

# Sustainable Finance Framework

October 2021



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# SECTION 1: INTRODUCTION



## 1.1 Introduction to Wheatley Group

Wheatley Group (Wheatley, the Group) is one of the UK's most dynamic, agile and best-performing housing, care and property-management groups.

Owning or managing over 93,700 homes, Wheatley is Scotland's largest and the UK's 4th largest housing group and delivers award-winning services to over 210,000 people.

Wheatley employs 2,700 people directly and a further 2,000 as joint owners of one of Scotland's largest repairs and maintenance companies, City Building (Glasgow). Over the past decade Wheatley's Registered Social Landlords (RSLs) have created more than 11,000 jobs and 2,000 training places as they seek, with partners, to break the cycle of poverty and exclusion that many of its customers still experience.

The Group now has strategic agreements in place or being developed in six key areas of operation (Glasgow, Edinburgh, Dumfries and Galloway, West Lothian, East Lothian, and West Dunbartonshire) and operates within 18 Local Authority areas across central and South-West Scotland.



# PURPOSE, VISION AND VALUES

**Our purpose:**  
Making Homes and Lives Better

**Our vision:**  
Customers have increased control over their services, their communities and their lives, with new opportunities for building skills and resilience.

We will work ethically and sustainably, ensuring our homes are affordable for our customers, digitally enabled and low or net-zero carbon. We will share our expertise and work with others to improve the fabric of our customers' lives while creating great communities.

## Our Values:

### Excellence

– we raise the bar  
...in everything we do.

### Community

– people direct  
what we do  
...and together we build  
strong communities.

### Ambition

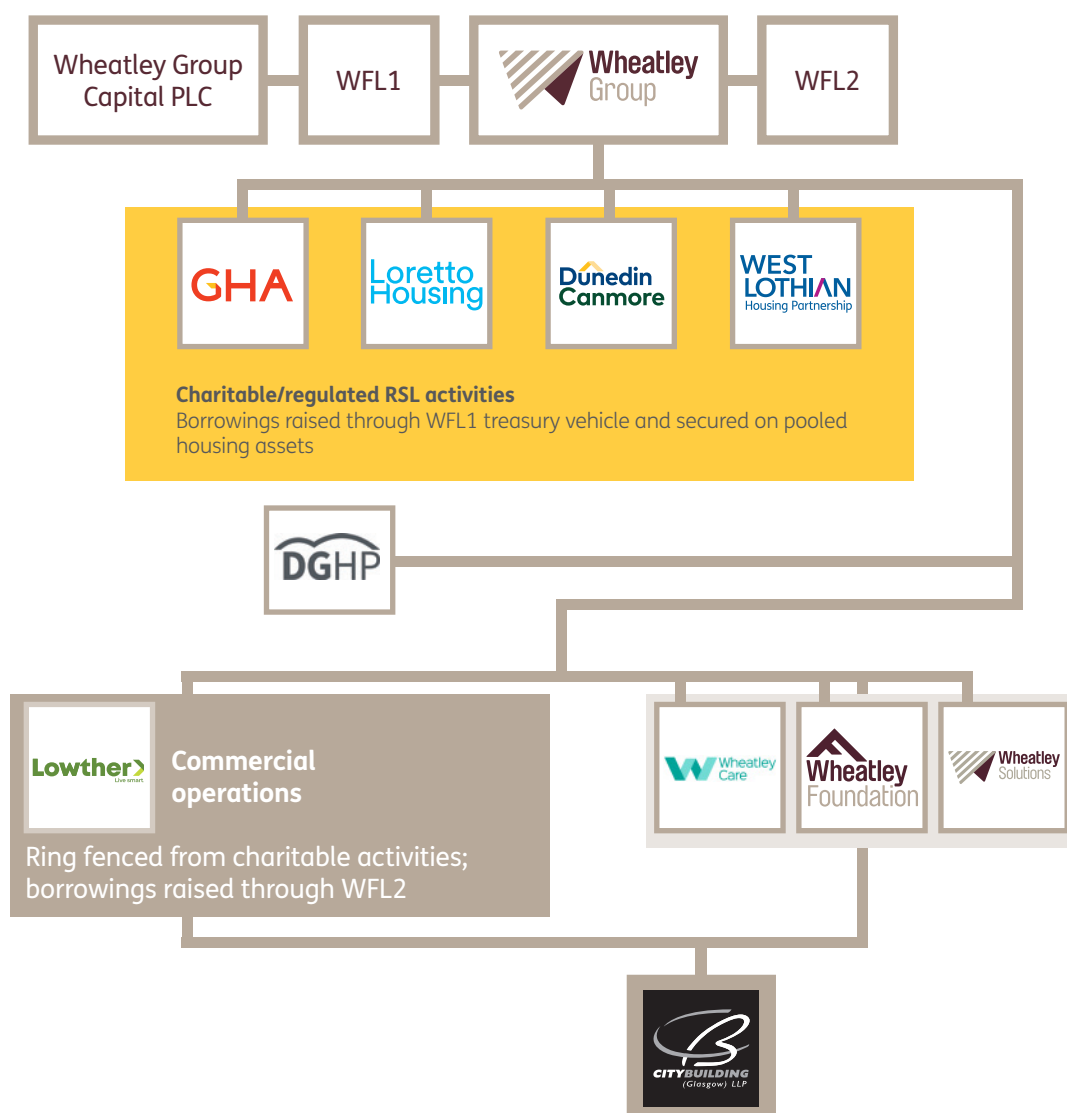
– we push the  
boundaries in new ways  
...so everyone can fulfil  
their potential.

### Trust

– we inspire customers  
and staff  
...to shape the future.

## Group Structure

Wheatley delivers its activities to customers through twelve wholly owned immediate subsidiaries, supported by the joint venture with City Building (Glasgow) LLP. The Group's operating structure as at 31 July 2021 is shown below.



Wheatley subsidiaries are proud to retain their own identity but are united by a common commitment to excellence in all they do. They have a joint purpose in ‘Making Homes and Lives Better’ for the people they work for and the communities in which they live. This shared culture across our maturing Group ensures Board Members and staff are increasingly comfortable applying principles and platforms appropriately with respect to their different customer groups and contexts, to deliver exceptional customer experience.

Two Wheatley Group treasury funding vehicles will be eligible to borrow under this Sustainable Finance Framework (SFF):

- **Wheatley Funding No.1 Ltd (“WFL1”)** – funding Group RSLs
- **Wheatley Funding No.2 Ltd (“WFL2”)** – funding vehicle for the commercial side of the Wheatley Group.

### 1.2 Our business model and its impact

Wheatley has a low-risk business model with c.97% of our assets being for social rent. We are one of the country’s best accredited organisations. Our success is externally recognised through the many national and international awards and accreditations Wheatley, and its partner organisations, continue to win each year, notably from the European Foundation for Quality Management, Investors in People and the UK Government Cabinet Office, which oversees Customer Service Excellence.

Wheatley’s partner organisations remain firmly rooted in their local communities whilst drawing on the strength, size, scale and resources of the Group to contribute on a regional and national level to affordable housing, care and community regeneration across Scotland.

#### 1.2.1 Social Impact

Wheatley is not simply about bricks and mortar. Our purpose is to “Make Homes and Lives Better”. Our impact upon our communities is vital to the success of the organisation and the improvement of life outcomes for our customers. Upon completion of our 2015-21 strategy ‘Investing in Our Futures’, we asked the Housing Associations’ Charitable Trust (HACT) to value the social impact the Group has delivered within our neighbourhoods. Their valuation methodology found:

- £2bn economic impact of GHA (as supported by Fraser of Allander<sup>1</sup> research)
- evidenced improved wellbeing was measured at £15.1m (2015-20)
- public sector efficiency savings of £0.46m (2015-20)
- economic value of £181m from the development programme in 2018-19 alone.



We want our customers to reach their potential for a brighter future for themselves and their families. Wheatley is committed to making a significant social impact by investing in our communities, supporting the lifelong health and wellbeing of our customers, creating job and apprenticeship opportunities and reducing the inequalities experienced by many of those living in our communities.

Our lettings policy aims to make the way we rent homes open, clear and fair with our homes being let to the people who need them most. We have a shared lettings policy across the Group RSLs but there are some local differences including common housing registers, use of the EdIndex for housing in Edinburgh or Homes4D&G within Dumfries and Galloway.

Our customers can access our My Housing system which holds our housing information, advice and lettings service. By law, anyone aged 16 or over can apply to register for housing, have their housing needs assessed and have their application submitted. The allocation of homes works on a needs-based approach and our policy aims to place those in greatest need in Band A with the next priority need Band B, then C and so on down to Band H.

#### Affordability

<sup>1</sup> <https://www.strath.ac.uk/business/economics/fraserofallanderinstitute/>



Our most vulnerable populations are included in Bands A and B as set out in the table below:

	Category	Definition
Band A Strategic	Management Transfer	For existing tenants – extreme and urgent housing requirement with supporting evidence required from Police Scotland. Includes Domestic Abuse.
	Return to Community	For existing tenants – returning from hospital and requiring specialist property type or intermediate care setting. Restricted patients as defined by the Management of Offenders (Scotland) Act 2005.
Band B Strategic	Statutory Homeless	Applicants assessed as Statutory Homeless by the Local Authority, including refugees. Applicants sleeping rough as part of the Housing First model. Existing statutory homeless customers who have been in temporary accommodation for over 12 months.
	Young Care Leavers	Applicant leaving care or a young offender's institution.

The use of these priority Bands enables us to achieve letting ratios based on demand, local needs, letting trends and weighting afforded to priority bands as defined by the Housing (Scotland) Act 2014. Additional detail on the bandings can be found on the My Housing website<sup>2</sup>.

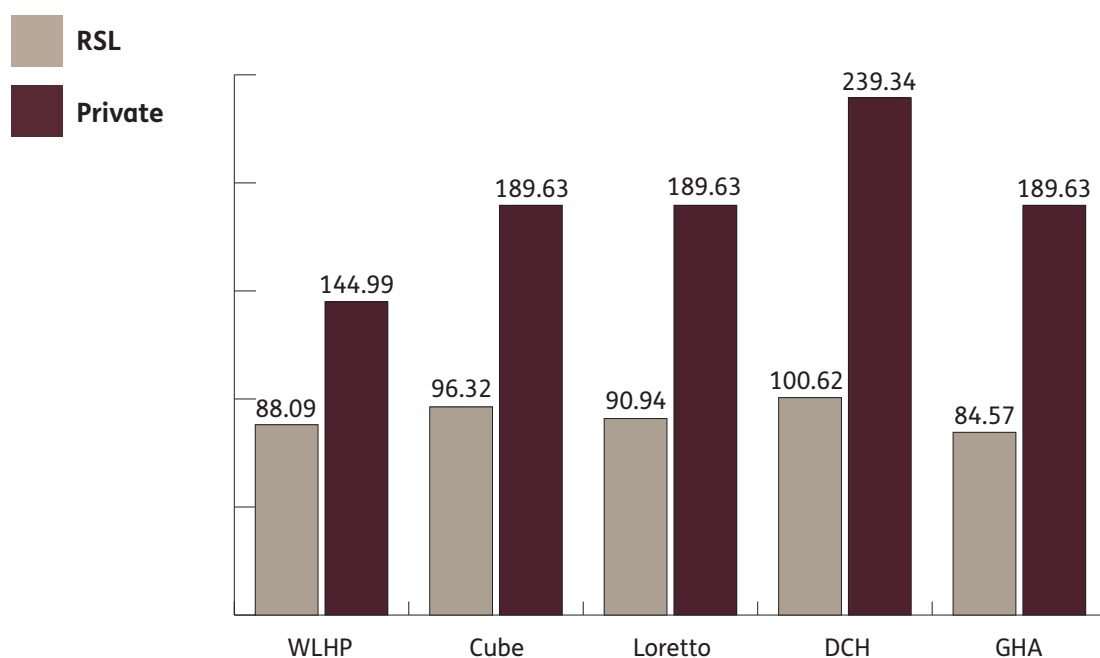
#### Affordability

<sup>2</sup> <https://www.myhousing.org.uk/sites/default/files/ghalettingpolicy.pdf>

Ensuring that rents are affordable for our customers is a core strategic objective and facing into the economic headwinds as we move beyond the Covid-19 pandemic, it is critical that we deliver value for money.

Wheatley assesses the affordability of its social housing rents by employing the Scottish Federation of Housing Associations (SFHA) rent affordability tool<sup>3</sup>. There is no nationally agreed maximum affordability ratio for rent. However, Shelter suggests any household that spends more than 35% of its income on rent (and service charges) may experience a disproportionate impact from housing costs. Wheatley Group set rents annually subject to the obligations included in the Scottish Social Housing Charter and Housing Act (Scotland) 2001 which requires us to consult with tenants on our proposals.

#### Private rent v. Social rent (2020/21)



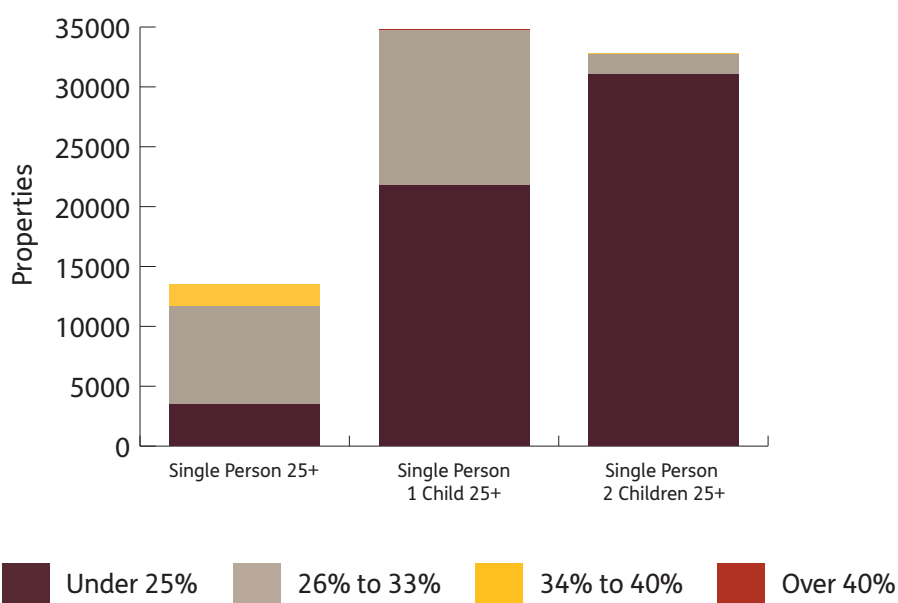
Social rents across the Group are generally around 40 – 50% of market rent



<sup>3</sup> This uses the lowest 30% of earnings in the Office for National Statistics' Annual Survey of Hours and Earnings ("ASHE") for each Local Authority area, and applies a weighting for household composition to take account of household size in recognition that larger households often have more earnings/income and eligibility for Tax Credits and Child Benefit.



### Rent affordability: rent as a percentage of disposable income (2020/21)



- Social rents across the Group are generally around 40 – 50% of market rent

- Detailed rent affordability analysis was carried out during 2020 using the SFHA rent affordability tool to measure rent of 47,514 properties as a percentage of incomes for our main customer groups
- Rent charges for couples with or without children are typically less than 25% of income, but rent affordability can be more challenging for single people
- We have targeted the very small number of properties where affordability is at the upper bracket of the Shelter/ SFHA's rent tool with lower rent increases.

Wheatley has specialist welfare benefits advisors to assist our customers through the often-complex process of claiming support. This has been of particular importance during the pandemic as many of our customers had to access the benefits system for the first time or have been transitioned onto Universal Credit from their previous Housing Benefit system. Our teams have been able to secure £9.4 million of additional welfare benefits on behalf of our tenants during 2020/21, making a material difference to their household income.



### Scottish Secured Tenancies

In contrast to the insecurity tenants often experience in the private rental sector, all direct tenants in Wheatley socially rented properties have Scottish Secured Tenancies<sup>4</sup>. This provides them with secure occupancy rights for life, with the ability to succeed that tenancy to their husband, wife or civil partner, an opposite-sex or same-sex partner, provided they have lived with the primary tenant for at least 12 months, or other joint tenant.

### Safety in our homes & communities

We deliver wraparound services, including seconded police officers, fire officers and our own staff to tackle anti-social behaviour, crime, and to improve fire safety in our neighbourhoods as part of our Wheatley 360 initiative.

Our substantial investment in fire safety, in terms of capital investment, maintenance and dedicated staff, has resulted in a 21% reduction of accidental dwelling fires from 2017/18 to 2019/20, and a further reduction of 10% during 2020/21. We make over 3,000 home fire safety visits per annum and continue to work towards completion of the installation of wired smoke and heat detectors to all of our homes by the legislative deadline of February 2022.

### Eradicating Homelessness

Wheatley plays an active role in tackling homelessness in conjunction with local authority partners and other support agencies to make a sustainable difference and we are proud to be a partner in the Housing First<sup>5</sup> initiative. In response to the pandemic, we took concrete measures to support the most pressing need in our communities by providing 300 empty homes to local authority partners for use as temporary accommodation for homeless people - and pledged an additional 100 homes to Housing First.

We have provided homes to over 2,100 homeless people and households over the course of 2020/21 and are committed to providing a minimum of 2,000 homes per year to homeless people and households, with a minimum of 60% of all new lettings to homeless people and households.

### 1.2.2 Environmental Impact

We take our role as an innovator in housing seriously. Wheatley subsidiaries have continually invested and improved the energy and carbon emissions performance of our homes. This investment not only benefits householders, who enjoy lower energy consumption and higher thermal standards with each improvement, but also fits within our ethos as a conscientious champion of a sustainable built environment.

Our Green Investment Plan will include all new homes being low carbon (minimum EPC Band B) and we will increase the use of renewable energy generation at source within our existing homes. A significant investment in retrofitting to increase the energy efficiency and reduce the carbon footprint of our existing homes will create and support up to 1,000 jobs in the Scottish supply chain.

Waste management is included as a criterion for appointment to our new build frameworks. It is a requirement that all our contractors must participate in the Considerate Constructors scheme<sup>6</sup>.

In addition, improving our existing customers' homes and environments remains a key strategic priority. We will continue to use our financial strength to reinvest a further £360 million over the next 5 years in improving, modernising and maintaining homes across the Group, in addition to £300 million on repairs.

Our repairs and maintenance company, jointly owned with Glasgow City Council, City Building (Glasgow) Limited, operate under the industry's highest standard of Environmental Management System with ISO 14001 accreditation. City Building's approach to waste and water management, our operating practices, policies, and staff are externally validated on an ongoing basis each year by the British Standards Institute (BSi).

<sup>4</sup> There are different arrangements in place for indirect tenants (i.e. customers who are staying in Wheatley accommodation, where the tenant is living in supported housing or where the tenancy is paid for by a local authority and/or HM Government as may be the case for the homeless, asylum seekers and refugees).

<sup>5</sup> Housing First is a partnership set up to tackle rough sleeping by giving secure mainstream tenancies to people who are currently sleeping rough or living in hostels and other temporary accommodation.

<sup>6</sup> <https://www.ccscheme.org.uk/>

### Housing energy and carbon performance

Wheatley performs better than the published average housing carbon emission standards across all tenures<sup>7</sup> and average energy consumption<sup>8</sup>. With the Scottish average housing carbon emissions being 78kg/m<sup>2</sup> compared with Wheatley's 47kg/m<sup>2</sup> and an average primary energy demand for Scottish homes being 281 kWh/ m<sup>2</sup>, Wheatley homes require 278kWh/ m<sup>2</sup> for an equal sized average home.

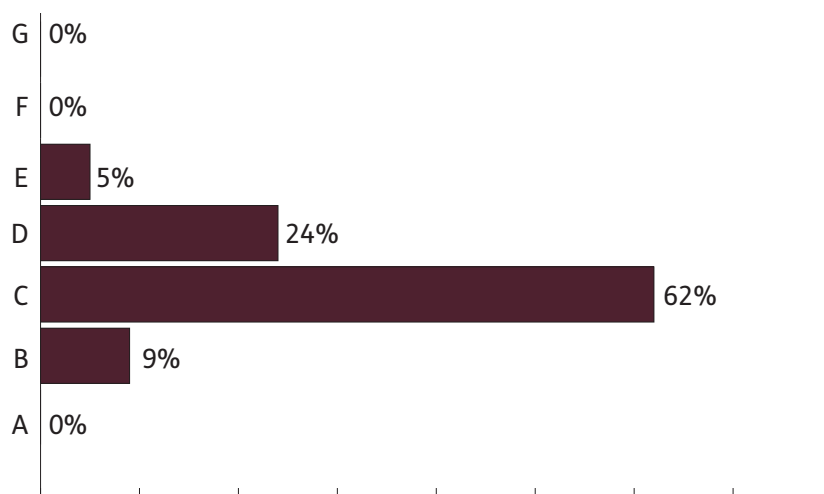
Wheatley has consistently exceeded the social housing sector in progress towards the Scottish Government's legislation for Energy Efficiency Standards in Social Housing (ESSH)<sup>9</sup> which is equivalent to EPC Band D.



	2016	2017	2018	2019	2020
Scottish social housing sector ESSH average	68%	75%	80%	85%	88%
Wheatley average	93%	94%	96%	97%	95.5% <sup>10</sup>

The Scottish Government is currently consulting on ESSH2 which will require all affordable homes to meet EPC Band B or equivalent rating by 2032 within the limits of cost, technology and necessary consent.

EPC certificates are issued upon a change of tenancy and given the long-term residencies of many of our properties which are rented subject to Scottish Secured Tenancies, we currently hold EPCs for 72% of our socially rented homes (c.44,600 homes). Using this significant sample size, we can extrapolate the distribution of EPCs across our stock as at 31 March 2021 as set out below:



<sup>7</sup> [https://www.gov.scot/publications/scottish-house-condition-survey-2017-key-findings/pages/5/#s3\\_5](https://www.gov.scot/publications/scottish-house-condition-survey-2017-key-findings/pages/5/#s3_5)

<sup>8</sup> National Energy Efficiency Data-Framework (NEED): consumption data tables 2019 - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>9</sup> <https://www.gov.scot/publications/energy-efficiency-standard-social-housing-essh-scottish-government-guidance-social-landlords-revised-2020/>

<sup>10</sup> This total includes DGHP where 78% of homes have reached ESSH compliance; the capital programme was delayed during 2020/21 due to Covid-19 restrictions. We will reach full compliance by the end of 2021/22 for ESSH compliance for the entire Wheatley Group

### 1.3 Wheatley Foundation

Our Award-Winning Foundation brings together all of the Wheatley Better Lives programmes and activities under one roof. Our charitable trust was set up in 2016 with the aim of supporting 10,000 people each year, who may be disadvantaged or vulnerable, within Wheatley communities across Scotland.

There is no single definition of ‘vulnerable’, although we work collaboratively with our partners across the public health spectrum, including Police Scotland, Scottish Fire & Rescue Service and Public Health Scotland who have their own separate definitions:



Police Scotland	A person is vulnerable if, as a result of their situation or circumstances, they are unable to take care of themselves or protect themselves from exploitation.
Scottish Fire & Rescue Services	If a person is over the age of 16 and meet the following 3 criteria: 1. Unable to safeguard their wellbeing, property, rights or other interests 2. Are ‘at risk of harm’ either through their own or another person’s behaviour 3. Because they are affected by disability, mental disorder, illness, physical or mental infirmity, are more vulnerable to being harmed than adults who are not so affected.
Public Health Scotland	People who are for any reason unable to take care of themselves or protect themselves from exploitation.

While our Foundation targets its support to populations with these characteristics, more widely, our approach around provision of housing reflects our support of vulnerable people. This is covered in more detail in section 1.2.1

The key objectives for the Wheatley Foundation are to tackle poverty and improve employability, primarily delivering services to our customer base, but also into our wider communities across central and South West Scotland. The Foundation is funded via gift aid from the Group’s commercial activities in Lowther Homes and from other charitable donations. This virtuous circle of investing in the Foundation’s programmes which are delivered directly or by working with local and national partners, ensures that Wheatley Group can achieve its ambition of ‘Making Lives Better’ across our communities.

As we look forward to life post-pandemic, the importance of our continued role in facilitating training and employment opportunities for our customers is critical:

➤ **Wheatley Works** programme of training, apprenticeships and employment opportunities is a core element of the Wheatley Foundation. This involves **Modern Apprenticeships** (60 places during 2021);

- **Open Door Programme** in conjunction with the Glasgow Centre for Inclusive Living which offers people with a disability a paid nine-month placement within the Wheatley Group or one of our partner organisations; and
- **Changing Lives Programme** which provides an environmental-based placement with Wheatley Group subsidiary companies for any customers facing barriers to employment; and
- **Community Benefits** which commit our contractors to provide jobs, apprenticeships, mentoring and other tangible employment opportunities to our communities across Scotland.



## 1.4 Wheatley in the community – Case Studies

### Our journey to Zero Carbon

Housing accounts for c. 17% of carbon emissions in the UK<sup>11</sup>, primarily due to heat escaping via poorly insulated roofs, walls, windows, and doors. We have already made significant investments into our existing asset base (£1.3bn into GHA alone) to reduce emissions, making homes warmer and reducing heating bills for our customers.

Scotland benefits from high levels of renewable energy, with 97.4% of the country's generation capacity coming from wind, wave & tide power. We are increasingly investing in alternative zero or low carbon heating solutions for our existing homes and, in line with Scottish Government legislation, will no longer be using gas as a source of heat in our new homes from 2024. Examples of the work undertaken are set out below:

### District Heating Schemes

We have installed district heating schemes in four of our Glasgow estates. The district heating systems, which cover more than 2,600 homes, help us make carbon savings and reduce the number of people falling into fuel poverty.

### Air Source Heat Pump

GHA commissioned the UK's largest Air Source Heat Pump machine to feed district heating for 350 homes in Hillpark Drive in Glasgow.

### Combined Heat & Power Plant

A Combined Heat and Power (CHP) plant at Ibroxholm Oval in Glasgow produces heat and hot water in a highly efficient way. A CHP system takes away the need for each home to have an individual boiler – making it an affordable, energy-efficient way of heating homes.

## Connected Response

Introducing technology to allow householders to have individual control within our high rise estates for their heating and hot water from their existing electric storage heaters, resulting in a reduction of 20% - 30% of energy use and around £300 savings per annum per household.

### Retrofit programme

A £1.3 billion investment programme by GHA made 70,000 former council homes across Glasgow warmer, drier and more energy efficient with improvements such as overcladding, new windows and doors, insulation and modern heating systems.

## 1.5 How we are Governed

The Wheatley Board comprises up to seven Non-Executive Directors, the Chair of GHA, a nominated GHA tenant Board member and the Group Chief Executive. The Board also has up to five co-opted Directors. The Board meets every two months to discuss the Group's strategic direction and to examine how it is progressing against its objectives.

The Board is not directly involved in running its partner organisations: decision making on key operational matters in each partner organisation remains the responsibility of the individual Board.

The function of the Wheatley Board is to pull together the component strands of the Group and to take a strategic overview of its activities. The Board ensures the Group uses its size and scale to achieve maximum value for money and efficiency for our customers and communities.

<sup>11</sup> <https://www.theccc.org.uk/publication/sixth-carbon-budget/>

## 1.6 Regulatory Framework

Scotland has a distinct regulatory system for RSLs. The Group and each of our RSL subsidiary companies is regulated by the Scottish Housing Regulator (SHR) and complies with the SHR's Regulatory Framework ("the Framework")<sup>12</sup> and Regulatory Standards of Governance. A revision to the Framework was introduced in February 2019, creating a number of new obligations on the Group and changes in approach including:

- A requirement for RSLs (including Groups) to provide a 'Self-Assurance Statement' on their compliance with the Framework;
- the introduction of public 'Regulatory Judgements' by the SHR setting out their view of an RSL;
- additional Regulatory Standards in relation to organisational changes and disposals; and
- a more prescriptive requirement for RSLs to embed equality and human rights in their decision making.

Wheatley Housing Group was confirmed by the SHR as being 'fully compliant' in March 2021 under the new Regulatory Framework. We remain in 'high engagement' with the SHR given our systemic importance to Scotland's affordable housing market, and our engagement plan with the regulator is published online<sup>13</sup>.

The SHR has recently released the EESSH2 indicators<sup>14</sup> which the Group will be required to report on via the ARC (Annual Return on Charter) by May 2022 so that the SHR can monitor social landlords' performance against EESSH2.

## 1.7 Sustainable Finance Framework rationale

The SFF aligns Wheatley's strategic sustainability priorities with its funding and financial strategy. Wheatley has selected a number of eligible areas which are fundamental constituents of the business model and deliver the most positive societal and environmental impacts.

Among those areas, Affordable Housing and Access to Essential Services embody the nature of the not-for-profit status of Wheatley, which combines the benefits and strengths of a large stable organisation with a flexible local focus.

Wheatley looks to attract investors who are supportive of these goals and continues to focus on enlarging its sustainable finance investor base. These stakeholders will be valuable partners in supporting Wheatley's journey and contributions to a more equitable and sustainable society.



The SFF gives us the flexibility to issue financial instruments to support our commitment to achieve a broad range of sustainability outcomes. We hope such instruments will be appealing to a broad range of the ESG-focused investor community.

<sup>12</sup> <https://www.housingregulator.gov.scot/for-landlords/regulatory-framework>

<sup>13</sup> <https://www.housingregulator.gov.scot/landlord-performance/landlords/wheatley-housing-group-ltd/engagement-plan-from-31-march-2021-to-31-march-2022>

<sup>14</sup> Energy Efficiency Standard for Social Housing in Scotland Indicators (EESH 2) | Scottish Housing Regulator

# SECTION 2:

## SUSTAINABLE FINANCE FRAMEWORK

### 2.1 Core components of Wheatley's framework

We have devised the SFF to align with internationally recognised principles for Sustainability Bonds, Social Bonds, Green Bonds, Social Loans and Green Loans. As such, the framework is aligned with principles for such finance issued by the International Capital Markets Association ("ICMA") and the Loan Markets Association ("LMA"). This SFF has four core components:

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

Under this SFF Wheatley can issue a broad range of Sustainable debt instruments, such as private placements, loans, and bonds. Both funding vehicles - Wheatley Funding No.1 Ltd ("WFL1") and Wheatley Funding No.2 Ltd ("WFL2") will be eligible to borrow under the framework. For more information, please see section 1.1 "Group Structure."

In addition, this SFF has been externally reviewed by S&P, in line with ICMA and LMA recommendations and allows the company to issue Sustainable Bonds, which fund a mixture of Green and Social projects.







Wheatley may further update or expand the SFF to align with emerging market standards and best practices, such as the EU Green Bond Standard, EU Taxonomy, UK Taxonomy or other relevant standards and guidelines.

### 2.2 Use of Proceeds

Amounts equivalent to the net proceeds raised under this SFF, will be utilised to finance and/or refinance suitable projects subject to ICMA principles. Dependent on the nature of the project, the investment in the Eligible Projects can be measured through asset value (refinancing existing assets), capital expenditure ("Capex") or operating expenditure ("Opex").

For capital and operating expenditures, a look-back period of up to 36 months prior to the time of debt issuance will be applied. Wheatley intends to allocate an amount equivalent to the net proceeds raised under this SFF to Eligible Projects within 24 months of issuance.



Sustainable Project Category	Wheatley Strategic Theme	Project Examples	Type of eligible expenditure (capex, opex, asset value)	Alignment with SDGs
Green buildings	<b>Making the Most of our Homes &amp; Assets:</b> Increasing the supply of new homes	Construction of new homes with an EPC (Energy Performance Certificate) Rating of A or B	Capital Expenditure	
	<b>Making the Most of our Homes &amp; Assets:</b> Investing in existing homes & environments	Renovation of existing homes that improve unit EPC rating to B	Capital Expenditure	
		Installation of residential heating meters	Capital Expenditure	
		Re-financing of existing homes – subject to a minimum EPC rating of A or B	Asset Value	
Affordable housing	<b>Making the Most of our Homes &amp; Assets:</b> Increasing the supply of new homes	Construction of new Social and Affordable Housing in Scotland	Capital Expenditure	 
	<b>Making the Most of our Homes &amp; Assets:</b> Investing in existing homes & environments	Re-financing of existing Social and Affordable Housing in the United Kingdom	Asset Value	
		Capital improvements to affordable homes to maintain the Scottish Housing Quality Standard (and successor legislative requirements)	Capital Expenditure	
Access to essential services	<b>Changing Lives &amp; Communities:</b> Supporting economic resilience in our communities	Initiatives to support the work delivered by the Wheatley Foundation in our communities including 250 further and higher education bursaries and targeted programmes for 10,000 vulnerable children	Operating Expenditure	 
		Initiatives to support vulnerable populations (Housing First projects for the homeless; New Scots support for asylum seekers and refugees; Revive project to support domestic abuse survivors, Care services for people living with substance abuse issues etc.)	Operating Expenditure	
Employment generation	<b>Making the Most of our Homes &amp; Assets:</b> Building community voice, engagement & resilience	Initiatives to support employment and training of vulnerable people (e.g. disadvantaged background, disabilities) via our Community Benefits programmes	Capital Expenditure / Operating Expenditure	



As discussed in section 1.2.1 the social impact for tenants, the homeless and the community more broadly will form the focus of projects funded by any debt issuance under this SFF.

### 2.3 Process for Project Evaluation and Selection

The Eligible Projects defined in this SFF provide clear environmental and/or social benefits. All of the Group's potential Eligible Projects comply with the applicable environmental and social laws and regulations as well as the internal policies and standards of Wheatley, which aim to manage and mitigate ethical, environmental and governance risks.

To ensure the most suitable Eligible Projects are selected, Wheatley has established a Sustainable Finance Group which is a cross divisional team including senior representatives from the Treasury, Financial Reporting, Assets & Sustainability teams.

The Sustainable Finance Group's responsibilities in respect of the SFF include:

1. To oversee the establishment of the framework and review the content, updating it to reflect changes in market standards (such as relevant ICMA principles) and the organisation's strategy on a best-efforts basis
2. To approve the addition of Eligible Projects/ expenditures
3. To oversee the Eligible Project portfolio, confirming its continued compliance with Wheatley's SFF
4. To exclude Projects or investments that no longer comply with the eligibility criteria or have been disposed of and replacing them on a best-efforts basis
5. To oversee the introduction and operation of arrangements to generate the information required to produce periodic Impact Reports, in accordance with the framework and the Principles

The Sustainable Finance Group is also responsible for wider sustainability matters, including:

1. Oversight of any social and environmental risks associated with Eligible Projects
2. Continued alignment of project categories with appropriate national and international sustainability

taxonomies and legislation, reviewing any impact on Wheatley's strategy

3. Reviewing potentially material environmental and/or social risks associated with Eligible Projects, guided by the associated regulatory standards, the Wheatley Group Risk Management Policy and applying exclusion criteria where relevant.

### 2.4 Management of Proceeds

Wheatley intends to allocate the proceeds from any transaction under this SFF to an Eligible Project, selected in accordance with the use of proceeds criteria (s 2.2) and the evaluation and selection process (s 2.3) presented above.

Wheatley will ensure that Eligible Projects financed, at all times exceed net proceeds raised as Sustainable under our SFF, until maturity of the debt instruments.

Additional Eligible Projects will be added to the Issuer's Eligible Project Portfolio to the extent required, as a result of, for instance, divestments, thereby ensuring that an amount equal to the net proceeds from outstanding debt instruments is allocated to Eligible Projects until the maturity of the debt instruments.

Pending the full allocation to the Eligible Project portfolio, Wheatley is permitted to use any unallocated funds in line with our treasury policy - which can include deposits, money market funds and other similar products, prioritising ESG-aligned products where possible. The internal tracking system used to allocate the bond proceeds will be assessed by our auditor in line the ICMA guidance.

### 2.5 Reporting

Wheatley will make and keep publicly available reporting on the allocation of net proceeds and wherever feasible report on the impact of the projects, within 12 months from the issuance of any Sustainable finance instrument, to be renewed annually until full allocation of the net proceeds. Any material developments, such as modification of the SFF or portfolio allocation, will be reported in a timely manner.

Impact reporting will outline on progress made, against a selection of sustainability indicators, relevant for the Social Housing Sector in Scotland. The sustainability indicators will be released alongside the allocation report and in addition to the release of our annual financial reporting.

#### 2.5.1 Allocation Reporting

The allocation report will provide:

- I. The total amount of proceeds allocated to each Eligible Project with a clear reference to the type of financial item (expenditure or asset value)
- II. The amount and/or percentage of new and existing projects (share of financing and refinancing)
- III. The balance of unallocated proceeds

## 2.5.2 Impact Reporting

Where possible, impact reporting for any debt issuance under this SFF will report on the following impact indicators:

Sustainable Project Category	Impact Reporting Metrics
Green buildings	% of new homes with an EPC Rating of [A] or [B].
	Change in distribution of EPC ratings of existing homes.
	Number of residential heating meters installed.
	Number of existing homes with an EPC rating of [A] or [B].
Affordable housing	Number of new affordable properties by category and average rents charged relative to private sector rents.
	Existing number of affordable properties by category and average rents charged relative to private sector rents.
	Number of people provided with affordable housing / provision of homes to homeless needs to be included.
Access to essential services	Number of temporary accommodations provided for disadvantaged people and number of initiatives supported.
	Number of homeless people & households provided with permanent accommodation.
Employment generation	Number of initiatives supported (e.g. training opportunities, apprenticeship) and number of people with permanent employment.

## 2.6 External Review

### 2.6.1 Second Party Opinion

Wheatley commissioned S&P to conduct an external review of this SFF, commenting on:

- framework alignment with ICMA and other relevant market standards,
- environmental and social benefits expected from the underlying project categories,
- alignment of the framework with Wheatley's broader sustainability strategy.

This SFF has been reviewed by S&P who has issued a Second Party Opinion (SPO). S&P's SPO is available on Wheatley's website.

### 2.6.2 External Verification

External verification of the tracking of the bond proceeds will be provided by a qualified external party appointed by Wheatley, that will review and provide an opinion on all allocation reports issued in line with section 2.5. Future reviews will be included in the annual Sustainability Report.

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