

Second-Party Opinion

RHP Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the RHP Sustainable Finance Framework is credible and 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 – Green Buildings, Renewable Energy, Energy Efficiency, Affordable Housing, and Socio-economic Advancement and Empowerment – 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, 8, 9, 11 and 12.



PROJECT EVALUATION AND SELECTION Richmond Housing Partnership's Sustainability Panel will evaluate and select projects in accordance with the eligibility criteria defined under the Framework. Richmond Housing Partnership has in place a sustainability risk management system to address the environmental and social risks associated with assets financed, which is applicable to all allocation decisions made under the Framework. The Panel is responsible for oversight of associated risks and meets on a quarterly basis to implement necessary systems to mitigate the risks. Sustainalytics considers this to be in line with market practice.



MANAGEMENT OF PROCEEDS Richmond Housing Partnership's Sustainability Panel will track, manage and allocate the proceeds to eligible assets under the Framework. Richmond Housing Partnership will use an internal sustainability asset register with oversight from the Panel to track and monitor the net proceeds. Richmond Housing Partnership intends to allocate all proceeds to eligible assets within 24 months of the issuance. Richmond Housing Partnership will temporarily hold pending allocations in cash equivalents or use them for short-term repayment of other debt facilities in accordance with its Treasury Management Policy. This is in line with market practice.



REPORTING Richmond Housing Partnership intends to report on the allocation of proceeds until full allocation in its Annual ESG Report on an annual basis. Richmond Housing Partnership will publish the report on its website. Allocation reporting will include the list of eligible green and social projects, a description of the assets, the amount of proceeds allocated, the amount of unallocated proceeds and the amount of net proceeds outstanding from the instruments. In addition, Richmond Housing Partnership commits to reporting on relevant impact metrics. Sustainalytics views Richmond Housing Partnership's allocation and impact reporting as aligned with market practice.

Evaluation Date February 17, 2023

Issuer Location London, England

Report Sections

Introduction.....	2
Sustainalytics' Opinion.....	3
Appendix.....	10

For inquiries, contact the Sustainable Finance Solutions project team:

Pauline Horng (Amsterdam)
Project Manager
pauline.horng@morningstar.com

Javier Frisancho Salinas (Amsterdam)
Project Support

Kay Tao (Amsterdam)
Project Support

Poonam Tarekar (Mumbai)
Project Support

Diego Gomez (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

Richmond Housing Partnership (“RHP” or the “Company”) is a housing association headquartered in southwestern London, England. Established in 2000, the Company currently owns or manages approximately 10,000 affordable housing units for rent and shared ownership. The Company mainly operates in four boroughs: Richmond, Hounslow, Kingston and Hillingdon in western and southwestern London. As at March 2022, the Company had 273 full-time employees.¹

RHP has developed the RHP Sustainable Finance Framework dated February 2023 (the “Framework”), under which it intends to issue sustainability bonds, loans and private placement debt and use the proceeds to finance or refinance, in whole or in part, existing and future projects aimed at facilitating access to green and affordable housing in London.² The Framework defines eligibility criteria in five green and social categories:

Green categories:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency

Social categories:

4. Affordable Housing
5. Socio-economic Advancement and Empowerment

RHP engaged Sustainalytics to review the RHP Sustainable Finance Framework and provide a 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),³ Green Loan Principles 2021 (GLP) and Social Loan Principles 2021 (SLP).⁴ RHP will publish the Framework in a separate document.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with 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 1.12, 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 RHP’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as

¹ RHP, “Annual Report & Statement of Accounts”, (2023), at: https://www.rhp.org.uk/media/1678/rhp_financial_statement_2022_final.pdf

² RHP has communicated to Sustainalytics that Finance PLC, a subsidiary of RHP will issue Bonds under the Framework. RHP will issue other financial instruments other than Bonds. RHP has further confirmed that it will be responsible for ensuring continual alignment of the issuances by Finance plc with the criteria defined by the Framework.

³ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles 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/>

⁴ The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁵ The RHP Sustainable Finance Framework is available on Richmond Housing Partnership’s website at: <https://www.rhp.org.uk/about-us/investors/esg-performance/>

⁶ 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.

well as management of proceeds and reporting aspects of the Framework. RHP representatives have confirmed that (1) they understand it is the sole responsibility of RHP to ensure that the information provided is complete, accurate or 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 RHP.

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. Upon twenty-four (24) months following the evaluation date set stated herein, RHP is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

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 RHP has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the RHP Sustainable Finance Framework

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

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency, Affordable Housing and Socio-economic Advancement and Empowerment – are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - RHP has defined a two-year look-back period for the refinancing of opex, which Sustainalytics considers to be in line with market practice.
 - Under the Green Buildings category, RHP may finance or refinance the construction of new buildings that will achieve a minimum energy performance certificate (EPC) of level B. Sustainalytics views the expenditure under this category to be in line with market practice.
 - Under the Renewable Energy category, RHP may finance or refinance the following:
 - Solar photovoltaic power generation for buildings
 - Electricity sourced from renewable energy, such as through power purchase agreements and bundled renewable energy certificates that are longer than five years. RHP has confirmed that the expenditure will not be associated with activities involving nuclear and natural gas facilities.
 - Sustainalytics considers the above to be aligned with market practice.
 - Under the Energy Efficiency category, RHP may finance or refinance the installation of energy-saving smart technologies to improve energy efficiency in new and existing homes. Such technologies include smart boilers and high-speed broadband. RHP has confirmed that smart technologies will not rely on fossil fuels or carbon-intensive assets. Sustainalytics considers these activities to be aligned with market practice.
 - Under Affordable Housing, RHP may finance or refinance the construction and retrofits of social properties under governmental schemes according to the following criteria:

- For social and affordable rent schemes, RHP will rely on the National Planning Policy Framework and provide rental housing to individuals screened and placed on the housing register by local authorities.⁷ Local authorities determine the eligibility for social and affordable housing in relation to household income levels, with rental pricing levels limited to 60% of market rental prices for social rent housing and 80% for affordable rent housing. Sustainalytics is of the opinion that these schemes will contribute to affordable housing for a well-defined target population in the UK.
- Under the UK's Shared Ownership scheme, RHP sells homes to people for whom open-market purchases would otherwise be unattainable. Purchasers buy a share of the property and pay rent on the remaining value. Eligibility for the scheme is determined by government criteria, which limit households to those with an annual income of up to GBP 80,000 (EUR 91,000) or GBP 90,000 (EUR 102,000) in London. Sustainalytics acknowledges that the scheme follows the practice for affordable housing as determined by the local regulator and recognizes the expected benefits for many first-time home buyers. In Sustainalytics' opinion, it is market practice to define a target population with an upper threshold at or below the annual median income at the municipal or regional level to ensure increased access to affordable housing. Although the Framework follows the UK government's income cap, this is still well above the median household income in the UK, which was GBP 44,663 (EUR 50,782) in FY2021.⁸ Given the relatively high thresholds used by the UK government's Shared Ownership scheme, Sustainalytics encourages RHP to report on the positive social impact of its proceeds targeted to below-median-income populations, to the extent possible.
- RHP also develops homes for the London Living Rent scheme, which is designed to help people transition from renting to shared ownership. Eligibility for the scheme is determined by government criteria, which limit households to those with an annual income of up to GBP 60,000 (EUR 68,000) in London. Similar to Sustainalytics' assessment of the Shared Ownership scheme, the income cap is well above the median household income in the UK, which was GBP 44,663 (EUR 50,782) in FY2021.⁹ Given the relatively high thresholds used by the UK government's London Living Rent scheme, Sustainalytics encourages RHP to report on the positive social impact of its proceeds targeted to below-median-income populations, to the extent possible. Sustainalytics notes that the role of RHP is limited to providing properties through government schemes and does not have control over the detailed criteria for determining the low-income groups deemed eligible for housing associations' properties and the corresponding affordability mechanisms.
- RHP may develop other intermediate rent housing¹⁰ that is not covered under the above-mentioned schemes and that limits rental pricing to 80% of market rental prices, relying on nominations from local authorities. Similar to Sustainalytics' assessment of the Shared Ownership and London Living Rent schemes, the income cap could include incomes well above the median household income in the UK, which was GBP 44,663 (EUR 50,782) in FY2021.¹¹ Given the variety of income thresholds used by local authorities, Sustainalytics encourages RHP to report on the positive social impact of its proceeds targeted to below-median-income populations, to the extent possible.
- RHP may develop supported housing, such as shelters, halfway homes or community housing, to support accommodation for vulnerable population groups that require supervision or care to live independently. The UK government has developed a National Statement of Expectations for the supported housing sector and announced in 2018

⁷ Ministry of Housing, Communities & Local Government, "National Planning Policy Framework", (2021), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005759/NPPF_July_2021.pdf

⁸ Government of the UK, Office for National Statistics, "Average household income, UK: financial year ending 2021", at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2021>

⁹ Ibid.

¹⁰ Government of the UK, "Policy statement on rents for social housing", (2022), at: <https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing#chapter-5-types-of-accommodation-not-covered-by-this-policy-statement>

¹¹ Government of the UK, Office for National Statistics, "Average household income, UK: financial year ending 2021", at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2021>

- that costs for supported housing would be funded by the Housing Benefit.¹² RHP defines affordable rent properties as homes that comply with the government's definition of social and affordable housing with controls that ensure that rents charged are not higher than 80% of local market rent.¹³
- RHP may develop sheltered housing relying on local authorities' nominations for its target populations or directly if the authorities are unable to provide suitable nominations. For direct applications, RHP considers eligible customers that are over 55 years old and registered in the local authority for retirement housing, have a gross household income of no more than GBP 90,000 (EUR 101,600) and savings below GBP 70,000 (EUR 79,000), have no freehold or leasehold interest in any property, and can live independently. Given the variety of eligibility criteria set by the local authorities and the relatively high income threshold used by RHP, Sustainalytics encourages RHP to report on the positive social impact of its proceeds targeted to below-median-income populations, to the extent possible.
 - Under Socio-economic Advancement and Empowerment, RHP may finance or refinance the below expenditures targeted at the Company's customers, employees and communities. RHP expects that allocation to projects that serve employees will be less than 10% of the issuances' proceeds.
 - Financial support services, such as support for benefit claims and financial access through a hardship fund that provides electronic vouchers for moving and buying appliances or groceries for its tenants. RHP will limit these expenditures to 5% of the proceeds.
 - Training on: i) digital inclusion; and ii) commercial, entrepreneurial and work skill development. This may also include the provision of apprenticeship schemes for young local people between 16 and 19 years old to transition into permanent employment.
 - Provision of mental and physical health support, such as subsidized mental health first aides, gym memberships and mindfulness activities.
 - Sustainalytics considers these activities to be socially impactful.
 - Project Evaluation and Selection:
 - RHP's Sustainability Panel will evaluate and select projects in accordance with the eligibility criteria as defined under the Framework. The Executive Director of Homes will head the Panel, which will comprise several members of the senior leadership team. A member of the board of directors will support this Panel and act as the internal sustainability champion.
 - RHP has in place a sustainability risk management system to address the environmental and social risks associated with assets financed, which is applicable to all allocation decisions made under the Framework. The Panel is responsible for oversight of associated risks and meets on a quarterly basis to implement necessary systems to mitigate the risks.
 - Based on the oversight of project selection and the presence of an environmental and social risk management system, Sustainalytics considers this process to be in line with the market practice.
 - Management of Proceeds:
 - RHP's Sustainability Panel will track, manage and allocate the proceeds to eligible assets under the Framework. RHP will use an internal sustainability asset register to track and monitor the net proceeds, with oversight from the Panel.
 - RHP intends to allocate all proceeds to eligible assets within 24 months of issuance. RHP will hold pending allocations temporarily in cash equivalents or use them for short-term repayment of other debt facilities in accordance with RHP's Treasury Management Policy.
 - Based on the presence a tracking system for the allocations and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - RHP intends to report on the allocation of proceeds until full allocation in its Annual ESG Report on an annual basis. RHP will publish the report on its website.

¹² Government of the UK, "Funding for Supported Housing", (2018), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/732692/Supported_Housing_Funding_Consultation_Response.pdf

¹³ Government of the UK, "Rent Standard - April 2020", (2022), at: <https://www.gov.uk/government/publications/rent-standard/rent-standard-april-2020>

- Allocation reporting will include the list of eligible green and social projects, a description of the assets, the amount of proceeds allocated, the amount of unallocated proceeds and the amount of outstanding net proceeds from the instruments.
- RHP will also report on relevant impact metrics, where feasible, such as the number of new social, affordable and shared-ownership homes built by tenure; the number of people on local authority waiting lists that are housed; the number and share of homes with an EPC rating of B and above; and the community impact from the investments. A detailed list of impact metrics can be found in Appendix 1.
- Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the RHP Sustainable Finance Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of RHP

Contribution to RHP's sustainability strategy

RHP's sustainability strategy focuses on key environmental and social priorities to deliver energy-efficient green buildings and affordable housing in the UK.

RHP aims to increase its housing portfolio's energy efficiency, achieve at least an EPC label C by 2030 and deliver 1,500 energy-efficient new homes over the next decade.^{14,15} As of 2022, approximately 50% of RHP's portfolio had achieved at least EPC label C.¹⁶

Regarding affordable housing, RHP aims to provide affordable units in areas of acute demand and has set up a five-year strategy to deliver more than 500 new affordable homes by 2027.¹⁷ Since 2017, RHP has developed more than 400 affordable homes in its core operating regions in western and southwestern London. In 2021, RHP delivered 60 new affordable homes and has 300 more properties in its construction pipeline.¹⁸ RHP expects to deliver three major renovation projects by 2028, including 231 affordable homes at Ham Close, 24 at Sommerville House and 31 at Sheldon House.¹⁹

Sustainalytics is of the opinion that the RHP Sustainable Finance Framework is aligned with RHP's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that RHP will direct proceeds from instruments issued under the Framework towards projects expected to create positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks commonly associated with the eligible projects could include issues related to employee occupational health and safety (OHS), emissions and waste generated during construction, and the exacerbation of inequalities if underserved groups are not appropriately targeted for affordable housing.

Sustainalytics is of the opinion that RHP is able to manage or mitigate potential risks through the implementation of the following:

- To address OHS risks that may arise during the construction, operation and maintenance of green building and affordable housing projects, the UK Construction (Design and Management) Regulations 2015 require that all construction and project phases be carried out in a way that protects workers' health and safety.²⁰ RHP also has a dedicated health and safety team in place to provide guidance and support to the Company on employee OH&S-related issues.²¹ The Company's

¹⁴ RHP, "RHP Sustainable Finance Framework", at: <https://www.rhp.org.uk/about-us/investors/esg-performance/>

¹⁵ RHP, "Annual Report & Statement of Accounts", at: https://www.rhp.org.uk/media/1678/rhp_financial_statement_2022_final.pdf

¹⁶ RHP shared this information to Sustainalytics on a confidential basis.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Health and Safety Executive, "Construction (Design and Management) Regulations 2015", at: <https://www.hse.gov.uk/pubns/books/l153.htm>

²¹ RHP, "Annual Report & Statement of Accounts", at: https://www.rhp.org.uk/media/1678/rhp_financial_statement_2022_final.pdf

Health and Safety Committee meets bi-monthly to monitor employee OHS incidents and assess company-level OHS risks under oversight of the management team and executive group.²²

- To address emissions and waste generated during construction, RHP has in place a waste management strategy that requires contractors to produce a site waste management plan prior to the project development and aim for a waste recycling rate of at least 60%.²³ The plan shall provide waste identification and management options for RHP's consideration and report on waste recycling results.²⁴ RHP also intends to meet regularly with the contractors to monitor the actual percentage of waste recycled and recycled products.²⁵
- Regarding social housing targeting, RHP receives new tenant nominations through the relevant local authority, which sets income caps for the households to be considered in the Shared Ownership or affordable rental schemes, thereby prioritizing groups in need of affordable housing.²⁶ In addition, RHP's own allocation policy prioritizes underserved households, taking into consideration medical, welfare and risk factors.²⁷
- Sustainalytics notes that RHP operates in the UK, which is recognized as a Designated Country under the Equator Principles,²⁸ indicating the presence of strong environmental and social governance systems, as well as institutional capacity designed to protect the local environment and communities.

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

Section 3: Impact of Use of Proceeds

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

Importance of affordable housing in the UK

The UK had the highest share of social housing among OECD countries as of 2020.²⁹ However, 1.11 million households were on waiting lists for affordable housing in England alone in 2018.³⁰ To meet the estimated need for affordable housing in England (340,000 new homes per annum up to 2031), the annual supply of new homes must increase by 57% from 2020-21 levels.³¹ In 2021, local housing authorities and other housing providers delivered 52,100 affordable houses and more than 57,400 starts in England, 12% and 16%, respectively, less than 2020.³² Moreover, the lack of affordable housing may contribute to a range of social issues including education, healthcare among others making it an essential social resource which helps improve individual and community life.^{33,34}

The UK government launched the Affordable Homes Programme 2021-2026 with the aim to deliver 300,000 homes annually by the mid-2020s, provide funding for supported housing and social rent and focus on modern

²² Ibid.

²³ RHP shared with Sustainalytics the waste management strategy on a confidential basis.

²⁴ Ibid.

²⁵ Ibid.

²⁶ RHP, "RHP Sustainable Finance Framework", at: <https://www.rhp.org.uk/about-us/investors/esg-performance/>

²⁷ RHP provided the information to Sustainalytics on a confidential basis.

²⁸ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

²⁹ OECD, "Public policies towards affordable housing", at: <https://www.oecd.org/housing/data/affordable-housing-database/housing-policies.htm>

³⁰ Ministry of Housing, Communities & Local Government, "Local authority housing statistics: Year ending March 2018, England", (2019), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/773079/Local_Authority_Housing_Statistics_England_year_ending_March_2018.pdf

³¹ Wilson, W. et al. (2022), "Tackling the Under-Supply of Housing", House of Commons Library, at: <https://researchbriefings.files.parliament.uk/documents/CBP-7671/CBP-7671.pdf>

³² Department for Levelling Up, Housing & Communities, "Affordable Housing Supply: April 2020 to March 2021, England", (2021), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1034043/AHS_2020-21.pdf

³³ Bone, J (2010), "No Place Called Home: The Causes and Social Consequences of the UK Housing 'Bubble'", at: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/j.1468-4446.2010.01311.x>

³⁴ Center for Housing Policy, "Framing the Issues – the Positive Impacts of Affordable Housing on Health", at: <https://citeseerx.ist.psu.edu/document?repid=rep1&type=pdf&doi=0dbfed563545d8b93877db82ee0634e68796ede7>

methods of construction.³⁵ The programme aims to deliver 35,000 affordable homes in London by 2029 through a GBP 4 billion (EUR 4.5 billion) investment.³⁶

Based on the above context, Sustainalytics is of the opinion that the Framework is expected to contribute towards the UK’s housing targets and generate positive social impact.

Importance of green buildings in the UK

Buildings are the second-largest source of emissions in the UK, accounting for 20% of total emissions.³⁷ The majority of the emissions can be attributed to oil and gas combustion for heating and hot water in residential buildings.³⁸ In 2021, the UK government adopted a target to achieve net zero emissions by 2050, with an intermediate goal to reduce emissions by 78% by 2035 compared to 1990 levels.³⁹ However, business-as-usual projections indicate that the UK’s built environment emissions will reduce by only 60% by 2050 compared to 1990 levels, leaving 115 MtCO_{2e} of residual emissions.⁴⁰ Since 20% of the UK building stock was built before 1919, upgrading old housing structures and creating zero-carbon homes can be fundamental for the UK to meet the net zero ambition.⁴¹ To further accelerate the efforts towards energy efficiency, the UK government launched the Clean Growth Strategy in 2017 with a goal to achieve EPC label C for all fuel-poor homes by 2030.⁴² The UK government also proposed a national retrofit strategy in 2020 to make existing homes greener and more energy efficient, setting a target to save 84.9 Mt of CO₂ emissions by 2040.⁴³ In this sense, the UK government’s Social Housing Decarbonisation Fund aims to fund energy performance improvements in a significant amount of the social housing stock by 2025.⁴⁴

Based on the above, Sustainalytics is of the opinion that financing of green building projects is expected to accelerate the UK’s efforts to reduce energy consumption, increase energy efficiency in the building sector and contribute towards national GHG emissions targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The finance instruments issued under the RHP Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

³⁵ Milcheva, St. et al. (2022), “Scoping Report for the Evaluation of the Affordable Homes Programme 2021-2026”, Department of Levelling Up, Housing & Communities, at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1096533/Scoping_Report_for_the_Evaluation_of_the_Affordable_Homes_Programme_2021-26_FINAL.pdf

³⁶ Ibid.

³⁷ Climate Change Committee, “Progress in Reducing Emissions: 2022 Report to Parliament”, (2022), at: <https://www.theccc.org.uk/wp-content/uploads/2022/06/Progress-in-reducing-emissions-2022-Report-to-Parliament.pdf>

³⁸ Ibid.

³⁹ Government of the UK, “UK enshrines new target in law to slash emissions by 78% by 2035”, (2021), at: <https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035>

⁴⁰ UK Green Building Council, “Net Zero Whole Life Carbon Roadmap: A Pathway to Net Zero for the UK Built Environment”, (2021), at: <https://ukgbc.s3.eu-west-2.amazonaws.com/wp-content/uploads/2021/11/28194152/UKGBC-Whole-Life-Carbon-Roadmap-A-Pathway-to-Net-Zero.pdf>

⁴¹ Ibid.

⁴² Department for Business, Energy and Industrial Strategy, “The Clean Growth Strategy: Leading the way to a low carbon future”, (2017), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700496/clean-growth-strategy-correction-april-2018.pdf

⁴³ Construction Leadership Council, “Greening Our Existing Homes: National Retrofit Strategy”, at: <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2020/12/CLC-National-Retrofit-Strategy-final-for-consultation.pdf>

⁴⁴ Government of the UK, “Social Housing Decarbonization Fund: Wave 2.1”, (2022), at: <https://www.gov.uk/government/publications/social-housing-decarbonisation-fund-wave-2#:~:text=The%20Wave%202.1%20competition%20will,spent%20by%2031%20March%202025.>

Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Sustainable Developments	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
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
Socioeconomic Advancement and Empowerment	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

Richmond Housing Partnership has developed the RHP Sustainable Finance Framework, under which it may issue sustainability bonds, loans and debt private placements and use the proceeds to finance or refinance projects aimed at facilitating access to green and affordable housing in London. Sustainalytics considers that the projects funded with proceeds from the sustainability bond are expected to provide positive environmental and social impact.

The RHP Sustainable Finance Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for the Company to report on their allocation and impact. Sustainalytics believes that the RHP Sustainable Finance Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds is expected to contribute to the advancement of the UN Sustainable Development Goals 7, 8, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that RHP has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Richmond Housing Partnership is well positioned to issue sustainability bonds, loans and debt private placements and that the RHP Sustainable Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021) and Social Loan Principles (2021).

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Richmond Housing Partnership
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	RHP Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 17, 2023
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i> :	

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:

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

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 – Green Buildings, Renewable Energy, Energy Efficiency, Affordable Housing, and Socio-Economic Advancement and Empowerment – 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, 8, 9, 11 and 12.

Use of proceeds categories as per GBP:

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

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

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 checked="" 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 SBP | <input type="checkbox"/> 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):

Richmond Housing Partnership's Sustainability Panel (the "Panel") will evaluate and select projects in accordance with the eligibility criteria as defined under the Framework. Richmond Housing Partnership has in place a sustainability risk management system to address the environmental and social risks associated with assets financed, which is applicable to all allocation decisions made under the Framework. The Panel is responsible for oversight of associated risks and meets on a quarterly basis to implement necessary systems to mitigate the risks. Sustainalytics considers this to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green 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 Sustainability Bond proceeds | <input checked="" 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 (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Richmond Housing Partnership's Sustainability Panel will track, manage and allocate the proceeds to eligible assets under the Framework. Richmond Housing Partnership will use an internal sustainability asset register with oversight from the Panel to track and monitor the net proceeds. Richmond Housing Partnership intends to allocate all proceeds to eligible assets within 24 months of the issuance. Richmond Housing Partnership will hold pending allocations temporarily in cash equivalents or short-term repayment of other debt facilities and managed in accordance with its Treasury Management Policy. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Richmond Housing Partnership intends to report on the allocation of proceeds until full allocation in its Annual ESG Report on an annual basis. Richmond Housing Partnership will publish the report on its website. Allocation report will include the list of eligible green and social projects, description of the assets, amount of proceeds allocated, amount of unallocated proceeds, and net proceeds outstanding from the instruments. In addition, Richmond Housing Partnership commits to reporting on relevant impact metrics. Sustainalytics views Richmond Housing Partnership's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|--|---|
| <input type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

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.

Disclaimer

Copyright ©2023 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

