

Press Release

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MORhomes unveils pioneering ESG assessment with Sustainable Bond Framework

MORhomes, the financial borrowing vehicle for housing associations, has today (Thursday 11 February) launched its Sustainable Bond Framework and innovative new Sustainable Housing Assessment (SHA) which will apply to prospective borrowers.

MORhomes can now issue a Sustainability Bond which will be one of the first for the housing sector with a sustainability accreditation, going one step further than its original social bond.

Its Sustainable Bond Framework has been designed to demonstrate MORhomes' alignment with ICMA (International Capital Markets Association) 'Sustainability Bond Guidelines' and will ensure that future borrowers can evidence both social and environmental impact.

ICMA defines a sustainability bond as one where the proceeds are "exclusively applied to finance or refinance a combination of both green and social projects."

Sustainalytics has independently reviewed MORhomes' framework and provided a positive Second Party Opinion. NatWest's Sustainable Finance Team also supported MORhomes with its development.

To be eligible to borrow via MORhomes' new Sustainable Bonds, housing associations' environmental, social and governance (ESG) performance will be examined as part of the application process via the innovative SHA - developed in-house and piloted by five housing associations.

The 11 multiple-choice questions cover a range of indicators including the energy efficiency of existing and new stock, how housing associations are encouraging tenants to conserve more energy and the installation of low carbon heating systems. The assessments will be independently validated by Ritterwald, a pan-European housing and real estate consultancy with a focus on sustainability.

As an early adopter of the Sustainability Reporting Standard (SRS) for Social Housing, MORhomes is encouraging its borrowers and shareholders to follow suit. The SRS aims to provide a voluntary reporting framework for housing providers so they can report on their ESG performance transparently and consistently.

Leaders at MORhomes say their new assessment approach extends the concept of the SRS by going beyond reporting, delivering an assessment which demonstrates how housing associations are actually performing on sustainability.

Patrick Symington, CEO of MORhomes, said; "Tackling the housing crisis and creating lasting change has always been part of our ethos at MORhomes. This new framework and SHA are testament to this. We are proud to have developed a genuinely unique approach

to assessing the ESG impact of our current and prospective housing association borrowers which is also quick and simple to complete. Borrowers who meet the standards are going above and beyond current requirements and helping meet the Government's zero carbon target and the United Nations Sustainable Development Goals.

“The social housing sector is perfectly placed to demonstrate the powerful, long-term impact it is having on individuals, communities and society as a whole. This is spotlighted in our new impact report which shows how housing associations are continuing to deliver homes and improve lives with the funds raised via MORhomes' existing Social Bonds.

“From a sustainability perspective, there is real commitment from housing associations to safeguard the future of the planet and we are urging all our borrowers and shareholders to adopt the Sector Reporting Standards and show us how they are meeting the requirements through the Sustainability Assessment.”

The approach has been developed and piloted with the input of five housing associations including Melin, the 4,000-home South East Wales landlord.

Elizabeth Howard, director of finance at Melin Homes, said; “It has been a really useful and interesting process to be part of the development of MORhomes' SHA and to have the opportunity to feed in the Welsh perspective. Like many of our sector peers, we know that Melin does a lot of great work in terms of ESG but we haven't always had a clear way of benchmarking this or recording it in a consistent way.

“A score of 50% in the SHA is a 'pass' and indicates high standards so it is reassuring to see that we have scored so well, particularly in the environmental category where we achieved 75%. Having worked with different areas of our organisation to collate the information needed to complete the questionnaire, we now have an independently validated assessment which can be shared across the business and something we can all use to identify improvement areas and next steps. It is really exciting to see MORhomes being on the front foot with its Sustainable Bond and we're proud to have been involved in the development of the framework.”

Dominic Brindley Head of Public Sector & Structured Asset Finance at Natwest, said; “Having supported the working party to produce the Sector Reporting Standards in 2020, it is a great pleasure to have worked with MORhomes, Sustainalytics and Ritterwald to help expand MORhomes' existing Social Bond Framework into a Sustainable Bond Framework. The framework provides significant support for fund raising for social housing providers that wish to tap into the sustainable capital markets for more modest funding requirements. At Natwest we see this as a crucial step in enabling wider market access for sustainable issuance.”

This comes as MORhomes also launches its new Social & Sustainability Impact Report 2020/21 which shows that the organisation has funded 3,163 new homes in England and Wales to date.

MORhomes has so far lent 15 housing association borrowers a total of £429m via the sector's first Social Bond which is being used to fund new homes in more than 40 local authorities in England and Wales. The homes are for a range of tenures including 1,626 for social and affordable rent, 967 for shared ownership and 57 designed for people with support needs to be more independent.

MORhomes offers flexible loans from £10m, simple documentation and prides itself on efficiency and speed of access to the market.

The MORhomes Sustainable Bond Framework will be available here on Thursday 11 February <https://morhomes.co.uk/socially-responsible-investment/>

The MORhomes Social & Sustainability Impact Report 2020/21 will be available here on Thursday 11 February <https://morhomes.co.uk/social-and-sustainable-impact-reporting/>

Ends

For more information please contact Patrick Symington, CEO MORhomes
patrick.symington@morhomes.co.uk 07867 537373

Notes to editors

MORhomes is a unique and innovative borrowing vehicle for the UK social housing sector. It is constituted as a PLC and applies the highest standards of corporate governance. Its shares are owned by over 60 major not-for-profit UK housing associations. Its public debt is traded on the London Stock Exchange. It raises finance on the bond markets and lends it on to housing associations, who must be shareholders.

MORhomes provides its borrowers with

- Flexibility to borrow in amounts from £10m upwards - saving the cost of having to borrow larger amounts which might be more than is needed at any one time
- Quick access to the market, reducing uncertainty over the price of funds
- Flexibility on types of security offered and efficient use of security
- Immediate access to funds with up to a year to put security in place
- Simple documentation and reduced costs and resources in going to the market
- Minimal corporate financial covenants
- Transparent predictable credit process and annual credit limit.

MORhomes is 100% owned and controlled by housing associations. It is capitalized by equity and subordinated debt provided by its borrowers, and third-party junior debt. All MORhomes bonds are Social Bonds in accordance with the ICMA Social Bond Principles 2018.

MORhomes' first issue of £250m was completed in February 2019 and it has now issued and on-lent £429m. Its current borrowers are:

<u>Borrower Name</u>	<u>Borrower Group Name</u>
A2Dominion South Ltd	A2Dominion
Aster Communities Ltd	Aster Group
Synergy Housing Ltd	Aster Group
EMH Housing and Regeneration Ltd	EMH
Hafod Housing Association Ltd	Hendre
Local Space Ltd	Local Space
Melin Homes Ltd	Melin Homes
North Devon Homes	North Devon Homes
Heart of Medway Housing Association Ltd	MHS
Charter Housing Association Ltd	Pobl
Tai Gwalia Cyf	Pobl
South Yorkshire Housing Association Ltd	South Yorkshire HA
Wandle Housing Association	Wandle
Thrive Homes	Thrive Homes
Origin Housing Limited	Origin
Eastlight Community Homes	Eastlight
Housing Solutions	Housing Solutions

About Natwest Markets

NatWest Markets helps global financial institutions and corporates manage their financial risks and achieve their short-and long-term financial goals while navigating changing markets and regulation. We do this by providing global market access, financing, risk management and trading solutions. We operate from trading hubs in London, Amsterdam, Singapore and Stamford with sales offices across key locations in the UK, EU, US and Asia.

About Ritterwald

RITTERWALD is a pan-European housing and real estate consultancy with well established roots in the German residential sector, and now has a strong market position in the UK. RITTERWALD supports housing associations and housing companies with their response to policy and market changes providing performance enhancing business and service outcomes.

Sustainability and the pathway to carbon net zero are emerging as the biggest sector challenge in the UK and the rest of Europe. RITTERWALD has responded by creating the Certified Sustainable Housing Label and the Sustainable Housing Assessment, supporting clients access ESG oriented lenders and investors to meet their capital requirements. In addition we assist housing associations establish a road map to carbon net zero as part of their strategic planning requirements.

The MORhomes Sustainable Bond Framework, benefits from RITTERWALDs' Sustainable Housing Assessment, demonstrating that a participating housing association is going above and beyond current Government sustainability requirements.

About Sustainalytics

Sustainalytics is a global leader in ESG and Corporate Governance research and ratings. For more information visit <https://www.sustainalytics.com/>