

# Metropolitan Thames Valley

## Sustainable Finance Framework – July 2021

imug | rating has been commissioned to provide an independent Second Party Opinion on the Sustainable Finance Framework of Metropolitan Thames Valley Housing (MTVH). With the creation of this Framework MTVH intends to (re)finance social projects that fall under the following categories: Affordable Housing and Affordable Infrastructure and Services.

Additionally, MTVH may (re)finance green projects: Green Buildings, Energy Efficiency, Clean Transportation. This Second Party Opinion is based on our review of MTVH and its Sustainable Finance Framework (dated July 2021) in accordance with the voluntary GBP 2021, SBP 2021, SBG 2021, as well as SLP 2021 and GLP 2021 guidelines.



imug | rating is of the opinion that Metropolitan Thames Valley's Sustainable Finance Framework is in line with the GBP 2021, SBP 2021, SBG 2021, as well as the SLP 2021, and GLP 2021 guidelines.

### FRAMEWORK



- ✓ Use of proceeds
- ✓ Process for project evaluation and selection
- ✓ Management of proceeds
- ✓ Reporting

### ISSUER



- ✓ Sustainability management
- ✓ Controversy check
- ✓ Certified Sustainable Housing Label

### OPINION



MTVH has an overall positive sustainability performance. Its Sustainable Finance Framework, intended to support the group's financing activities, was thoroughly analysed and assessed to be appropriate for supporting the general issuance of sustainable debt instruments (bonds and loans). The framework is fully aligned to the Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021 and, Green Loan Principles 2021 and Social Loan Principles 2021. The projects defined in the framework are expected to contribute to six Sustainable Development Goals (UN SDGs), namely Goals 1, 4, 7, 8, 9 and 11.

MTVH is the second housing association to be awarded with the Certified Sustainable Housing Label under the refined criteria catalogue and has been ranked as a "frontrunner" in the social dimension and as an "ambassador" in the environmental and governance dimension.

imug | rating  
Hanover, July 15<sup>th</sup> 2021

[www.imug-rating.de](http://www.imug-rating.de)

## 1. SCOPE

imug | rating has been commissioned to provide an independent Second Party Opinion on the Sustainable Finance Framework of Metropolitan Thames Valley (MTVH). The assessment of the Sustainable Finance Framework was conducted taking into consideration the International Capital Market Association's Social Bond Principles 2021 (SBP) and Green Bond Principles 2021 (GBP).

### *Metropolitan Thames Valley*

Metropolitan Thames Valley Housing (MTVH) is the trading name for the Thames Valley Housing Group formed by the coming together of Thames Valley Housing Association Limited and Metropolitan Housing Trust Limited (MHT) in 2018. MTVH is one of the UK's leading providers of affordable housing and care and support services. With a current portfolio of over 58,000 homes, MTVH serves around 110,000 customers living in London, the South East, East Midlands and East of England.

As a not-for-profit organisation, MTVH reinvests money raised from property sales into developing and maintaining more affordable homes, and has identified approx. 5,000 new homes for delivery in the next five years with 80% targeted as affordable rent or shared ownership. The Organisation builds homes, including homes for market sale, then uses the surplus generated from these market sales to subsidise the development of homes for those in need.

MHT has seven subsidiaries, the key of which are Metropolitan Living Ltd. and EM Property Services Ltd. The subsidiaries of Thames Valley Housing Association are MHT, as well as Evolution (Woking) Holdings Limited and TVH Fizzy Holdings Limited with its subsidiaries. The main services are housing and tenancy management, repairs and maintenance, as well as leasing and operation of owned or leased real estate and the administration and management of companies and businesses.

imug | rating conducted the assessment from June 24<sup>th</sup> to July 15<sup>th</sup> of 2021. **MTVH's** management provided all the relevant documents, and imug | rating was also in direct contact with the relevant Corporate Finance and Procurement teams. The information we received has allowed us to provide a reasonable opinion on the framework's compliance with the above-mentioned guidelines.

The wider group also includes several joint ventures and associated undertakings, which operate through limited liability partnerships. As a social housing association, MTVH aims to generate a surplus on its core property activities and monitors this through the 'Social Housing Operating Margin' which is one of the key financial performance indicators for social housing associations in the UK.

MTVH works collaboratively with other associations, such as charities and schools, and the government to support programmes to improve the life chances of adults and young people in need through resident and community empowerment. These include e. g. helping them find jobs, furthering their education, and reducing anti-social behavior, and improving their mental and physical health.

MTVH has adopted the principles and guidelines of the government's Streamlined Energy and Carbon Reporting (SECR) and has chosen to report in line with SECRs recommendations in its Annual Report.

This independent Second Party Opinion follows MTVH's receipt of a "Certified Sustainable Housing Label" awarded by Ritterwald Consulting and certified by imug | rating in July 2021. The "Certified Sustainable Housing Label" is the first tool used to measure the positive impact of affordable housing companies.



## 2. FRAMEWORK

### 2.1. Use of Proceeds

The use of proceeds is aligned with the Green Bond Principles 2021, the Social Bond Principles 2021, the Sustainability Bond Guidelines 2021 and the Green Loan Principles 2021 and Social Loan Principles 2021.

#### *Description of the eligible projects*

#### PROJECT FINANCING

- ☐ No re-financing
- ☒ Re-financing
  - ☒ 36 Months
  - ☐ 24 Months
  - ☐ 12 Months
- ☒ Financing

The share of refinancing for the inaugural bond issuance will not exceed 70%. This first EMTN (Euro Medium Term Note) issue will be in the name of MHT. For further issuances, the maximum share of refinancing is not expected to exceed 25%.

The net proceeds of the sustainable bonds issued under this framework will be used to finance projects<sup>1</sup> in the following area:

#### GREEN PROJECTS

##### Green Buildings

###### ■ Goals and benefits

- ▶ Construction of new homes with an EPC (Energy Performance Certificate) Rating of B or above
- ▶ Re-financing of existing homes – subject to a minimum EPC rating of B or above
- ▶ The overall corporate target is to bring at least 75% of homes to EPC C or above by 2026
- ▶ Climate change mitigation

##### Energy Efficiency

###### ■ Goals and benefits

- ▶ Renovation of existing homes to bring them up to a minimum EPC rating of C or above
- ▶ Climate change mitigation

##### Clean Transportation

###### ■ Goals and benefits

- ▶ Support for the use of public transport, limits on car parking spaces and the establishment of EV charging points
- ▶ Increase in energy efficiency
- ▶ Climate change mitigation

<sup>1</sup> Further details on the eligibility criteria on p.7ff.

## SOCIAL PROJECTS

### Affordable Housing

#### ■ Goals and benefits

- ▶ Construction of new Social and Affordable Housing in the UK
- ▶ Acquisition of affordable housing in the UK
- ▶ Modernisation of existing affordable Housing in the UK
- ▶ Refinancing of any monies borrowed in the past 3 years to fund the above
- ▶ Increasing the number of affordable properties

#### ■ Target group

- ▶ Low-income households

*Note: Metropolitan Thames Valley's Social homes under management make up 85% of their (Total) Homes under management and are either social rented, affordable rented, or shared ownership. The definition of affordable housing according to the Greater London Authority<sup>2</sup> is: "Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)."*

### Affordable Infrastructure and Services

#### ■ Goals and benefits

- ▶ Leading on wider improvements to the local infrastructure, including green spaces and parks, encouraging local retailers, ensuring accessibility for all

#### ■ Target group

- ▶ Low-income households

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<sup>2</sup> Greater London Authority; available at: <https://www.london.gov.uk/what-we-do/planning/london-plan/current-london-plan/london-plan-chapter-3/policy-310-definition>

Eligible assets or projects are likely to contribute to six United Nations' Sustainable Development Goals, namely **Goal 1 No Poverty**, **Goal 4 Quality Education**, **Goal 7 Affordable and Clean Energy**, **Goal 8 Decent Work and Economic Growth**, **Goal 9 Industry, Innovation and Infrastructure**, and **Goal 11 Sustainable Cities and Communities**.

#### Description of the SDG contribution

##### UN SDG 1: End poverty in all its forms everywhere



UN SDG 1 aims to eradicate poverty. By 2030, the goals are to:

- ▶ ensure access to basic services.
- ▶ reduce the number of men, women and children living in poverty.

Metropolitan Thames Valley contributes to UN SDG 1 by using the proceeds from Sustainable Bonds issued under the Sustainable Finance Framework to finance and re-finance Affordable Housing projects.

##### UN SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



UN SDG 4 aims to provide quality and easily accessible education. By 2030, the goals are to:

- ▶ increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

Metropolitan Thames Valley contributes to UN SDG 4 by using the proceeds from Sustainable Bonds issued under the Sustainable Finance Framework to refinance Socioeconomic Advancement and Empowerment projects.

##### UN SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

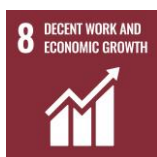


UN SDG 7 aims to facilitate access to and uptake of renewable energies. By 2030, the goals are to:

- ▶ increase the share of renewable energies in the global energy mix and promote investment in energy infrastructure and clean energy technology.
- ▶ double the global rate of increase in energy efficiency.

Metropolitan Thames Valley contributes to UN SDG 7 by using the proceeds from the Sustainable Bonds issued under the Sustainable Finance Framework to finance and refinance Renewable Energy projects.

##### UN SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



UN SDG 8 aims to ensure the economic sector of every country provides the necessary need for its citizens to have a good life irrespective of their background, race or culture. By 2020, the goals are to:

- ▶ substantially reduce the proportion of youth not in employment, education or training.

Metropolitan Thames Valley contributes to UN SDG 8 by using the proceeds from the Sustainable Bonds issued under the Sustainable Finance Framework to refinance Socioeconomic Advancement and Empowerment projects.

**UN SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**

UN SDG 9 aims to implement sustainable industrialization. By 2030, the goals are to:

- ▶ develop quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being, with a focus on affordable and equitable access for all.

Metropolitan Thames Valley contributes to UN SDG 9 by using the proceeds from the Sustainable Bonds issued under the Sustainable Finance Framework to finance and refinance Renewable Energy and Affordable Housing projects.

**UN SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable**

UN SDG 11 aims to reduce the proportion of the global urban population living in slums. By 2030, the goals are to:

- ▶ provide access to safe, affordable, accessible and sustainable transport systems.
- ▶ ensure access to adequate, safe and affordable housing.

Metropolitan Thames Valley contributes to UN SDG 11 by using the proceeds from the Sustainable Bonds issued under the Sustainable Finance Framework to finance and refinance Green Buildings, Affordable Housing and Access to Essential Services projects.



## 2.2. Process for Project Evaluation and Selection

The process for project evaluation and selection is aligned with the Green Bond Principles 2021, Social Bond Principles 2021, and Sustainability Bond Guidelines 2021 and, with the Green Loan Principles 2021 and Social Loan Principles 2021.

### EVALUATION AND SELECTION

#### *Description of the evaluation process*

In order to assure a structured process for project selection and evaluation, MTVH has created a Team comprising the following representatives:

- ▶ Director of Corporate Finance
- ▶ Head of Treasury
- ▶ Finance Director Operations
- ▶ Director of Land
- ▶ Construction Director

The Director of Corporate Finance has the overall responsibility for the Framework and ensuring adherence to the terms and leading on issuance under the Framework. The Head of Treasury is responsible for managing the funds raised, refinancing of existing debt, and the deposit of surplus funds and the preparation of the reporting. The Finance Director Operations manages the Development Business Partners and is responsible for the accounting in relation to the development of new schemes. The Director of Land is responsible for bringing forward schemes to the Investment Approval Panel and the Development Committee, identifying whether or not they meet with the eligibility criteria of the Framework, and can therefore be funded using the proceeds. Finally, the Construction Director is responsible for the construction and delivery of approved schemes, within the agreed parameters set at the Approval Panel.

On a rolling basis, the organisation looks at a number of potential development projects to determine whether they can add value to the existing portfolio, primarily based on a number of financial metrics. Once a scheme is deemed viable, the Development team liaise with key stakeholders across the business to ensure that there are no negative impacts of signing up to the scheme (including Treasury, and Housing Management).

MTVH has a documented and structured process in place to determine how projects fit within the categories identified.

- ☒ The process is clearly defined and documented/appropriately structured
- ☒ The selection and evaluation of projects is based on clearly defined responsibilities
- ☒ There is a Team responsible for the process
- ☒ Audit and traceability of the projects is ensured

## ELIGIBILITY CRITERIA

MTVH has identified the following eligibility criteria for the selection and evaluation of assets (Green Buildings, Energy Efficiency & Affordable Housing):

- ▶ Assets must be located in the United Kingdom, within MTVH's operating geography
- ▶ Assets/acquired units must meet the UK governments' definition of affordable housing (no more than 80% of the average local market rent)<sup>3</sup>

Furthermore, MTVH has defined additional eligibility criteria for the selection and evaluation of projects for the respective project categories:

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<sup>3</sup> Reference: [Regulatory framework - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/regulatory-framework)



## ENVIRONMENTAL PROJECTS

PROJECT CATEGORY	PROJECT TYPE	ELIGIBILITY CRITERIA
Green Buildings	► Construction of new homes	► EPC Rating B or above
	► Refinancing of existing homes	► Minimum EPC rating of B or above
Energy Efficiency	► Renovation of existing homes	► Minimum EPC rating of C or above (after refurbishment)
Clean Transportation	► Support for the use of public transport, limits on car parking spaces and the establishment of EV charging points	► N/A

## SOCIAL PROJECTS

PROJECT CATEGORY	PROJECT TYPE	ELIGIBILITY CRITERIA
Affordable Housing	► Construction of new social and Affordable Housing	► N/A
Target population: Low income households	► Acquisition of affordable housing	► N/A
	► Modernisation of existing affordable Housing	► N/A
	► Refinancing of any monies borrowed in the past 3 years to fund the above	► N/A
Affordable Infrastructure and Services	► Leading on wider improvements to the local infrastructure, including green spaces and parks, encouraging local retailers, ensuring accessibility for all	► N/A
Target population: Low income households		

## EXCLUSION CRITERIA

MTVH commits that homes for sale will not be refinanced through the proceeds raised under this framework.

### Other assessment aspects

- ☒ Evaluation criteria are subject to external review
- ☐ Internal evaluation

MTVH will obtain an external validation of the project evaluation and selection on an annual basis.

## ESG RISK MANAGEMENT

imug | rating believes that MTVH has adequate policies and processes in place to identify and manage the significant ESG risks associated with the projects. MTVH has implemented a risk management system to identify and manage potentially significant ESG criteria.

*Description of the  
policies and pro-  
cesses to manage  
ESG risks*

In addition to positive impacts, there are also certain potential ESG risks associated with the projects to be financed. The material risks include end user health, safety and security, human rights, as well as health and safety risks associated with the construction and modernisation of buildings, and the risks associated with biodiversity, waste management, and corruption.

MTVH has implemented several measures to address its ESG risks:

- ▶ **End user health:** Through its in-house repair and maintenance services, MTVH actively contributes to reducing end-user health risks, for example, by eliminating moisture.
- ▶ **Safety and security:** MTVH has set up a Safer Buildings Team to monitor the risks around fire safety. This team is taking a risk-based approach to initially focus on all buildings over 18m or 6 storeys. Where remediation issues are identified, the required works will be financed and delivered. Buildings below 18m will also be reviewed to ensure compliance with existing guidance and anticipated legislation.
- ▶ **Human rights:** MTVH does not have a Human Rights Policy Statement, however, the company complies with legal requirements of the United Kingdom and publishes its statement on modern slavery and human trafficking annually.
- ▶ **Health and safety risks associated with the construction and modernisation of buildings:** MTVH requires that Contractors follow the site rules. The Principal Contractor or contract manager must ensure that these rules are communicated together with all other relevant information during site induction of employees and sub-contractors.
- ▶ **Biodiversity:** Biodiversity aspects are not yet fully and systematically taken into account, however, a new construction policy is in progress that will integrate biodiversity aspects in the future.
- ▶ **Waste management:** MTVH will be benchmarking its construction waste by January 2022.
- ▶ **Corruption:** MTVH has implemented an Anti-Fraud-Bribery-and-Corruption-Policy and training on this policy is compulsory for new employees. The procedures are owned by "Governance and Compliance" approved by the Audit & Risk Committee.



### 2.3. Management of Proceeds

The management of proceeds is aligned with the Green Bond Principles 2021, the Social Bond Principles 2021, the Sustainability Bond Guidelines 2021 and the Green Loan Principles 2021 and Social Loan Principles 2021.

#### TRACKING THE PROCEEDS

##### *Description of the allocation process*

- ☐ Sub-account,
- ☒ Sub-portfolio,
- ☐ Otherwise tracked

MTVH will ensure that sustainable assets financed, at all times, exceed, or at least are equal to, net proceeds raised as Sustainable under the Sustainable Finance Framework, until maturity of the debt instruments.

- ☐ The issuer will periodically allocate the balance of the net revenues to the projects as long as the Sustainable Bond is pending.

- ☒ The issuer will (periodically) disclose the intended placement to the investors.

The issuer will disclose the placement of potential unallocated proceeds in the annual allocation report.

- ☒ The issuer undertakes the allocation of revenues to projects within a specified time period. MTVH undertakes the allocation of the revenues within 36 months. For MHT's inaugural Sustainability Bond, it is expected that an amount equal to the net proceeds will be fully allocated within 24 months following the bond issuance.

- ☐ External verification



## 2.4. Reporting

The reporting is aligned with the Green Bond Principles 2021, the Social Bond Principles 2021, the Sustainability Bond Guidelines 2021 and the Green Loan Principles 2021 and Social Loan Principles 2021.

### LEVEL OF REPORTING

- ☒ Project portfolio basis
- ☐ Project level

### REPORTING INDICATORS

#### Allocation of funds

- ☐ Amount of the total proceeds of the issuance
- ☒ Amount allocated
- ☒ Share of refinancing
- ☒ Information on any unallocated proceeds of the issuance
- ☒ Project description

#### Sustainability information

- ☒ Demonstration of the sustainability benefits (quantitative)
- ☒ Demonstration of the sustainability benefits (qualitative)

#### Further information

- ☐ Reporting on risk management
- ☒ Reporting of material changes
- ☐ External verification of reporting (Impact Reporting)
- ☒ External verification of reporting (Allocation Reporting)

### REPORTING TAKES PLACE VIA...

- ☒ Website<sup>4</sup>
- ☐ Annual report
- ☐ Internal channels (to investors only)

<sup>4</sup> <https://www.mtvh.co.uk/about-us/investor-relations/>

## FREQUENCY

- ☒ Annually
- ☐ Semi-annually
- ☐ Other

## REPORTING PERIOD

- ☒ Until proceeds are fully allocated
- ☐ As long as the Sustainable Bond(s) is/are outstanding

## DATA COLLECTION AND CONSOLIDATION PROCESS

- ☐ The underlying process of data collection and consolidation is clearly structured.
- ☒ Disclosure of methodology and/or assumptions
- ☐ Subject to external control

## ENVIRONMENTAL REPORTING INDICATORS

The issuer will report on impacts in line with the ICMA with respect to the following indicators:

PROJECT TYPE	OUTPUT INDICATORS	IMPACT INDICATORS
<b>Green Buildings</b> <i>Construction of new homes</i>  <i>Refinancing of existing homes</i>	<ul style="list-style-type: none"> <li>▶ Numbers of new homes with an EPC rating of B or above</li> <li>▶ Numbers of existing homes with a EPC rating of minimum B or above</li> </ul>	<ul style="list-style-type: none"> <li>▶ Avoided CO<sub>2</sub> emissions</li> </ul>
<b>Energy Efficiency</b> <i>Renovation of existing homes</i>	<ul style="list-style-type: none"> <li>▶ Number of existing homes with an EPC rating of minimum C or above</li> </ul>	<ul style="list-style-type: none"> <li>▶ N/A</li> </ul>
<b>Clean Transportation</b> <i>Support for the use of public transport, limits on car parking spaces and the establishment of EV charging points</i>	<ul style="list-style-type: none"> <li>▶ Qualitative description of projects</li> <li>▶ Number of EV charging points financed/installed</li> </ul>	<ul style="list-style-type: none"> <li>▶ N/A</li> </ul>

## SOCIAL REPORTING INDICATORS

### Description of the reporting indicators

The issuer will report on impacts in line with the ICMA with respect to the following indicators:

PROJECT TYPE	OUTPUT INDICATORS	IMPACT INDICATORS
<b>Affordable Housing</b> <i>Construction of new Social and Affordable Housing in the United Kingdom</i> <i>Acquisition of affordable housing</i> <i>Modernisation of existing affordable Housing</i> <i>Refinancing of any monies borrowed in the past 3 years to fund the above</i>	<ul style="list-style-type: none"> <li>▶ New homes delivered</li> <li>▶ Number of existing</li> <li>▶ Affordable homes benefiting from retro fitting</li> <li>▶ Numbers of customers positively impacted by the delivery of new homes</li> <li>▶ Average rents charged relative to private sector rents</li> </ul>	<ul style="list-style-type: none"> <li>▶ N/A</li> </ul>
<b>Affordable Infrastructure and Services</b> <i>Leading on wider improvements to the local infrastructure, including green spaces and parks, encouraging local retailers, ensuring accessibility for all</i>	<ul style="list-style-type: none"> <li>▶ Qualitative description of projects/initiative financed/launched</li> </ul>	<ul style="list-style-type: none"> <li>▶ N/A</li> </ul>



### 3. ISSUER

#### SUSTAINABILITY PERFORMANCE / STRATEGY

Sustainable debt instruments issued under MTVH's Sustainable Finance Framework are in line with the GBP 2021, SBP 2021, SBG 2021, as well as SLP 2021 and GLP 2021 guidelines and contribute to the company's main business objective – providing affordable housing to people in need.

The company's board approved a Sustainability Strategy and Action Plan at the start of 2021. MTVH has recently formed a new Workspace Services team (formerly Facilities Management) and a Workspace Services Sustainability Working group. The main goals of the working group are to align the operation and management of our corporate workplaces with the Corporate Sustainability strategy and to implement a Workspace Services Sustainability Policy.

MTVH aims to become a carbon-neutral company by 2050, which is in line with the UK government's national strategy. Therefore, MTVH has implemented measures such as installing energy-efficient technologies, aligning suppliers' environmental targets with a sustainable procurement policy, and monitoring its operational climate footprint. Reportedly, the company has a progressive carbon emissions reduction strategy in place and discloses both Scope 1 (direct) and Scope 2 (indirect) carbon emissions. In the first year of reporting, 2019, the Scope 1 direct emissions (combustion of natural gas and transportation fuels) are 12,045 tCO<sub>2</sub>e and the Scope 2 indirect emissions (purchased electricity) for this first year of reporting are 7,112 tCO<sub>2</sub>e. Moreover, in late 2020, MTVH has issued a credit revolving facility linked to achieving environmental targets of reducing greenhouse gas (GHG) emissions related to energy consumption from both its offices and transportation, as well as its residential portfolio. The aim is a 20% reduction of GHG emissions by 2023.

MTVH reportedly engages with its key stakeholder groups, which include customers, employees, communities, and suppliers. In 2019, MTVH conducted surveys with people that they provide housing solutions for, across a range of tenures and geographical areas. The company adopted a customer experience strategy and launched an online platform for customers to report repairs, pay bills and raise enquiries quickly and easily. For their employees, MTVH approved a People and Organisational Development strategy and a pay and reward policy to ensure fair wages and an inclusive working environment. For their communities, MTVH developed a range of services, including one-to-one support services, summer programmes for young people and, health and well-being activities.

In 2019, MTVH launched a new system that details the selection and management of their suppliers.

MTVH has adopted the 2020 National Housing Federation's (NHF) Code of Governance – promoting board excellence for housing associations. Subsidiaries of MHT and TVH are governed by MTVH policies. The wider group also includes several joint ventures and associated undertakings operating through limited liability partnerships.

MTVH is an actively developing G15 housing association, which owns over 58,000 homes across London, the South East, East Midlands and East of England. MTVH is a registered provider of social housing and an exempt charity and wants to increase its housing stock with approx. 5,000 new homes for delivery over the next 5 years. MTVH is an early adopter of the ESG Social Housing Working Groups new “Sustainability Reporting Standard for Social Housing”. MTVH owns and manages 58,000 homes, of which there are 9.5% in the East of England, 49.5% in London, 21.1% in the Midlands, and 19.5% in the South East. By tenure are 57% rented, 15% in shared ownership, 15% supported and 18% other tenures (including leaseholders).



## SUSTAINABLE HOUSING LABEL

This independent Expert Opinion follows MTVH's receipt of a "Certified Sustainable Housing Label" awarded by RITTERWALD Consulting B.V. (see Appendix). The "Certified Sustainable Housing Label" is the first tool used to measure the positive impact of affordable housing companies. imug | rating has been commissioned as an independent party to examine and certify the legitimacy of the Certified Sustainable Housing Label awards (see Appendix). The initial evaluation used more than 30 individual criteria in the categories Green and Social to ensure a thorough assessment of the sustainability profile and strategy of a housing company. In late 2020, Ritterwald added a governance dimension as well as a status ranking for each dimension, ranging from "frontrunner", "ambassador" to "advocate".



The social criteria reflect the tenants' living conditions and the residential structure of a housing company, e.g. affordable housing with a rent level below the local market average and social activities for the tenants. In addition, environmental criteria should be integrated into the lifecycle of a building. This is done, for example, by installing renewable or alternative energy sources and increasing tenants' awareness of energy consumption and reduction measures.

MTVH is the second housing association to be awarded with the Certified Sustainable Housing Label under the refined criteria catalogue and has been ranked as a "frontrunner" in the social dimension and as an "ambassador" in the environmental and governance dimension.

MTVH's "Sustainable Finance Framework" is a prerequisite for receiving the label. It also serves as the basis for this Second Party Opinion, which seeks to assess the company's suitability in terms of placing financial instruments on the wider sustainable capital markets in accordance with the respective international standards such as the Green Bond Principles and Social Bond Principles.

## CONTROVERSIAL BUSINESS AREAS

There is no evidence of any involvement on the part of MTVH in any controversial business areas.

## CONTROVERSIES

As of July 15<sup>th</sup>, 2021, there are no controversies on record.



## 4. OPINION

MTVH is an issuer with a general social purpose and an overall positive sustainability performance. No significant controversies are recorded. It has recently been awarded the “Certified Sustainable Housing Label”, demonstrating the impact of its activities as an affordable housing company.

MTVH’s Sustainable Housing Finance Framework, intended to support the group’s financing activities, was thoroughly analysed and assessed to be appropriate to support the Issuance of sustainable debt instruments (bonds and loans) in general.

Under this framework, MTVH can finance and/or refinance eligible assets (company financing) and eligible projects (project financing) that are fully in line with the SBP and SLP.

MTVH can finance and/or refinance eligible projects (project financing) in line with the GBP and GLP for parts of its projects, namely construction of new homes, refinancing of existing homes and renovation of existing homes.

MTVH commits to clearly highlight the corresponding proportion of these projects, which aligns with the GBP and GLP in its respective reporting.

The following structure provides an overview of the above:

### PROJECT FINANCING

- ▶ Project financing fully complies with the SBP and SLP, except the project category Clean Transportation.
- ▶ Project financing under the project category Green Buildings fully complies with GBP and GLP.

PROJECT CATEGORY	SBP/SLP	GBP/GLP
Green Buildings	✓	✓
Clean Transportation		✓
Affordable Housing	✓	
Affordable Infrastructure and Services	✓	

Aforementioned assets or projects are likely to contribute to six United Nations’ Sustainable Development Goals, namely Goal 1 No Poverty, Goal 4 Quality Education, Goal 7 Affordable and Clean Energy, Goal 8 Decent Work and Economic Growth, Goal 9 Industry, Innovation and Infrastructure, and Goal 11 Sustainable Cities and Communities.

imug | rating confirms that MTVH’s strategy is in line with the issuance of the sustainability bond. It is neither involved in any controversies nor active in any controversial areas of business.

## 5. METHODOLOGY

The present report was prepared by qualified imug | rating analysts. Our sustainability research is carried out exclusively in accordance with recognised and methodically secured procedures. We have defined strict quality standards for all research activities and customer processes. As early as 2002, imug | rating adopted a Code of Conduct which guarantees the independence, traceability and quality of sustainability assessments. In order to align its research and work processes even more closely with recognized standards, imug | rating underwent an external audit in June 2019 and received certification in accordance with the quality management standard ISO 9001:2015. The initial certifications are reviewed in regular monitoring audits, the last of which took place in June 2021.

Following a detailed examination of the framework, imug | rating confirms whether an issuance complies with the Social Bond Principles (SBP) 2021, the Green Bond Principles (GBP) 2021 and the Sustainability Bond Guidelines (2021), as well as the Social Loan Principles (SLP) 2021 and Green Loan Principles (GLP) 2021.

For a positive assessment, the issuer must report on the following points transparently and implement them in a comprehensible manner: (1) Use of the proceeds, (2) process selection and evaluation, (3) management of the proceeds and (4) reporting. In addition to the framework, discussions with relevant employees of the issuer and publicly available information form the information basis for the present expert opinion. These sources were only used if the information is comprehensible and documented. In addition, imug | rating sends a questionnaire to the issuer in order to thoroughly examine the issuer's ESG risk management in the areas of environmental, social and governance issues.

In addition, imug | rating examines whether an issue is in line with the issuer's corporate strategy or whether appropriate environmental measures have already been implemented in the absence of a strategy.

imug | rating analyses the activities of the issuer in the following controversial business areas: Fossil fuels (including thermal coal or unconventional oil and gas production), production of nuclear energy and strategic products/services for the operation of nuclear power plants, production of conventional and controversial weapons and armaments, factory farms/animal testing, green genetic engineering, gambling, tobacco, alcohol, pornography, and hazardous chemicals. All controversial business activities are listed regardless of a sales threshold.

imug | rating also screens every issuer for other controversial business activities. This includes potential controversies such as violations of internationally recognized sustainability standards, such as the UN Global Compact or the ILO core labor standards. Only those controversial business activities are listed that can be verified by reliable and resilient public sources. The analysis covers the following areas: Environmental damage (loss of biodiversity, etc.), society (human rights, social standards, occupational safety, health protection, etc.) and corporate governance (corruption, tax evasion, cartels, money laundering, fraud, etc.). imug | rating categorizes controversies according to their degree of severity (insignificant, significant and critical). In addition to the severity of a controversy, the frequency of its occurrence is also taken into account.

## 6. APPENDIX

### 6.1. Certified Sustainable Housing Label



## 6.2. imug | rating Certificate

imug | rating

CERTIFICATE

METROPOLITAN THAMES VALLEY



imug | rating confirms that METROPOLITAN THAMES VALLEY has met in full the requirements for attaining the *Sustainable Housing Label 2021*, and that the certification process was carried out in accordance with proper procedure.

imug | rating has been commissioned as an independent party to examine and certify the legitimacy of the *Sustainable Housing Label* certification awarded by RITTERWALD Consulting B.V.

- imug | rating has conducted a review of the available documents, the documentation used and the company responses. This review has also included random sampling.
- imug | rating has checked that the certification process and the assessment comply with the underlying methodology.

RESULTS OF THE REVIEW

- ✓ The documentation is complete and conclusive.
- ✓ The test process used by RITTERWALD Consulting B.V. is in full transparent, well-defined and coherent.
- ✓ The assessment by RITTERWALD Consulting B.V. is in full compliant with the Sustainable Housing Label methodology.
- ✓ The findings are in full verifiable.



Axel Wilhem  
Head of imug | rating  
Hanover, July 12, 2021

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ASSESSMENT SCALES

✓ Requirements met in full	(x) Requirements sufficiently met
(✓) Requirements met for the most part	× Requirements not met

## Transparency & Disclaimer

Disclosure of the relation between imug | rating and the Issuer: imug | rating has carried out the verification of the Sustainable Housing Label awarded by Ritterwald Consulting B.V. in July 2021 for MTVH in the year 2021. This activity is not related to the present Second Party Opinion. There is no dependency relationship, financial or otherwise, between imug | rating and the Issuer.

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