

Second-Party Opinion

MORhomes Social Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the MORhomes Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – affordable housing – is aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that the affordable housing projects will positively contribute to improve the availability and quality of affordable housing in the United Kingdom, in line with the UK Government’s commitments. Similarly, Sustainalytics views that the MORhomes Social Bond Framework will advance the UN Sustainable Development Goal 11 and 8.



PROJECT EVALUATION / SELECTION The social bond proceeds will be disbursed by MORhomes’ shareholders, each of whom are not-for-profit, registered housing associations providing social and affordable housing, in line with UK statutory requirements, to their social and affordable housing projects. Sustainalytics considers this process, although not a formalized selection process per se, to be in line with market practices due to the nature of UK’s well-regulated social housing environment.



MANAGEMENT OF PROCEEDS MORhomes social bond proceeds will be immediately disbursed at the time of issuance to a series of loans arranged in connection with the shareholder housing association’s affordable housing projects. Sustainalytics views this process as aligned with market practices.



REPORTING MORhomes commits to publish an annual integrated allocation and impact report on the company website. With regards to the allocation report, it will comprise a complete list of projects financed and example case studies, where available, and management assertions on the social bond allocations. MORhomes’ impact report will incorporate data on the number of housing units constructed or refurbished, based on available data. Sustainalytics views MORhomes’ reporting commitments as aligned with market practices.

Evaluation date	September 2018
Issuer Location	London, United Kingdom

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Introduction

MORhomes plc (“MORhomes” or “the company”) is a UK company acting as a central borrowing vehicle for over 50 local housing associations, facilitating their access to the capital markets. The company currently comprises 58 shareholder housing associations, all of which are not-for-profit registered providers of social and affordable housing, with a market share of over 30% in the UK social and affordable housing market. MORhomes is headquartered in London, UK.

MORhomes has developed the MORhomes Social Bond Framework (the “framework”) under which it is planning to issue social bonds and use the proceeds to finance or refinance, in whole or in part, existing and future projects improving the availability and quality of social and affordable housing in the United Kingdom. The framework defines eligibility criteria in one core area:

- Affordable housing

MORhomes engaged Sustainalytics to review the MORhomes Social Bond Framework and provide a second-party opinion on the alignment of the framework with the Social Bond Principles 2018 (the “SBP”), as administered by the International Capital Market Association (the “ICMA”),¹ and the framework’s social credentials. This social bond framework has been published in a separate document.²

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 MORhomes social bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the MORhomes Social Bond and should be read in conjunction with that framework.

¹ ICMA’s Social Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

² <http://morhomes.co.uk/Social-Bond-Framework.pdf/>

Sustainalytics' Opinion

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

Summary

Sustainalytics is of the opinion that the MORhomes Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2018. Sustainalytics highlights the following elements of MORhomes Social Bond Framework:

Use of Proceeds:

- The Use of Proceeds category outlined in the MORhomes Social Bond Framework – affordable housing – is recognized as socially impactful by the Social Bond Principles 2018. Sustainalytics considers that the projects financed will contribute to improving the quality and availability of social and affordable housing in the United Kingdom.
- The social housing determinants along with the selection of targeted populations are set by the UK government based on the National Planning Policy Framework³ and a national methodology.⁴ Social housing variables incorporate adjustments related to affordability and form the basis for housing associations to develop new affordable housing. MORhomes confirmed that all registered providers of social housing must comply with a regulatory framework for social and affordable housing established by the UK Government,⁵ and that the company will have oversight of the Use of Proceeds in accordance with the Social Bond Principles. On this basis, Sustainalytics highlights that MORhomes' proceeds will be allocated to all activities managed by the qualifying Housing Associations, in line with the UK regulatory environment for social and affordable housing.
- MORhomes outlined exclusionary measures with regards to any activities which are incompatible with the company's mission to provide Social and Affordable Housing in the United Kingdom. However, Sustainalytics encourages MORhomes to establish definitions around its exclusionary criteria so as to better delineate the activities which are incompatible with its core activities and mission.
- Separately, MORhomes confirmed that some of its housing associations are engaged to a minor degree in market activities targeting the release of a small proportion of the social units onto the open market in order to promote a more diverse mix of resident community, without changing the social integrity of the units. MORhomes explained that these activities are incidental to the housing associations' core activities, but are aligned with the UK Government expectations regarding the promotion of a diverse mix of tenures in the social units. All surpluses derived from these activities are retained by the housing associations to support their core objectives. Sustainalytics considers that the scope and the rationale of the UK regulatory environment for social and affordable housing provides a strong framework for impactful social bond allocations by MORhomes. For a detailed description on impact, please consult Section 3.

Project Selection Process:

- MORhomes' social bond proceeds will be disbursed immediately to qualifying projects from its registered, not-for-profit shareholder housing associations, each of which provides social housing in line with their legal statutory requirements. All social bond proceeds will be disbursed accordingly to all housing associations whose activities are deemed intrinsically eligible.

³ The UK National Planning Policy Framework available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740506/National_Planning_Policy_Framework_print_version.pdf

⁴ The UK national methodology for calculating housing needs for targeted populations available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740506/National_Planning_Policy_Framework_print_version.pdf

⁵ The Guidance for new entrants on applying for registration as providers of social housing by the UK regulator of Social Housing available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685417/Guidance_-_Registration_for_new_entrants_Jan_2018.pdf

- Sustainalytics considers that MORhomes' project selection process and selection of targeted groups, although not formalized, is in line with current market expectations and practices due to the nature of the UK's well-regulated environment with regards to social housing requirements.
- MORhomes has established a Socially Responsible Investment (SRI) Committee which has oversight of the company's social bond investments. The SRI Committee is comprised of four members three of which are also members in the board of MORhomes. The responsibilities of the SRI Committee include validation of the bond proceeds allocations as per the eligibility criteria and validation of the long-term alignment of the company's framework with the Social Bond Principles 2018. The responsibilities and composition of MORhomes' are seen as aligned with market practices.

Management of Proceeds:

- MORhomes' social bond proceeds will be immediately allocated to its shareholder housing associations to finance or refinance social housing projects. MORhomes confirmed that the proceeds will be disbursed at the point of issuance to a series of loans arranged via the housing associations affordable housing projects and therefore the process will not include any temporary administration of the proceeds. Sustainalytics views this practice aligned with market standards.

Reporting:

- MORhomes commits to providing an integrated allocation and impact reporting which will be made available on the company's website.⁶ The (i) allocation reporting will comprise a list of eligible projects financed (and case studies), where information is available, along with management assertions on the social bond allocations as per eligibility criteria. With regards to the (ii) impact report, MORhomes will provide KPIs such as the number of housing units constructed or refurbished. MORhomes intends to establish an independent internal audit function to validate the allocation and impact reporting and expects to include a summary of these findings into the annual reporting updates. In Sustainalytics opinion MORhomes' planned reporting is in line with current market practices and recommends maintaining a comprehensive and updated list of projects financed to the extent possible.

Alignment with Social Bond Principles 2018

Sustainalytics has determined that MORhomes' Social Bond Framework aligns with the four core components of the Social Bond Principles 2018. For detailed information please refer to Appendix 2 : External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of framework to issuer's sustainability mandate

MORhomes' official 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 capital markets by not-for-profit, registered social housing providers.⁷

MORhomes is the financial vehicle through which more than 50 UK housing associations, composing the shareholder structure of MORhomes, execute their mission to provide affordable housing,⁸ as defined by the UK Government. According to the national legislation, affordable housing includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not properly met by the market. Similarly, local legislation requires that the housing associations be independent societies, bodies of trustees of companies established for the sole purpose of providing low-cost social housing for people in housing need on a non-profit basis.⁹

⁶ Reporting will be made available here: <http://morhomes.co.uk>

⁷ More information on MORhomes business model and operations available at: <http://morhomes.co.uk/about-us/>

⁸ More information on affordable housing in the UK available here: <https://www.gov.uk/government/collections/affordable-housing-supply>

⁹ More information on UK housing associations available at: <https://www.gov.uk/guidance/definitions-of-general-housing-terms#housing-associations>

Sustainalytics considers that (i) MORhomes' business model based on its official mission to provide a centralized borrowing vehicle for social housing providers, along with (ii) the company's shareholder structure composed of housing associations providing affordable housing only, as well as (iii) the British legislation enforcing related statutory requirements, provide a strong framework for MORhomes to capitalize on credible and impactful social bond issuances. On this basis, Sustainalytics is of the opinion that MORhomes is well positioned to issue social bonds and use the proceeds to advance its social mandate to support affordable housing in the United Kingdom.

Well positioned to address common social risks associated with the projects

While Sustainalytics is of the opinion that MORhomes' investments will provide positive social outcomes (as noted in Section 3 below), Sustainalytics recognizes that the company's structure as a borrowing vehicle may pose certain limitations with regards to MORhomes' ability to proactively manage environmental and social risks associated with affordable housing project development. Sustainalytics considers that MORhomes may have limited oversight of the property development process, which may expose the company to workers' health and safety risks, air and water discharge risks, land pollution risks, noise and particle pollution or community opposition risks and related liabilities due to potentially unmitigated risks stemming from the housing association projects.

However, Sustainalytics considers that the scope, granularity and the nature of the UK environmental and social regulations provide a strong and comprehensive framework supporting MORhomes' housing associations in identifying and safeguarding against environmental and social risks commonly associated with property development. Sustainalytics conducted an assessment of the strength of the UK environmental regulations, which is available in Appendix 1.

Section 3: Impact of Use of Proceeds

Contribution of affordable housing towards United Kingdom's accommodation needs

Around 17% of UK residents currently live in social housing in Great Britain, totaling approximately 9 million people.¹⁰ Recent studies by the UK Government indicate that more than 1.8 million households are waiting for affordable homes, an increase of 81% since 1997,¹¹ with roughly one million households deferred to the local authorities' waiting lists for social housing.¹²

Similarly, statistics indicate that rents for local authority properties (properties owned and rented by local administrations) increased by 79% and rents for housing association properties increased by 72% from 2001-2 to 2014-15, due to the low supply in affordable housing.¹³ On this basis, the UK National Audit Office concluded that that social housing rents increased faster than inflation, while local authority rents increased faster than housing association rents. Structural rent affordability pressures compelled the UK Government to spend around GBP 28 billion for housing in 2015-2016 only and to target delivery of one million new homes between 2015 to 2020.¹⁴ In its Housing White Paper, the UK Ministry of Housing, Communities & Local Government set out a goal to deliver 300,000 new homes a year by the mid-2020s¹⁵ and start building at scale, with the purpose to provide increased availability of affordable housing, social rented and affordable rented housing.

¹⁰ A New Deal for Social Housing by the UK Ministry of Housing, Communities & Local Government available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733635/A_new_deal_for_social_housing_print_ready_version.pdf

¹¹ Information retrieved from http://england.shelter.org.uk/campaigns/why_we_campaign/Improving_social_housing/Why_we_need_more_social_housing and <https://data.gov.uk/dataset/2a83a1c2-cb99-4170-afc4-ee2643994a9d/housing-strategy-statistical-appendix-hssa>

¹² Housing in England: overview by the Comptroller and Auditor General of the UK Department for Communities and Local Government, document available at: <https://www.nao.org.uk/wp-content/uploads/2017/01/Housing-in-England-overview.pdf>

¹³ More statistics on housing affordability available at: <https://www.nao.org.uk/wp-content/uploads/2017/01/Housing-in-England-overview.pdf>

¹⁴ More information available at: <https://www.nao.org.uk/wp-content/uploads/2017/01/Housing-in-England-overview.pdf>

¹⁵ Information retrieved from A New Deal for Social Housing by the UK Ministry of Housing, Communities & Local Government available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733635/A_new_deal_for_social_housing_print_ready_version.pdf and from the UK's Department for Communities and Local Government document Fixing Our Broken Housing Market available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/590463/Fixing_our_broken_housing_market_-_accessible_version.pdf

MORhomes confirmed that currently the United Kingdom does not use a homogenous set of social requirements with regards to the selection of the tenants for the housing associations’ affordable housing projects. However, MORhomes described that each Housing Market Area as defined by local planning is required by law to ‘objectively assess the need’ for affordable housing based on data from the United Kingdom Office for National Statistics¹⁶ and to take into account different variables such as employment growth or other market signals when developing its selection strategy for affordable housing projects.

Sustainalytics considers that MORhomes’ initiative to seek additional funding to expand its social mission and finance its shareholder housing associations will provide a meaningful contribution towards the implementation of UK’s affordable housing policies and targets. In this sense, Sustainalytics believes that MORhomes will improve the supply and quality of new affordable housing in the United Kingdom. Similarly, Sustainalytics highlights that the additional supply of affordable housing may provide incentives for rent level reduction, which in turn can have a positive impact on tenants’ disposable income levels.

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 social bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Conclusion

MORhomes has developed the MORhomes Social Bond Framework under which it intends to issue social bonds and use the proceeds to finance or refinance eligible social projects related to affordable housing through its shareholder housing associations.

Sustainalytics considers that the funding of affordable housing in the United Kingdom will positively contribute to improve the availability and quality of affordable housing, social rented and affordable rented housing. Moreover, Sustainalytics notes that the additional supply of affordable housing may provide a meaningful two-fold positive impact in the form of incentives for rent level reduction, which in turn can have a positive impact on tenants’ disposable income levels.

Based on the above, Sustainalytics considers that MORhomes is well positioned to issue social bonds, and that the MORhomes Social Bond Framework is transparent, credible and in alignment with the four components of the Social Bond Principles 2018.

¹⁶ Website of the UK’s Office for National Statistics available at: <https://www.ons.gov.uk/>

APPENDICES

Appendix 1: Overview of the UK environmental and social legislation associated with affordable housing property development

Primary legislation ¹⁷	Secondary legislation ¹⁸	Social Housing legislation
<ul style="list-style-type: none"> ▪ Agricultural Land (Removal of Surface Soil) Act. ▪ Clean Air Act. ▪ Clean Neighborhoods and Environment Act. ▪ Climate Change Act. ▪ Energy Act. ▪ Environment Act. ▪ Environmental Protection Act. ▪ Flood and Water Management Act. ▪ Localism Act. ▪ Natural Environment and Rural Communities Act. ▪ Protection of Badgers Act. ▪ Water Act. ▪ Water Resources Act. ▪ Wildlife and Countryside Act. 	<ul style="list-style-type: none"> ▪ Building Regulations. ▪ Conservation of Habitats and Species Regulations. ▪ Contaminated Land (England) Regulations. ▪ Control of Asbestos Regulations. ▪ Control of Noise (Codes of Practice for Construction and Open Sites) (England) Order. ▪ Control of Substances Hazardous to Health Regulations. ▪ Controlled Waste Regulations Energy Efficiency (Refrigerators and Freezers) Regulations. ▪ Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations. ▪ Energy Related Products Regulations. ▪ Environmental Permitting (England and Wales) Regulations. ▪ Environmental Protection (Controls on Ozone-Depleting Substances) Regulations. ▪ Fluorinated Greenhouse Gas Regulations. ▪ Hazardous Waste (England and Wales) Regulations. ▪ Notification of Cooling Towers and Evaporative Condensers Regulations. ▪ Packaging (Essential Requirements) Regulations. ▪ Site Waste Management Plan Regulations. 	<ul style="list-style-type: none"> ▪ Economic standards¹⁹ ▪ Value for Money Standard²⁰ ▪ Rent Standard²¹ ▪ Consumer standards ▪ Home Standard²² ▪ Tenancy Standard²³ ▪ The Welfare Reform and Work Act 2016²⁴ ▪ Neighborhood and Community Standard²⁵ ▪ Tenant Involvement and Empowerment Standard²⁶

¹⁷ https://www.designingbuildings.co.uk/wiki/Environmental_legislation_for_building_design_and_construction

¹⁸ https://www.designingbuildings.co.uk/wiki/Environmental_legislation_for_building_design_and_construction

¹⁹ <https://www.gov.uk/guidance/regulatory-standards>

²⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725823/VfM_Standard_April_2018.pdf

²¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725825/Rent_Standard_2015.pdf

²² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725826/Home_Standard_2015.pdf

²³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725828/Tenancy_Standard_2015.pdf

²⁴ <http://www.legislation.gov.uk/ukpga/2016/7/crossheading/social-housing-rents>

²⁵

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725830/Neighbourhood_and_Community_Standard_2015.pdf

²⁶

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/725831/Tenant_Involvement_and_Empowerment_Standard.pdf

	<ul style="list-style-type: none"> ▪ Town and Country Planning (environmental impact assessment) (England and Wales) Regulations. ▪ Waste (England and Wales) Regulations. ▪ Waste Management Licensing Regulations. ▪ Waste Management (England and Wales) Regulations. ▪ Volatile Organic Compounds in Paints, Varnishes and Vehicle Refinishing Products Regulations 	
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Appendix 2: Social Bond/ Social Bond Programme -External Review Form

Section 1. Basic Information

Issuer name: MORhomes plc

Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: *[specify as appropriate]* MORhomes Social Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: September 2018

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]* 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 GBPs:

- | | |
|--|--|
| <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 |
|---|--|

Verification 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 Executive 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 Use of Proceeds category outlined in the MORhomes Social Bond Framework – affordable housing – is recognized as socially impactful by the Social Bond Principles 2018. Sustainalytics considers that the projects financed will contribute to improving the quality and availability of social and affordable housing in the United Kingdom.

MORhomes outlined exclusionary measures with regards to any activities which are incompatible with the company’s mission to provide Social and Affordable Housing in the United Kingdom. Separately, MORhomes confirmed that some of its housing associations are engaged to a minor degree in market activities targeting the release of a small proportion of the social units onto the open market in order to promote a more diverse mix of resident community. MORhomes explained that these activities are incidental to the housing associations’ core activities, but are aligned with the UK Government expectations regarding the promotion of a diverse mix of tenures in the social units. All surpluses derived from these activities are retained by the housing associations to support their core objectives.

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 SBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

MORhomes' social bond proceeds will be discussed immediately to qualifying projects from its registered, not-for-profit shareholder housing associations, each of whom provide social housing, in line with their legal statutory requirements. MORhomes confirmed that all registered providers of social housing must comply with a regulatory framework for social and affordable housing established by the UK Government, and all social bond proceeds will be disbursed accordingly to all housing associations whose associations whose activities are deemed intrinsically eligible.

The social housing determinants along with the selection of targeted populations are set by the UK government based on the National Planning Policy Framework and a national methodology. Social housing variables incorporate adjustments related to affordability and form the basis for housing associations to develop new affordable housing. MORhomes also confirmed that the company will have oversight of the Use of Proceeds in accordance with the Social Bond Principles. Sustainalytics considers that MORhomes' project selection process and selection of targeted groups, although not formalized, is in line with current market expectations and practices due to the nature of the UK's well-regulated environment with regards to social housing requirements.

MORhomes has established a Socially Responsible Investment (SRI) Committee which has oversight of the company's social bond investments. The SRI Committee is comprised of four members three of which are also members in the board of MORhomes. The responsibilities of the SRI Committee include validation of the bond proceeds allocations as per eligibility criteria and validation of the long-term alignment of the company's framework with the Social Bond Principles 2018.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social 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 Social Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

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 (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

MORhomes' social bond proceeds will be immediately allocated to its shareholder housing associations to finance or refinance social housing projects. MORhomes confirmed that the proceeds will be disbursed at the point of issuance to a series of loans arranged via the housing associations' affordable housing projects and therefore the process will not include any temporary administration of proceeds. Sustainalytics views this practice aligned with market standards.

Tracking of proceeds:

- Social 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*): social bond proceeds will be immediately allocated and therefore the process will not include any temporary administration of proceeds.

Additional disclosure:

- Allocations to future investments only
- Allocation to individual disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Allocations to both existing and future investments
- Allocation to a portfolio of disbursements
- Other (*please specify*):

4. REPORTING

Overall comment on section (if applicable):

MORhomes commits to providing an integrated allocation and impact reporting which will be made available on the company's website. The allocation reporting will comprise (i) a list of eligible projects financed (and case studies), where information is available, along with management assertions on the social bond allocations as per eligibility criteria. With regards to the (ii) impact report, MORhomes will provide KPIs such as the number of housing units constructed or refurbished. MORhomes intends to establish an independent internal audit function to validate the allocation and impact reporting and expects to include a summary of these findings not the annual reporting updates. Sustainalytics views that MORhomes' reporting is in line with current market practices and recommends maintain a comprehensive and updates list of projects financed to the extent possible.

Use of proceeds reporting:

- Project-by-project
- Linkage to individual bond(s)
- On a project portfolio basis
- Other (*please specify*):

Information reported:

- Allocated amounts
- Social Bond financed share of total investment
- Other (*please specify*):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
 Linkage to individual bond(s) Other (please specify):

Frequency:

- Annual Semi-annual
 Other (please specify):

Information reported (expected or ex-post):

- Number of beneficiaries Target populations
 Other ESG indicators (*please specify*): Number of housing units constructed or refurbished

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): company website: <http://morhomes.co.uk>
 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.)

<http://morhomes.co.uk>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE SBP

- i. **Second Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Social 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 Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the 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 social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the 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 Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated Social Bond framework or Use of Proceeds certified against a recognized external social 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. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated Social Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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