

Second-Party Opinion

PA Housing Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the PA Housing Sustainable Finance Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, Social Bond Principles 2020, and Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Affordable New Build Homes, Green Buildings, Sustainable Estates, Communities and Public Spaces – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9, and 11.



PROJECT EVALUATION / SELECTION PA Housing’s internal process in evaluating and selecting projects is overseen by the Company’s Sustainable Investment Panel on a monthly basis. The Assistant Director of Regeneration sponsors PA Housing’s sustainability strategy and advises the panel on the progress on strategy objectives. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS PA Housing’s processes for management of proceeds is tracked using an internal process to track, document and monitor funds. The tracking process is overseen by the Sustainable Investment Panel. This internal process identifies eligible projects, matches proceeds, and monitors project spending. Pending allocation, unallocated proceeds will be held as cash deposits, in sterling denominated money market funds that are in line with the Company treasury management policy or used for short-term repayment of debt prior to full allocation. PA Housing expects to fully allocate proceeds within three years from the date of the receipt of funds. This is in line with market practice.



REPORTING PA Housing intends to report annually on allocation of proceeds and impact on its website until maturity of the sustainable financing instrument. The allocation report will include outstanding net proceeds, share of proceeds used for refinancing and financing as well as share of proceeds used per category, share of unallocated proceeds and a list of eligible green and social assets financed by outstanding sustainable financing. In addition, PA Housing is committed to reporting on relevant impact metrics as listed out in Appendix 1. Sustainalytics views PA Housing’s allocation and impact reporting as aligned with market practice.

Evaluation Date	March 17, 2021
Issuer Location	London, United Kingdom

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3
Appendices	9

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Introduction

PA Housing (“PA Housing”, or the “Company”) is a registered provider of social housing in United Kingdom with more than 23,000 homes and sub-market housing solutions for people in need including social and affordable rent, housing for older people, and shared ownership.

PA Housing has developed the PA Housing Sustainable Finance Framework (the “Framework”) under which it intends to issue one or more sustainability bonds and/or loans, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that support the access to green and affordable housing in the United Kingdom. The Framework defines eligibility criteria in three areas:

1. Affordable New Build Homes
2. Green Buildings
3. Sustainable Estates, Communities and Public Spaces

PA Housing engaged Sustainalytics to review the PA Housing Sustainable Finance Framework, dated February 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), Sustainability Bond Guidelines 2018 (SBG)¹, and Green Loan Principles 2021 (GLP)². This Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ 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 Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA, and the Green 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 1.7.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of PA’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. PA Housing representatives have confirmed (1) they understand it is the sole responsibility of PA Housing 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.

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 PA.

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

¹ The Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

² The Green Loan Principles 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/#>

³ The PA Housing Sustainable Finance Framework is available on PA Housing’s website at: <https://www.pahousing.co.uk/>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised 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 PA Housing has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

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

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

- Use of Proceeds:
 - The eligible categories – Affordable New Build Homes, Green Buildings, Sustainable Estates, Communities and Public spaces – are aligned with those recognized by the GBP, SBP and GLP.
 - PA Housing will use proceeds primarily to finance Affordable Housing and other related categories in United Kingdom (UK).
 - Sustainalytics notes that target populations and housing requirements are established by local planning authorities under the guidance of the National Planning Policy Framework,⁵ which directs the local authorities to identify the needs of housing markets and determine where and what quantity of affordable housing⁶ should be provided. PA Housing provides homes exclusively to target populations earning a low income,⁷ in receipt of state benefits, and minorities that are economically and socially disadvantaged.⁸ Affordable housing criteria may vary from local authority to local authority,⁹ but the Company aims to reduce homelessness, prevent overcrowding of shelters, or mitigate medical conditions made worse by sub-standard housing arrangements. Sustainalytics positively notes the well-defined target groups and is of the opinion that this use of proceeds will contribute to increasing access to affordable housing in UK, thus creating a positive social impact.
 - Within the Affordable New Build Homes category, PA Housing intends to finance or refinance projects relating to construction, modernization, and acquisition of affordable housing in the United Kingdom. The rent cap or threshold for affordable housing has been set by the UK government and is adopted by PA Housing.¹⁰ Furthermore, PA Housing finances homes for "Shared Ownership",¹¹ which are homes that are sold to people for whom open market

⁵ UK Government, "National Planning Policy Framework", (2019), at: <https://www.gov.uk/government/publications/national-planning-policy-framework-2>

⁶ Housing of any tenure that is judged to be affordable to a particular household or group by analysis of housing costs, income levels and other factors, at: <http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf>

⁷ The threshold for low income in UK is 60% of median income. More information can be found here: <https://www.gov.uk/government/publications/how-low-income-is-measured/text-only-how-low-income-is-measured>

⁸ Economically and socially disadvantaged people in the UK is measured by the English Indices of Deprivation (2019). More information can be found at: <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>

⁹ Ministry of Housing, Communities and Local Government, "Guidance Rent Standard", (2020), at: <https://www.gov.uk/government/publications/rent-standard/rent-standard-april-2020>

¹⁰ House of Commons Library, "What is Affordable Housing?", (2019), at: <https://commonslibrary.parliament.uk/research-briefings/cbp-7747/>

¹¹ PA Housing, "Shared owners and leaseholders", at: <https://www.pahousing.co.uk/customers/shared-owners-and-leaseholders/>

purchases would be unattainable. Purchasers buy a share of the property and pay rent on the remaining value. Eligibility for Shared Ownership is determined by government criteria.¹²

- Sustainalytics recognizes that the program is part of a government affordable home ownership scheme and PA Housing's criteria for annual household income caps arises from discussion with local authorities per scheme and meets or is lower than regulated requirements, which are GBP 80,000 or GBP 90,000 in London. While Sustainalytics notes that the Shared Ownership income caps defined by the regulation go above median income in the UK, PA Housing's Shared Ownership program includes additional rent caps to further ensure affordability for low-income earners. For example, in PA Housing's affordable housing scheme in Croydon, South London, most of the shared ownership units are subject to an income cap GBP 45,000 for one bed and GBP 55,000 for two beds. Sustainalytics considers the income thresholds selected as consistent with government policy and in line with market practice.
- Under the Green Buildings category, PA Housing may finance or refinance the construction and modernization of green buildings in the UK to achieve minimum energy performance certificate (EPC) "B" rating. In addition, Sustainalytics highlights that, according to data from the UK government, residential buildings obtaining a grade of B or higher represent the top 11% of labelled domestic buildings in the UK,¹³ which is aligned with market practice. Other projects under this category include investments in renewable energy supply such as installation of solar panels and air/ground source heat pumps.
- In the Sustainable Estates, Communities and Public Spaces category, the Company may finance or refinance projects that reduce water consumption, increase energy efficiency by 30% on sites controlled by the Company, and improve recycling facilities, including those managing e-waste. PA Housing has confirmed to Sustainalytics that the recycling of e-waste will include robust waste management processes to mitigate associated risks. PA Housing may also finance or refinance infrastructure for electric vehicles such as charging points. Finally, the Company may finance or refinance the creation or improvement of parks and public spaces and improve access to public transportation for the local community.
- The lookback period for refinancing projects and activities is three years.
- Project Evaluation and Selection:
 - PA Housing's internal process in evaluating and selecting projects is overseen by the Company's Sustainable Investment Panel that meets monthly. The members of the Sustainable Investment Panel include the Chief Executive, Executive Director – Development and Sales, Executive Director – Customer Services, Executive Director – Resources, Assistant Director – Regeneration, and Assistant Director – Treasury and Financial Planning. The Assistant Director – Regeneration sponsors PA Housing's sustainability strategy and will advise the panel on the progress on strategy objectives. The Company expects that all projects that are submitted for approval will identify and quantify the expected outcomes and outputs. The team that provides final approval depends on the project cost. Projects that cost above GBP 25 mn require the approval of Group Board, between GBP 5 mn and GBP 25 mn require the approval of the Developments and Assets Committee, and cost below GBP 5 mn require approval from the Executive Management team.
 - Based on the establishment of a Sustainable Investment panel, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - PA Housing's processes for management of proceeds is tracked using an internal process to document and monitor funds. The tracking process is overseen by the Sustainable Investment Panel. This internal process identifies eligible projects, matches proceeds, and monitors project spending. Amounts equivalent to the net proceeds from the sustainable finance instrument issued under the Framework will be separately accounted, reconciled and reported through the Sustainable Investment Panel and the Development and Assets Committee. Pending allocation,

¹² (i) Household income must be below £80,000 (of £90,000 in London); (ii) Buyers must not own another home (it is permissible to have previously owned a home); (iii) Buyers must be purchasing their first home or be unable to afford to buy through other means.

¹³ Ministry of Housing, Communities and Local Government, "Live tables on Energy Performance of Buildings Certificates, (2020), at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates#epcs-for-all-properties-non-domestic-and-domestic>

unallocated proceeds will be held as cash deposits, in sterling denominated money market funds that are in line with the Company treasury management policy or used for short-term repayment of debt prior to full allocation. PA Housing expects to fully allocate proceeds within three years from the date of the receipt of funds.

- Based on a transparent tracking process, temporary allocation of funds and allocation timeframe, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - PA Housing intends to report annually on the allocation of proceeds and impact on its website until maturity of the sustainable finance instrument. The allocation report will include net proceeds outstanding from sustainable finance instrument, balance on sustainability account, share of proceeds used for refinancing and financing as well as share of proceeds used per category, share of unallocated proceeds and a list of eligible green and social assets financed by outstanding sustainable financing. In addition, PA Housing is committed to reporting on relevant impact metrics as listed out in Appendix 1.
 - Based on publicly accessible information that will be provided in the allocation and impact report, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

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

Section 2: Sustainability Strategy of PA Housing

Contribution of Framework to PA Housing's sustainability strategy

Sustainalytics is of the opinion that PA Housing demonstrates a strong commitment to sustainability through its target of delivering zero-carbon emissions before 2050 and its commitment to the construction of affordable and social homes. PA Housing's overarching corporate agenda aligns with its sustainability strategy through the following key pillars: (i) property, (ii) people and (iii) partners.¹⁴

In line with its sustainability pillars and with the Framework, the Company intends to finance green buildings, build new homes and facilitate community projects. To contribute towards the U.K.'s 2050 carbon neutral target, PA Housing intends to increase investment in renewable energy projects in its new and existing building stock and to enhance energy efficiency and consumption within its existing estates. Its overarching sustainability goals include improving the environmental performance of its building stock, meeting customer needs to help them make sustainable choices, embedding sustainability practices within operations and partnering with stakeholders to achieve strategic goals in 'tackling the climate emergency'.¹⁴

From an environmental perspective, PA Housing builds new homes for those who cannot access housing on the open market and providing them at social rent. PA Housing has disclosed that currently 40% of its housing stock (or 10,500 properties) have an EPC rating of D or lower. The Company intends to achieve minimum Energy Performance Certificate ("EPC") 'C' rating by 2030 and improve the energy efficiency within these buildings through investments in heating systems, upgrading insulation, and installing new windows and doors.

PA Housing engages with its key stakeholders, including its customers, colleagues, contractors, and partners by surveying them about their priorities. With these priorities, PA Housing formulated a long- and short-term Sustainability Action Plan,¹⁵ which identifies how to embed sustainability across operations and within its long-term corporate plan. The Sustainability Action Plan categorizes short-, medium- and long-term goals by sustainability pillar; "property, people and partners", and identifies progress toward these goals.

Additionally, PA Housing delivers a number of community projects for its residents. Examples of project programs include providing seed capital for business proposals, financial support to assist residents who are experiencing temporary hardship, digital learning programs, online employment support programs, affordable credit options, community garden projects and youth engagement projects. Most notably, the Naumann

¹⁴ PA Housing, "Corporate Plan 2020-2023", (2020), at: <https://www.pahousing.co.uk/media/7491/corporate-plan-2020-2023.pdf>

¹⁵ Provided directly to Sustainalytics.

Initiative which was developed in partnership with Kingdom Housing Association to offer people who are registered as homeless a joint employment and housing offer.¹⁶

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

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the SBG, GBP, SBP and GLP. to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include occupational health and safety, community relations and stakeholder participation, land use and biodiversity issues associated with construction.

Sustainalytics is of the opinion that PA Housing is able to manage and/or mitigate potential risks through implementation of the following:

- Regarding worker health and safety, PA Housing's Audit and Risk Committee assesses health and safety associated with development projects. All sites have monthly meetings and health, safety and occurrence reporting are a specified agenda topic in these meetings. Health and safety reports related to site inspections are reviewed by the members of the management team. Additionally, UK regulations, such as the Management of Health and Safety at Work Regulations 1999¹⁷ sets the minimum standards to ensure that employees are protected from harm, employers are responsible for identifying potential hazards, assessing the risk and eliminating the hazard or managing the risk.¹⁸ The Construction (Design and Management) Regulations 2015¹⁹ addresses the risks specific to construction work and details the legal duties of all parties to protect anyone from harm arising from construction work.²⁰
- The UK has implemented several regulations regarding Environmental Impact Assessment, following the amended EU Directive 2001/42/EC,²¹ in order to "protect the environment by ensuring that a local planning authority when deciding whether to grant planning permission for a project, which is likely to have significant effects on the environment, does so in the full knowledge of the likely significant effects, and takes this into account in the decision-making process."²²
- The United Kingdom is classified as a "Designated Country" under the Equator Principles, implying the presence of robust environment and social governance systems, legislation, and institutional capacity for protecting the environment and communities.²³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that PA Housing 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 three Use of Proceeds categories are aligned with those recognized by GBP, SBP or GLP. Sustainalytics has focused on the below where the impact is specifically relevant in the local context.

Importance of affordable housing and green buildings in the UK

In the UK, residential homes contribute towards a substantial portion of carbon emissions and are becoming increasingly unaffordable, especially for low-income earners. For example, in 2019, the residential

¹⁶ PA Housing "Naumann Initiative" (2020), at: [PA Housing launches initiative to break the 'vicious circle' of homelessness | PA Housing](#)

¹⁷ UK Legislation, "The Management of Health and Safety at Work Regulations 1999", (1999), at:

<https://www.legislation.gov.uk/ukxi/1999/3242/contents/made>

¹⁸ HSE, "Managing risks and risk assessment at work", at: [https://www.hse.gov.uk/simple-](https://www.hse.gov.uk/simple-healthsafety/risk/index.htm?utm_source=hse.gov.uk&utm_medium=referral&utm_campaign=risk&utm_content=home-page-info)

[healthsafety/risk/index.htm?utm_source=hse.gov.uk&utm_medium=referral&utm_campaign=risk&utm_content=home-page-info](https://www.hse.gov.uk/simple-healthsafety/risk/index.htm?utm_source=hse.gov.uk&utm_medium=referral&utm_campaign=risk&utm_content=home-page-info)

¹⁹ UK Legislation, "The Construction (Design and Management) Regulations 2015", (2015), at:

<https://www.legislation.gov.uk/ukxi/2015/51/contents/made>

²⁰ HSE, "What do I need to do?", at: <https://www.hse.gov.uk/construction/cdm/2015/responsibilities.htm>

²¹ European Union Law, "Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment", (2001), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32001L0042>

²² Government of the UK, "Environmental Impact Assessment", at: <https://www.gov.uk/guidance/environmental-impact-assessment>

²³ The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

sector accounted for 19% of total CO₂ emissions in the UK.²⁴ Additionally, a study conducted by the National Housing Federation estimated that 8.4 million people in England were living in an unaffordable, insecure or unsuitable home and 3.4 million people could afford decent living conditions only with social housing access.²⁵ In recognition of the urgent need for more energy efficient homes that provide people on low incomes with security, decent and affordable living conditions, the UK government's Fuel Poverty Strategy aims to achieve a minimum EPC label of C for the entire building stock by 2030.²⁶

The social housing sector, which accounts for approximately 17% of all homes in the UK, presents a significant opportunity for reducing both CO₂ emissions and providing affordable homes. Reports have shown that there are direct links between improvements in energy efficiency and affordability. Energy efficiency investments made by landlords and Housing Associations can reduce operating costs and increase affordability for low-income tenants.²⁷ In 2017, the UK Government announced the Shared Ownership and Affordable Homes (SOAH) Programme to address these challenges. As of 2019, the annual supply of affordable homes was 57,500 of which 51% are designated for affordable rent, 34% for affordable home ownership, and 11% for social rent.²⁸ The SOAH Programme will have access to funding up to GBP 9.1 bn (EUR 10.1 bn) starting in 2021 to support the development of an additional 10,000 homes per year, including social rented housing.²⁸ Recognizing these opportunities, PA Housing's activities aim to both improve the energy performance of Housing Associations' building stock while ensuring affordability.

Based on the above, Sustainalytics believes that PA Housing's financing of affordable housing, which is supported by a well-defined target population, and green buildings will foster access to decent energy efficient housing conditions by low-income households and help solve the supply-side constraint of the housing market in the UK.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the PA Housing Sustainable Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Affordable New Build Homes	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all adequate, safe and affordable housing and basic services, and upgrade slums.
Green Buildings	7. Affordable and Clean Energy	7. By 2030, double the global rate of improvement in energy efficiency.
Sustainable Estates, Communities and Public Spaces	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Conclusion

PA Housing has developed the PA Housing Sustainable Finance Framework under which it will issue sustainability bonds and/or loans and use the proceeds to finance Affordable New Build Homes, Green

²⁴ UK Government, "2019 UK Greenhouse gas emissions, provisional figures", (2020), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875485/2019_UK_greenhouse_gas_emissions_provisional_figures_statistical_release.pdf

²⁵ BBC, "Housing crisis affects estimated 8.4 million in England - research", (2019), at: <https://www.bbc.com/news/uk-49787913#:~:text=Housing%20crisis%20affects%20estimated%208.4%20million%20in%20England%20%2D%20research,-23%20September%202019&text=An%20estimated%208.4%20million%20people.to%20the%20National%20Housing%20Federation.>

²⁶ UK Government, "Fuel poverty strategy for England", (2019), at: <https://www.gov.uk/government/consultations/fuel-poverty-strategy-for-england#:~:text=Consultation%20description&text=In%202014%2C%20the%20government%20introduced,fuel%20poverty%20strategy%20for%20England.>

²⁷ Suss Housing, "Housing 2050", (2020), at: <https://static1.squarespace.com/static/5c867873e8ba44ac1303d5fc/t/5dd3a2a2b036cc38a0271e77/1574150823796/Housing+2050+-+web+version.pdf>

²⁸ UK Parliament, "What is affordable housing?", (2019), at: <http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf>

Buildings, Sustainable Estates, Communities and Public Spaces. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The PA Housing Sustainable Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that PA Housing Sustainable Finance Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that PA Housing has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds. Based on the above, Sustainalytics is confident that PA Housing is well-positioned to issue sustainability bonds and that that PA Housing Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Sustainability Bond Guidelines (2018), Green Bond Principles (2018), Social Bond Principles (2020) and Green Loan Principles (2021).

Appendix

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

Section 1. Basic Information

Issuer name:	PA Housing
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	PA Housing Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	March 17, 2021
Publication date of review publication:	

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 – Affordable New Build Homes, Green Buildings, Sustainable Estates, Communities and Public Spaces – are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9, and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input 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 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):

PA Housing's internal process in evaluating and selecting projects is overseen by the Company's Sustainable Investment Panel on a monthly basis. The Assistant Director of Regeneration sponsors PA Housing's

sustainability strategy and advises the panel on the progress on strategy objectives. 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 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 checked="" 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)*:

PA Housing's processes for management of proceeds is tracked using an internal process to track, document and monitor funds. The tracking process is overseen by the Sustainable Investment Panel. This internal process identifies eligible projects, matches proceeds, and monitors project spending. Pending allocation, unallocated proceeds will be held as cash deposits, in sterling denominated money market funds that are in line with the Company treasury management policy or used for short-term repayment of debt prior to full allocation. PA Housing expects to fully allocate proceeds within three years from the date of the receipt of funds. 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 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 |

- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

PA Housing intends to report annually on allocation of proceeds and impact on its website until maturity of the sustainable financing instrument. The allocation report will include outstanding net proceeds, share of proceeds used for refinancing and financing as well as share of proceeds used per category, share of unallocated proceeds and a list of eligible green and social assets financed by outstanding sustainable financing. In addition, PA Housing is committed to reporting on relevant impact metrics as listed out in Appendix 1. Sustainalytics views PA Housing's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Number of beneficiaries
- Target populations
- Other ESG indicators (please specify):

Frequency:

- Annual
- Semi-annual
- 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.)

<https://www.pahousing.co.uk/>

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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Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

