Second-Party Opinion

Sage Housing Sustainable Finance Framework

SUSTAINALYTICS
a Morningstar company
SECOND-PARTY OPINION

Evaluation Summary

Sustainalytics is of the opinion that the Sage Housing Sustainable Finance Framework is credible, impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021 and Social Loan Principles 2021. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds – Affordable Housing and Energy Efficiency – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.

PROJECT EVALUATION / SELECTION Sage Housing has established an interdepartmental Sustainable Finance Committee (the "Committee") to oversee the evaluation, selection and monitoring of the eligible sustainable projects. The Committee is comprised of Sage Housing's CFO and the head of its Internal Audit and Risk department. Sustainalytics considers the project evaluation, selection and monitoring process in line with market practice. Sage Housing has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be strong and to be aligned with market best practice.

MANAGEMENT OF PROCEEDS Sage Housing has a Sustainable Asset Register and an internal process in place to earmark and track allocation of outstanding sustainable bond net proceeds to eligible sustainable projects. Pending full allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or other short-term liquid instruments. Sage Housing has indicated that it intends to allocate proceeds from the initial issuance within 24 months. This is in line with market practice.

REPORTING Sage Housing will provide allocation and impact reporting on its website on an annual basis until full allocation. Allocation reporting will include the total amount of proceeds raised from the bonds, details of financed and refinanced projects and the balance of unallocated proceeds. Sage Housing will contract an external auditor to review allocation reporting, which Sustainalytics views as a leading practice. Sage Housing also intends to report on positive environmental and social impacts achieved through the financed eligible projects. Sustainalytics views Sage Housing's allocation and impact reporting as aligned with market practice.

Evaluation Date	September 2, 2021
Issuer Location	London, UK

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Introduction

Headquartered in London, Sage Housing Group ("Sage Housing", or the "Company") is a provider of affordable housing in England, working with large residential developers of new housing for shared ownership and affordable rental homes.

Sage Housing has developed the Sage Housing Sustainable Finance Framework (the "Framework") under which it intends to issue sustainable bonds through a special purpose vehicle, Sage Rented Limited, and use the proceeds to finance or refinance, in whole or in part, existing or future affordable housing projects that aim to provide affordable and energy-efficient housing for low-income individuals and families in England. The Framework defines eligibility criteria in the following two areas:

1. Affordable Housing
2. Energy Efficiency

Sage Housing engaged Sustainalytics to review the Sage Housing Sustainable Finance Framework, dated September 2021, and provide an updated Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)[1], Green Loan Principles 2021 (GLP) and Social Loan Principles 2021 (SLP)[2]. This Second-Party Opinion is an update to Sage Housing Social Bond Framework Second-Party Opinion dated September 2020. The Framework has been published in a separate document.[3]

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

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[4] opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- 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 1.10.1, 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 the Company's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Sage Housing representatives have confirmed that: (1) they understand it is the sole responsibility of Sage Housing to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information, and (3) 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 Sage Housing.

[1] The SBP, GBP and SBP 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 Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at https://www.lsta.org/content/green-loan-principles/# and https://www.lsta.org/content/social-loan-principles-slp/.

[3] The Sage Housing Sustainable Finance Framework is available on Sage Housing's website at: www.sagehousing.co.uk

[4] 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 and loan 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 potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan 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 Sage Housing has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sage Housing Sustainable Finance Framework

Sustainalytics is of the opinion that the Sage Housing Sustainable Finance Framework is credible, impactful and aligns with the four core components of the SBG, GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories, Affordable Housing and Energy Efficiency, are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics is of the opinion that the projects financed will contribute to positive social and environmental outcomes and views these expenditures as having the potential to improve access to affordable energy-efficient housing in England.
  - Under the Affordable Housing category, Sage Housing may finance and refinance:
    - Affordable housing projects in England. Sustainalytics notes that target populations and housing requirements in England are established by local planning authorities under the guidance of the National Planning Policy Framework,[5] which directs local authorities to identify the needs of housing markets and determine where and how many affordable housing units[6] should be provided. Sage Housing provides homes exclusively to individuals who have been identified as being in housing need. Criteria may vary from local authority to local authority, but they primarily aim to reduce homelessness, prevent overcrowding or mitigate medical conditions made worse by housing arrangements. Sustainalytics positively notes the well-defined target groups.
    - Homes for shared ownership,[7] which are homes that are sold to people for whom open market purchases would be unattainable.[8] Purchasers buy a share of the property and pay rent on the remaining value. Eligibility for shared ownership is determined by government criteria.[9] Sustainalytics acknowledges that the program is part of a government affordable home ownership scheme and the criteria include households with up to GBP 80,000 (GBP 90,000 in London) annual income. However, Sustainalytics considers the emphasis on lower-income households to be market practice. In that sense, Sustainalytics notes that the financing represents a deviation from market

[5] UK Government, "National Planning Policy Framework", (2019), at: https://www.gov.uk/government/publications/national-planning-policy-framework--2
[6] Housing of any tenure that is judged to be affordable to a particular household or group by analysis of housing costs, income levels and other factors, at: http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf
[7] Sage Housing, "Shared Ownership", at: https://www.sagehousing.co.uk/shared-ownership/
[8] UK Government, "Affordable home ownership schemes: Buying through shared ownership", at: https://www.gov.uk/affordable-home-ownership-schemes/shared-ownership-scheme
[9] (i) Household income must be GBP 80,000 (or GBP 90,000 in London) or less; (ii) Buyers must not own another home (it is permissible to have previously owned a home), and (iii) Buyers must be purchasing their first home or be unable to afford to buy through other means.

practice as the target of the scheme, which includes low- and middle-income households, goes beyond focusing on low-income individuals or households but is consistent with government policy.

  - Regarding Energy Efficiency, Sage Housing may finance and refinance affordable housing projects in England with a minimum EPC rating B.
    - According to data from the UK government, residential buildings that have a B or higher EPC rating make up the top 11% of labelled domestic buildings in the UK,[10] this criterion is therefore aligned with market practice.
    - In addition to the reduced environmental impacts, more energy-efficient residential buildings are anticipated to provide positive social impacts for residents of affordable housing projects through lower energy costs.
    - Sustainalytics highlights Sage Housing's commitment to achieving the highest rating (A) where possible.

- Project Evaluation and Selection:
  - Sage Housing has established an interdepartmental Sustainable Finance Committee (the "Committee") to oversee the process of evaluation, selection and monitoring of the eligible social and environmental projects. The Committee is comprised of the Company's CFO and the head of its Internal Audit and Risk department.
  - Sage has in place internal procedures to identify and manage social and environmental risks associated with assets financed in line with UK regulation, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems adequate. For additional detail see Section 2.
  - Based on the above, Sustainalytics considers this process to be in line with market practice.

- Management of Proceeds:
  - Sage Housing's Finance department is responsible for the management of proceeds. Sage Housing has a sustainable asset register and an internal process to earmark and track allocation of outstanding sustainable bond net proceeds to eligible sustainable projects. Pending full allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or other short-term liquid instruments. Sage Housing has indicated that it intends to allocate proceeds from its initial issuance within 24 months. Subsequent issuances may be allocated up to maturity.
  - Based on the above, Sustainalytics considers this process to be in line with market practice.

- Reporting:
  - Sage Housing will provide allocation and impact reporting on its website on an annual basis until full allocation.
    - Allocation reporting will include the total amount of proceeds raised under the bond, details of financed and refinanced projects, and the balance of unallocated proceeds. Sage will contract an external auditor to review allocation reporting, which Sustainalytics views as a best practice.
    - Sage Housing also intends to report on positive environmental and social impacts achieved through the financed projects. Some example indicators include the number of social or affordable housing units built, the total number of households occupying Sage Housing units, EPC ratings of Sage Housing's portfolio, among others. For a full list of potential indicators, please see Appendix 2.
  - Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Sage Housing Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 2: Sustainability Bond/ Sustainability Bond Programme External Review Form.

[10] Ministry of Housing, Communities and Local Government, "Live tables on Energy Performance of Buildings Certificates, (2020), at: https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates#epcs-for-all-properties-non-domestic-and-domestic

Section 2: Sage Housing's Sustainability Performance

Contribution of the Framework to Sage Housing's Sustainability Performance

Sustainalytics recognizes that Sage Housing's core business model – providing affordable housing – inherently integrates social sustainability. Sage Housing's business model provides affordable housing, creates employment opportunities and prioritizes development of energy-efficient homes.[3] For example, a large majority of Sage Housing homes have an EPC label of B or above and have been fitted with energy efficient lighting.[3] Despite the absence of a formal sustainability strategy, Sustainalytics considers that the Company has well-integrated environmental and social sustainability considerations within its business model, which clearly acknowledges the relevance of ESG issues to its business value.

Since 2017, Sage Housing has developed over 2,300 homes.[11] By June 2021, a total of 15,225 homes have been funded, meaning the Company is on track to meet its target to acquire at least 20,000 homes by 2022.[12] Over 96% of the homes developed by Sage Housing are reported to have an EPC rating of B or better.[13] In relation to quality, Sage Housing reports receiving an 86% satisfaction score by rent residents.[14]

Based on the above, Sustainalytics is of the opinion that the Sage Housing Sustainable Bond Framework is aligned with the Company's business model, and that financing additional affordable housing will further the Company's action on its key social priorities.

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

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is also aware that such eligible projects could lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include issues related to occupational health and safety, community relations and stakeholder participation, and waste generated in construction.

Sustainalytics notes that Sage Housing is not directly responsible for the development or construction of homes. Nonetheless, Sustainalytics is of the opinion that Sage Housing can aid in managing or mitigating these potential risks, for the following reasons:

- Regarding worker health and safety, the British Management of Health and Safety at Work Regulations 1999[15] sets the minimum standards to ensure that employees are protected from harm, making employers responsible for identifying potential hazards, assessing risk, eliminating hazard or managing risk.[16] The UK's Construction (Design and Management) Regulations 2015[17] addresses the risks specific to construction work and details the legal duties of all parties to protect anyone from harm arising from construction work.[18]
- The UK has introduced several regulations regarding environmental impact assessments, aiming 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".[19]
- Sage Housing has developed a dedicated ESG strategy in 2020[20] which includes commitments to adhere to high environmental standards and set up an ESG steering group aiding in energy consumption and carbon footprint reduction.

[11] Sage Housing, "About us", at: https://www.sagehousing.co.uk/about-us/
[12] Sage Housing, "Housebuilders", at: https://www.sagehousing.co.uk/housebuilders/
[13] Sage Housing, "Annual report and financial statements 2020", at: https://www.sagehousing.co.uk/media/3744/sage-rented-ar20.pdf
[14] Sage Housing, "Annual Report to Residents 2018", at: https://www.sagehousing.co.uk/media/2775/annual-report-to-residents-2018-final.pdf
[15] UK Legislation, "The Management of Health and Safety at Work Regulations 1999", (1999), at: https://www.legislation.gov.uk/uksi/1999/3242/contents/made
[16] 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=refferal&utm_campaign=risk&utm_content=home-page-info
[17] UK Legislation, "The Construction (Design and Management) Regulations 2015", (2015), at: https://www.legislation.gov.uk/uksi/2015/51/contents/made
[18] HSE, "What do I need to do?", at: https://www.hse.gov.uk/construction/cdm/2015/responsibilities.htm
[19] Government of the UK, "Environmental Impact Assessment", at: https://www.gov.uk/guidance/environmental-impact-assessment
[20] Sage Housing, "Annual report and financial statements 2020", at: https://www.sagehousing.co.uk/media/3744/sage-rented-ar20.pdf

- 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.[21]

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Sage Housing has implemented adequate measures and is well positioned to manage or mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

Both use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Impact of Affordable Housing in England

Homeowners represented 63% of households in England in 2018[22], while 19% of households were private renters.[23] Recent housing market trends reveal increased unaffordability and insufficient supply of housing units to meet demand in the country, a gap estimated at more than one million homes.[24] As a result, private rents are rising faster than earnings[25] and the house price-to-earnings ratio is at record highs.[23] In London, for example, private rents rose by 22%, while earnings only grew by 15% between 2011 and 2019.[23] Similarly, 2018 median house prices were eight times higher than median earnings, following a steady increase from a 5:1 ratio in 2002.[23]

According to the UK National Housing Federation, 340,000 homes have to be built each year till 2031, 145,000 of which should be classified as affordable homes.[26][27] This is required in response to the nearly 8 million people in England who have some form of housing need and for more than 3.8 million of people in social rented housing[28] would be required to address that need.[29] However, only 57,644 affordable homes were completed from 2019 to 2020 representing a shortfall of about 87,000 from the new capacity needed to pull the UK out of its current housing affordability crisis.[30] The housing crisis has been further exacerbated by the COVID-19 pandemic, severely delaying housing completion. In recognition of the important role that social housing plays in meeting the country's housing needs, the UK government established the Affordable Homes Programme for 2021-2026 which provides grant funding to support the capital costs of developing affordable housing for rent or sale.[31]

Based on the above, Sustainalytics believes that Sage Housing's financing of newly constructed affordable housing, which focuses on a well-defined target population, will foster access to decent housing conditions for low-income households and help abate the supply constraint of the housing market in England.

Importance of Energy Efficient Buildings in England

The residential sector accounted for 19% of total CO_2 emissions in the UK in 2019.[32] The 2018 Clean Growth Strategy set out policies to promote clean growth, including energy efficiency in homes. By 2025, the UK has set a target of reducing emissions from homes by 75-80%, which can be achieved with the help of the net-

[21] The Equator Principles, "Designated Countries", at: https://equator-principles.com/designated-countries/
[22] UK Government, "Home ownership", (2020), at: https://www.ethnicity-facts-figures.service.gov.uk/housing/owning-and-renting/home-ownership/latest
[23] UK Parliament, "What is affordable housing?", (2019), at: http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf
[24] BBC, "Housing shortage: Scale of UK's housing gap revealed", (2020), at: https://www.bbc.com/news/business-51605912
[25] IPPR, "what more can be done to build the homes we need?", (2017), at: https://www.ippr.org/files/2017-06/lyons-edited-collection-june-2017.pdf
[26] MacFarlane, Isla, "UK needs to build 340,000 new homes a year until 2031", Showhouse, at : https://www.showhouse.co.uk/news/uk-needs-to-build-340000-new-homes-a-year-until-2031/
[27] Affordable homes includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. For more information please refer to: https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary
[28] The National Planning Policy Framework (NPPF) defines social rented housing as owned by local authorities and private registered providers (as defined in the section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may be owned by other persons and provided under equivalent rental agreements to the above, as agreed with the local authority or with the Homes and Community Agency. For more information please refer to: Rent Standards – April 2020
[29] National Housing Federation, "People In Housing Need", (2020), at: https://www.housing.org.uk/globalassets/files/report-people-in-housing-need-final.pdf
[30] Ministry of Housing, Communities & Local Government, "Affordable Housing Supply", (2020), at : https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940517/AHS_2019-20.pdf
[31] Wilson Browne Solicitors, "The Affordable Homes Programme 2021 – 2026, at: https://www.wilsonbrowne.co.uk/news/business/the-affordable-homes-programme-2021-2026/
[32] 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

zero carbon building framework, in addition to reducing construction impacts, reducing operational energy use, increasing renewable energy supply and offsetting carbon.[33] Additionally, 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 UK building stock by 2030.[34]

The social housing sector, which accounts for approximately 17% of all homes in the UK, presents a significant opportunity for reducing both CO_2 emissions and providing affordable homes. Some industry reports indicate direct links between improvements in energy efficiency and affordability, highlighting that energy efficiency investments made by landlords and housing associations can reduce operating costs and increase affordability for low-income tenants.[35] Recognizing these opportunities, Sage Housing's activities help to improve the energy performance of the building stock of housing associations while ensuring affordability.

Sustainalytics is of the opinion that the assets funded with green financing proceeds are impactful and could contribute to increasing energy efficiency, as well as assisting the UK in meeting its energy savings and national GHG emissions targets.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The instruments eventually issued under the Sage Housing Sustainable Finance Framework may advance the following SDGs 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
Energy Efficiency	7. Affordable and Clean Energy	7.4 By 2030, double the global rate of improvement in energy efficiency

Conclusion

Sage Housing has developed the Sage Housing Sustainable Finance Framework under which it intends to issue sustainability bonds and use the proceeds to finance affordable housing projects and energy efficient homes for low-income individuals and families in England. Sustainalytics considers that the projects funded by the sustainability bond proceeds have the potential provide positive social and environmental impacts.

The Sage Housing 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 proceeds. Furthermore, Sustainalytics believes that the Sage Housing 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 the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that Sage Housing has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

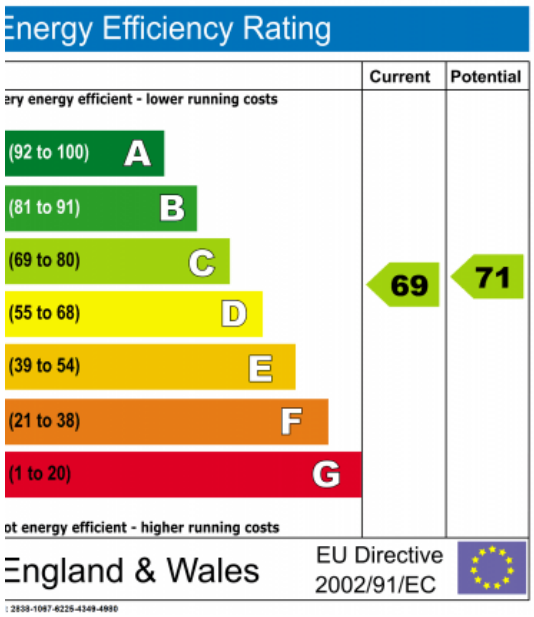
Based on the above, Sustainalytics is confident that Sage Housing is well-positioned to issue sustainability bonds and that the Sage Housing Sustainable Bond Framework is robust, transparent, and in alignment with the core components of the Sustainability Bond Guidelines (2021), Green Bond Principles (2021), Social Bond Principles (2021) and Green Loan Principles (2021).

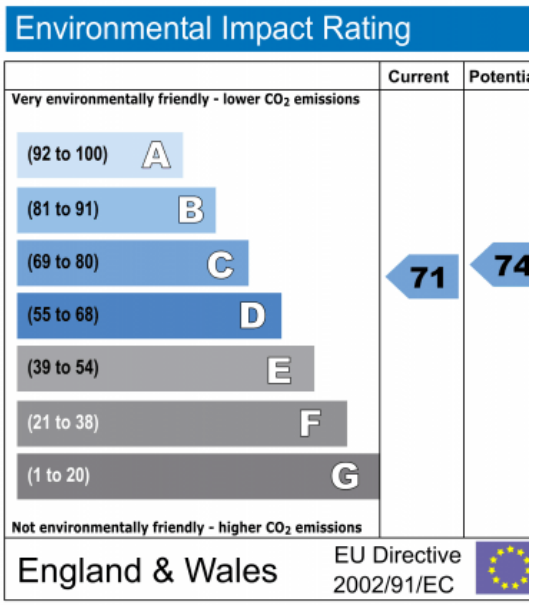
[33] UK GBC ,(2019) "Net Zero Carbon Buildings , A Framework Definition" , at: https://ukgbc.s3.eu-west-2.amazonaws.com/wp-content/uploads/2019/04/05150856/Net-Zero-Carbon-Buildings-A-framework-definition.pdf
[34] UK Government, "Fuel poverty strategy for England", (2019), at: https://www.gov.uk/government/consultations/fuel-poverty-strategy-for-england
[35] Suss Housing, "Housing 2050", (2020), at: https://static1.squarespace.com/static/5c867873e8ba44ac1303d5fc/t/5dd3a2a2b036cc38a0271e77/1574150823796/Housing+2050+-+web+version.pdf

Appendices

Appendix 1: EPC Rating

Definition
When a home is built, sold or rented in the UK, it needs an Energy Performance Certificate (EPC). This shows you how much a building will cost to heat and light, what its carbon dioxide emissions are likely to be and what improvements you can make to improve its energy efficiency. An EPC rates a property in bands from A (most efficient) to G (least efficient) and is valid for 10 years from the date it's issued.
EPC Rating Bands





Using the government's Standard Assessment Procedure (SAP) an house will be given a numerical score from 1-100 SAP points. These scores are divided into bands as follows:

- EPC rating A = 92-100 SAP points (most efficient)
- EPC rating B = 81-91 SAP points
- EPC rating C = 69-80 SAP points
- EPC rating D = 55-68 SAP points
- EPC rating E = 39-54 SAP points
- EPC rating F = 21-38 SAP points
- EPC rating G = 1-20 SAP points (least efficient)

EPC will have two main charts. On the right hand side of each chart, the current rating based on the existing energy performance of a property next to the potential rating one could achieve by making the improvements recommended in an EPC.

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

Section 1. Basic Information

Issuer name:	Sage Housing
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Sage Housing Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 2, 2021
Publication date of review publication:	September 7, 2020

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:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	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 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 Energy Efficiency are aligned with those recognized by both the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.

Use of proceeds categories as per GBP:

- ☐ Renewable energy
- ☒ Energy efficiency
- ☐ Pollution prevention and control
- ☐ Environmentally sustainable management of living natural resources and land use
- ☐ Terrestrial and aquatic biodiversity conservation
- ☐ Clean transportation
- ☐ Sustainable water and wastewater management
- ☐ Climate change adaptation
- ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes
- ☐ Green buildings
- ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- ☐ Other (please specify):

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- ☐ Affordable basic infrastructure
- ☐ Access to essential services
- ☒ Affordable housing
- ☐ Employment generation (through SME financing and microfinance)
- ☐ Food security
- ☐ Socioeconomic advancement and empowerment
- ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP
- ☐ 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):

Sage Housing has established an inter-departmental Social Bond Committee (the "Committee") to oversee the project evaluation, selection and monitoring process for the Eligible Social Projects. The Committee is

comprised of the Chief Financial Officer and the Head of Internal Audit and Risk. Also, Sage Housing has committed to establish a dedicated ESG committee that will strive for sustainable development in all of Sage Housing's operations.

Evaluation and selection

- ☒ Credentials on the issuer's social and green objectives
- ☒ Documented process to determine that projects fit within defined categories
- ☒ Defined and transparent criteria for projects eligible for Sustainability Bond proceeds
- ☐ Documented process to identify and manage potential ESG risks associated with the project
- ☒ Summary criteria for project evaluation and selection publicly available
- ☐ Other (please specify):

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification
- ☐ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Sage Housing has a Sustainable Asset Register and an internal process to earmark and track allocation of outstanding social bond net proceeds to Eligible Sustainable Projects. Pending full allocation, unallocated proceeds will be temporarily held in cash, cash equivalents or other short-term liquid instruments. Sage Housing has indicated that it intends to allocate proceeds from its initial issuance within 24 months. Subsequent issuances may be allocated up to maturity. This is in line with market practice.

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:

- ☐ Allocations to future investments only
- ☐ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements
- ☐ Allocation to a portfolio of disbursements

☐ Disclosure of portfolio balance of unallocated proceeds

☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Sage Housing will provide allocation and impact reporting on an annual basis, on its website, until full allocation. Allocation reporting will include the total amount of proceeds raised under the bond, details of financed/refinanced projects and the balance of unallocated proceeds, if any. Sage will contract an external auditor to review allocation reporting, which is viewed as a leading practice. In addition, on a best effort basis, Sage Housing intends to report on positive environmental and social impacts achieved through the financed Eligible Projects. Sustainalytics views Sage Housing's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☐ Allocated amounts

☒ Sustainability 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):

Information reported (expected or ex-post):

☐ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☐ Number of beneficiaries

☐ Target populations

☒ Other ESG indicators (please specify):

SBP Category	Potential Impact Indicators
Affordable Housing	• Number of social/affordable housing units constructed, • Number of families housed in Sage's social housing homes, • Average discount of rents to market level retained at 30% or higher, • Job creation and support linked to Sage portfolio, • EPC ratings of Sage portfolio, • 100% safety compliance, • Access to green space, • Customer arrears at or below sector average, • Long-term - reduction in local authority housing waiting list times, • Long-term - improved indices of multiple deprivations rating in areas of delivery.

Frequency:

☒ Annual ☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report ☐ Information published in sustainability report

☐ Information published in ad hoc documents ☐ Other (please specify):

☐ 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:

☐ 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 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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