

MORhomes plc



Sustainable Bond Framework

February 2021

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1. Introduction to MORhomes

1.1 About us

MORhomes' mission is to support the provision of Social and Affordable Housing in the United Kingdom by acting as a central borrowing vehicle designed to facilitate access to the capital markets for not-for-profit, registered social housing providers.

MORhomes was created by Housing Associations, owned by Housing Associations and run for the benefit of Housing Associations. To date, 62 housing associations have become MORhomes shareholders, all of which are not-for-profit, registered providers of social housing¹ in the UK. They account for over 35% of the sector with around 960,000 homes, £28bn of debt and annual borrowing needs of over £2.2bn. As of 31 March 2020, debt facilities in the social housing sector totaled £103bn of which £21.9bn were undrawn².

MORhomes' articles of Association only allow lending to not-for-profit, registered providers of social housing in the UK.

MORhomes issued its first £250m bond in Feb 2019 establishing a loan portfolio of £260m. By Nov 2020 it had increased the bonds issued to £391m supporting a loan book of £408m.

All of MORhomes' bonds are currently Social Bonds in accordance with ICMA Social Bond Principles 2018. The purpose of this Sustainability Bond Framework is to enable MORhomes to issue both Social and Sustainability Bonds which are aligned with the relevant ICMA standards, including the Sustainability Bond Guidelines 2018, Social Bond Principles 2020 and Green Bond Principles 2018.

1.2 How we are governed

MORhomes is a non-traded public company, with listed debt instruments and a business model which specifically supports the social housing sector. MORhomes has been established as a plc in the interests of delivering enhanced Governance, Transparency and Accountability.

The company is entirely controlled by not-for-profit Housing Association shareholders, and no single shareholder can control more than 5% of voting rights.

In addition to its shareholders, the Board is aware of the vital role of the company's key stakeholders, which importantly comprise its employees, its lenders, its borrowers and those public organisations which also provide financial support to its borrowers.

The MORhomes Board has determined that a high level of corporate transparency, corporate responsibility and the highest standards of business ethics and probity are vital to the company's success. Accordingly, the Board has determined that it will apply the provisions of the UK Corporate

¹ Note: Shareholders of MORhomes plc are currently exclusively comprised of registered, not-for-profit, Housing Associations. The constitution allows for other types of shareholders (for example, if the Government was to put in some equity) but any such shares are restricted to 25% of voting rights and would have to be approved by the Board. There are currently no plans for any such investors.
²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/886406/Quarterly_Survey_for_Q4_2019-20.pdf

Governance Code issued by the Financial Reporting Council on 16 July 2018³ (the UKCGC) to itself effectively and proportionately.

The articles of association of MORhomes require the company to include an annual corporate governance statement within the company's annual report and accounts, which can be found on the company's website.

The Board has determined that it will carry out an annual board evaluation and this will be externally facilitated at least once within the first two years of the issue of the company's first bond.

The Board has responsibility for overseeing performance. Specific responsibilities are delegated to committees that have their own terms of reference. The major committees that support the Board of the Issuer are:

- Credit Committee;
- New Issues Committee;
- Socially Responsible Investment Committee;
- Nomination and Remuneration Committee; and
- Risk and Audit Committee.

Further details regarding the role of the Socially Responsible Investment Committee in the context of the proposed Sustainability Bond issuance are provided in the 'Process for Project Evaluation and Selection' section below.

2. UK social housing

2.1 UK government targets

The UK Government sees tackling the current housing shortage through growth of the affordable housing sector as a critical priority. Its policy goals include:

1. Increasing availability of suitable land for construction;
2. Increasing the pace of housing construction;
3. Diversification of the housing market, ***encouraging housing associations and local authorities to build more, and working to attract new investors into residential development; and,***
4. Taking steps to assist people now, improving safeguards in the private rented sector and doing more to prevent homelessness and help households currently priced out of the market.

Housing Associations play a key role in supporting this agenda:

- Major source of capital for investment;
- Earnings reinvested in additional low cost housing;
- Rents at a substantial discount to the open market; and,

³ <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf>

- Borrowing held off the Government Balance sheet.

In March 2020, Chancellor Rishi Sunak announced that the UK government will extend the Affordable Homes Programme with a new settlement of £12bn. This will result an additional investment of £9.5bn marking this as the largest investment into affordable houses market in a decade. It is also expected that this announcement will result in a further £38bn in public and private investments into the housing market. This, in addition to other announcements, such as the creation of £1bn Building Safety Fund to remove unsafe cladding or confirmation of allocation of £1.1bn from the Housing Infrastructure Fund to support construction of nearly 70,000 homes in areas of high demand, will positively affect the housing market and provide better living conditions for UK citizens⁴.

On 17 November 2020, the UK Government released a Social Housing White Paper, which has the stated aim of delivering transformational change for social housing residents. A seven point Charter is proposed setting out what every social housing resident should be able to expect. Central to the above is the proposal for a strengthened Regulator which will be granted additional powers and in particular will be empowered to act more proactively on consumer regulation matters than under the current regulatory regime in force as at the date of this Prospectus. Many of the proposals rely upon further legislation and consultation, so implementation is not expected to be immediate.

2.2 Regulatory Framework

Registered providers of social housing must comply with a regulatory framework established by the UK Government. The 2015 regulatory framework⁵ for social housing in England is comprised of:

1. Regulatory requirements – obligations on registered providers, including the ‘rent standard’ for social and affordable housing and ‘consumer standards’ for the provision of the housing service;
2. Codes of practice – assists registered providers in understanding how compliance might be achieved; and,
3. Regulatory guidance – this provides further explanatory information on the regulatory requirements and includes information on how the regulator will carry out its role.

In addition, Part 6 (“Energy Efficiency Requirements”⁶) together with Part L (“Conservation of fuel and power”⁷) of The Buildings Regulations 2010 sets a number of environmental standards targeted at both new and existing homes. These rules and standards monitor the amount of CO₂ emissions that buildings produce, improve energy efficiency and enhance the design of new dwellings for better ventilation and heating control. Metrics used to evaluate the energy efficiency of homes include TER (“Target Emission Rate”) and TFEE (“Target Fabric Energy Efficiency”) and it is a requirement that all new houses meet these standards.

⁴ <https://www.socialhousing.co.uk/news/news/budget-2020-12bn-affordable-homes-programme-1bn-building-safety-fund-and-pwlb-rate-cut-65390>

⁵ <https://www.gov.uk/government/collections/regulatory-framework-requirements>

⁶ <http://www.legislation.gov.uk/uksi/2010/2214/part/6/made>

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/540326/BR_PDF_AD_L1A_2013_with_2016_amendments.pdf

In addition under the Affordable Homes Programme⁸ 2021 to 2026, partners (who are generally Housing Associations) are expected to focus on promoting significant use of Modern Methods of Construction (MMC), high-quality sustainable design and working closely with local SME housebuilders. This is to help improve the energy efficiency and sustainability of new affordable housing supply.

Minimum Energy Efficiency Standards (MEES) Regulations⁹ were introduced by the government in 2018. The regulations were introduced to improve the quality of private rented buildings in England and Wales, to increase the energy efficiency of the worst performing houses and buildings, to improve the comfort and conditions in privately rented homes and reduce fuel poverty. Currently, privately rented properties must achieve an Energy Performance Certificate (EPC) rating of E at the minimum. The legislation prevents landlords from renting out a property with a rating of F or G. This applies to new and existing tenancies.

In a 2018 survey by the Ministry of Housing, Communities and Local Government, it was concluded that only 2% of houses in England and Scotland have an EPC rating of A or B, while 70% have an EPC rating of D or lower¹⁰. This highlights the need for the UK to decarbonise homes in order to achieve its target of net-zero emissions by 2050.

In June 2019, the UK prioritised climate change action by setting a legally binding target to cut its greenhouse gas emissions to “net-zero” by 2050. In order for the UK to meet its 2050 target, it will need to achieve a 36% cut in emissions by 2030, with approximately 20% coming from the building sector. Consequently, decarbonisation and energy efficiency of homes will play an increasingly important role¹¹.

2.3 Identification of Target Populations

Presently, the National Planning Policy Framework¹² and planning guidance ask each local planning authority to define a Housing Market Area and to determine an ‘objectively assessed need’ for affordable housing within them. The planning guidance sets out the recommended methodology to assess this need, using the latest National Statistics for projected household formation as a starting point.

Housing Associations develop new ‘social’ or ‘affordable’ housing to meet the identified local need, working in conjunction with the local planning authorities. New housing and existing housing that becomes vacant is let to tenants in housing need, being allocated via points-based waiting lists that are generally maintained by the local authorities, using a combination of deprivation and housing needs metrics to prioritise applicants. Typically, the demand is many times the available vacancies.

2.4 Sustainability Reporting Standards

The sector has recognized that there is an increasing need for the UK social housing sector to provide consistent reporting on Environmental, Social and Governance (ESG) performance and priorities.

⁸ The Affordable Homes Programme provides grant funding to support the capital costs of developing affordable housing for rent or sale. As the Government’s housing accelerator, Homes England will be making available £7.39 billion from April 2021 to deliver up to 130,000 affordable homes by March 2026 – outside of London. The Greater London Authority’s website contains more information around partners looking to develop affordable housing in London. <https://www.gov.uk/guidance/apply-for-affordable-housing-funding>

⁹ <https://www.gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance>

¹⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705821/2016-17_EHS_Headline_Report.pdf

¹¹ <https://www.ukgbc.org/wp-content/uploads/2020/03/The-Policy-Playbook-v.1.5-March-2020.pdf>

¹² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/734407/National_Planning_Policy_Framework_print_version.pdf

In May 2020, a multi-stakeholder working group focused on Social housing has presented a White Paper to propose sector standard ESG criteria and metrics for discussion and consultation¹³. Following multiple consultations, this has led to the Sustainability Reporting Standard for Social Housing being introduced in November 2020.

The proposed 12 themes and 48 criteria represent a credible, consistent, and comparable set of ESG guidelines which will be adopted by key stakeholders, including lenders, investors, regulatory bodies and government.

The Standard has been publicly supported by a critical mass of organisations from this spectrum of stakeholders. MORhomes has also made a public commitment to become an early adopter of the Standard by integrating it into its organisational policies, processes and products.

2.5 Capital markets

The issuance of Sustainable debt has increased significantly in recent years, growing at an average of over 1.38 times per year in annual volumes from 2014 to 2020. This has resulted in increasing numbers of issuers from varied sectors, investors from different geographies and arrangers active in this space. This market is expected to continue to grow in volume, issuer, currency and geographic diversity¹⁴.

MORhomes believes that its business model - assisting providers of affordable housing to raise capital - will resonate with investors interested in allocation of capital towards positive social outcomes, and has therefore decided to issue Social or Sustainability Bonds which are aligned with the relevant ICMA standards, including the Sustainability Bond Guidelines 2018, Social Bond Principles 2020 and Green Bond Principles 2018.

2.6 Rationale for framework

Overcoming global development challenges and advancing objectives for public good in the UK housing market require significant investment. Many of these investments are expected to be financed by bond market instruments. Committing a section of the bond market to the financing of projects with expected positive societal outcomes will channel existing and new pools of liquidity to address global challenges such as those exemplified in the Paris Agreement and the Sustainable Development Goals¹⁵ (SDGs).

MORhomes is proposing to support these investment challenges by issuing Social and Sustainability Bonds. Any debt issued under this Sustainability Bond Framework will be immediately applied for the sole purpose of on-lending to registered, not-for-profit Housing Associations (each of whom are MORhomes plc shareholders, and established in accordance with UK regulations) whose purpose is constructing, acquiring, refurbishing or maintaining social and affordable housing within the United Kingdom (or other activities carried out in support of this purpose), as defined within the UK statutory framework applicable to such housing.¹⁶ MORhomes expect Housing Associations will utilise funds mostly for constructing new buildings with high environmental standards.

¹³ A final version of the standards is expected to be published during the week commencing on the 9th Nov 2020, <https://esgsocialhousing.co.uk/>

¹⁴ Dealogic 2020

¹⁵ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

¹⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/734407/National_Planning_Policy_Framework_print_version.pdf (Annex 1)

It is a specific requirement that each borrower has a corporate objective to ‘to develop new housing or deliver other assets with high social impact’. In order to qualify for the green project category, borrowers are required to provide input to the sustainability due diligence questionnaire/ assessment set out in Annex 1 to this framework described further below, demonstrating that they meet objective environmental as well as social and governance standards.

3. Structure of the framework

This Framework has been established to deliver transparency as to the types of impactful debt instruments that MORhomes chooses to issue.

It is designed to demonstrate alignment with the relevant ICMA standards, including the Sustainability Bond Guidelines 2018, Social Bond Principles 2020 and Green Bond Principles 2018. In addition, MORhomes is closely monitoring evolving standards in this market. As described in paragraph 2.5, the UK Social and Affordable Housing sector is developing a Sustainability Reporting Standard. MORhomes has pledged it will continuously align its reporting framework with it and any other such new market standards.

Under this framework, MORhomes is able to apply two distinct labels:

- i. “Sustainability” bonds: housing association projects that provide both social and environmental benefits (the majority of proceeds will be allocated to category B under Use of Proceeds, the remainder to category A)
- ii. “Social” bonds: housing association projects that provide predominantly social benefits (category A under Use of Proceeds)

3.1 Use of Proceeds

Bond proceeds (net of fees and any other costs) will be on-lent to MORhomes members/ shareholders, each of whom is a not-for-profit registered social/affordable housing provider in the UK¹⁷, and used to finance or refinance, in whole or in part, social/affordable housing projects falling within either of the eligible project categories as detailed below or other activities carried out in support of these projects and the provider’s social purpose.

Eligible projects include existing, ongoing, and/or future projects as categorised below. Eligible projects are also mapped to the relevant Sustainable Development Goals¹⁸.

¹⁷ A full list of MORhomes members/shareholders can be found at the MORhomes website: <https://morhomes.co.uk/our-shareholders/>

¹⁸ <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>

Impact	ICMA Category ¹⁹	Use of Proceeds	Example Impact Metrics	Example Projects	Relevant SDGs
A. Social	Affordable housing	Financing construction and refurbishment of Social and Affordable Housing ²⁰ in the United Kingdom	<p>Number of social/affordable housing units constructed</p> <p>Rental costs compared to local market rents</p> <p>Data on income and social deprivation of people housed</p>	MORhomes’ Social and Sustainability Impact reports published February 2020 and February 2021 ²¹ provide data on social housing units constructed using proceeds of the first £260m on-lent, along with additional data on the wider social impact achieved. These are typical of projects likely to be funded by future lending by MORhomes	 
B. Social & Environmental	Green Buildings	Predominantly used towards financing of construction of new Social and Affordable Housing in the United Kingdom by Housing Associations that meet strict environmental, social and governance criteria (See Annex 1)	<p>Energy efficiency standards of all housing stock owned by the HA</p> <p>Energy efficiency standards of new housing stock developed by the HA</p> <p>% of stock with PV / renewable local generation</p>	See Annex 2 for examples of typical projects to be funded	  

Sustainability questionnaire

In order to determine eligibility for Use of Proceeds category B (“green buildings”), MORhomes receives ESG information from its Housing Association borrowers through both the regular credit application process and an additional sustainability questionnaire. The regular credit application process determines that the housing association is a registered provider of social housing and hence eligible for the first project category. The sustainability-specific questionnaire has been developed by Ritterwald, a leading real estate consultancy, and can be found in Annex 1 of this framework. The questions are derived from best in class market standards, such as the Certified Sustainable Housing label²² and are aligned to the UK Social and Affordable Housing Sustainability Reporting Standard (see Section 2.4). Ritterwald will review and validate the Housing Association’s response to these questions and based on these Ritterwald will provide MORhomes with ESG constituent scores.

Annex 1 shows the full suite of ESG performance criteria used in the questionnaire. The general principle adopted in setting the scoring system is to ensure that a score of 50% for each measure is equivalent to exceeding the national average or other similar suitable objective benchmark for that measure, based on research carried out by Ritterwald.

To achieve the minimum threshold for the MORhomes ESG standard a potential borrower must achieve:

¹⁹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

²⁰ Social and Affordable Housing as defined by the (below market) rents charged in accordance with the relevant regulated rent standards and the regulated consumer standards of housing service.

²¹ <https://morhomes.co.uk/social-and-sustainable-impact-reporting/>

²² See for more information: www.sustainable-housing.eu

- EPC level A or B for the new housing units it is constructing
- 50% of the aggregate score
- 33% of the individual scores of each of the three categories of Environment (60 points), Social (60 Points) and Governance (45 points)

The questionnaire includes a specific question on whether the borrower is committed to issuing reports complying with the Sector Sustainability Standard (see above) and MORhomes will be encouraging borrowers to make this commitment.

MORhomes reserves the right to make adjustments to this questionnaire over time to reflect changing best practices in the sector.

Exclusions

On-lending of bond proceeds to Housing Associations determined by MORhomes to be engaged in any activities which are incompatible with the social mission of MORhomes, or which are directly or indirectly generating significant adverse social impacts is excluded.

Note: Certain MORhomes Housing Association members control subsidiaries which are engaged in market activities incidental to, but relating directly to, their core social/affordable housing mission. For example, a small proportion of housing units in a given housing scheme may be placed on the open market, with the aim of establishing a more diverse resident community than would otherwise be the case. Further information relating to such activities, including data on revenues relating to such activities, relative to 'core' activities was included in MORhomes' Social Impact report published February 2020²³. Any surpluses from such activities are retained by the Housing Associations to support their social objectives.

3.2 Process for Project Evaluation and Selection

As noted in the Corporate Governance section above, A Socially Responsible Investment (SRI) Committee of the MORhomes plc Board has been established.

The members of the Committee are currently as follows:

- Charles Tilley – Committee Chair
- Neil Hadden – Committee Member and Chair of the Board
- Ann Santry – Committee Member
- Malcolm Cooper – Committee Member

Further details concerning the Committee members are available at the MORhomes plc website²⁴.

The main function of the Committee is to oversee the Issuer's status as a socially responsible investment entity.

The Terms of Reference for the SRI Committee are:

- To make recommendations to the Board on the Company's strategy and policy in relation to its status as an SRI company and its approach to Environmental, Social and Governance (ESG) issues
- To oversee the Company's implementation of its SRI and ESG strategy and policy

²³ <https://morhomes.co.uk/wp-content/uploads/2020/02/MORhomes-Social-Impact-Report-2019.20-2.pdf>

²⁴ <http://morhomes.co.uk/who-we-are/>

- iii. To oversee the establishment of a Framework to demonstrate the company's alignment with the Social Bond Principles 2018, making its entire bond programme Social Bonds under these principles
- iv. To oversee the arrangements established to ensure the Social Bonds remains in alignment with the Social Bond Principles
- v. To oversee the arrangements established to ensure Social Bond proceeds are utilised in accordance with the uses specified in the Framework
- vi. To oversee the introduction and operation of arrangements to generate the information required to produce periodic Social Bond Reports, in accordance with the Framework and the Social Bond Principles
- vii. To oversee the extension of the Social Bond Framework into a Sustainable Bond Framework and the corresponding arrangements for ensuring the framework is implemented and adhered to as appropriate.

Note that in the context of the application of a Social label, where the net proceeds of the Bond are immediately on-lent to registered, not-for profit Housing Associations engaged in the provision of social/affordable housing, all activities of such qualifying Housing Associations (see note on Exclusions above) are assumed to relate to the provision of social/affordable housing and are consequently deemed eligible for financial support via such Social Bond Proceeds. The same applies in the context of a Sustainability label, where qualifying Housing Associations' overall sustainability policies and strategy have been assessed as part of the MORhomes ESG questionnaire (see Use of Proceeds section). The Housing Associations will be responsible for selection and implementation of the financed projects and such qualifying 'projects' will not be individually assessed by MORhomes.

3.3 Management of Proceeds

The entire net proceeds of bonds issued under this framework will be immediately on-lent to eligible Housing Associations for the purposes specified in the Use of Proceeds section above. Net proceeds will be immediately applied on a 'back-to-back' basis by the paying agent to a series of identified loans arranged in connection with Housing Association social/affordable housing projects. The loan to the Housing Association is agreed simultaneously with the issue of the bond and is for the same (or slightly greater) amount and the same term. The bond net proceeds are transferred to the Housing Association as soon as they are received. Bond financing arranged by MORhomes is solely for the purpose of lending to housing associations and it only accesses the market once it has the Borrowing Mandate from its housing association borrowers. Hence there are no residual proceeds and, consequently, MORhomes does not maintain arrangements to temporarily hold, disburse or otherwise manage proceeds.

3.4 Reporting

Annually, as long as the Sustainability and Social Bonds issued under this framework are outstanding, MORhomes will publish updates on a dedicated page of the company website (<http://morhomes.co.uk>) which will include:

1. Allocations by Eligible Project category including a complete list of Housing Associations financed, overall indications of underlying projects financed (based on sample data from borrowers) and example case studies, where suitable information is available;
2. Relevant outcomes (e.g. number of housing units constructed/refurbished/environmental standards achieved) based on sample data including specific environmental information provided by borrowers; and

3. An assertion by management that the net proceeds were allocated to eligible Housing Associations.

MORhomes will also encourage borrowers of the funds on-lent from the proceeds of its Sustainability Bonds to publish annual ESG reports complying with the Sector Sustainability Standard (see section 2.4 above). MORhomes' own update reports will cross-refer to the reports issued by borrowers.

MORhomes is committed to providing independent audits of the data gathering, reporting arrangements and other procedures relating to the sustainability bond. As and when relevant audit procedures have been completed, MORhomes will also include a summary of the independent audit report findings in the annual updates.

3.5 External Review

MORhomes has asked Sustainalytics to conduct an external review of this Sustainability Bond Framework, commenting on:

- Framework alignment with relevant ICMA standards
- Credibility and robustness of the MORhomes borrower ESG Questionnaire and the associated Ritterwald review methodology
- Social and environmental benefits expected from the underlying project categories
- Alignment of the framework with MORhomes' broader SRI mission

Their second party opinion is available on: <https://morhomes.co.uk/socially-responsible-investment/>

MORhomes intends to obtain an update of this opinion for any new material developments under the framework, such as a new debt instrument or changes to the disclosure within the framework.

Annex 1 – ESG questionnaire for Housing Association borrowers

Developed in conjunction with Ritterwald, and aligned with the Sustainability Reporting Standards for Social Housing

I. Environmental Assessment		
The company demonstrates its commitment to Decarbonisation & Renewables:		
1	Existing housing stock: What average EPC/SAP rating has the housing association last received?	Overall housing stock: Last overall/average SAP/EPC Rating received - Number & Letter
	1.1 The housing association has last been given a Band G (1-20) rating	
	1.2 The housing association has last been given a Band F (21-38) rating	
	1.3 The housing association has last been given a Band E (39-54) rating	
	1.4 The housing association has last been given a Band D (55-68) rating	
	1.5 The housing association has last been given a Band C (69-80) rating	
	1.6 The housing association has last been given a Band B (81-91) rating	
	1.7 The housing association has last been given a Band A (92-100) rating	
2	New Construction/Build: What average EPC/SAP rating has the housing association last received?	New Construction/Build: overall/average SAP/EPC Rating (most recent year) - Number & Letter
	2.1 The housing association has last been given a Band G (1-20) rating	
	2.2 The housing association has last been given a Band F (21-38) rating	
	2.3 The housing association has last been given a Band E (39-54) rating	
	2.4 The housing association has last been given a Band D (55-68) rating	
	2.5 The housing association has last been given a Band C (69-80) rating	
	2.6 The housing association has last been given a Band B (81-91) rating	
	2.7 The housing association has last been given a Band A (92-100) rating	
3	The company hands information to tenants regarding correct property related ventilation, heating and fire safety methods	We ask the housing association to inform us on whether or not it actively engages its residents in limiting the amount of energy and creating awareness for fire safety
	3.1 Correct Heating	
	3.2 Correct Ventilation	
	3.3 Smoke Detectors	
	3.4 Monoxide Detectors	
	3.5 Other Safety & Energy Saving Measures	
4	% of Total housing stock capable of producing low-carbon heating (technologies/energy systems): - e.g. Photovoltaic (PV) plants on the roofs of the housing association (not only own PV systems, also those together e.g. with municipal utilities such as district heating).	By low-carbon heating, we imply energy systems that enable homes to produce their own clean energy (measurable in kWh or revenues saved for example) or clean technologies (boilers for example).
	4.1 Less than 2% of the housing association's stock is equipped with either or both low-carbon heating systems or individual Boilers	
	4.2 Between 2%-5% of the housing association's stock is equipped with either or both low-carbon systems or individual Boilers	
	4.3 Between 5-7% of the housing association's stock is equipped with either or both low-carbon heating systems or individual Boilers	
	4.4 Between 7%-10% of the housing association's stock is with either or both equipped low-carbon heating systems or individual Boilers	
	4.5 10% or more of the housing association's stock is equipped with either or both low-carbon heating systems or individual Boilers	
II. Social Assessment		

The company demonstrates its commitment to offer Social and Affordable Homes:	
5	<p>Existing housing stock: What is the average rent charged by the housing association compared to the local rent index?</p> <p>5.1 The housing association offers rents that are less than 5% cheaper than rents offered by the local private market - Existing Housing Stock</p> <p>5.2 The housing association offers rents that are 5%-10% cheaper than rents offered by the local private market - Existing Housing Stock</p> <p>5.3 The housing association offers rents that are 10%-15% cheaper than rents offered by the local private market - Existing Housing Stock</p> <p>5.4 The housing association offers rents that are 15%-20% cheaper than rents offered by the local private market - Existing Housing Stock</p> <p>5.5 The housing association offers rents that are 20% or more cheaper than rents offered by the local private market - Existing Housing Stock</p>
	<p>Average rent comparison of existing stock with local index</p> <p>We also welcome the housing association to inform us in the comment box if the housing association offers added social value rather than rent reduction</p>
6	<p>New construction/first-time occupancy: What % of new rental housing is let at rents less than 80% of the market rent?</p> <p>6.1 The housing association allocates less than 50% of its new rental homes at rents less than 80% of the market rent</p> <p>6.2 The housing association allocates 50-70% of its new rental homes at rents less than 80% of the market rent</p> <p>6.3 The housing association allocates 70-80% of its new rental homes at rents less than 80% of the market rent</p> <p>6.4 The housing association allocates 80-90% of its new rental homes at rents less than 80% of the market rent</p> <p>6.5 The housing association allocates 90-100% of its new rental homes at rents less than 80% of the market rent</p>
	<p>Rent as a % of market rent (new development)</p>
7	<p>What share of the Rental housing stock (Except PRS) is ranked as Social and/or Affordable?</p> <p>7.1 Less than 10% of the housing's association total stock is ranked as Social or Affordable</p> <p>7.2 10%-25% housing's association total stock is ranked as Social or Affordable</p> <p>7.3 25%-50% of the housing's association total stock is ranked as Social or Affordable</p> <p>7.4 50%-80% of the housing's association total stock is ranked as Social or Affordable</p> <p>7.5 80% or more of the housing's association total stock is ranked as Social or Affordable</p>
	<p>% homes completed at the end of the previous financial year that are regulated or other social housing with rents below market rates and/or let to people whose needs are not adequately served by the commercial housing market including:</p> <ul style="list-style-type: none"> -Housing for rent -Shared ownership, starter homes, discounted market sales and other affordable routes to home ownership
III. Governance Assessment	
The company demonstrates its commitment to reporting and monitoring on Sustainability:	
8	<p>What Governance Rating has the housing association received?</p> <p>8.1 The housing association was awarded a G3 Rating</p> <p>8.2 The housing association was awarded a G2 Rating</p> <p>8.3 The housing association was awarded a G1 Rating</p>
	<p>G-Rating from the English Regulator or equivalent tier in Wales</p>
9	<p>The housing association shows further signs of good governance and offers the following:</p> <p>9.1 The housing association enables tenants to be represented at a Board level or gives the opportunity to tenants to express their concerns</p> <p>9.2 The housing association complies with the NHF or CHC Code of Governance (or equivalent - please supply details in 'comments')</p>
10	<p>Does the housing association issue a sustainability report and when was it first published?</p> <p>10.1 The housing association has no intention nor planned to issue a sustainability report</p>
	<p>The housing association issues a sustainability report to the Public and monitors its Environmental, Social, and Governance performances</p>

	10.2 The housing association commits to issuing a sustainability report (complying with the Sector Sustainability Standard or similar) within two years	
	10.3 The housing association has already issued a sustainability report and intends to continue to issue reports complying with the Sector Sustainability Standard or similar	
11	Has the Board of the housing association formulated its own Sustainability Strategy and Targets?	Housing Association Strategy & Targets compared to UK Government objective: -Carbon Neutral by 2050
	11.1 The housing association has formulated a Strategy aligned with the Government's deadline with no specific targets	
	11.2 The housing association has not only formulated a Strategy that alignes with the Government's deadline, but also it's own targets	
	11.3 The housing association has formulated a Strategy and Targets that go beyond the Government's deadline	

Annex 2 – Example of Social and Environmental Projects

Introduction

The proceeds of MORhomes' sustainability bond will be on-lent to not for profit regulated UK Housing Associations that have been assessed via a sustainability questionnaire as described in the main part of the framework.

Until borrowers are committed to borrowing the proceeds of a MORhomes Sustainability Bond we cannot identify exactly which Housing Associations (and hence which projects) the funds will be applied to. However, the example projects in this Annex are planned or built by Housing Associations that are MORhomes shareholders that have expressed an interest in potentially borrowing the proceeds of a MORhomes Sustainability Bond and/or have already borrowed from the proceeds of our existing Social Bond.

Example projects

Housing association	Project	Details/ Achievement of the Environmental SDGs
Newydd	<p>Ultra-low energy homes to be built in Llangan</p> 	<p>This £3.4 million redevelopment of ultra-low energy homes and commercial units in Llangan will comprise of a mix of thirteen homes adjacent to commercial units and will benefit the local rural community.</p> <p>The 4 one-bedroom apartments, 8 two and three bedroom houses and a two bedroom bungalow will be built using the Beattie Passive Build System. The resulting homes will offer much lower running costs for tenants due to the low energy required to heat and cool homes from high levels of insulation, high performance windows and a mechanical ventilation system.</p> <p>Newydd Housing Association, in partnership with the Vale of Glamorgan Council, will develop the highly sustainable affordable homes using private and Welsh Government Innovative Housing Programme funding. Cwrt Canna Ltd will develop and manage the adjacent commercial units to form a rural business hub in collaboration with Creative Rural Communities.</p> <p>The energy efficient homes will be manufactured and assembled by apprentices from a prisoner rehabilitation scheme run by HM Prison and Probation Service alongside contractors Cwrt Canna Ltd.</p>
Newydd	'The Croft', Dyffryn	Solcer Architects were appointed to design

Housing association	Project	Details/ Achievement of the Environmental SDGs
		<p>this sustainable new-build home after their success in designing the Solcer Energy Positive House near Bridgend. The Solcer concept involves having an excellent contextual design using a low carbon approach, providing an affordable, viable and comfortable environment to live in. Newydd employed Kingfisher Developments (Wales) Limited to construct this adapted bungalow.</p>
Melin	<p>Tredegar Court, Newport</p> 	<p>Melin is working on its biggest single development and grant allocation building a brand new block at a sheltered housing complex in Pill, Newport. Tredegar Court will offer 47 new flats for older people. It is being constructed by Vistry using a timber frame which is put together off site. When completed in 2021 it will boast sustainable drainage systems (SuDs) and a dementia-friendly sensory garden, plus charging points for electric vehicles.</p> <p>Director of Development at Melin Gerrard Williams said: “We’re pleased to be bringing much-needed, affordable homes to the area which are also designed to boost the well-being of its older residents.”</p>
Local Space	<p>Cyprus Place, Beckton, Newham</p> 	<p>Cyprus Place is an exciting new development acquired by Local Space in January 2020. Local Space worked closely with the developer on four new homes made up of three two-bed flats and a one-bed flat. All homes acquired by Local Space are upgraded to a higher energy efficient standard.</p> <p>Local Space is committed in its ambition to deliver energy efficient homes through working with partners across the industry. Where needed, residents benefit from retrofit measures, for example cavity wall and loft insulation, boiler upgrades, solid wall insulation and renewable energy. Local Space achieves high energy efficiency ratings for its refurbished stock,</p>

Housing association	Project	Details/ Achievement of the Environmental SDGs
		<p>with the highest number of properties falling in Band C, compared with the national average EPC rating of D for homes in the UK.</p> <p>Three of the Cyprus Place homes were handed to Newham Council to assist families on their waiting list with the fourth property being allocated to a key worker.</p>
Pobl		<p>Work is set to get underway on the UK's largest ever energy retrofit project of its kind, that will see almost 650 homes in a Swansea community benefiting from the installation of state-of-the-art renewable energy generation, energy storage and smart energy management technology. The homes, in the Pendery Ward of the city, are owned and managed by Pobl, Wales' largest provider of affordable housing, who have partnered with renewable energy tech and service supplier, Sero. It is anticipated that the innovative scheme, supported by £3.5m EU funds from the European Regional Development Fund (ERDF) through the Welsh Government, will see the community generate as much as 60 per cent of their total electricity requirements, reducing bills as well as carbon emissions by as much 350 tonnes per year.</p>
A2Dominion		<p>Funded by a loan from the European Investment Bank, the first phase of the UK's first ecotown, Elmsbrook, has delivered 393 homes through A2Dominion's joint venture with Crest Nicholson. Part of the 6,000-home 'NW Bicester' development in Oxfordshire, the site offers contemporary sustainable living through one- to four-bedroom homes, 30% of which will be reserved for affordable housing. The development is recognised with Bioregional's One Planet Living status for its standard of eco-efficiency and sustainable living, one of only 11 recipients globally.</p>