

Second-Party Opinion

UMH Properties Inc. Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the UMH Properties Inc. Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Affordable Housing, Access to Essential Services, Sustainable Water and Wastewater Management, Energy Efficiency and Renewable Energy – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 8 and 11.



PROJECT EVALUATION AND SELECTION UMH Properties Inc.'s Sustainable Finance Committee, comprising of its Director of ESG and an independent board member, along with its legal and management teams, will oversee the identification and selection of the eligible projects. UMH has adopted internal processes to address environmental and social risks commonly associated with the financed projects. This is in line with market practice.



MANAGEMENT OF PROCEEDS UMH's Properties Inc.'s Sustainable Finance Committee will be responsible for the management and tracking of bond proceeds. UMH intends to achieve full allocation of bond proceeds within 36 months of each issuance. Unallocated proceeds may be temporarily used to refinance existing debt and preferred stocks or invested per UMH Properties Inc.'s cash investment policy. This is in line with market practice.



REPORTING UMH intends to report on the allocation of proceeds until full allocation as part of its annual ESG reports published on its website. The allocation reporting will include details on the allocation of proceeds, and the balance of unallocated proceeds. In addition, UMH Properties Inc. intends to report on qualitative and quantitative impacts and has provided indicative metrics in the Framework. Sustainalytics views UMH's allocation and impact reporting as aligned with market practice.

Evaluation Date	April 25, 2023 ¹
Issuer Location	Freehold, NJ, US

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¹ This document is an update to the Second-Party Opinion originally provided in March 2022.

Introduction

UMH Properties Inc. ("UMH" or the "Company") is a US-based real estate investment trust headquartered in Freehold, New Jersey, US. The Company owns and operates 135 manufactured home communities with approximately 25,700 developed homesites located across 10 states in the US. As of 31 December 2022, UMH reported over USD 195,776 million in total revenue and a workforce of 460 employees. UMH Sales and Finance, Inc. ("S&F") is a wholly owned subsidiary of UMH.²

UMH has developed the UMH Properties Inc. Sustainable Finance Framework (the "Framework") under which it intends to issue green, social or sustainability (GSS) bonds (including labelling of existing bonds as GSS bonds), notes, private placements,³ commercial paper and other debt-like financing⁴ (the "Sustainable Finance Instruments") and use the proceeds to finance and refinance, in whole or in part, existing and future projects that will improve access to affordable housing and contribute to safe and clean drinking water and energy efficiencies thereof. The Framework defines eligibility criteria in four areas:

1. Affordable Housing
2. Access to Essential Services
3. Sustainable Water and Wastewater Management
4. Energy Efficiency and Renewable Energy

UMH engaged Sustainalytics to review the Framework, dated April 2023, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP) and Social Bond Principles 2021 (SBP).⁵ The Framework will be published in a separate document.⁶

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

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁷ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13, 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 UMH'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. UMH representatives have confirmed (1) they understand it is the sole responsibility of UMH to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

² UMH Properties Inc. "2022 Annual Report", at: https://s26.q4cdn.com/781307269/files/doc_financials/2022/ar/umh-properties-inc.-2022-annual-report.pdf

³ Private placements may include debt-like instruments including hybrid instruments such as preferred stocks, mezzanine debt and convertible bonds. Sustainalytics notes that the Second-Party Opinion is only valid until the time of conversion from the bond to common stock.

⁴ Sustainalytics has reviewed just those financial instruments that have been specified in the Framework.

⁵ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles 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/>

⁶ The UMH Properties Inc. Sustainable Finance Framework will be published on UMH Properties Inc.'s website at: www.UMHreit

⁷ 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.

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

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 and loan 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. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan 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 UMH has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the UMH Properties Inc. Sustainable Finance Framework

Sustainalytics is of the opinion that the UMH Properties Inc. Sustainable Finance Framework is credible, impactful and aligns with the four core components of the GBP and the SBP. Sustainalytics highlights the following elements of UMH's Framework:

Use of Proceeds:

- The eligible categories – Affordable Housing, Access to Essential Services, Sustainable Water and Wastewater Management, Energy Efficiency – aligned with those recognized by the GBP and the SBP.
- UMH has established a two-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
- Under the Affordable Housing Category, UMH intends to finance the development and purchase of manufactured housing communities⁸ that are designed to be accessible and affordable to the target population.
 - The Framework defines the target population as those that earn 50% to 80% of their area median income (the "Low-Income Population"), in accordance with the US Department of Housing and Urban Development's (HUD) methodology.^{9,10}
 - The Company has communicated that around 97% of its current portfolio of community housing is affordable to low-income population with rents below 30% of the monthly household income.¹¹ While the Framework does not place a limit on rent increases beyond this limit, Sustainalytics notes that rents across the portfolio would have to be raised on average 81.41% to meet the 30% threshold for low-income earners, while rents plus utilities would have to increase by 35.59%.
 - Sustainalytics further encourages the company to annually report on the affordability of rents in all financed communities throughout the tenure of the bond.

⁸ UMH, "What is a manufactured home?", at: <https://www.umh.com/about-umh/>

⁹ US Department of Housing and Urban Development, "Methodology for calculating FY 2022 Medians", at: <https://www.huduser.gov/portal/datasets/il/il22/Medians-Methodology-FY22.pdf>

¹⁰ The US Department of Housing and Urban Development (HUD) defines eligibility for assisted housing programmes according to family income under the US Housing Act of 1937. According to the HUD definition, low-income families consist of families of one or more persons whose combined earnings do not exceed 80% of the AMI. <https://www.huduser.gov/portal/datasets/il/il22/Medians-Methodology-FY22.pdf>

¹¹ Based on the portfolio details shared by UMH in March 2023, which include community-level annualized rents for its current portfolio of housing communities along with applicable AMI statistics.

- Under the Access to Essential Services category, the Framework allows S&F, its wholly owned subsidiary,¹² to finance its low-interest-rate chattel loans programme (at 7.50%),¹³ through which it enables the Low-Income Population in the US to finance and refinance loans on the manufactured homes in UMH's communities.¹⁴ While UMH has confirmed that S&F does not engage in predatory lending to its residents on chattel loans, Sustainalytics notes that it does not have a formal lending policy that informs its lending terms. However, given that the Framework defines a specific threshold for interest rates on chattel loans and that S&F does not offer any other lending products, Sustainalytics views this mechanism to be sufficient for addressing the said risk and considers the criteria for financing such activities to be aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, UMH intends to finance the purchase and installation of water conservation and water treatment upgrades for its housing communities, including submeters, water filters¹⁵ and water recycling systems. Sustainalytics considers the criteria for financing water management systems to be aligned with market expectations.
- Under the Energy Efficiency category, UMH intends to finance energy efficiency and renewable energy upgrades including LED lights, upgraded smart thermostats, and solar panels for its self-managed properties. Sustainalytics recognizes the Company's intent to invest in upgrades that are not driven by fossil fuels and considers the criteria to be aligned with market practice.

Project Evaluation and Selection:

- UMH's Sustainable Finance Committee (or a subcommittee thereof), comprising of the Company's Director of ESG and an independent board member, along with its legal and management teams, will oversee the identification and selection of eligible projects per the criteria defined in the Framework.
- UMH has adopted internal processes to address environmental and social risks commonly associated with the financed projects. For additional detail, see Section 2.

Management of Proceeds:

- UMH's Sustainable Finance Committee will be responsible for the management and reporting of each issuance, while also ensuring that no activities or assets are inherently emission-intensive or otherwise negatively impactful. The Company will additionally appoint an external auditor to verify the proceed allocation process on an annual basis. In case a loan gets prepaid, or an eligible asset is sold or is no longer eligible under the Framework, UMH will reallocate proceeds to other eligible assets until the maturity of the Sustainable Finance Instrument.
- The Company intends to achieve full allocation of proceeds within 36 months from the day of each issuance.
- The unallocated proceeds will be temporarily used to refinance existing debt and preferred stocks or be invested per the Company's cash management policy. The Framework excludes the financing of emission-intense assets or activities.
- Based on the management of bond proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.

Reporting:

- UMH intends to report on the allocation and impact of bond proceeds on its website, as part of its annual ESG reporting until full allocation.
- The allocation reporting will include both qualitative and quantitative details on the allocation of proceeds and the balance of unallocated funds.
- The impact reporting will be based on category-level indicators, including: i) number of affordable housing units and communities purchased or developed; ii) number of financed and refinanced loans; and ii) number of buildings retrofitted with smart thermostats and LED lights.
- Based on the commitment on both allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice.

¹² Sustainalytics notes that Framework does not identify S&F as the issuer of the bonds.

¹³ The Company has communicated that this interest rate is considered to be significantly lower than the median chattel loan rate for manufactured homes of ~8.6%. More information at Consumer Financial Protection Bureau, "Manufactured Housing Finance: New Insights from the Home Mortgage Disclosure Act Data" (2021), at: https://files.consumerfinance.gov/f/documents/cfpb_manufactured-housing-finance-new-insights-hmda_report_2021-05.pdf

¹⁴ UMH has confirmed that the chattel loans will only finance fully manufactured homes and will exclude financing of other activities including home manufacturing equipment and construction vehicles.

¹⁵ UMH has communicated that water filtration projects may include the installation of hydro panels that collect and filter water from the air.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the UMH Properties Inc. Sustainable Finance Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Performance of UMH

Contribution of Framework to UMH's sustainability performance

Sustainalytics is of the opinion that UMH demonstrates a commitment to sustainability in its practices, driven by its mission to "address the fundamental need of providing affordable housing and in doing so, create sustainable and environmentally friendly communities that have a positive societal impact".¹⁶

Sustainalytics highlights the following UMH initiatives, which are particularly aligned with the Framework:

- Affordable Housing – As of March 2023, the Company owned and operated 135 communities with over 25,700 manufactured home sites, whose average rent is USD 873 per month¹⁷ and is considered affordable for a low-income family.¹⁸
- Management of Energy and Water Efficiencies – UMH has set a goal to double its rate of energy efficiency by 2030 and increase the efficiency of water usage per home in its communities. Towards this, the Company has established environmental management systems for planning and tracking its initiatives and implementing water and energy savings measures. As of 31 December 2022, UMH had installed water sub-metering in 64% of communities, resulting in an 5.59% reduction in daily water use per site.¹⁹ Further, UMH is also committed to the installation of smart thermostats and LED lighting retrofits in the common areas, clubhouses, and street lighting of its communities. In 2022, 77% of UMH's communities were retrofitted with LED lights and smart thermostats, resulting 288,301 watts of energy saving.²⁰ Furthermore, with approximately 384 rental units certified with ENERGY STAR, UMH intends to continually grow its portfolio of certified manufactured homes, which use less energy than regular manufactured homes.²¹

Sustainalytics recognizes UMH's commitment to its ongoing social and environmental initiatives and encourages it to develop quantifiable and time-bound sustainability targets to further strengthen its sustainability practices.

Approach to managing environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, waste generated in manufacturing, community relations and stakeholder participation, predatory lending, and land use and biodiversity issues associated with large-scale developments.

Sustainalytics is of the opinion that UMH is able to manage some of the potential risks through implementation of the following:

- UMH operates exclusively in the US, which is recognized as a "Designated Country" under the Equator Principles. This implies the presence of a robust environment, social and worker safety governance systems, as well as legislation and institutional capacity for protecting the environment and communities.²² This includes adherence to the Occupational Health & Safety Act of 1970, which

¹⁶ UMH Properties Inc., "2022 Annual Report", at: https://s26.q4cdn.com/781307269/files/doc_financials/2022/ar/umh-properties-inc.-2022-annual-report.pdf

¹⁷ UMH Properties Inc., "2022 Annual Report", at: https://s26.q4cdn.com/781307269/files/doc_financials/2022/ar/umh-properties-inc.-2022-annual-report.pdf

¹⁸ UMH Properties Inc. "2022 Environmental, Social & Governance Report", at: https://s26.q4cdn.com/781307269/files/doc_downloads/2022/12/UMH-ESG-Report-2022-Web-Ready-PDF.pdf

¹⁹ UMH Properties Inc. "2022 Environmental, Social & Governance Report", at: https://s26.q4cdn.com/781307269/files/doc_downloads/2022/12/UMH-ESG-Report-2022-Web-Ready-PDF.pdf

²⁰ UMH Properties Inc., "2022 Annual Report", at: https://s26.q4cdn.com/781307269/files/doc_financials/2022/ar/umh-properties-inc.-2022-annual-report.pdf

²¹ UMH Properties Inc. "2022 Environmental, Social & Governance Report", at: https://s26.q4cdn.com/781307269/files/doc_downloads/2022/12/UMH-ESG-Report-2022-Web-Ready-PDF.pdf

²² The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

governs the working conditions of all factories and construction sites in the US. The Company has communicated that it relies on internal employee trainings to ensure compliance with this regulation.

- To manage the waste generated during the manufacturing process, UMH has confirmed that it complies with the Resource Conservation and Recovery Act governed by the EPA, which establishes laws and regulations for the storage and disposal of all hazardous and non-hazardous waste in the US.^{23,24} Per the Company, the processes adopted by it at its manufactured-housing construction facilities result in reduced waste production compared to the waste generated during the construction of other forms of conventional housing.²⁵ The Company further encourages its vendors and suppliers to minimize their impact on the environment including pollutants, waste and hazardous materials, in line with its Vendor Code of Conduct.^{26,27}
- To manage risks associated with community relations, the Company continually engages with its residents, and other stakeholders including local municipal office workers, lawmakers, businesses, religious groups, firefighters and police.
- As for the risks associated with predatory lending, Sustainalytics notes that the Company and S&F have not adopted a formal lending policy to address risks related to predatory lending. However, based on the assessment noted in Section 1, Sustainalytics considers the mechanism adopted by S&F to be sufficient for addressing any risks associated with predatory lending.
- All manufactured homes in UMH communities are constructed in accordance with the Federal Manufactured Homes Construction and Safety Standards, administered by the Department of Housing and Urban Development HUD. The standards regulate the overall quality of the structures, including strength, transportability, energy efficiency and fire resistance.²⁸
- In addition, UMH's Corporate Code of Business Conduct and Ethics applies to every director, officer and employee of the Company, and serves to ensure compliance with all laws, rules and regulations, while upholding honest, ethical and accountable conduct.²⁹
- Regarding the occupational health and safety, UMH conducts regional and annual safety training sessions for its employees in accordance with the federal Occupational, Safety and Health Act.³⁰ In addition, the Company is in the process of becoming ISO 45001 certified to develop a safety management system across its portfolio.³¹
- The Company has communicated to Sustainalytics that it has adopted internal processes to ensure compliance with regional environmental regulations that address risks related to land use and biodiversity.

Based on these processes and assessments, Sustainalytics is of the opinion that UMH intends to implement adequate measures and is well positioned to manage or mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics focuses below on those whose impact is specifically relevant in the local context.

²³ OHS Act of 1970, <https://www.osha.gov/laws-regs/oshact/completeoshact>

²⁴ Resource Conservation and Recovery Act, <https://www.epa.gov/rcra>

²⁵ UMH Properties Inc., "2022 Environmental, Social & Governance Report", at: https://s26.q4cdn.com/781307269/files/doc_downloads/2022/12/UMH-ESG-Report-2022-Web-Ready-PDF.pdf

²⁶ UMH Properties Inc., "2022 Environmental, Social & Governance Report", at: https://s26.q4cdn.com/781307269/files/doc_downloads/2022/12/UMH-ESG-Report-2022-Web-Ready-PDF.pdf

²⁷ UMH Properties Inc., "Vendor Code of Conduct" (2018), at: https://s26.q4cdn.com/781307269/files/doc_downloads/gov_doc/VENDOR-CODE-OF-CONDUCT.pdf

²⁸ UMH Properties Inc., "2022 Environmental, Social & Governance Report", at: https://s26.q4cdn.com/781307269/files/doc_downloads/2022/12/UMH-ESG-Report-2022-Web-Ready-PDF.pdf

²⁹ UMH Properties Inc., "Code of Business Conduct and Ethics", at: https://s26.q4cdn.com/781307269/files/doc_downloads/gov_doc/611a898a-ff4e-c0a1-0653-e3de7faefc1f.pdf

³⁰ UMH Properties Inc., "2022 Annual Report", (2022), at: https://s26.q4cdn.com/781307269/files/doc_financials/2022/ar/umh-properties-inc.-2022-annual-report.pdf

³¹ UMH Properties Inc., "2022 Environmental, Social & Governance Report", at: https://s26.q4cdn.com/781307269/files/doc_downloads/2022/12/UMH-ESG-Report-2022-Web-Ready-PDF.pdf

Importance of affordable housing in the US

Approximately 582,500 people in the US in 2022 were homeless, with 3% increase in people experiencing unsheltered homelessness from 2020.³² The lack of affordable housing is a key contributor to homelessness, particularly for low-income renters who are often one financial shock away from homelessness.³³ Approximately 11 million renter households in the US have extremely low incomes while only 7 million affordable homes are available to them.³⁴ The shortage of affordable housing forces many low-income households to rent homes beyond their affordability, making them severely cost burdened.³⁵ According to the National Low Income Housing Coalition, approximately 11.3 million renter households spend more than 50% of their income on housing costs, and 72% of these severely cost-burdened renter households are extremely low-income households.³⁶ The lack of affordable housing further leads to negative social outcomes across multiple other dimensions of daily life, as families and individuals are compelled to make trade-offs between spending on rent and other essentials, such as food, healthcare and transport. The COVID-19 pandemic has further exacerbated these issues. Lockdowns and the economic impact of the pandemic crisis resulted in more than 50% of all renter households and nearly 40% of homeowners to lose some source of income in 2020. As a result, millions of households fell behind on their housing payments, many on the brink of eviction or foreclosure.³⁷

A multifaceted approach is currently being implemented to try to address the severe housing shortage in the US. In 2023, the US federal government announced the allocation of USD 354 million towards The National Housing Trust Fund,³⁸ an annual grant to states to produce and preserve affordable housing for households with extremely low- and low-income.³⁹ Further, through the American Rescue Plan, the US federal government has committed to reducing housing insecurity post-COVID-19 with the allocation of USD 5 billion towards various programmes to create affordable housing and services to support communities across the country.^{40,41} In addition to the supporting policies, manufactured housing is considered to be a good solution for low-income households.⁴² According to the Urban Institute, manufactured housing is 35% to 47% less expensive per square foot than new or existing site-built homes.⁴³

Given this context, Sustainalytics believes the financing of affordable housing under the Framework is expected to meaningfully contribute to the alleviation of affordable housing shortage in the US.

Importance of financing low-interest mortgages in the US

Access to financial services plays a key role in assisting people overcome poverty and manage financial emergencies. Mortgage services in particular can make home ownership more affordable and help stabilize the monthly housing costs of low-income families. However, borrowers in lower income areas face a number of challenges when accessing mortgage loans, one of which is an unfavourable credit market. The Urban Institute's Housing Credit Availability Index shows that mortgage credit availability in the US has been declining for over the last decade and reached a record low in 2020.⁴⁴ In this environment, low-income borrowers are more likely to be further burdened, as they tend to have lower credit scores which prevent them from receiving standard mortgage loan approvals.⁴⁵

³² US Department of Housing and Urban Development, "The 2022 Annual Homeless Assessment Report (AHAR) to Congress", (2022), at: <https://www.huduser.gov/portal/sites/default/files/pdf/2022-AHAR-Part-1.pdf>

³³ US Department of Housing and Urban Development, "Worst Case Housing Needs 2021 Report to Congress", (2021), at:

<https://www.huduser.gov/PORTAL/sites/default/files/pdf/Worst-Case-Housing-Needs-2021.pdf>

³⁴ National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes", (2023), downloadable at: <https://nlihc.org/gap>

³⁵ US Department of Housing and Urban Development, "Worst Case Housing Needs 2021 Report to Congress", (2021), at:

<https://www.huduser.gov/PORTAL/sites/default/files/pdf/Worst-Case-Housing-Needs-2021.pdf>

³⁶ National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes", (2023), downloadable at: <https://nlihc.org/gap>

³⁷ Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2021", at:

https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2021.pdf

³⁸ National Low Income Housing Coalition, "FHFA Announces \$354 Million in 2023 for National Housing Trust Fund", (2023), at:

[https://nlihc.org/resource/fhfa-announces-354-million-2023-national-housing-trust-fund#:~:text=The%20Federal%20Housing%20Finance%20Agency,HTF%20will%20receive%20\\$24354%20million.](https://nlihc.org/resource/fhfa-announces-354-million-2023-national-housing-trust-fund#:~:text=The%20Federal%20Housing%20Finance%20Agency,HTF%20will%20receive%20$24354%20million.)

³⁹ US Department of Housing and Urban Development, "Housing Trust Fund", at: <https://www.hudexchange.info/programs/htf/>

⁴⁰ The White House, "American Rescue Plan", (2021), at:

<https://www.whitehouse.gov/wp-content/uploads/2021/03/American-Rescue-Plan-Fact-Sheet.pdf>

⁴¹ US Department of Housing and Urban Development, "HUD Announces \$5 billion to Increase Affordable Housing to Address Homelessness", (2021), at: https://www.hud.gov/press/press_releases_media_advisories/hud_no_21_055

⁴² Office of Policy Development and Research, "Factory-Built Housing for Affordability, Efficiency, and Resilience", (2020), at:

<https://www.huduser.gov/portal/periodicals/em/WinterSpring20/highlight1.html>

⁴³ Urban Institute, "Manufactured Homes Could Ease the Affordable Housing Crisis. So Why Are So Few Being Made", (2018), at:

<https://www.urban.org/urban-wire/manufactured-homes-could-ease-affordable-housing-crisis-so-why-are-so-few-being-made>

⁴⁴ Urban Institute, "Housing Credit Availability Index", at:

<https://www.urban.org/policy-centers/housing-finance-policy-center/projects/housing-credit-availability-index>

⁴⁵ Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2021", at:

https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2021.pdf

According to the Federal Reserve Bank of New York, fewer than one in five low-income borrowers have a mortgage, and the homeownership rates of low-income communities are more than two times lower than high-income neighbourhoods.⁴⁶ The limited availability of small-dollar mortgages (under USD 70,000) is yet another notable issue making financing for low-cost homes even more difficult. Lenders in the US do not normally offer small-dollar loans as the costs of originating loans do not vary in relation to the amount borrowed and the fees charged as a percentage of the loan balance are capped.⁴⁷

Based on the above, Sustainalytics believes that the provision of accessible mortgage loans under the Framework is expected to contribute to reducing financing barriers among the target population in the US.

Importance of energy efficiency improvements for buildings in the US

The building sector contributes significantly to global energy consumption and total GHG emissions, estimated to account for 37% of total energy and process-related CO₂ emissions in 2021.⁴⁸ In the US, residential and commercial buildings account for 40% of total US energy consumption.⁴⁹ Notably, the establishment of clear efficiency standards for equipment and appliances as well as stronger building codes have helped to significantly improve energy efficiency in the buildings sector.⁵⁰ In an effort to scale up its ambitions in combating climate change, the US submitted its Nationally Determined Contribution to the UN Framework Convention on Climate Change in 2021, which includes commitments to reducing the nation's GHG emissions by 50-52% by 2030, relative to 2005, and achieve carbon neutrality by 2050.⁵¹ In order to reduce the environmental footprint of the building sector, the government will also invest in new technologies to reduce emissions associated with construction, particularly high-performance electrified buildings.⁵²

In this context, Sustainalytics is of the opinion that UMH's financing of energy efficiency activities and technologies in its properties based in the US, is expected to contribute to emissions reductions in the building sector of the country.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing, and basic services and upgrade slums
Access to Essential Services	8. Decent Work and Economic Growth	8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

⁴⁶ Federal Reserve Bank of New York, "The State of Low Income America: Credit Access & Debt Payment", (2020), at: <https://www.newyorkfed.org/medialibrary/media/press/the-state-of-low-income-america-credit-access-debt-payment>

⁴⁷ Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2021", at: https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_Nations_Housing_2021.pdf

⁴⁸ Global Alliance for Buildings and Construction, "2022 Global Status Report for Buildings and Construction", (2022), at: <https://www.unep.org/resources/publication/2022-global-status-report-buildings-and-construction>

⁴⁹ U.S. Energy Information Administration FAQ, (2021), at: <https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

⁵⁰ The U.S Energy Information Administration, "U.S. energy consumption by source and sector, 2020", at: <https://www.eia.gov/energyexplained/us-energy-facts/images/consumption-by-source-and-sector.pdf>

⁵¹ The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

⁵² Ibid.

Energy Efficiency and Renewable Energy	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
--	--------------------------------	---

Conclusion

UMH has developed the UMH Properties Inc. Sustainable Finance Framework under which it may issue sustainability bonds, private placements, preferred stocks or hybrids, commercial paper, and working capital solutions and use the proceeds to finance or refinance, in whole or in part, existing and future projects that will improve access to affordable housing and contribute to safe and clean drinking water access and energy efficiencies thereof. Sustainalytics considers that the projects funded by the proceeds of the instruments are expected to provide positive environmental and social impact.

The UMH Properties Inc. Sustainable Finance 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 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 6, 7, 8 and 11. Additionally, Sustainalytics is of the opinion that UMH has adequate measures to identify, mitigate and manage environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that UMH Properties Inc. is well positioned to issue sustainability bonds and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	UMH Properties Inc.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	UMH Properties Inc. Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 25 2023
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.
 The review assessed the following elements and confirmed their alignment with the 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 nd 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 – Affordable Housing, Access to Essential Services, Sustainable Water and Wastewater Management, Energy Efficiency and Renewable Energy – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 8 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" 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 checked="" 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 type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

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

Use of proceeds categories as per SBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

UMH Properties Inc.'s Sustainable Finance Committee, comprising of its Director of ESG and an independent board member, along with its legal and management teams, will oversee the identification and selection of the eligible projects. UMH has adopted internal processes to address environmental and social risks commonly associated with the financed projects. This is in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green 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 Sustainability Bond proceeds | <input 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 |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

UMH's Properties Inc.'s Sustainable Finance Committee will be responsible for the management and tracking of bond proceeds. UMH intends to achieve full allocation of bond proceeds within 36 months of each issuance. Unallocated proceeds may be temporarily used to refinance existing debt and preferred stocks or invested per UMH Properties Inc.'s cash investment policy. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |

- ☒ Disclosure of portfolio balance of unallocated proceeds ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

UMH intends to report on the allocation of proceeds until full allocation as part of its annual ESG reports published on its website. The allocation reporting will include details on the allocation of proceeds, and the balance of unallocated proceeds. In addition, UMH Properties Inc. intends to report on qualitative and quantitative impacts and has provided indicative metrics in the Framework. Sustainalytics views UMH'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):

- ☐ GHG Emissions / Savings ☐ Energy Savings
- ☐ Decrease in water use ☐ Number of beneficiaries
- ☐ Target populations ☒ Other ESG indicators (please specify): Number of affordable housing units purchased/financed; number of units retrofitted with smart thermostats and LED lights; communities and units water metered; water recycling and clean drinking water programs.

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):
☐ 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:

- ☐ Consultancy (incl. 2nd opinion) ☐ Certification
☐ Verification / Audit ☐ Rating
☐ 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.

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- 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 specialised 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.

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For more information, visit www.sustainalytics.com

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