

Second-Party Opinion

MORhomes Sustainable Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the MORhomes Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Affordable Housing and Green Buildings – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 11.



PROJECT EVALUATION / SELECTION MORhomes' internal process for evaluation and selecting eligible projects is managed by the Socially Responsible Investment Committee (SRIC), which is comprised by four members of the Board. The Housing Associations financed by bonds proceeds will be responsible for implementation of the financed projects. The SRIC ensures that Housing Associations comply with the Framework criteria. Sustainalytics considers this process to be in line with market practice.



MANAGEMENT OF PROCEEDS MORhomes' social and sustainability bond proceeds will be immediately lent to eligible Housing Associations and will be tracked using the associated loan documentation. Net proceeds will be 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. Loans to Housing Associations will be agreed simultaneously with the issue of the bond. The loan amount will be equal to or slightly larger than the bond issued, and the loan term will equal the bond term. Therefore, the process will not include any temporary administration of the proceeds. Sustainalytics views this practice aligned with market standards.



REPORTING MORhomes is committed to report on the allocation of proceeds on its website, on an annual basis, until full allocation. The allocation reporting will include details such as a complete list of Housing Associations financed, and an assertion by management that the net proceeds were allocated to eligible Housing Associations. Regarding impact, MORhomes will report, based on sample data provided by borrowers, the number of housing units constructed/refurbished/environmental standards achieved, overall indications of projects, and example case studies where suitable information is available. Based on these elements, Sustainalytics considers this process to be in line with market practice.

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Issuer Location Cambridge, UK

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Introduction

MORhomes plc (“MORhomes”, or the “Company”) is a UK company acting as a central borrowing vehicle for Housing Associations, facilitating their access to capital markets. MORhomes’ 62 shareholders are not-for-profits registered providers of social housing, which account for 35% of the social and affordable housing sector in the UK. The Company is registered in Cambridge, UK and the Board and Executive operate via a virtual network centred in London.

MORhomes has developed the MORhomes Sustainable Bond Framework (the “Framework”) under which it intends to issue sustainability and/or social bonds and use the proceeds to finance and/or refinance, in whole or in part, existing, ongoing and/or future projects that improve the availability of social, affordable and energy efficient housing in the UK. The Framework defines eligibility criteria in two areas:

1. Affordable Housing
2. Green Buildings

MORhomes engaged Sustainalytics to review the MORhomes Sustainable Bond Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).¹ This Framework has been published in a separate document.² This SPO is an updated version of a previous SPO (dated September 2018). It has been updated to incorporate additional eligible Use of Proceeds category, Green Buildings, and reflect the expansion of the Framework from social projects to the inclusion of green projects, thus becoming a Sustainable Bond Framework.

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

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

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, 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 1.6.1, 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 MORhomes’ 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; Sustainalytics also engaged with analysts from real estate consulting firm RITTERWALD, which developed MORhomes’ Sustainable Housing Assessment. MORhomes representatives have confirmed (1) they understand it is the sole responsibility of MORhomes to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

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

¹ The Sustainability Bond Guidelines 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/>

² The MORhomes Sustainable Bond Framework is available on MORhomes plc’s website at: <https://morhomes.co.uk/socially-responsible-investment/>

³ 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.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the MORhomes Sustainable Bond Framework

Sustainalytics is of the opinion that the MORhomes Sustainable Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP). Sustainalytics highlights the following elements of MORhomes' Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Affordable Housing and Green Buildings – are aligned with those recognized by the GBP and SBP. Sustainalytics notes that the financed projects and activities will take place in the United Kingdom.
 - The Framework identifies two distinct bond labels: (i) Sustainability bonds apply when the majority of proceeds are allocated to fund Housing Associations which meet the eligibility criteria under Green Buildings and the remainder of proceeds are allocated Housing Associations which meet eligibility criteria under the Affordable Housing category, and (ii) Social bonds apply when the proceeds are allocated to Housing Associations which meet the eligibility criteria under Affordable Housing.
 - Within Affordable Housing, MORhomes may allocate proceeds to finance activities of registered Housing Associations engaged in the construction and refurbishment of social and affordable housing in the UK. Target populations and housing requirements are established by the National Planning Policy Framework⁴ and planning guidance, by which local planning authorities are asked to define a Housing Market Area and to determine an 'objectively assessed need' for affordable housing within them.⁵ MORhomes provides financing exclusively to Housing Associations which develop new social or affordable housing to meet the identified local need. Sustainalytics positively notes the well-defined target groups and is of the opinion that this use of proceeds will contribute to increasing access to social and affordable housing in the UK, thus creating a positive social impact.
 - Regarding Green Buildings, MORhomes may finance Housing Associations which achieve an EPC label A or B for new housing units under construction. Sustainalytics positively recognizes the targeting of EPC labels A and B, and has confirmed that these levels correspond to the top 15% energy performing buildings in the UK, which is aligned with market practice. In addition, MORhomes will use its Sustainable Housing Assessment⁶ developed by real estate consulting firm RITTERWALD, to determine the eligibility of Housing Associations under this category. Housing Associations must meet the following minimum ESG performance thresholds: (i) 50%

⁴ UK Ministry of Housing, Communities and Local Government, "National Planning Policy Framework", (2019), at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810507/NPPF_Feb_2019_print_revised.pdf

⁵ 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.

⁶ MORhomes' Sustainable Housing Assessment is aligned to the UK Social and Affordable Housing Sustainability Reporting Standard.

- in the aggregate score, and (ii) 33% of the individual scores in each of the three categories: Environment, Social and Governance. For the MORhomes' Sustainable Housing Assessment please refer to Appendix 1.
- The Framework defines exclusionary criteria for Housing Associations determined by MORhomes to be engaged in activities which are incompatible with the issuer's social mission, or which generate negative social impact.
 - Project Evaluation and Selection:
 - MORhomes' internal process for evaluation and selecting eligible projects is managed by the Socially Responsible Investment Committee (SRIC), which is comprised by four members of the Board. The SRIC is responsible for ensuring the bond proceeds are utilised in accordance with the uses specified in the Framework.
 - Applications to Social label financing by Housing Associations engaged in the provision of social/affordable housing are assumed to intend to finance projects eligible within the Affordable Housing category and are consequently deemed eligible for financial support via such Social Bond Proceeds. Similarly, applications to Sustainability label financing by Housing Associations which have met the minimum ESG performance thresholds are assumed to intend to finance projects eligible within the Green Buildings and Affordable Housing categories and are consequently deemed eligible for financial support via such Sustainability Bond Proceeds.
 - 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.
 - While MORhomes' does not assess directly on a project-by-project basis, it finances Housing Associations who qualify with the criteria established in the Framework. Sustainalytics considers this process to be in line with market practice based on the UK's strong regulatory environment with regards to social and affordable housing, and the targeting of Housing Associations with projects in the top energy performance.
 - Management of Proceeds:
 - MORhomes' social and sustainability bond proceeds will be immediately lent to eligible Housing Associations. Bond proceeds will be tracked using the associated loan documentation. Net proceeds will be 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. Loans to Housing Associations will be agreed simultaneously with the issue of the bond. The loan amount will be equal to or slightly larger than the bond issued, and the loan term will equal the bond term. Sustainability or social bond financing will only access the market once it has a borrowing mandate from its Housing Association borrowers. Therefore, the process will not include any temporary administration of the proceeds. Sustainalytics views this practice aligned with market standards.
 - Reporting:
 - MORhomes is committed to report on the allocation of proceeds on its website, on an annual basis, until full allocation. The allocation reporting will include details such as a complete list of Housing Associations financed, and an assertion by management that the net proceeds were allocated to eligible Housing Associations. Regarding impact, MORhomes will report, based on sample data provided by borrowers, the number of housing units constructed, refurbished or the environmental standards achieved, overall indications of projects financed; additionally, MORhomes will report example case studies where suitable information is available. MORhomes will also encourage borrowing Housing Associations to publish annual ESG reports complying with the Sector Sustainability Standard.⁷ Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the MORhomes Sustainable Bond Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

⁷ The ESG Social Housing Working Group, "The Sustainability Reporting Standard for Social Housing", (2020), at: https://esgsocialhousing.co.uk/wp-content/uploads/2020/11/SRS_final-report-2.pdf

Section 2: Sustainability Strategy of MORhomes

Contribution of Framework to MORhomes plc's sustainability strategy

Sustainalytics recognizes that the core business of MORhomes – facilitating access to finance of Housing Associations focused on affordable and social housing solutions – integrates social sustainability in its core. MORhomes' business model supports affordable housing, job creation, and social cohesion.⁸

Since MORhomes establishment it has lent GBP 408 million (EUR 450.64 million) to Housing Associations, which have supported the development of 3,500 new homes.⁹ As part of its inaugural social bond issue, MORhomes has allocated proceeds to nine Housing Associations, supporting 2,233 new homes construction in 36 local authorities.⁸

Sustainalytics is of the opinion that the MORhomes Sustainable Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities. Sustainalytics encourages MORhomes to work with its Housing Association borrowers to grow the total volume of financing it deploys to green building and affordable housing and, where applicable, Sustainalytics recommends the Company to set quantitative, time-bound targets.

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

Sustainalytics acknowledges that the Framework will be directed towards eligible projects and activities that have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects and activities could lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land use change and biodiversity issues. Sustainalytics notes MORhomes' structure as a borrowing vehicle, as such it is not directly responsible for the development or construction of homes.

Nonetheless, Sustainalytics is of the opinion that potential risks can be managed and/or mitigated by the following legislation:

- Regarding worker health and safety, the Management of Health and Safety at Work Regulations 1999¹⁰ sets the minimum standards to ensure that employees are protected from harm, employers are responsible for identifying potential hazards, assessing the risk and eliminating the hazard or managing the risk.¹¹ The Construction (Design and Management) Regulations 2015¹² addresses the risks specific to construction work and details the legal duties of all parties to protect anyone from harm arising from construction work.¹³
- The UK has implemented several regulations regarding Environmental Impact Assessment, following the amended EU Directive 2001/42/EC,¹⁴ in order to "protect the environment by ensuring that a local planning authority when deciding whether to grant planning permission for a project, which is likely to have significant effects on the environment, does so in the full knowledge of the likely significant effects, and takes this into account in the decision-making process."¹⁵
- The United Kingdom is classified as a "Designated Country" under the Equator Principles, implying the presence of robust environment and social governance systems, legislation, and institutional capacity for protecting the environment and communities.¹⁶

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that Housing Associations financed by MORhomes are required to follow adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

⁸ MORhomes, "Social Impact Report 2019/20", (2020), at: <https://morhomes.co.uk/wp-content/uploads/2020/02/MORhomes-Social-Impact-Report-2019.20-2.pdf>

⁹ Estimate of new homes is an estimation provided by MORhomes management.

¹⁰ UK Legislation, "The Management of Health and Safety at Work Regulations 1999", (1999), at: <https://www.legislation.gov.uk/uksi/1999/3242/contents/made>

¹¹ HSE, "Managing risks and risk assessment at work", at: https://www.hse.gov.uk/simple-health-safety/risk/index.htm?utm_source=hse.gov.uk&utm_medium=referral&utm_campaign=risk&utm_content=home-page-info

¹² UK Legislation, "The Construction (Design and Management) Regulations 2015", (2015), at: <https://www.legislation.gov.uk/uksi/2015/51/contents/made>

¹³ HSE, "What do I need to do?", at: <https://www.hse.gov.uk/construction/cdm/2015/responsibilities.htm>

¹⁴ European Union Law, "Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment", (2001), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32001L0042>

¹⁵ Government of the UK, "Environmental Impact Assessment", at: <https://www.gov.uk/guidance/environmental-impact-assessment>

¹⁶ The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

Section 3: Impact of Use of Proceeds

The two use of proceeds categories are aligned with those recognized by GBP and SBP. Sustainalytics focused on the impact in the local context.

Importance of affordable housing and green buildings in the UK

In the UK, residential homes contribute a substantial portion of carbon emissions and are becoming increasingly unaffordable, especially for low-income earners. For example, in 2019, the residential sector accounted for 19% of total CO₂ emissions in the UK.¹⁷ Additionally, a study conducted by the National Housing Federation estimated that 8.4 million people in England were living in unaffordable, insecure or unsuitable homes and 3.4 million people could only afford decent living conditions with social housing access.¹⁸ In recognition of the urgent need for more energy efficient homes that provide people on low incomes with security, decent and affordable living conditions, the UK government’s Fuel Poverty Strategy aims to achieve a minimum EPC label of C for the entire building stock by 2030.¹⁹

The social housing sector, which accounts for approximately 17% of all homes, presents a significant opportunity for reducing both CO₂ emissions and providing affordable homes. Reports have shown that there are direct links between improvements in energy efficiency and affordability; energy efficiency investments made by landlords and Housing Associations can reduce operating costs and increase affordability for low-income tenants.²⁰ Recognizing these opportunities, MORhomes’ activities aim to both improve the energy performance of Housing Associations’ building stock while ensuring affordability.

Based on the above, Sustainalytics believes that MORhomes’ financing of Housing Associations developing affordable housing and green buildings, which is supported by a well-defined target population will foster access to decent energy efficient housing conditions by low-income households and help solve the supply-side constraint of the housing market in the UK.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDG and target 11:

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. 11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials.
Green Buildings		

Conclusion

MORhomes has developed the MORhomes Sustainable Bond Framework under which it will issue sustainability and/or social bonds and use the proceeds to finance eligible Housing Associations’ projects that improve the availability of social, affordable and energy efficient housing in the UK. Sustainalytics expects that the Housing Associations funded by the sustainability bond proceeds will provide positive environmental and social impact.

The MORhomes Sustainable Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of

¹⁷ UK Government, “2019 UK Greenhouse gas emissions, provisional figures”, (2020), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875485/2019_UK_greenhouse_gas_emissions_provisional_figures_statistical_release.pdf

¹⁸ BBC, “Housing crisis affects estimated 8.4 million in England - research”, (2019), at: <https://www.bbc.com/news/uk-49787913>

¹⁹ UK Government, “Fuel poverty strategy for England”, (2019), at: <https://www.gov.uk/government/consultations/fuel-poverty-strategy-for-england>

²⁰ Suss Housing, “Housing 2050”, (2020), at: <https://static1.squarespace.com/static/5c867873e8ba44ac1303d5fc/t/5dd3a2a2b036cc38a0271e77/1574150823796/Housing+2050+-+web+version.pdf>

proceeds. Furthermore, Sustainalytics believes that MORhomes Sustainable Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of UN Sustainable Development Goal 11. Additionally, Sustainalytics is of the opinion that MORhomes has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that MORhomes is well-positioned to issue sustainability bonds and that that MORhomes Sustainable Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020).

Appendix

Appendix 1: MORhomes Sustainable Housing Assessment

Guiding Principles
1. Goal
Supporting the ICMA-alignment of MORhomes' Sustainable Bond Framework with a Sustainable Housing Assessment of the individual on-lent borrowers, 100% not-for-profit Registered Providers of housing in the UK.
2. Projected Outcome
Sufficient scoring of this Questionnaire results in a positive Sustainable Housing Assessment of the individual Housing Association that considers participating in the issuance of the MORhomes Sustainable Bond.
3. Scope
This ESG Questionnaire mostly contains the core ESG-criteria that are used in the certification process of the pan-european Certified Sustainable Housing Label developed by RITTERWALD: www.sustainable-housing.eu . Moreover, it is aligned with the UK 'Social and Affordable Housing Sustainability Reporting Standard' proposed in the 'ESG White Paper' (published by The Good Economy). In this way it results in a high-quality assessment as part of the MORhomes Sustainable Bond Framework.
4. Instructions
The questions relate to ESG criteria. Each question contains a definition. The 'explanation' tab gives more information on why we are asking each question. We ask the Housing Association: (1) To answer each question by putting a tick (or "x") in the relevant cell in column I. Comments on your answers can be added in the 'comments' column, (2) To accompany the answer with supporting evidence/data: Supporting evidence can be a link to an annual report, (sustainability) strategy plan, business plan, etc. Suggested evidence is given in column K. If this is not available, it can also be a brief management statement. If you face any problems or concerns, please contact RITTERWALD and we will guide you.
5. Scoring
RITTERWALD will assign a score to each answer. To meet the minimum threshold, a Housing Association must reach 50% of the aggregate score and 33% of the individual scores of the three categories Environment (60 points), Social (60 Points), Governance (45 points).
Sustainalytics is engaged by MORhomes as Second Party Opinion for the Sustainable Bond Framework that includes this ESG Questionnaire as appendix. We ask the Housing Associations to provide RITTERWALD with thorough data supported by proof of evidence. Should the Housing Association fail to do so, or should RITTERWALD require more compelling evidence and the Housing Association is not capable of delivering, a conservative stance will be adopted from RITTERWALD to guarantee maximum objectivity and align with Sustainalytics' SPO.

Questionnaire:

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	Existing housing stock: What is the average rent charged by the housing association compared to the local rent index?	Average rent comparison of existing stock with local index 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
	5.1 The housing association offers rents that are less than 5% cheaper than rents offered by the local private market - Existing Housing Stock	
	5.2 The housing association offers rents that are 5%-10% cheaper than rents offered by the local private market - Existing Housing Stock	
	5.3 The housing association offers rents that are 10%-15% cheaper than rents offered by the local private market - Existing Housing Stock	
	5.4 The housing association offers rents that are 15%-20% cheaper than rents offered by the local private market - Existing Housing Stock	
	5.5 The housing association offers rents that are 20% or more cheaper than rents offered by the local private market - Existing Housing Stock	
6	New construction/first-time occupancy: What % of new rental housing is let at rents less than 80% of the market rent?	Rent as a % of market rent (new development)
	6.1 The housing association allocates less than 50% of its new rental homes at rents less than 80% of the market rent	
	6.2 The housing association allocates 50-70% of its new rental homes at rents less than 80% of the market rent	
	6.3 The housing association allocates 70-80% of its new rental homes at rents less than 80% of the market rent	
	6.4 The housing association allocates 80-90% of its new rental homes at rents less than 80% of the market rent	
	6.5 The housing association allocates 90-100% of its new rental homes at rents less than 80% of the market rent	
7	What share of the Rental housing stock (Except PRS) is ranked as Social and/or Affordable?	% 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: -Housing for rent -Shared ownership, starter homes, discounted market sales and other affordable routes to home ownership
	7.1 Less than 10% of the housing's association total stock is ranked as Social or Affordable	
	7.2 10%-25% housing's association total stock is ranked as Social or Affordable	
	7.3 25%-50% of the housing's association total stock is ranked as Social or Affordable	
	7.4 50%-80% of the housing's association total stock is ranked as Social or Affordable	
	7.5 80% or more of the housing's association total stock is ranked as Social or Affordable	
III. Governance Assessment		
The company demonstrates its commitment to reporting and monitoring on Sustainability:		
8	What Governance Rating has the housing association received?	G-Rating from the English Regulator or equivalent tier in Wales
	8.1 The housing association was awarded a G3 Rating	
	8.2 The housing association was awarded a G2 Rating	
	8.3 The housing association was awarded a G1 Rating	
9	The housing association shows further signs of good governance and offers the following:	
	9.1 The housing association enables tenants to be represented at a Board level or gives the opportunity to tenants to express their concerns	
	9.2 The housing association complies with the NHF or CHC Code of Governance (or equivalent - please supply details in 'comments')	
10	Does the housing association issue a sustainability report and when was it first published?	The housing association issues a sustainability report to the Public and monitors its Environmental, Social, and Governance performances
	10.1 The housing association has no intention nor planned to issue a sustainability report	

	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	

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	MORhomes plc
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	MORhomes Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January, 2021
Publication date of review publication:	Updated version of a Second Party Opinion provided in September 2018.

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the 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 |

- Other (*please specify*):

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Affordable Housing and Green Buildings – are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input 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 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 checked="" 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 (<i>please specify</i>): |

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 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):

MORhomes' internal process for evaluation and selecting eligible projects is managed by the Socially Responsible Investment Committee (SRIC), which is comprised by four members of the Board. The Housing Associations financed by bonds proceeds will be responsible for implementation of the financed projects. The SRIC ensures that Housing Associations comply with the Framework criteria. Sustainalytics considers this process to be 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 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):

MORhomes' social and sustainability bond proceeds will be immediately lent to eligible Housing Associations and will be tracked using the associated loan documentation. Net proceeds will be 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. Loans to Housing Associations will be agreed simultaneously with the issue of the bond. The loan amount will be equal to or slightly larger than the bond issued, and the loan term will equal the bond term. Therefore, the process will not include any temporary administration of the proceeds. Sustainalytics views this practice aligned with market standards.

Tracking of proceeds:

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

Additional disclosure:

- | | |
|--|---|
| <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 checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

MORhomes is committed to report on the allocation of proceeds on its website, on an annual basis, until full allocation. The allocation reporting will include details such as a complete list of Housing Associations financed, and an assertion by management that the net proceeds were allocated to eligible Housing Associations. Regarding impact, MORhomes will report, based on sample data provided by borrowers, the number of housing units constructed/refurbished/environmental standards achieved, overall indications of projects, and example case studies where suitable information is available. Based on these elements, Sustainalytics considers this process to be in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> 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:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> 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.
- 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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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

