

Metropolitan Thames Valley Housing Group (MTVH)

Type of Engagement: Annual Review

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Introduction

In July 2021, Metropolitan Thames Valley Housing Group (“MTVH” or the “Company”) issued a sustainable bond aimed at financing investments in affordable housing, basic infrastructure, green buildings, energy efficiency and clean transportation, under the Metropolitan Thames Valley Sustainable Financing Framework (the “Framework”). In September 2022, MTVH engaged Sustainalytics to review the projects funded through the issued sustainable bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 sustainable bond based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria and associated KPIs

Use of Proceeds	Eligibility Criteria	KPIs
Affordable Housing	<ul style="list-style-type: none"> Construction of new social and Affordable Housing in the UK Acquisition of Affordable Housing in the UK Modernization of existing Affordable Housing in the UK Refinancing of any monies borrowed in the past 3 years to fund the above Target population: low-income households 	<ul style="list-style-type: none"> New homes delivered Number of existing Affordable Homes benefiting from retro fitting Numbers of customers positively impacted by the delivery of new homes Lower average rents charged relative to private sector rents
Affordable Infrastructure and Services	<ul style="list-style-type: none"> Leading on wider improvements to the local infrastructure, including green spaces and parks, encouraging local retailers, ensuring accessibility for all Target population: low-income households 	<ul style="list-style-type: none"> Qualitative description of projects/ initiative financed/launched
Green Buildings	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Numbers of new homes meeting targets Avoided CO₂ emissions
Energy Efficiency	<ul style="list-style-type: none"> Renovation of existing homes to bring them up to a minimum EPC rating of C or above 	<ul style="list-style-type: none"> Number of homes meeting targets
Clean Transportation	<ul style="list-style-type: none"> Support for the use of public transport, limits on car parking spaces and the establishment of EV charging points 	<ul style="list-style-type: none"> Qualitative description of projects; number of EV charging points financed/installed

Issuing Entity’s Responsibility

MTVH is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of MTVH’s sustainable bond use of proceeds. The work undertaken as part of this engagement included collection of documentation from MTVH employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by MTVH with respect to the financed projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by MTVH.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,¹ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of MTVH’s sustainable bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the sustainable bonds in 2021 to determine if projects aligned with the Use of Proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria. ²	None
Reporting Criteria	Verification of the projects funded by the sustainable bonds in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

¹ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

² Sustainalytics has not assessed the Use of Proceeds criteria for its alignment with the Green Bond Principles, Social Bond Principles or current market practice.

Appendix

Appendix 1: Allocation Reporting by Eligibility Criteria

In 2021, MTVH issued a sustainable bond under the Framework with a total value of GBP 250 million. As of July 2022, 66% of the proceeds or GBP 165.9 million had been allocated, while 34% or GBP 84.1 million remained unallocated. Net proceeds were used to finance new projects only. The table below provides a category-wise allocation of use of proceeds:

Sustainability Theme	Use of Proceeds Category	Amount Allocated (in million GBP)	% Of Allocated Proceeds
Social	Affordable housing	64.7	39%
	Affordable infrastructure and services	28.2	17%
Green	Green buildings	36.5	22%
	Energy efficiency	-	-
	Clean transportation	36.5	22%
	Total	165.9	100%
Total	Social projects	92.9	56%
	Green projects	73.0	44%
	Total	165.9	100%

Appendix 2: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Impact Reported by Eligibility Criteria
Affordable housing	<ul style="list-style-type: none"> Funding provided for construction 1,377 new social and affordable housing units in London, UK
Affordable infrastructure and services ³	<ul style="list-style-type: none"> Projects financed include a community café, retirement living garden, landscaped amenity in Hendon, 5 small commercial units in Ware, 1 small commercial unit each in Goldsmith Arms and Bracknell, and a park in South London (including play area, woodland garden and outdoor gym)
Green buildings	<ul style="list-style-type: none"> Financing of 853 housing units that met, or are expected to meet, EPC B criteria
Clean transportation	<ul style="list-style-type: none"> 103 active and 28 passive EV charging points financed and installed across London, UK⁴

³ Projects financed under the category are targeted towards low-income households.

⁴ "Active" charging points refer to sockets connected to the electrical supply system, where vehicle owners can plug their vehicle directly in. "Passive" charging points refer to the presence of necessary network cables and power supply so that charging sockets can be readily added in the future.

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