

Second Party Opinion

Wheatley Group Sustainable Financing Framework

Nov. 1, 2021

Wheatley Group is one of the U.K.'s largest social housing and property-management groups. It is Scotland's largest and the U.K.'s fourth-largest housing group and delivers services to more than 210,000 people across 18 local authorities in Scotland with c.97% of their assets for social rent. It manages more than 93,700 homes and is a joint owner of one of Scotland's largest repairs and maintenance companies, City Building (Glasgow).

In our view, Wheatley Group's sustainable financing framework, published on Nov. 1, 2021, is aligned with:

- ✓ Social Bond Principles, ICMA, 2021
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2021
- ✓ Green Bond Principles, ICMA, 2021
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2021
- ✓ Sustainability Bond Guidelines, ICMA, 2021

Issuer's Sustainability Objectives

Wheatley Group (Wheatley or The Group) has a comprehensive sustainability-focused agenda to contribute positively to a variety of localized social and environmental objectives. Wheatley's main objective is to provide affordable and green housing to its tenants along with enabling access to essential services for their community members such as employment and training opportunities via their Community Benefits programs. Wheatley plays a substantial role in providing housing to asylum seekers and refugees and other vulnerable populations in Scotland.

Wheatley leverages its unique position as Scotland's largest social housing provider to generate social impact within its tenant communities through its direct operations and its foundation which uses gift aid to fund programs aimed at promoting education and employability within the communities in which it operates.

The Group is committed to providing services like building new homes and renovating existing homes for the target population that meet low carbon and energy efficiency certifications (EPC A and B) and increase the use of renewable energy and installation of residential meters in the existing homes.

Wheatley has committed to reducing carbon emissions to zero across its corporate estate and facilities by 2026 and is working with an external organization, Planet Mark to validate its incremental progress toward achieving this goal.

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Second Party Opinion Summary

Use of proceeds

Alignment  Wheatley's sustainable financing framework is aligned with this component of the Principles.

Score Satisfactory **Strong** Advanced

Wheatley commits to use the net proceeds of the debt instruments issued under this framework exclusively to finance/refinance eligible green and social projects which fit within the Principles' categories including affordable housing, green buildings, employment generation and access to essential services.

Process for project selection and evaluation

Alignment  Wheatley's sustainable financing framework is aligned with this component of the Principles.

Score Satisfactory Strong **Advanced**

The company's framework clearly outlines the process to select eligible green and social projects. A dedicated Sustainable Finance Group comprising of senior representatives from the Treasury, Financial Reporting, Assets & Sustainability teams will lead the screening of projects while complying with internal policies designed to manage perceived social and environmental risks associated with the projects.

Management of proceeds

Alignment  Wheatley's Sustainable Finance Framework is aligned with this component of the Principles.

Wheatley commits to track the proceeds allocated to eligible green and social projects until they have been fully allocated. Wheatley intends to allocate an amount equivalent to the net proceeds raised under this SFF to eligible projects within 24 months of issuance.

Reporting

Alignment  Wheatley's sustainable financing framework is aligned with this component of the Principles.

Score Satisfactory **Strong** Advanced

The company will disclose annually the allocation of funds across eligible projects and selected environmental & social key performance indicators. Wheatley will report all relevant information alongside the allocation report and in addition standard annual financial reporting. The company has a list of potential impact indicators for each category of project.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our commitments opinion as satisfactory, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Wheatley's sustainable financing framework is aligned with this component of the Principles.

Commitments score

Satisfactory

Strong

Advanced

We consider Wheatley's overall use of proceeds commitments to be strong.

Wheatley has committed to allocate the net proceeds of any debt instruments issued under its framework to projects addressing various social and environmental issues, such as the construction of new affordable housing, green refurbishment of affordable housing units, and social programs aimed at advancing employment and education opportunities for the tenants residing in social housing all of which we view as eligible project types under the Principles.

The company clearly describes each category and relates them to at least one sustainability objective.

We see it as a strength that the company identifies the social and environmental benefits of their eligible projects including the eradication of homelessness and reducing inequalities. We also positively note that the framework commits Wheatley to disclosing the amount used for financing vs. refinancing.

Process for project selection and evaluation

The Principles make optional recommendations for stronger structuring practices, which inform our commitments opinion as satisfactory, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Wheatley's sustainable financing framework is aligned with this component of the Principles.

Commitments score

Satisfactory

Strong

Advanced

We consider Wheatley's overall process for project selection and evaluation commitments to be advanced.

Wheatley's Sustainable Finance Framework communicates the processes employed by Wheatley to identify project eligibility and assess the environmental and social risks associated with the projects it ultimately selects. All of the Group's potential Eligible Projects comply with the applicable environmental and social laws and regulations as well as its internal policies and standards, which aim to manage and mitigate ethical, environmental, and governance risks.

Notably, the framework also details a decision-making chain in which ESG expertise is prominently featured vis-à-vis Wheatley's Sustainable Finance Group (SFG). The SFG includes a cross divisional team including senior representatives from the Treasury, Financial Reporting, Assets & Sustainability teams. The SFG is responsible for development of mitigants to possible negative social and/or environmental impacts of Eligible Projects, where relevant. The SFG commits 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.

We note positively that the framework includes clear external standards for defining affordable housing, green projects and the vulnerable populations it serves.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✓ Wheatley's Sustainable Finance Framework is aligned with this component of the Principles.

Wheatley's sustainable finance framework includes a clear commitment for the tracked net proceeds to be periodically adjusted to match allocations to Eligible Projects during the time the instrument is outstanding. Wheatley intends to allocate an amount equivalent to the net proceeds raised under this SFF to Eligible Projects within 24 months of issuance.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as satisfactory, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✓ Wheatley's sustainable financing framework is aligned with this component of the Principles.

Disclosure score

Satisfactory

Strong

Advanced

We consider Wheatley's overall reporting practices to be strong.

Wheatley has committed to annually report on the allocation of proceeds and, where feasible, on the green and social impact of the eligible projects until full allocation of the proceeds for any debt instrument issued under the framework. This information will be publicly available.

Allocation reporting will include the total amount of proceeds allocated to each Eligible Project with a clear reference to the type of financial item (expenditure or asset value), the amount and/or percentage of new and existing projects and the balance of unallocated proceeds.

A strong feature of the framework, in our view, is that the company will disclose wherever possible, the actual impact of the projects using specific green and social impact indicators such as % of new homes with an EPC Rating of [A] or [B] and the number of homeless people & households provided with permanent accommodation. Another strength of the framework is the commitment to have an independent third-party verification or audit of its allocation reporting post-issuance.

However, in our view, some of the impact metrics which rely on counting could be more advanced.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Wheatley's Sustainable Financing Framework intends to contribute to the following SDGs:

Use of proceeds SDGs

Green Buildings



***7. Affordable and clean energy**

Affordable Housing



***1. No poverty**



***11. Sustainable cities and communities**

Access to essential services



***4. Quality education**



***8. Decent work and economic growth**



***10. Reduced inequalities**

Employment Generation



***4. Quality education**



***8. Decent work and economic growth**



***10. Reduced inequalities**

*The eligible project categories link to these SDGs in the ICMA mapping.

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