

MORhomes Plc



GBP 28,600,000 (Tap)
Sustainability Bond
2.508% Fixed Rate Notes
Due February 2051



Lead Manager

NatWest January 2022
United Kingdom

MORhomes Plc

MORhomes further develops Sustainability Bond with £28.6m tap issuance

Deal Highlights

Transaction Background:

- 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 66 major not-for-profit UK housing associations. Its public debt is traded on the London Stock Exchange.
- This follows the establishment of the 2051 bond in November 2021 and means that MORhomes now has in issue 22 loans to 21 different housing association entities
- NatWest (“NW”) has a strong relationship with MORhomes and is delighted to have supported them on this transaction as the sole lead manager and sole ESG Structuring Adviser on the development of the Sustainable Bond Framework

Sustainability Highlights:

- This transaction marks the second issuance under MORhomes newly established Sustainable Bond Framework (“SBF”)
- The Framework requires borrowers to undergo a Sustainability Housing Assessment independently certified by the pan-European real estate consultancy, Ritterwald
- Key topics for the questionnaire are Environmental Assessment (Decarbonisation & Renewables), Social Assessment (Social and Affordable Homes), Governance Assessment (Reporting & monitoring on sustainability)
- 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
- The SBF highlights MORhomes strong commitment to Sustainability and it has received a Second Party Opinion from Sustainalytics who have confirmed that the SBF is aligned with the relevant ICMA and LMA principles

Execution:

- Following the inaugural Sustainability Bond issuance in November 2021, this transaction introduces two new borrowers to MORhomes' capital structure (Broadland Housing Association and Rochdale Boroughwide Housing)
- Given the notional sought, MORhomes published wording on its website indicating that it was open to reverse enquiry which enabled NatWest to approach investors and engage in dialogue around this transaction
- MORhomes had a number of investor conversations and received a number of firm bids for the £28.6m tap – a single investor was selected for the transaction given the pricing being most attractive
- This follows MORhomes' commitment to build this new maturity to benchmark size and this provides a platform to provide greater issuance flexibility to housing associations and to showcase their sustainability credentials

Key Terms

Issuer	MORhomes Plc
Rating	A- (Stable outlook, S&P)
Format	Senior, secured sustainability notes
Format	RegS
Increase Amount	£28,600,000
New Amount Outstanding	£46,600,000
Pricing Date	12 January 2022
Settlement	20 January 2022
Maturity	19 February 2051
Re-offer Yield (s/a)	2.729%
Coupon (s/a)	2.508%
NW Roles	Sole lead manager and sole ESG Structuring bank

MORhomes Plc



GBP 18,000,000
Sustainability Bond
2.508% Fixed Rate Notes
Due February 2051



Lead Manager

NatWest November 2021
United Kingdom

“We are proud to have developed a genuinely unique approach to assessing the sustainability impact of our housing association borrowers. Borrowers like Broadland and Rochdale who meet our standards are going above and beyond current requirements and helping meet the Government's zero carbon target and the United Nations Sustainable Development Goals. We are pleased to be able to demonstrate to investors the excellent sustainability work which they are doing”
Patrick Symington, Chief Executive of MORhomes PLC

“We are delighted that this transaction enables MORhomes to pass a couple of major milestones – having over 20 borrowers and on-lending over £0.5bn to them. Our 30-year Sustainable Bond is proving popular with borrowers and investors alike, and we very much appreciate NatWest's support both in helping to develop the Framework and in helping us take it to market. This latest tap continues the journey to build the new maturity up to benchmark size moving forwards”


Andrew Morton, Deputy Chief Executive Officer & Chief Financial Officer, MORhomes PLC

Overview of MORhomes's Sustainable Bond Framework

1. Use of Proceeds

- **Affordable housing**
- **Green Buildings**

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.





2. Process for Project Evaluation and Selection

- MORhomes Socially Responsible Investment Committee has been established and will oversee the overall framework and the Sustainability Housing Assessment process which includes:
 - An 11-point ESG questionnaire based on Sustainability Reporting Standard core criteria
 - Standard for 'pass' set to exceed current regulatory requirements
 - Independent verification of Assessment by Ritterwald

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



4. Reporting

- In case of outstanding Sustainability and Social Bonds issued under this framework, MORhomes will provide annually to investors:
 - 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
 - Relevant outcomes (e.g. number of housing units constructed/refurbished/environmental standards achieved) based on sample
 - An assertion by management regarding allocations
 - Additionally, encourage borrowers of the funds (from Sustainability Bonds) to publish annual ESG reports

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.
- 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.