

# Second-Party Opinion

## LiveWest Sustainable Finance Framework



### Evaluation Summary

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



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Affordable Housing – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will contribute towards providing affordable housing options while promoting a low-carbon economy and advance the UN Sustainable Development Goals, specifically SDG 7, 9 and 11.



**PROJECT EVALUATION / SELECTION** LiveWest's New Homes Group and Active Asset Management Group review eligibility of projects for financing under the Framework, subject to final approval by the Environmental Group. The Organisation's measures of managing social and environmental risks associated with its investments are applicable to all allocation decisions made under the Framework and viewed as adequate risk management systems. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** LiveWest's Treasury team is responsible for the management of proceeds, which is overseen by the Director of Corporate Finance. The Organisation will initially deposit the proceeds in its general treasury account and track the allocation until full allocation. In addition, the Environmental Group will monitor allocation of proceeds to eligible projects. Pending allocation, net proceeds will be held as cash deposits, money market funds or used for short-term repayment of other debt facilities. LiveWest intends to allocate net proceeds for refinancing projects financed or originated within two years prior to the receipt of funds. LiveWest aims to fully allocate the net proceeds within 24 months. This is in line with market practice.



**REPORTING** LiveWest intends to report on allocation of proceeds on its website on an annual basis. In addition, LiveWest is committed to reporting on relevant impact metrics. Sustainalytics views the allocation and impact reporting as aligned with market practice.

<b>Evaluation Date</b>	December 02, 2021
<b>Issuer Location</b>	Exeter, United Kingdom

### Report Sections

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

**For inquiries, contact the Sustainable Finance Solutions project team:**

**Ijeoma Madueke (Toronto)**  
Project Manager  
ijeoma.madueke@sustainalytics.com  
(+1) 647 317 3631

**Amala Devi (Toronto)**  
Project Support

**Taotao Yue (Amsterdam)**  
Project Support

**Kibii Sisulu (London)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

## Introduction

LiveWest Homes Limited (“LiveWest” or the “Organisation”) is a charitable organisation that owns and manages 38,000 homes across the Southwest United Kingdom (UK). The Organisation offers homes for affordable rent and shared ownership sale, as well as develops homes for private sale. Formed in 2018 as the result of a merger between Devon & Cornwall Housing and Knightstone Housing Group, the Organisation is headquartered in Exeter and employs approximately 1,400 staff.

LiveWest has developed the LiveWest Sustainable Finance Framework (the “Framework”) under which it intends to issue sustainability bonds and/or loans, and use the proceeds to finance or refinance, in whole or in part, existing or future projects that contribute towards providing affordable housing options while promoting a low-carbon economy in the UK.

The Framework defines eligibility criteria in three environmental areas:

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

The Framework defines eligibility criterion in the following social area:

1. Affordable Housing

LiveWest engaged Sustainalytics to review the Framework, dated December 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)<sup>1</sup>, Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)<sup>2</sup>. This Framework has been published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, 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 LiveWest’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. LiveWest representatives have confirmed (1) they understand it is the sole responsibility of LiveWest to ensure that the information provided is complete, accurate and 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.

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

<sup>2</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>3</sup> The LiveWest Sustainable Finance Framework is available on LiveWest’s website at: <https://www.livewest.co.uk/about-us/for-investors>

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

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and LiveWest.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the LiveWest Sustainable Finance Framework

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

- Use of Proceeds:
  - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency and Affordable Housing – are aligned with those recognized by the GBP, SBP, GLP, and SLP. Sustainalytics is of the opinion that the projects financed will provide affordable housing options while contributing to a low-carbon economy in the UK.
  - LiveWest defines a lookback period of 24 months for refinancing activities under the Framework, which Sustainalytics considers to be in line with market practice.
  - Under the Green Buildings category, LiveWest may finance and/or refinance the development of residential buildings that achieve an Energy Performance Certificate (EPC) and Environmental Impact Rating (EIR) of B or above. In addition, the Organisation may finance and/or refinance the refurbishment or redevelopment of existing buildings that result in achieving a minimum EPC rating B.
    - Sustainalytics highlights that according to data from the UK government, residential buildings obtaining an EPC grade of B or higher represent the top 11% of labelled domestic buildings in the UK as of the third quarter of 2021,<sup>5</sup> and therefore views this eligibility criterion as aligned with market practice.
  - Renewable Energy expenditures may relate to on-site rooftop solar photovoltaic as well as wind power systems that are subject to lifecycle emissions threshold of 100 gCO<sub>2</sub>/kWh. In addition to direct investment in power projects, the Organisation may procure electricity generated from renewable energy via Renewable Energy Certificates (RECs) or medium and long-term (> 5 years) Physical Power Purchase Agreements (PPAs). LiveWest has confirmed to Sustainalytics that the renewable energy procurement projects will be directly tied to specific and identifiable

<sup>5</sup> Ministry of Housing of the UK, Communities and Local Government, "Live tables on Energy Performance of Buildings Certificates", (2021), 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>

renewable energy projects. Furthermore, for the procurement of renewable energy, the Framework excludes power generated from nuclear or natural gas facilities. Sustainalytics considers investments in this category to be in line with market practice.

- Within the Energy Efficiency category, LiveWest may invest in the installation of energy-efficient equipment and/or building renovations. This may include installation of PV panels, window and lightbulb replacements as well as insulation improvement. The Framework specifies that expenditures within this category will be limited to those that meet at least one of the following conditions: i) resulting in at least 20% improvement in energy efficiency; ii) resulting in a two-notch upgrade in expected EPC towards meeting minimum EPC rating B; and/or iii) achieving the top 15% of national building stock as measured by Primary Energy Demand. Sustainalytics considers the investments in this category to be in line with market practice.
- Under the Affordable Housing category, LiveWest may finance and/or refinance the construction, refurbishment and acquisition of housing units that comply with the affordable house definition by the UK Government.<sup>6</sup>
  - For rental affordable housing options, LiveWest defines the target population as those that meet requirements established by local planning authorities under the guidance of the National Planning Policy Framework which directs local authorities to identify the needs of housing markets and determine where and how many affordable housing units should be provided.<sup>7</sup> Although this includes a ranking from A to E according to their level of housing need, LiveWest commits to target the population with the highest housing need (band A).<sup>8,9</sup> Sustainalytics notes that the target population is well-defined based on national benchmarks and views positively the focus on those identified as most vulnerable.
  - LiveWest commits to ensuring affordability by capping the rents, inclusive of service charges, of social and affordable rented homes at the level prescribed by the Local Housing Allowance (LHA) rates.<sup>10</sup> Furthermore, any increase for social rented properties are subject to conditions stipulated in the UK Rent Standard.<sup>11</sup>
  - As part of this category, LiveWest may also invest in homes for shared ownership, which are homes that are sold to people for whom open market purchases would be unattainable.<sup>12</sup> Under this programme, purchasers buy a share of the property and pay rent on the remaining value. LiveWest has communicated to Sustainalytics that it will restrict increases in rent of shared ownership properties to the Retail Price Index

<sup>6</sup> Affordable housing is defined as “housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidized route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions: a) Affordable housing for rent, b) Starter homes, c) Discounted market sales housing, d) Other affordable routes to home ownership”. Ministry of Housing, Communities & Local Government, “National Planning Policy Framework”, (2021), at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1005759/NPPF\\_July\\_2021.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005759/NPPF_July_2021.pdf)

<sup>7</sup> The target populations and housing requirements are established by local planning authorities under the guidance of the National Planning Policy Framework, which directs local authorities to identify the needs of housing markets and determine where and how many affordable housing units should be provided. The criteria may vary among local authorities, but they primarily aim to reduce homelessness, prevent overcrowding or mitigate medical conditions made worse by housing arrangements. See more information at: <https://www.gov.uk/government/publications/national-planning-policy-framework-2>

<sup>8</sup> The banding is assessed and decided by the local authority after the applicants applied for housing through their local authority, taking into consideration of, for example, homelessness, living area, number of children, medical reasons. Band A represents emergency housing need; Band B represents a high housing need; Band C represents medium housing need; Band D represents low housing need; Band E means no housing need. Please see for example the renting policy of the Teignbridge district at: <https://www.teignbridge.gov.uk/housing/find-a-home/renting-via-devon-home-choice/banding/>

<sup>9</sup> LiveWest allocates the majority of its homes through the choice-based lettings (CBL) schemes and a proportion of homes to applicants nominated by their Local Authority. LiveWest considers applicants to be in housing need considering the factors of homelessness, living conditions, overcrowding, affordability and need to move. See LiveWest, “Allocations and Lettings Policy”, [https://www.livewest.co.uk/sites/default/files/2020-08/Allocations\\_Policy.pdf](https://www.livewest.co.uk/sites/default/files/2020-08/Allocations_Policy.pdf)

<sup>10</sup> In the UK, the LHA rates are used to calculate Housing Benefit for tenants renting from private landlords. LHA rates are based on private market rents being paid in the Broad Rental Market Areas (BRMA) – a BRMA is where a person could reasonably be expected to live, taking into account access to certain facilities and services. See more information at: <https://www.gov.uk/government/collections/local-housing-allowance-lha-rates>

<sup>11</sup> UK Government, “Rent Standard – April 2020”, (2021), at: <https://www.gov.uk/government/publications/rent-standard/rent-standard-april-2020>

<sup>12</sup> UK Government, “Affordable homeownership schemes: Buying through shared ownership”, at: <https://www.gov.uk/affordable-home-ownership-schemes/shared-ownership-scheme>

(RPI).<sup>13</sup> While the government criteria<sup>14</sup> for shared ownership allows households with annual income up to GBP 80,000 (GBP 90,000 in London), LiveWest has defined a maximum income threshold of GBP 55,000 for its investments under the Framework. Sustainalytics considers it to be market expectation that affordable housing be targeted at lower-income population segments and notes that the Organisation's eligibility threshold is above the median household income in the UK, which was GBP 29,900 in FYE 2020.<sup>15</sup>

- **Project Evaluation and Selection:**
  - LiveWest has a New Homes Group and an Active Asset Management Group (the “Committees”) to respectively review eligibility of new building and retrofit projects financed under the Framework. Members of the Committees include the Deputy Chief Executive, the Director of Corporate Finance, the Planning, Technical and Sustainability Director, the Executive Director of Development, the Executive Director of Operations and the Director of Asset Management, as well as subject-matter experts from respective teams. LiveWest's Environmental Group reports to its Executive Team and will be responsible for the final selection and approval of eligible projects.
  - The Organisation has established measures for managing social and environmental risks associated with its allocation under the Framework. This may include environmental impact assessments, annual reporting and compliance with the National Housing Federation's Code of Governance (2020).<sup>16</sup> Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail see Section 2.
  - Based on presence of and established cross-functional team, management oversight on final project selection as well as systems for risk management, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
  - Proceeds under the Framework will be monitored by LiveWest's Treasury team overseen by the Director of Corporate Finance. The Organisation will initially deposit the proceeds into its general treasury account and allocation of proceeds to eligible projects will be overseen by the Environmental Group.
  - LiveWest aims to fully allocate the net proceeds within 24 months which is in line with market practice. Pending full allocation, unallocated proceeds will be held as cash deposits, money market funds or for short-term repayment of other debt facilities.
  - Based on the defined management approach and disclosure around the temporary use of proceeds, Sustainalytics considers this process to be aligned with market practice.
- **Reporting:**
  - LiveWest intends to report on allocations made from issuances under the Framework as well as their impact on an annual basis on its website. Allocation reporting may include total amount of proceeds allocated to eligible projects, share of financing or refinancing within each category as well as the balance of unallocated proceeds.
  - Impact reporting may include key metrics such as properties based on EPC levels, avoided emissions (tCO<sub>2</sub>), renewable energy capacity installed (kW), energy generated from renewables as well as number of affordable homes under development or completed.
  - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

<sup>13</sup> RPI measures the change in the price of goods and services purchased for consumption, and is monthly published by the UK Office for National Statistics at: <https://www.ons.gov.uk/economy/inflationandpriceindices>

<sup>14</sup> The government criteria include: i) annual household income must be GBP 80,000 or lower; ii) buyers must not own another home (it is permissible to have previously owned a home); and iii) buyers must be purchasing their first home or be unable to afford to buy through other means. See the complete eligibility criteria at: <https://www.gov.uk/government/publications/right-to-shared-ownership-initial-guidance-for-registered-providers/right-to-shared-ownership-initial-guidance-for-registered-providers>

<sup>15</sup> Office of National Statistics, “Average household income, UK: financial year 2020”, at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyear2020>

<sup>16</sup> The Code of Governance is based on the key values of good governance (i.e. accountability, integrity, openness and equality) and sets out requirements for organisations to adopt. National Housing Federation, “Code of Governance 2020”, (2020), at: [https://www.housing.org.uk/nhf\\_catalog/publications/code-of-governance-2020/](https://www.housing.org.uk/nhf_catalog/publications/code-of-governance-2020/)

### Alignment with Sustainability Bond Guidelines 2021

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

## Section 2: Sustainability Strategy of LiveWest

### Contribution of Framework to LiveWest's sustainability strategy

LiveWest's sustainability strategy is encompassed in the Organisation's mandate to provide "a home for everyone" and is targeted at underserved populations.<sup>17</sup> As of March 2021, LiveWest owns and manages about 38,000 homes and is targeting an additional 6,250 over the next 5 years. Moreover, 93% of the assets under LiveWest's management are social housing, including those allocated to social rent, affordable rent and low-cost home ownership.<sup>18</sup> The Organisation targets the provision of homes for rent at a price below market levels as well as through shared ownership sale. In this regard, LiveWest records average rents at below 70% of the Private Rented Sector rents across 19 local government districts in its operating region and below 50% in Bath, Bristol and Exeter.<sup>19</sup>

With regards to its climate-related targets, LiveWest has established the goal of achieving carbon net zero by 2050 from its own operations, the built environment and its beneficiaries.<sup>20</sup> One of LiveWest's strategic objectives that underpin this goal is to ensure that all of its existing homes achieve a minimum EPC rating of C by 2028.<sup>21</sup> The Organisation is also targeting the integration of energy efficiency improvement and carbon footprint reduction in the design of new homes.<sup>22</sup> As of March 2021, 100% of LiveWest new homes and 72% of existing homes have achieved EPC levels B or C.<sup>23</sup>

LiveWest is additionally committed to changing its transport working practices and service delivery arrangements to reduce the operational carbon footprint. The Organisation has set a target of reducing the business travel miles of its employees by 15% and that of its in-house transport fleet by 5% annually by 2023, when compared to 2019 baselines. In addition, LiveWest is also committed to reviewing and piloting potential areas for installing electric charging points for its communities by the end of 2022, offering salary incentives to its employees to shift to EVs and exploring EV options for its transport fleet and employee commute.

Sustainalytics is of the opinion that the LiveWest Sustainable Finance Framework is aligned with the Organisation's overall sustainability strategy and initiatives and will further the Organisation's action on its key environmental 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 expected 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 risks associated with the eligible projects, could include effluents and waste associated with the construction and operation of residential properties, occupational health and safety during construction, health and safety of residents and community relations.

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

- LiveWest develops a Construction Environmental Management Plan for each home development site to ensure that environmental pollution from construction is controlled and mitigated.<sup>24</sup> In addition, the Organisation aims to develop a waste management strategy to monitor and reduce waste from its construction sites by the end of 2021 and is currently also in the process of setting up digital

<sup>17</sup> LiveWest, "Sustainability Report 2020/21", at: <https://indd.adobe.com/view/b5b8b3b7-a8b2-4242-8dfb-4e06041e45a7>

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*

<sup>20</sup> LiveWest Environmental Strategy as shared with Sustainalytics on 16 November 2021.

<sup>21</sup> *Ibid.*

<sup>22</sup> *Ibid.*

<sup>23</sup> New homes refer to the homes completed in the previous financial year to 31 March 2021, excluding shared ownership homes. Existing homes refer to those completed before the previous financial year, excluding shared ownership homes. LiveWest, "Sustainability Report 2020/21", at: <https://indd.adobe.com/view/b5b8b3b7-a8b2-4242-8dfb-4e06041e45a7>

<sup>24</sup> LiveWest, "Sustainability Report 2020/21", at: <https://indd.adobe.com/view/b5b8b3b7-a8b2-4242-8dfb-4e06041e45a7>



solutions to consolidate its supplier information to track and manage waste generated during operations.<sup>25</sup>

- The Organisation requires all its suppliers and contractors to comply with all applicable health and safety laws.<sup>26</sup> In addition, LiveWest's Contractor Code of Conduct requires contractors to disclose project-specific information related to the management and mitigation of health and safety risks during implementation.<sup>27</sup> This is to ensure that appropriate measures are in place at its project sites.
- LiveWest ensures that all their properties comply with local safety regulations for electrical and gas safety, asbestos and fire risk assessment. In addition, 99.9% of LiveWest's residential properties meet the UK government's Decent Homes Standard, complying with requirements for general housing condition, state of repair, provision of modern facilities and services and a reasonable degree of thermal comfort.<sup>28</sup> The Organisation is also registered with the Regulator of Social Housing,<sup>29</sup> under which it follows consumer standards related to tenant involvement and empowerment, tenancy transparency and fairness, the quality of accommodation as well as that of communal areas and neighborhood.<sup>30</sup>
- LiveWest has dedicated processes to ensure that the concerns of residents are heard and addressed. The Organisation has a customer scrutiny group called InFocus, made up of members across its various housing projects, that participate in regular reviews of its policies and processes. In addition, the Organisation undertakes periodic surveys to assess customer satisfaction with regards to repairs as well as complaint handling, and has received a customer satisfaction score above 89% consistently in 2019, 2020 and 2021.<sup>31</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that LiveWest 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 four use of proceeds categories are aligned with those recognized by GBP, SBP, GLP or SLP. Sustainalytics has focused 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 2020, the residential sector emitted 67.7 MtCO<sub>2</sub>, accounting for 20.8% of total CO<sub>2</sub> emissions in the UK.<sup>32</sup> 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 if provided with social housing access.<sup>33</sup> 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.<sup>34</sup>

<sup>25</sup> *Ibid.*

<sup>26</sup> LiveWest, "LiveWest Homes Limited - Standard Terms and Conditions for the supply of Goods and/or Services", at:

[https://www.livewest.co.uk/sites/default/files/2020-10/LiveWest\\_Terms\\_and\\_Conditions\\_goods\\_services.pdf](https://www.livewest.co.uk/sites/default/files/2020-10/LiveWest_Terms_and_Conditions_goods_services.pdf)

<sup>27</sup> LiveWest, "Contractor code of conduct", at: [https://www.livewest.co.uk/sites/default/files/2021-](https://www.livewest.co.uk/sites/default/files/2021-04/Contractor%20Code%20of%20Conduct%20Apr%202021.pdf)

[04/Contractor%20Code%20of%20Conduct%20Apr%202021.pdf](https://www.livewest.co.uk/sites/default/files/2021-04/Contractor%20Code%20of%20Conduct%20Apr%202021.pdf)

<sup>28</sup> Decent Homes Standard is the UK government's technical standard for public housing to provide minimum standard of housing conditions in the public sector. For more information, see: <https://www.gov.uk/guidance/decent-homes-standard-review>

<sup>29</sup> The Regulator of Social Housing is a public body that regulates private registered providers of social housing to promote a viable, efficient and well-governed social housing sector in the UK. For more information, see: <https://www.gov.uk/guidance/regulatory-standards-procedures-and-guidance#summary-of-regulation-and-the-information-we-require>

<sup>30</sup> LiveWest, "Sustainability Report 2020/21", at: <https://indd.adobe.com/view/b5b8b3b7-a8b2-4242-8dfb-4e06041e45a7>

<sup>31</sup> *Ibid.*

<sup>32</sup> UK Government, "2019 UK Greenhouse gas emissions, provisional figures", (2021), at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/972583/2020\\_Provisional\\_emissions\\_statistics\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972583/2020_Provisional_emissions_statistics_report.pdf)

<sup>33</sup> 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.>

<sup>34</sup> 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.>

The social housing sector, which accounts for approximately 17% of all homes in the UK, presents a significant opportunity for reducing both CO<sub>2</sub> emissions and providing affordable homes.<sup>35</sup> Energy efficiency investments made by landlords and housing associations can reduce operating costs and increase affordability for low-income tenants.<sup>36</sup> 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.<sup>37</sup> The SOAH Programme will be funded with 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.<sup>37</sup>

Based on the above, Sustainalytics believes that LiveWest's investments in green and affordable housing will enable access to affordable homes for low income populations, while simultaneously helping in the reduction of residential sector emissions 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 bonds and loans issued under the LiveWest Sustainable Finance Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and Clean Energy	7.1 By 2030, double the global rate of improvement in energy efficiency.
	9. Industry, Innovation, and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all adequate, safe and affordable housing and basic services, and upgrade slums.

### Conclusion

LiveWest has developed the LiveWest Sustainable Finance Framework under which it may issue sustainability bonds and loans and use the proceeds to finance green buildings and renewable energy, energy efficiency and affordable housing projects. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The LiveWest 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

<sup>35</sup> Sustainable Homes, "Housing 2050: How UK Social Housing Can Meet the Challenge of Climate Change", (2020), at: <https://static1.squarespace.com/static/5c867873e8ba44ac1303d5fc/t/5dd3a2a2b036cc38a0271e77/1574150823796/Housing+2050+-+web+version.pdf>

<sup>36</sup> *Ibid.*

<sup>37</sup> UK Parliament, "What is affordable housing?", (2019), at: <http://researchbriefings.files.parliament.uk/documents/CBP-7747/CBP-7747.pdf>



proceeds. Furthermore, Sustainalytics believes that LiveWest Sustainable Finance Framework is aligned with the overall sustainability strategy of the Organisation and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Sustainalytics is of the opinion that LiveWest has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that LiveWest is well-positioned to issue sustainability bonds and that that LiveWest Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021), Social Bond Principles (2021), Green Loan Principles (2021), and Social Loan Principles (2021).

## Appendix

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

#### Section 1. Basic Information

<b>Issuer name:</b>	LiveWest
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	LiveWest Sustainable Finance Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	December 02, 2021
<b>Publication date of review publication:</b>	

#### 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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

#### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Affordable Housing – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will contribute towards providing affordable housing options while promoting a low-carbon economy 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 checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

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

### Use of proceeds categories as per SBP:

- |   |   |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure  | <input type="checkbox"/> Access to essential services                                   |
| <input checked="" type="checkbox"/> Affordable housing  | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input 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):

LiveWest's New Homes Group and Active Asset Management Group review eligibility of projects for financing under the Framework, subject to final approval by the Environmental Group. The Organisation's measures of managing social and environmental risks associated with its investments are applicable to all allocation decisions made under the Framework and viewed as adequate risk management systems. Sustainalytics considers the project selection process in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" 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):

LiveWest's Treasury team is responsible for the management of proceeds, which is overseen by the Director of Corporate Finance. The Organisation will initially deposit the proceeds in its general treasury account and track the allocation until full allocation. In addition, the Environmental Group will monitor allocation of proceeds to eligible projects. Pending allocation, net proceeds will be held as cash deposits, money market funds or used for short-term repayment of other debt facilities. LiveWest intends to allocate net proceeds for refinancing projects financed or originated within two years prior to the receipt of funds. LiveWest aims to fully allocate the net proceeds within 24 months. This is in line with market practice.

#### Tracking of proceeds:

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

#### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

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

#### 4. REPORTING

Overall comment on section (if applicable):

LiveWest intends to report on allocation of proceeds on its website on an annual basis. In addition, LiveWest is committed to reporting on relevant impact metrics. Sustainalytics views the allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

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

#### Information reported:

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

#### Frequency:

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

#### Impact reporting:

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

#### Information reported (expected or ex-post):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Number of beneficiaries   |
| <input type="checkbox"/> Target populations                 | <input type="checkbox"/> Other ESG indicators (please specify): Percentage of new built homes that meet the eligibility criteria; number of existing homes that meet the eligibility criteria; number of homes modernized or renovated which meet the eligibility criteria; capacity of renewable energy installed |

(in kW); total energy generated from renewables; number of existing homes which have achieved the standards outlined; new properties built by category type; number of existing affordable properties financed by category type of use; number of affordable homes under development or completed; average rent charged vs. market rent (actual/average and impact on)

**Frequency:**☒ Annual☐ Semi-annual☐ Other (please specify):**Means of Disclosure**☒ Information published in financial report☒ Information published in sustainability report☒ Information published in ad hoc documents☒ Other (please specify):☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

--

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**☐ Consultancy (incl. 2<sup>nd</sup> opinion)☐ Certification☒ Verification / Audit☐ Rating☐ Other (please specify):



**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

## Disclaimer

**Copyright ©2021 Sustainalytics. All rights reserved.**

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

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

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

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

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

