

# Second-Party Opinion

## The Ford Foundation Social Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Ford Foundation Social Bond Framework aligns with the four core components of the Social Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds – socioeconomic advancement and empowerment – is aligned with those recognized by the Social Bond Principles that seek to achieve positive socioeconomic outcomes for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 8 and 10.



**PROJECT EVALUATION / SELECTION** Ford Foundation’s leadership and program teams, who include subject matter experts, will be in charge of selecting projects that meet the established criteria as well compliance with legal requirements. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** The Foundation will use a separate operating account for holding and disbursing funds, and a register will be established and used to record, on an ongoing basis, the allocation of net proceeds to Special Allocation Grants. The Foundation’s processes for management of proceeds is in line with market practice.



**REPORTING** The Ford Foundation intends to report allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include a summary of the Special Allocation Grant program once full proceeds have been awarded and grant payments made. Sustainalytics views the allocation reporting as aligned with market practice.

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<b>Evaluation date</b>	June 4, 2020
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<b>Issuer Location</b>	New York, NY, U.S.
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### Report Sections

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Introduction.....	2
Sustainalytics’ Opinion .....	3
Appendices .....	8

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## Introduction

The Ford Foundation (“the Foundation”, or “the issuer”) is a one of the largest private foundations in the world, with an endowment of more than USD 12 billion as of April 2020. The Foundation offers grants to a variety of organizations, focusing on reducing poverty and injustice, strengthening democratic values, promoting international cooperation, and advancing human achievement. Headquartered in New York City, U.S., the Foundation has several field offices internationally.

The Foundation has developed the Ford Foundation Social Bond Framework (the “Framework”) under which it intends to issue social bond(s) and use the net proceeds to provide grant funding, above and beyond its normal grant-making, to organizations, individuals, projects and programmes. The proceeds will be directed towards building resilience in the non-profit sector and stabilizing and strengthening key non-profit organizations essential to reducing inequality, so that they are in a position to advance just, inclusive, and equitable recovery efforts following the COVID-19 pandemic. The Framework defines eligibility criteria that contribute to the Social Bond Principles category of Socioeconomic advancement and empowerment.

The Foundation engaged Sustainalytics to review the Ford Foundation Social Bond Framework, dated May 2020, and provide a second-party opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2018 (“SBP”).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</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 ICMA Social Bond Principles 2018;
- 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 1.3, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

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

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

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

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

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

<sup>2</sup> The Ford Foundation Social Bond Framework is available on the Foundation’s website at: <https://www.fordfoundation.org/about/library/>.

<sup>3</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.

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 realised allocation of the bond proceeds towards eligible activities.

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Ford Foundation Social Bond Framework

Sustainalytics is of the opinion that the Ford Foundation Social Bond Framework is credible and impactful and aligns with the four core components of the SBP 2018. Sustainalytics highlights the following elements of the Foundation's Social Bond Framework:

- Use of Proceeds:
  - The Framework's use of proceeds criteria are aligned with one of the categories recognized by the SBP, namely socioeconomic advancement and empowerment.
  - The proceeds of the Foundation's social bonds will fund Special Allocation Grants, which will be "over and above" the Foundation's normal grants and will be directed at building resilience in the non-profit sector and stabilizing and strengthening key non-profit organizations.
  - The target population for the Special Allocation Grants will be primarily existing and prospective grantees in the non-profit sector that are largely dependent on philanthropic funding and thus are particularly vulnerable to fundraising, operational, employment, and mission disruption, as a result of the wider economic slowdown caused by COVID-19 control measures.
  - Sustainalytics considers that, based on the Foundation's goals and practices, grants provided by the Foundation broadly generate social benefits. Furthermore, in light of the COVID-19 pandemic and its associated effects, the Special Allocation Grants are viewed to be particularly impactful.
  - Sustainalytics notes that full allocation of social bonds proceeds for philanthropic purposes is not typically aligned with market practice. However, this is an exceptional case as the Ford Foundation's philanthropic activities are at the core of its mission, and as such is viewed positively by Sustainalytics.
- Project Evaluation and Selection
  - The Foundation's leadership and program team, which includes subject matter experts, will be responsible for selecting the Special Allocation Grants and ensuring they meet the Foundation's grantmaking criteria as part of the application process. Prospective grantees will be evaluated based on criteria such as, but not limited to (i) the issues their organization/project addresses, (ii) geographic focus and/or communities and populations their organization/project intends to support, (iii) long-term goals, (iv) existing revenue sources, (v) potential impact indicators, (vi) prior experience, (vi) diversity goals, (vii) diversity efforts, and (viii) diversity numbers and leadership. Special Allocation Grant candidates are to be screened as part of the Foundation's grantmaking process to ensure consistency with the Foundation's mission of reducing poverty and injustice, strengthening democratic values, promoting international cooperation, and advancing human achievement – with a focus on target populations impacted by inequality.
  - Based on the use of defined internal procedures, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The Foundation will establish a register to record on an ongoing basis the allocation of the net proceeds to Special Allocation Grants that will be overseen by the Foundation's CFO and finance

- staff. Social Bond net proceeds will be deposited into a separate operating account dedicated exclusively for holding and disbursing funds.
- Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - The Foundation intends to report on the Special Allocation Grants on its website. The reporting will be done on the grant database portion of the Foundation’s website annually until all net proceeds of the social bonds have been awarded. The reporting provided will be in line with existing reporting practices, and will include a summary of grants provided detailing grant amounts, a description of the organization or project funded, region, and impact metrics such as benefiting populations
    - In addition, upon full allocation and payment of net proceeds of the Bonds to Special Allocation Grants, the Foundation intends to provide a summary of the Special Allocation Grant program on its website. This report is expected to include (i) an affirmation by management that the net proceeds of the Bonds were awarded to Special Allocation Grants, (ii) summary information regarding grants awarded by program area, and (iii) a report from an independent accounting firm attesting to the allocation and payment of such net proceeds to Special Allocation Grants.
    - Based on these reporting commitments, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Social Bond Principles 2018**

Sustainalytics has determined that the Ford Foundation Social Bond Framework aligns to the four core components of the SBP 2018. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of the Ford Foundation**

### **Contribution of Framework to Ford Foundation’s sustainability strategy**

Sustainalytics is of the opinion that the Ford Foundation demonstrates a strong commitment to sustainability through its overarching goals and mission to pursue social justice by means of reducing poverty and injustice, strengthening democratic values, promoting international cooperation, and advancing human achievement.<sup>4</sup> Furthermore, the Foundation has committed up to USD 1 billion in capital to mission related investing (“MRI”),<sup>5</sup> to be deployed over the span of 10 years starting in 2017, that is aligned with the Foundation’s mission and charitable objectives.<sup>6,7</sup>

In addition, in order to tackle the drivers of inequality, the Foundation has identified seven key social areas around which it currently seeks to tackle the main issues. These are:<sup>8</sup>

- Civic Engagement and Government – to support efforts to protect and expand civic space and make government more representative.
- Gender, Racial, and Ethnic Justice – focused on addressing structural inequality based on gender, race, class, disability, and ethnicity.
- Technology and Society – to support equitable and inclusive technology systems and working to ensure that digital technologies advance social justice.
- Natural Resources and Climate Change – supporting efforts by low-income, rural, and indigenous communities in the Global South to shape policies around natural resources that impact their lives and mitigate climate change.
- Future of Work(ers) – to advance solutions to the challenges brought by the changing nature of work and the vulnerabilities associated with labor informality by strengthening worker organization, and workers voice and power.
- Creativity and Free Expression – to support marginalized populations whose stories have been distorted, ignored or silenced, through different multimedia outlets and investigative journalism.

<sup>4</sup> Ford Foundation, “Mission”, at: <https://www.fordfoundation.org/about/about-ford/mission/>.

<sup>5</sup> MRI investments are made with an objective of achieving a social impact or otherwise advancing the foundation’s charitable purpose. These investments include, equities, real estate, investments in private placement vehicles among others.

<sup>6</sup> The Ford Foundation, “Financial Snapshot 2018”, at: [https://www.fordfoundation.org/media/4610/financial\\_snapshot\\_2018.pdf](https://www.fordfoundation.org/media/4610/financial_snapshot_2018.pdf).

<sup>7</sup> Ford Foundation, “Transformative Capital”, at: [https://www.fordfoundation.org/media/4565/transformative\\_capital\\_booklet.pdf](https://www.fordfoundation.org/media/4565/transformative_capital_booklet.pdf).

<sup>8</sup> Ford Foundation, “Challenging Inequality”, at: <https://www.fordfoundation.org/work/challenging-inequality/>.

- Just Cities and States – to work with community leaders, employers, housing developers, impact investors, and government to test and scale innovation in policy that tackles the housing affordability crisis.

Based on the Foundation’s mission and work areas, focused on addressing inequality, Sustainalytics is of the opinion that the Ford Foundation Social Bond Framework is aligned with the its overall sustainability strategy and initiatives and will further the Foundation’s action on its key social priorities.

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

While Sustainalytics recognizes that the net proceeds from the social bonds issued under the Framework will be directed towards eligible projects that are anticipated to have a positive social impact, Sustainalytics recognizes that there exist environmental and social risks which could be associated with the financing provided. Specifically, some social projects may create or contribute to risks of social inequity if funds are not well-managed and directed to programs which are appropriately targeted to vulnerable populations and implemented with respect for impacts on local communities and other stakeholders.

Sustainalytics is of the opinion that the Ford Foundation is able to manage and/or mitigate potential risks through its evaluation processes that include a pre-grant review, a legal review, one or more site visits, and the requirement that grantees submit periodic financial and narrative reports.<sup>9</sup> In particular, Sustainalytics highlights the following items which it considers to be key parts of the risk mitigation process:<sup>10</sup>

- The Ford Foundation has a robust process for evaluating prospective grants, in which a designated Program Officer is responsible for conducting initial assessment of the grantee organization and its objectives. The Program Officer is encouraged to engage with grantees and potential grantees to gain an in-depth understanding of their organizations and the anticipated outcomes of their programs.
- All grants given by the Foundation must receive sign-off from the President, Program Vice-President, or Director. This process includes the formalization of an Approval Summary, which stands as the Foundation’s “the authoritative Foundation statement on the grant”, documenting both goals, activities, and assessment from the Program Officer.
- The Foundation’s expenditures are governed by its tax-exempt status under Section 501(c)(3) of the Code<sup>11</sup> and the Foundation’s classification as a private foundation. The Ford Foundation has implemented a variety of control measures at both the program level and as part of its legal oversight to ensure compliance with the requirements of the 501(c)(3) designation, as well as other relevant regulations such as those of the Office of Foreign Asset Control (“OFAC”).
- Ongoing audits are a key part of the Foundation’s due diligence process, and are specifically allowed per the terms of all of its grant letters. These random and/or risk-based audits are used to both ensure compliance with the terms of the grants, as well as to support capacity building by the recipient organization through knowledge sharing.
- Internal committees and procedures provide additional layers of risk management. The Program Committees (one for each program division) contribute to program development and assessment, advise on sensitive matters and review the progress and evaluation of program initiatives over time.<sup>12</sup> The Audit Committee is in charge of the system of internal controls, the audit process, the foundation’s process for monitoring compliance with laws and regulations, the Trustee and Officer Code of Ethics and Conflict of Interest Policy,<sup>13</sup> and the Whistleblower Policy<sup>14,15</sup>

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<sup>9</sup> Ford Foundation, “Ensuring Grants Are Used for Charitable Purposes”, at: [https://www.fordfoundation.org/media/1487/ensuring\\_grants\\_are\\_used\\_for\\_charitable\\_purposes.pdf](https://www.fordfoundation.org/media/1487/ensuring_grants_are_used_for_charitable_purposes.pdf).

<sup>10</sup> The Ford Foundation has provided a variety of internal documents for review. This material speaks to the grant-making process, and the Foundation’s internal management processes, including the “Guide to Foundation Actions”, the “Grant Approval Process”, and the document “Financial Due Diligence in Grant making”. Sustainalytics has reviewed and assessed this material to inform its opinion that key social risks are being mitigated.

<sup>11</sup> IRS, “Exemption Requirements - 501(c)(3) Organizations”, at: <https://www.irs.gov/charities-non-profits/charitable-organizations/exemption-requirements-501c3-organizations>.

<sup>12</sup> Ford Foundation, “Committee Charter for the Programs Committee”, at: <https://www.fordfoundation.org/media/3828/program-committee-charter-june-2018.pdf>.

<sup>13</sup> Ford Foundation, “Trustee and Officer Code of Ethics and Conflict of Interest Policy”, at: <https://www.fordfoundation.org/media/4293/feb-2019-trustee-and-officer-code-of-ethics.pdf>.

<sup>14</sup> Ford Foundation, “Whistleblower Policy”, at: <https://www.fordfoundation.org/media/4510/whistleblower-policy-june-19-2019.pdf>.

<sup>15</sup> Ford Foundation, “Committee Charter for the Audit Committee”, at: <https://www.fordfoundation.org/media/4509/audit-committee-charter-june-19-2019.pdf>.

Overall, Sustainalytics considers the Ford Foundation's evaluation processes and compliance procedures to be robust, and considers the Foundation well-positioned to mitigate any environmental and in particular social risks associated with its grants.

### Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the SBP 2018. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### The importance of supporting non-profits

As the World Health Organization ("WHO") declared a global pandemic on March 11, 2020,<sup>16</sup> countries around the world implemented necessary protection measures to limit the spread of COVID-19. As a result of the pandemic, the global economy is projected to contract by about 3% in 2020<sup>17</sup> with the International Monetary Fund ("IMF") estimating that the economic damage will be worse than that of the 2008-09 global financial crisis.<sup>18</sup> In addition, current data suggests that the economic and health impacts are disproportionately affecting minorities in the U.S.,<sup>19</sup> and the poor and marginalized communities due in part to (i) where they live, (ii) where they work, (iii) limited access to high-quality and affordable health services, and (v) limited savings and lack of access to insurance.<sup>20</sup>

With all sectors of the economy feeling the effects of the economic downturn, the non-profit sector will be fundamentally upended and diminished by this virus and its economic fallout, while facing greater challenges in their ability to continue operating. A survey of 880 non-profit organizations from 122 countries found that 94% of the organizations reported being negatively impacted by the coronavirus global pandemic. Almost 15% of respondent organizations were forced to suspend their operations since their activities cannot be carried out remotely, and more than 60% had to eliminate or suspend some of their regular programs and services. In addition, 70% of organizations surveyed reported a significant reduction in the contributions they receive.<sup>21</sup> Overcoming these issues, along with other challenges such as broken supply chains and staffing disruptions, will have long term impacts on their ability to continue to support vulnerable populations. Furthermore, organizations were asked to estimate the impact on their bottom lines, with half of the respondents foreseeing a decline of more than 20% in contributions within the next 12 months, straining financial resources for many organizations with some potentially shutting their doors permanently as a result.<sup>22</sup>

The economic ramification of the pandemic will also mean more people around world will need immediate support as millions are left without jobs and the global poverty rate increases. Estimates predict that anywhere from 40 to 60 million people will be pushed into extreme poverty, in what the World Bank expects to be the first increase in the global poverty rate since 1998.<sup>23</sup> The Foundation intends to make Special Allocation Grants over and above its normal grant-making in response to the worldwide socioeconomic crisis caused by the coronavirus. This funding will be aimed at building resilience in the non-profit sector and stabilizing and strengthening key non-profit organizations essential to reducing inequality so that they are in a position to advance just, inclusive, and equitable recovery efforts.

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<sup>16</sup> WHO, "WHO Director-General's opening remarks at the media briefing on COVID-19", (2020), at: <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>.

<sup>17</sup> IMF, "World Economic Outlook", at: <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>.

<sup>18</sup> IMF, "An Early View of the Economic Impact of the Pandemic in 5 Charts", (April 2020), at: <https://blogs.imf.org/2020/04/06/an-early-view-of-the-economic-impact-of-the-pandemic-in-5-charts/>.

<sup>19</sup> CDC, "Coronavirus Disease 2019: Racial & Minority Groups", (April 2020), at: <https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/racial-ethnic-minorities.html>.

<sup>20</sup> World Bank, "COVID-19 will hit the poor hardest. Here's what we can do about it", (April 2020), at: <https://blogs.worldbank.org/voices/covid-19-will-hit-poor-hardest-heres-what-we-can-do-about-it>.

<sup>21</sup> CAF Americas, "The Voice of Charities Facing Covid'19 Worldwide", Volume 2, (2020) at: [https://www.cafamerica.org/wp-content/uploads/2\\_CV19\\_Report\\_VOL2.pdf](https://www.cafamerica.org/wp-content/uploads/2_CV19_Report_VOL2.pdf).

<sup>22</sup> CAF Americas, "The Voice of Charities Facing Covid'19 Worldwide", Volume 2, (2020) at: [https://www.cafamerica.org/wp-content/uploads/2\\_CV19\\_Report\\_VOL2.pdf](https://www.cafamerica.org/wp-content/uploads/2_CV19_Report_VOL2.pdf).

<sup>23</sup> World Bank, "The impact of COVID-19 (Coronavirus) on global poverty: Why Sub-Saharan Africa might be the region hardest hit", (2020), at: <https://blogs.worldbank.org/opendata/impact-covid-19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest>.

### Alignment with/contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target
Socioeconomic advancement and empowerment	1. No Poverty	1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters
	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	10. Reduce Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

### Conclusion

The Ford Foundation has developed the Ford Foundation Social Bond Framework under which it will issue social bonds and use the proceeds to provide grants directed at building resilience in the non-profit sector and stabilizing and strengthening key non-profit organizations. Sustainalytics considers that Special Allocation Grants will provide positive social impact.

The Ford Foundation Social Bond 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 the Ford Foundation Framework is aligned with the overall sustainability strategy of the Foundation and that the social use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals 1, 8 and 10. Additionally, Sustainalytics is of the opinion that the Foundation 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 the Ford Foundation is well-positioned to issue social bonds and that the Ford Foundation Social Bond Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2018.

## Appendices

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

#### Section 1. Basic Information

<b>Issuer name:</b>	Ford Foundation
<b>Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:</b>	The Ford Foundation Social Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	June 4, 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 SBPs:

- |  |  |
|--|--|
| <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 (please specify):                                |  |

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

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

Please refer to Evaluation Summary above.

### Section 3. Detailed review

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

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds – socioeconomic advancement and empowerment – is aligned with those recognized by the Social Bond Principles that seek to achieve positive socioeconomic outcomes for target populations. Sustainalytics considers that the eligible category will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDG 1, 8 and 10.

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

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

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

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Ford Foundation's leadership and program teams, who include subject matter experts, will be in charge of selecting projects that meet the established criteria as well compliance with legal requirements. Sustainalytics considers the project selection process to be in line with market practice.

#### Evaluation and selection

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

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
|--|--|

- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The Foundations will use a separate operating account for holding and disbursing funds, and a register will be established and used to record, on an ongoing basis, the allocation of net proceeds to Special Allocation Grants. The Foundation's processes for management of proceeds is in line with market practice

#### Tracking of proceeds:

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

#### Additional disclosure:

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

### 4. REPORTING

Overall comment on section (if applicable):

The Ford Foundation intends to report allocation proceeds on its website on an annual basis until full allocation. Allocation reporting will include a summary of the Special Allocation Grant program once full proceeds have been awarded and grant payments made. Sustainalytics views the allocation reporting as aligned with market practice.

#### Use of proceeds reporting:

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

#### Information reported:

- Allocated amounts       Social Bond financed share of total investment

- Other (please specify): summary information regarding grant awarded by program area

**Frequency:**

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

**Impact reporting:**

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

**Information reported (expected or ex-post):**

- Number of beneficiaries  Target populations
- Other ESG indicators (please specify):

**Frequency:**

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

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report
- Information published in ad hoc documents  Other (please specify): information published on its website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): a report from an independent accounting firm attesting to the allocation and payment of such net proceeds to Special Allocation Grants.

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:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification
- Verification / Audit  Rating

Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP**

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

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