

Second-Party Opinion

Orbit Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Orbit 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—Energy Efficiency, Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Affordable Housing, Socioeconomic Advancement and Empowerment and Access to Essential Services are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impact and advance the UN Sustainable Development Goals, specifically SDGs 7, 8, 9, 10, 11 and 15.



PROJECT EVALUATION AND SELECTION Orbit Group’s Sustainable Finance Framework Steering Panel (SFFSP) will evaluate, select, monitor and approve eligible assets against the Framework criteria. Orbit’s environmental, social and ethical risk assessment process applies to all project selection decisions. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Orbit Group’s SFFSP will be responsible for the management and allocation of proceeds to eligible assets and will track the proceeds through a Sustainability Financing Register to determine an eligible portfolio. The proceeds of each transaction instrument will be earmarked according to the pool of eligible projects and expenditures identified in the sustainability financing register. At the end of each financial year the net proceeds will be reduced by the amounts invested in eligible projects in the same period. Pending allocation, unallocated proceeds will be invested in cash deposits, sterling denominated money market funds, or redemption of short-term debt. This is in line with market practice.



REPORTING Orbit Group intends to report on the allocation of proceeds and corresponding impact, which will be published in its ESG report on an annual basis. Allocation reporting will include the total amount of proceeds allocated to each category, the amount of proceeds allocated by project category per sustainable financing instrument, the balance of unallocated proceeds, and the proportion of refinancing compared to new financing in the allocations. For impact reporting, Orbit Group will leverage metrics from the Sustainability Reporting Standard for Social Housing of the UK ESG Social Housing Working Group.¹ Sustainalytics views Orbit Group’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Coventry, England

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For inquiries, contact the Sustainable Finance Solutions project team:

Jose Yakoubian (Amsterdam)
Project Manager
jose.yakoubian@sustainalytics.com
+31 20 205 0053

Mousumi Bej (Mumbai)
Project Support

Jalaluddin Khatib (Mumbai)
Project Support

Siina Matihaldi (Amsterdam)
Project Support

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

¹The Good Economy, ESG Social Housing Working Group, “The Sustainability Reporting Standard for Social Housing”, (2020), at: https://thegoodeconomy.co.uk/resources/reports/SRS_final-report_2020-11-16-094356.pdf

Introduction

Orbit Group (“Orbit” or the “Issuer”), established in 1967, is a housing provider in the United Kingdom that focuses particularly on affordable housing. Headquartered in Coventry, England, Orbit offers homes to rent and buy in the United Kingdom. As of 2022, Orbit manages more than 46,500 properties to 100,000 people, and employs nearly 1,270 people.²

Orbit has developed the Orbit Sustainable Finance Framework (the “Framework”) under which it intends to issue sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to improve the energy efficiency of the UK building stock and the well-being of the communities in which Orbit operates. The Framework defines eligibility criteria in six areas:

1. Energy Efficiency
2. Green Buildings
3. Environmentally Sustainable Management of Living Natural Resources and Land Use
4. Affordable Housing
5. Socioeconomic Advancement and Empowerment
6. Access to Essential Services

Orbit engaged Sustainalytics to review the Orbit Sustainable Finance Framework, dated January 2023, 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), and Social Bond Principles 2021 (SBP)³, Green Loan Principles 2021 and Social Loan Principles 2021.⁴ The Framework has been published 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 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 Green Loan Principles 2021 and Social Loan Principles 2021 administered by LMA.
- 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 Orbit’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Orbit representatives have confirmed (1) they understand it is the sole responsibility of Orbit to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

² Orbit Group, “Annual Report & Financial Statements 2021-22” (2022), at: <https://indd.adobe.com/view/a9593b41-6e27-4ef2-a234-fd3d2d27430b>

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 and are available at: <https://www.lma.eu.com/documents-guidelines/documents/category/green-sustainable-finance#green-loan-principles139>

⁵ The Orbit Sustainable Finance Framework is available on Orbit Group’s website at: <https://www.orbitgroup.org.uk/investor-hub/financial-reports-and-presentations/>

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.

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 Orbit.

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

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Orbit 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, Energy Efficiency, Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Affordable Housing, Access to Essential Services and Socioeconomic Advancement, are aligned with those recognized by the GBP and SBP. Sustainalytics notes that investments in the eligible categories are expected to contribute to an improvement in the energy performance of the national building stock and promote socioeconomic development in the UK.
 - The Framework has defined a look-back period of three years for the refinancing of expenditures, which Sustainalytics considers to be good practice.
 - Under the Energy Efficiency category, the Issuer intends to finance or refinance projects aimed at retrofitting, renovating or modernizing residential buildings to achieve: i) a two-notch improvement in their energy performance certificate (EPC) to "C"; or ii) a one-notch improvement to their EPC to "A" or "B". Sustainalytics views positively the use of EPCs "A" or "B" to determine eligibility in UK, where these ratings guarantee that assets under consideration are in the top 15% energy-efficient buildings.⁷ Further, Orbit has confirmed to Sustainalytics that projects under this category will lead to a reduction in primary energy demand (PED) of at least 30% over the initial performance (pre-retrofit). Orbit may finance retrofit costs, which may include replacing gas boilers with heat pumps or electrical boilers, and retrofitting insulation, windows, doors, air sealing and energy-efficient lighting. Sustainalytics views the certification schemes and levels specified under the Framework to be credible and the energy efficiency threshold to be indicative of positive environmental impact.
 - Under the Green Buildings category, Orbit intends to finance or refinance projects aimed at developing and constructing residential buildings with an EPC "B" or above. Sustainalytics highlights that buildings obtaining an EPC rating of "B" or higher belong in the top 15% of labelled

⁷ UK Government, "Live tables on Energy Performance of Buildings Certificates", at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates#epcs-for-all-domestic-properties-existing-and-new-dwellings>

buildings in the UK.⁸ Sustainalytics views the certification schemes and levels specified in the Framework to be credible and impactful.

- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, the Issuer intends to finance projects aimed at improving its green spaces and making 30% of its outdoor spaces available to wildlife,⁹ so as to match The Wildlife Trusts' 30 by 30 campaign.¹⁰ The various activities under this category may include: i) planting trees, hedgerows and wildflower meadows; ii) constructing raised beds, habitat, and shelter for wildlife, along with measures to support human access to open spaces by creating pathways and installing benches; iii) replacing hard spaces, such as tarmac with soft spaces, including grass, flower beds, etc.; iv) installing sustainable urban drainage systems; and v) installing boards and signs to create wildlife awareness among people residing in the vicinity of the outdoor spaces. Sustainalytics considers the activities under this category to be impactful in conserving biodiversity.¹¹
- Under the Affordable Housing category, Orbit will finance the development and construction of affordable housing in the UK under the following two schemes: i) shared ownership; and ii) affordable rent.
 - Orbit will develop homes to support the UK Government's Shared Ownership scheme, which targets people for whom open market purchases are otherwise unattainable.¹² Under this scheme, purchasers buy a share of the property and pay rent on the remaining value.¹³ Eligibility for the scheme is determined by government criteria, such as limiting it to households with an annual income of up to GBP 80,000 (EUR 92,500) or GBP 90,000 (EUR 104,000) in London.
 - Orbit's housing for affordable rent will be in accordance with the UK's National Planning Policy Framework's definition of "affordable housing for rent".¹⁴, which sets the following conditions for affordable housing for rent: i) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents; ii) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme; and iii) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. Orbit defines the target population for its affordable housing programmes as people: i) living below the poverty line; ii) from excluded or marginalized populations and communities; iii) with disabilities; iv) underserved in terms of affordable housing; and v) ageing. Sustainalytics acknowledges that the Shared Ownership scheme follows local practices regarding affordable housing, which are expected to benefit first-time home buyers. To ensure contribution to increased access to affordable housing, Sustainalytics encourages the Issuer to define a target population with an upper threshold at or below the annual median income at the municipal or regional level. Although the Framework follows the UK government's income cap regarding the Shared Ownership scheme, this cap is well above the gross median household income in the UK, which was GBP 44,663 (EUR 50,495) in FY2021,¹⁵ representing a deviation from what Sustainalytics considers to be good practice for affordable housing programmes provided to low-income individuals.
- Under the Access to Essential Services category, Orbit will invest in support programmes aimed at improving the financial and mental well-being of residents under Orbit's affordable housing programmes. Support programmes in this category will include providing training and advice on:

⁸ Ministry of Housing, Communities & Local Government, "Live tables on Energy Performance of Buildings Certificates", at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates>

⁹ Orbit Group, "ESG Report 2021-22", at: https://indd.adobe.com/view/publication/2669a75e-5e02-46dc-bfc9-94d7ea8adfb1/1/publication-web-resources/pdf/ESG_Report_2022.pdf

¹⁰ The Wildlife Trust, "30by30", at <https://www.wildlifetrusts.org/30by30>

¹¹ This applies to the 30% of the outdoor space that supports biodiversity conservation.

¹² UK Government, "Shared ownership homes: buying, improving and selling", at: <https://www.gov.uk/shared-ownership-scheme>

¹³ Ibid.

¹⁴ UK Government, "National Planning Policy Framework", at: <https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>

¹⁵ UK Government, "Average household income, UK: financial year ending 2021", at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2021>

- i) well-being and mental health; ii) employment and career; iii) financial well-being; and iv) digital and online skills. The target population identified for the support programmes includes people undereducated in digital and financial skills, the unemployed and underserved population in terms of well-being and mental health assistance. The Issuer confirmed to Sustainalytics that the support programmes under this category will be provided free of cost. These programmes will be conducted by Orbit's internal staff who are trained on the coaching model, and by third parties that offer this kind of training in partnership with Orbit. Sustainalytics is of the opinion that these programmes have the potential to create positive social impact.
- Under the Socioeconomic Advancement category, Orbit will invest in coaching and support programmes aimed at helping its residents sustain their tenancy. Under these programmes, Orbit supports its existing and new customers for 12 months. The topics covered under the coaching sessions include key topics to a successful tenancy, managing benefits, employment support, motivation, and managing the unexpected, including fire safety in the home. Orbit's target group for the support programmes are customers who are deemed: i) undereducated in terms of financial skills; ii) below the poverty line; or iii) undereducated in terms of access to financial support and benefits. Sustainalytics views the targets to be credible and the programmes to have the potential to create positive social impact.
 - Project Evaluation and Selection:
 - Orbit has established a Sustainable Finance Framework Steering Panel (SFFSP) that will be responsible for evaluating, selecting, monitoring and approving projects against the eligibility criteria in the Framework. The SFFSP panel consists of core members from cross departmental teams, including the Director of Corporate Finance and Treasury, the Business Services Director, the Head of Strategy, the Head of Environmental Sustainability and the Development Finance Director.
 - The SFFSP will select eligible projects from new build development schemes that are approved by Orbit's Development Corporate Investment Group (CIG) or Orbit's Investment Committee (IC). The SFFSP, the CIG and the IC, along with Orbit's ESG Steering Group consider the environmental and social risks and credentials of the eligible projects and evaluate adherence to Orbit's policies and any applicable laws and regulations.
 - Based on the establishment of the SFFSP and the presence of adequate environmental and social risk management systems, Sustainalytics considers this process to be in line with market expectations.
 - Management of Proceeds:
 - The SFFSP will be responsible for the managing and allocating proceeds and will track the proceeds through a sustainability finance register.
 - The proceeds of each instrument will be earmarked according to the pool of eligible projects and expenditures identified in the sustainability financing register. At the end of each financial year, the net proceeds will be reduced by the amounts invested in eligible projects (excluding grants received that are attached to the projects) in the annual period.
 - The sustainability financing register will be reviewed annually by the SFFSP to account for any reallocations, repayments or drawings on the eligible projects and expenditures within the pool.
 - Sustainalytics notes the Company's intention to allocate all proceeds within three years of issuance, to the extent feasible. In case funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be used in accordance with Orbit's treasury management policy until full allocation to eligible projects. These uses may include cash deposits, investment in sterling-denominated money market funds, and short-term debt redemption.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Orbit intends to report on the allocation of proceeds and corresponding impact, which will be published in its ESG report on an annual basis.
 - Allocation reporting will include the total amount of proceeds allocated to each category, the amount of proceeds allocated by category per sustainable financing instrument, the balance of unallocated proceeds, and the proportion of refinancing compared to new financing in the allocations.

- For impact reporting, Orbit will leverage metrics from the Sustainability Reporting Standard for Social Housing of the UK ESG Social Housing Working Group.¹⁶ Furthermore, Orbit will include additional metrics relevant to the use of proceeds, to monitor its performance under the Framework.
- Based on intention to report on allocation and impact, Sustainability considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainability has determined that the Orbit 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 Orbit

Contribution to Orbit Group's sustainability strategy

Sustainability is of the opinion that Orbit demonstrates a commitment to sustainability through its ESG strategy, which focuses on: i) commitment to achieve net zero; ii) biodiversity; iii) customer support; iv) affordable housing; v) residents' voice; and vi) health and safety compliance.^{17,18}

Orbit has committed to reaching net zero scope 1 and 2 emissions by 2030 and all emissions by 2050.¹⁹ Between 2018 and 2022, Orbit has reduced its operational carbon footprint by one-third by increasing the use of renewable energy, reducing business travel, among other measures.²⁰ Since Orbit estimates that approximately 10% of its emissions come from construction activities²¹ the Issuer aims to electrify its construction sites, introduce energy efficiency measures into site welfare cabins and incorporate environmental requirements into its contractor specifications.²² Furthermore, 82% of Orbit's properties hold an EPC rating C or above as of 2022,²³ and the Issuer aims to have all of its properties reach an EPC rating of C or above by 2030.²⁴ As part of its biodiversity commitments, Orbit aims to increase the area of outdoor spaces that support nature's recovery from 17% in 2022 to 30% by 2030.²⁵ In partnership with The Wildlife Trust, Orbit has established a four-phased strategy including the development of biodiversity management plans, annual monitoring and final assessments of its biodiversity goal.²⁶

Orbit is also committed to creating social impact by focusing on customer health and well-being, financial inclusion and employment.²⁷ Among other social targets, the Issuer aims to increase the number of customers with improved mental health from nearly 2,800 in 2022 to 6,000 in 2025.²⁸ To achieve this goal, Orbit has partnered with a mental health charity, Mind, to offer counselling services, including one-to-one sessions, social prescribing and peer support for Orbit's customers.²⁹ So far, 87% of the service's users reported improving their mental health.³⁰ Orbit's Corporate Strategy 2020-2025 commits to investing GBP 25 million (EUR 28.7 million) in communities to deliver social value, including improving affordability of the houses and responding to long-term needs of families and individuals.³¹

Sustainability is of the opinion that the Orbit Group Sustainable Finance Framework is aligned with the Issuer's overall sustainability strategy and initiatives and will further Orbit's action on its key environmental and social priorities.

¹⁶ The Good Economy, ESG Social Housing Working Group, "The Sustainability Reporting Standard for Social Housing", (2020), at: https://thegoodconomy.co.uk/resources/reports/SRS_final-report_2020-11-16-094356.pdf

¹⁷ Orbit Group, "ESG Report 2022", (2022), at: https://indd.adobe.com/view/publication/2669a75e-5e02-46dc-bfc9-94d7ea8adfb1/1/publication-web-resources/pdf/ESG_Report_2022.pdf

¹⁸ Orbit Group, "Our ESG strategy", at: <https://orbitgroup.org.uk/our-esg-strategy/>

¹⁹ Orbit Group, "ESG Report 2022", (2022), at: https://indd.adobe.com/view/publication/2669a75e-5e02-46dc-bfc9-94d7ea8adfb1/1/publication-web-resources/pdf/ESG_Report_2022.pdf

²⁰ Ibid.

²¹ Ibid.

²² Orbit Group, "Orbit to Zero", (2021), at: <https://orbitgroup.org.uk/media/2650/net-zero-carbon-roadmap.pdf>

²³ Orbit Group, "ESG Report 2022", (2022), at: https://indd.adobe.com/view/publication/2669a75e-5e02-46dc-bfc9-94d7ea8adfb1/1/publication-web-resources/pdf/ESG_Report_2022.pdf

²⁴ Ibid.

²⁵ Ibid.

²⁶ Orbit Group, "Biodiversity approach", at: <https://orbitgroup.org.uk/media/2733/biodiversity-approach.pdf>

²⁷ Ibid.

²⁸ Ibid.

²⁹ Mind, "Mind", at: <https://www.mind.org.uk/>

³⁰ Ibid.

³¹ Orbit Group, "Corporate strategy 2020-2025", at: <https://orbitgroup.org.uk/media/2285/corporate-strategy-2025.pdf>

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework are intended to be directed towards eligible projects that are expected to have positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving loss of biodiversity and waste from land use for large-scale infrastructure development, community relations, and occupational health and safety.

- Orbit has an ISO 14001:2015-certified³² environmental management system in place to minimize environmental impact by increasing sustainability in supply chains, training and educating of employees, and ensuring sustainability compliance of subcontractors.³³ Additionally, the UK Government's the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 require an environmental impact assessment for projects that are likely to have significant impact on the environment to ensure that associated risks are adequately assessed before approval.³⁴
- Regarding waste from large-scale construction projects, Orbit is developing its waste management procedure, including site-specific plans to mitigate risks related to waste generated from construction sites.³⁵ The Issuer has communicated to Sustainalytics that it expects to launch its waste management strategy in April 2023.
- Regarding community relations, Orbit's Community Investment programme has invested GBP 35 million (EUR 40 million) to support partner organizations working on community welfare since 2013.³⁶
- Orbit's Responsible Business Supplier Code of Conduct, which applies to all of Orbit's suppliers, is based on the BITC Responsible Business Framework³⁷, and includes guidance on regulatory requirements, health and safety, and environmental impact.³⁸ In addition, Orbit is a signatory to the British Modern Slavery Act.³⁹
- To address health and safety risks, Orbit has in place its health and safety policy, which aims to protect employees, customers, service users and contractors in its operations.⁴⁰ To ensure the policy's implementation, the Issuer has put in place a management system containing procedures and guidance in line with the the Institute of Directors and Health and Safety Executive's "Leading Health and Safety at Work".⁴¹
- Orbit operates solely within the UK, which is recognized as a Designated Country under the Equator Principles, indicating the presence of strong environmental and social governance systems and institutional capacity designed to protect the local environment and communities.⁴²

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Orbit 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 six use of proceeds categories are aligned with those recognized by GBP, SBP, GLP and SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

³² Orbit Group, "Certificate of registration", (2015), at: <https://orbitgroup.org.uk/media/2773/iso14001-certificate-orbit-group-ltd.pdf>

³³ Orbit Group, "Orbit earth", (2022), at: <https://orbitgroup.org.uk/media/2754/our-environmental-approach-sep-2022.pdf>

³⁴ UK Government, "The Town and Country Planning (Environmental Impact Assessment) Regulations 2017", (2017), at: <https://www.legislation.gov.uk/uksi/2017/571/regulation/2/made>

³⁵ Orbit Group, "ESG Report 2022", (2022), at: https://indd.adobe.com/view/publication/2669a75e-5e02-46dc-bfc9-94d7ea8adfb1/1/publication-web-resources/pdf/ESG_Report_2022.pdf

³⁶ Orbit Group, "Supporting communities", at: <https://orbitgroup.org.uk/our-impact/supporting-communities/>

³⁷ The Prince's Responsible Business Network, "The Responsible Business Map", at: <https://www.bitc.org.uk/the-responsible-business-map/>

³⁸ Orbit Group, "ESG Report 2022", (2022), at: https://indd.adobe.com/view/publication/2669a75e-5e02-46dc-bfc9-94d7ea8adfb1/1/publication-web-resources/pdf/ESG_Report_2022.pdf

³⁹ Orbit Group, "Statement on Modern Slavery & Trafficking: Transparency in the Supply Chain", (2022), at: <https://orbitgroup.org.uk/media/2761/modern-slavery-statement-2022-3092022.pdf>

⁴⁰ Orbit Group, "Health and safety", at: <https://orbitgroup.org.uk/our-impact/responsible-business/health-and-safety/>

⁴¹ Health and Safety Executive, "Leading Health and Safety at Work", (2013) : <https://www.hse.gov.uk/pubns/indg417.htm>

⁴² Equator Principles, "EP4", (2020), at: https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf

Importance of financing energy improvements in the UK building stock

The UK residential sector was responsible for 19.9% of the country's total GHG emissions in 2021, a 5.8% increase from 2020.⁴³ The UK housing stock is the oldest in Europe, with 20.6% of houses built before 1919 and approximately 68% having uninsulated cavity walls, thus energy inefficient.^{44,45} In addition, a large share of the energy consumed in British homes is generated from fossil fuels, with gas boilers being the primary heating source for 78% of homes in 2022.⁴⁶

The UK's Integrated National Energy and Climate Plan includes a target to achieve countrywide net zero emissions by 2050.⁴⁷ The UK has also set intermediate emission reduction goals of 68% by 2030 and 78% by 2035 relative to 1990 levels.⁴⁸ To meet these targets, GHG emissions from existing residential buildings will need to be reduced by an estimated 50% by 2035 (57% from non-residential buildings), and all new homes will need to be net zero ready by 2025.^{49,50} In addition, existing buildings will require deep energy retrofits and new developments will have to meet increasingly stringent standards, including strategies to reduce construction impact and improve operational energy use and energy efficiency.⁵¹ In this context, the UK's Green Homes Grant in 2020 provided GBP 2 billion (EUR 2.34 billion) to homeowners to improve the energy performance of their homes as well as GBP 1 billion (EUR 1.17 billion) to improve the energy efficiency of publicly owned buildings.⁵² In addition, the UK government provided GBP 1.5 billion (EUR 1.69 billion) in 2022 for energy efficiency improvements, such as external wall and loft insulation, energy efficient doors and windows, heat pumps and solar panels to reduce heating costs for 130,000 social housing units and low-income properties as part of its "Help to Heat" programme.⁵³

Based on the above, Sustainalytics expects Orbit's financing of green buildings in the UK to contribute to reducing GHG emissions and energy consumption in the British buildings sector, and to support the UK in achieving its climate targets.

Importance of financing affordable housing in the UK

The UK is experiencing a significant housing shortage, evidenced by the estimated 8.5 million people in England alone with some form of housing need in 2021.⁵⁴ Although the UK had the highest share of social housing among OECD countries,⁵⁵ more than 1 million households were on the social housing waiting lists in 2020;⁵⁶ the price-to-earnings ratio having deteriorated from 2.9 to 6.7 in the UK between 1995 and 2021.⁵⁷ As a result, more than half of the population spend more than 40% of their income on rent.⁵⁸ Research conducted in the United States shows that the lack of affordable housing is likely to lead to negative social outcomes as families and individuals are compelled to make trade-offs between spending on housing and other essentials,

⁴³ Department for Business, Energy and Industrial Strategy, "2021 UK greenhouse gas emissions, provisional figures", (2022), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1064923/2021-provisional-emissions-statistics-report.pdf

⁴⁴ UK Green Building Council, "Climate Change", (2022), at: <https://www.ukgbc.org/climate-change-2/>

⁴⁵ Piddington, J. et al. (2020), "The Housing Stock of The United Kingdom", BRE Trust, at: https://files.bregroup.com/bretrust/The-Housing-Stock-of-the-United-Kingdom_Report_BRE-Trust.pdf

⁴⁶ Statista, "What is the main way you heat your property during the winter?", (2022), at: <https://www.statista.com/statistics/426988/united-kingdom-uk-heating-methods/>

⁴⁷ UK Department for Business, Energy & Industrial Strategy, "The UK's Integrated National Energy and Climate Plan", (2020), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1064923/2021-provisional-emissions-statistics-report.pdf

⁴⁸ UK Government, "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>

⁴⁹ UK Green Building Council, "Net Zero Whole Life Carbon Roadmap", (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>

⁵⁰ UK Government, "New homes to produce nearly a third less carbon", (2021), at: <https://www.gov.uk/government/news/new-homes-to-produce-nearly-a-third-less-carbon>

⁵¹ UK Green Building Council, "Net Zero Carbon Buildings: A Framework Definition", (2019), at: <https://www.ukgbc.org/ukgbc-work/net-zero-carbon-buildings-a-framework-definition/>

⁵² UK Government, "Greener homes, jobs and cheaper bills on the way as government launches biggest upgrade of nation's building in a generation", (2020), at: <https://www.gov.uk/government/news/greener-homes-jobs-and-cheaper-bills-on-the-way-as-government-launches-biggest-upgrade-of-nations-buildings-in-a-generation#:~:text=Business%20and%20industry,Greener%20homes%2C%20jobs%20and%20cheaper%20bills%20on%20the%20way%20as,the%20biggest%20in%20a%20generation>

⁵³ UK Government, "£1.5 billion to improve energy efficiency and slash bills", (2022), at: <https://www.gov.uk/government/news/15-billion-to-improve-energy-efficiency-and-slash-bills>

⁵⁴ National Housing Federation, "People in housing need 2021", at: <https://www.housing.org.uk/resources/people-in-housing-need-2021/>

⁵⁵ OECD, "Affordable Housing Database", at: <http://www.oecd.org/housing/data/affordable-housing-database/>

⁵⁶ Shelter, "Social housing deficit", at: https://england.shelter.org.uk/support_us/campaigns/social_housing_deficit#:~:text=Over%201%20million%20households%20are,less%20than%207%20C000%20were%20built

⁵⁷ Hilber, C. et al. (2022), "Why is it so difficult to tackle the lack of affordable housing?," The London School of Economics and Political Science, at: <https://blogs.lse.ac.uk/politicsandpolicy/why-is-it-so-difficult-to-tackle-the-lack-of-affordable-housing/>

⁵⁸ OECD, "OECD Affordable Housing Database", at: <https://www.oecd.org/els/family/HCI-2-Housing-costs-over-income.pdf>

such as food, healthcare and transportation.⁵⁹ This issue especially affects families with children in the UK, where 30% of families living in privately rented apartments could not afford their rent, due to high property prices and lack of social housing.⁶⁰ According to the National Housing Federation, between 2008 and 2019, the number of children in poverty who live in privately rented homes has increased by 69%, reaching 1.3 million in 2019.⁶¹

The UK government has set a goal of building 300,000 homes annually by the mid-2020s, dedicating 162,000 homes annually for affordable housing.^{62,63} The COVID-19 pandemic delayed construction of an estimated 100,000 affordable housing units in the UK, but the sector show signs of recovery,⁶⁴ thanks in part by an announcement of the British government to provide GBP 11.5 billion (EUR 13.2 billion) in capital funding through the Affordable Homes Programme to construct 180,000 additional homes by 2026.^{65,66}

Based on the above, Sustainalytics is of the opinion that Orbit's financing of affordable housing is expected to contribute to increasing access to housing for targeted populations and communities in the UK.

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 instruments issued under the Orbit Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	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
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
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

⁵⁹ Krafft, C. (2019) "5. The Economics of Poverty", at: <https://mlpp.pressbooks.pub/economicsforthegreatergood/chapter/the-economics-of-poverty/>

⁶⁰ Hetherington, G. (2021), "Invest in social housing to fix 'policy black hole' for almost 1m families paying private rents they can't afford", Joseph Rowntree Foundation, at: <https://www.jrf.org.uk/press/invest-social-housing-fix-policy-black-hole-almost-1m-families-paying-private-rents-they-cant>

⁶¹ National Housing Federation, "Half a million more children in poverty in private rented homes than ten years ago", at:

<https://www.housing.org.uk/news-and-blogs/news/half-a-million-more-children-in-poverty-in-private-rented-homes-than-ten-years-ago/>

⁶² Milcheva, S. et al. (2022), "Scoping Report for the Evaluation of the Affordable Homes Programme 2021-2026", Department of Levelling up, Housing and 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

⁶³ Elliot, J. et al. (2021), "Renters on low incomes face a policy black hole: homes for social rent are the answer", Joseph Rowntree Foundation, at: <https://www.jrf.org.uk/file/58800/download?token=52fzupQE&filetype=briefing>

⁶⁴ Leckie, C et al. (2021), "Building post-pandemic prosperity", Pragmatix Advisory, at: <https://www.local.gov.uk/sites/default/files/documents/2021-09-14%20Arch%2C%20LGA%2C%20NFA%20final%20report.pdf>

⁶⁵ National Housing Federation, "Affordable Homes Programme 2021-26", at:

<https://www.housing.org.uk/link/9e36ccf90a0d4d05908067f27be3d1fa.aspx>

⁶⁶ UK Ministry of Housing, Communities & Local Government, "Jenrick unveils huge £12 billion boost for affordable homes", (2020), at:

<https://www.gov.uk/government/news/jenrick-unveils-huge-12-billion-boost-for-affordable-homes>

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.
Access to Essential Services	8. Decent work and Economic Growth	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Socioeconomic Advancement and Empowerment	10. Reduced Inequalities	10.2 By 2040, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

Orbit Group has developed the Orbit Group Sustainability Finance Framework, under which it may issue sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects in eligible green and social categories (Energy Efficiency; Green Buildings; Environmentally Sustainable Management of Living Natural Resources and Land Use; Affordable Housing; Socioeconomic Advancement and Empowerment; and Access to Essential Services). Sustainalytics considers that the eligible projects are expected to improve energy efficiency of the UK building stock and well-being of the communities in which Orbit operates.

The Orbit Group Sustainability Finance Framework outlines a process for tracking, allocating and managing proceeds and Orbit's intention to report on their allocation and impact. Sustainalytics believes that the Orbit Sustainable Finance Framework is aligned with the overall sustainability strategy of the Issuer and that the use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 7, 8, 9, 10, 11 and 15. Additionally, Sustainalytics is of the opinion that Orbit has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that the Orbit Group is well positioned to issue sustainability instruments and that the Orbit Group Sustainability Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021), Green Loan Principles (2021) and Social Loan Principles (2021), and aligns with the Sustainability Bond Guidelines (2021).

Appendix

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

Section 1. Basic Information

Issuer name:	Orbit Group
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Orbit Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 18, 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 Energy Efficiency, Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Affordable Housing, Socioeconomic Advancement and Empowerment and Access to Essential Services are aligned with those recognized by both the Green Bond Principles and Social Bond 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, 10 11, and 15.

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 checked="" 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 checked="" 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):

Orbit's Sustainable Finance Framework Steering Panel ("SFFSP") will evaluate, select, monitor and approve Eligible Assets against the criteria. Orbit's environmental, social and ethical risk assessment process applies to all project selection decisions. Sustainalytics considers the project selection process 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 type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Orbit's SFFSP will be responsible for the management and allocation of proceeds to eligible assets and will track the proceeds through Sustainability Financing Register to determine an eligible portfolio. The proceeds of each transaction instrument will be earmarked against the pool of Eligible Projects and expenditures identified in the Sustainability Financing Register. At the end of each financial year the net proceeds will be reduced by the amounts invested in Eligible Projects within the annual period. Pending allocation, unallocated proceeds will be invested in cash deposits, sterling denominated money market funds, or redemption of short-term debt. 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 type="checkbox"/> Allocation to individual disbursements | <input checked="" 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):

Orbit intends to report on the allocation of proceeds and corresponding impact, which will be published in its ESG report on an annual basis. Allocation reporting is intended to include the total amount of proceeds allocated to each category, the amount of proceeds allocated by ICMA project category per sustainable financing instrument, the balance of unallocated proceeds, and the proportion of refinancing compared to new financing in the allocations. For impact reporting, Orbit will leverage metrics from the Sustainability Reporting Standard (SRS), which builds upon the 17 UN SDGs for reporting purposes.⁶⁷ Sustainalytics views Orbit'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 type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): allocated amounts on category basis; allocated amounts on the basis of ICMA project category per sustainable financing instrument; the balance of unallocated proceeds; and the proportion of refinancing compared to new financing in the allocations. | |

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

⁶⁷ The Good Economy, ESG Social Housing Working Group, "The Sustainability Reporting Standard for Social Housing", (2020), at: https://thegoodeconomy.co.uk/resources/reports/SRS_final-report_2020-11-16-094356.pdf

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): Metrics from Sustainable Reporting Standard and additional metrics, including but not limited to: Number of existing homes with an upgraded EPC rating to min. A, B or C; Number of new homes with EPC B or above; % of outdoor space supporting nature's recovery and biodiversity, measured by the total land area(sqm) where habitats have been classified as 'good' or 'excellent' by a biodiversity condition assessment; Number of new affordable homes; Number of customers who have evidenced an improvement in mental wellbeing, measured using the Warwick-Edinburgh Mental Wellbeing Scale; Number of customers in a new employment (full-time, part-time, self-employed or apprenticeship) due to our support programmes; Number of new 'House with support' customers who complete the coaching support programme are measure with number of sustained tenancies at 12 and 18 months; Existing customers are measured on rent balance , impact being improved rent balance after 6 months |

Frequency:

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

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> 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:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

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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