartlett**

Management's Assertion

Management's Assertion

National Rural Utilities Cooperative Finance Cooperation (CFC) asserts that all of the loans in CFC's Sustainable Bond Loan Portfolio as of February 28, 2021 were used to finance projects that were Eligible Projects and met the Eligibility Criteria and that the total outstanding balance of the loans in CFC's Sustainable Bond Loan Portfolio as of February 28, 2021 is at least equal to the net proceeds the sustainability collateral trust bond issued on October 8, 2020 (the "Sustainability Collateral Trust Bonds"). CFC maintains a Sustainable Bond Loan Portfolio which consists solely of loans that meet the Eligibility Criteria.

CFC is responsible for the completeness, accuracy, and validity of the information and metrics presented in the Sustainable Bond Loan Portfolio.

CFC's Sustainable Bond Loan Portfolio Eligibility Criteria

"Eligible Projects" means investments, expenditures, or disbursements made during the three years preceding the issuance date of the bonds up to and including the maturity date of the bonds for projects that meet one or more of the Eligibility Criteria (as defined below), including the development or implementation of new and ongoing Eligible Projects (including research and development and related supporting expenditures).

"Eligibility Criteria" means any of the following:

1. Access to Essential Services for underserved and rural populations includes investments, expenditures, or disbursements related to funding the construction, improvement, acquisition, or maintenance and operation of facilities and equipment needed to provide a broadband service.
2. Renewable Energy includes 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 100g CO₂/kWh.

Net Proceeds from Sustainability Collateral Trust Bonds:	\$396,392,000
Issuance Date:	October 8, 2020
Description of the Bonds:	\$400 million 1.35% Collateral Trust Bonds due March 15, 2031
Outstanding Balance of Loans Made for Eligible Projects for the Period October 16, 2017 to February 26, 2021 as of February 28, 2021:	\$855,372,438
Outstanding Balance of Access to Essential Services Project Loans as of February 28, 2021:	\$855,372,438
Number of Loans:	313
Number of Access to Essential Services Project Loans:	313
Percent of Net Proceeds Allocated to Access to Essential Services Projects:	100%
Unallocated Net Proceeds as of February 28, 2021:	\$0



KPMG LLP
Suite 900
8350 Broad Street
McLean, VA 22102

Independent Accountants' Review Report

National Rural Utilities Cooperative Finance Corporation Board of Directors and Management:

We have reviewed Management's Assertion that all of the loans in National Rural Utilities Cooperative Finance Corporation's (CFC) Sustainable Bond Loan Portfolio, as defined in Management's Assertion, as of February 28, 2021, were used to finance projects that were Eligible Projects and met the Eligibility Criteria, as described in Management's Assertion (the "Reporting Criteria") and that the total outstanding balance of the loans in CFC's Sustainable Bond Loan Portfolio as of February 28, 2021 is at least equal to the net proceeds of the sustainability collateral trust bond issued on October 8, 2020 (the "Sustainability Collateral Trust Bonds") as defined in Management's Assertion (the "Incremental Reporting Criteria"). CFC's management is responsible for Management's Assertion in accordance with the Reporting Criteria and the Incremental Reporting Criteria. Our responsibility is to express a conclusion on Management's Assertion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to Management's Assertion in order for it to be in accordance with the Reporting Criteria and the Incremental Reporting Criteria. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether Management's Assertion is in accordance with the Reporting Criteria and the Incremental Reporting Criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

Our review was not conducted for the purpose of evaluating the completeness of the sustainability collateral trust bonds or the completeness of CFC's Sustainable Bond Loan Portfolio. Accordingly, we do not express an opinion or any other form of assurance other than on whether the projects financed by the loans in CFC's Sustainable Bond Loan Portfolio meet the Reporting Criteria and whether the total outstanding balance of the loans in CFC's Sustainable Bond Loan Portfolio as of February 28, 2021 is at least equal to the net proceeds of the sustainability collateral trust bonds.

Based on our review, we are not aware of any material modifications that should be made to Management's Assertion in order for it to be in accordance with the Reporting Criteria and the Incremental Reporting Criteria.

KPMG LLP

McLean, Virginia
August 17, 2021

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**National Rural Utilities
Cooperative Finance Corporation**