

VIVID Housing Ltd.

Type of Engagement: Sustainability Bond Pre-Issuance Review

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Engagement Leader:

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Introduction

In 2022, VIVID Housing Ltd. (VIVID) developed the VIVID Sustainable Financing Framework 2022¹ (the “Framework”) under which VIVID may issue sustainability debt instruments (including but not limited to loans, public bonds, private placements and revolving credit facilities) to finance or refinance projects related to Affordable Housing, Access to Essential Services, Green Buildings, Energy Efficiency and Clean Transportation.

In August 2023, VIVID engaged Sustainalytics to review the projects financed from 2020 to 2023 under the EMTN programme in the UK (the “Nominated Projects”) that will be funded through the Framework and provide an assessment as to whether the projects would comply with the use of proceeds, project selection and management of proceeds requirements in the Framework.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects for compliance with the Framework based on whether:

1. The Nominated Projects are aligned with the eligibility criteria outlined in the Framework;
2. The processes undertaken to select projects and manage proceeds align with the requirements in the Framework.

Appendix 2 provides a summary of the Nominated Projects.

Issuing Entity’s Responsibility

VIVID is responsible for providing accurate information and documentation relating to the details of the Nominated Projects, including a description of the eligible projects. VIVID is also responsible for confirming that the processes for project selection and management of proceeds will remain aligned with the commitments described in the Framework.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the Nominated Projects. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from relevant employees of VIVID that processes for project selection, management of proceeds and reporting on allocation and impact in relation to VIVID’s planned issuance of debt instruments will remain aligned with the commitments described in the Framework.

Sustainalytics has relied on the information and the facts presented by VIVID with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by VIVID.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over this assessment.

¹ VIVID, “VIVID Sustainable Financing Framework”, at: <https://www.vividhomes.co.uk/media/3317/sustainable-financing-framework-2022.pdf?1666691875>

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects are not aligned with the VIVID Sustainable Financing Framework 2022.

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects, including description, estimated and realized costs, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Use of Proceeds Eligibility Criteria

ESG Theme	Use of Proceeds	Eligibility Criteria
Social	Affordable Housing	<p>Expenditure relating to the construction, refurbishment modernisation and acquisition of affordable housing (including 'shared ownership')</p> <p>Refinancing of existing social and affordable housing (including 'shared ownership')</p> <p>Expenditure relating to the prevention of homelessness.</p>
	Access to Essential Services	Expenditure relating to providing access to essential services, including health, education and vocational training, mentoring, healthcare, financing and financial services.
Environmental	Green Buildings	<p>Financing the development of buildings which achieve an EPC rating of 'B' or 'A'.</p> <p>Refinancing of existing buildings with an EPC rating of 'B' or 'A'</p>
	Energy Efficiency	Investing in the retrofit of existing homes in order to improve the EPC ratings by at least 2 EPC bands, or to uplift the Energy Efficiency score (or reducing consumption) of a building by at least 30%, or result in an expected minimum rating of EPC B
	Clean Transportation	<p>Financing the procurement or deployment of clean transportation</p> <p>Financing the construction, extension and/or improvement to core sustainable transport infrastructure.</p>

Appendix 2: Summary of the Nominated Projects

Use of Proceeds Category	Project Name	Project Details	Allocation / Loan Amounts (GBP)
Affordable Housing	Development	Homes in compliance with the government definition of affordable housing. 2020-21: 739 affordable homes 2021-22: 1169 affordable homes 2022-23: 1229 affordable homes	2020-21: 203 million 2021-22: 217 million 2022-23: 254 million
	Reducing Homelessness	Newly built affordable house supporting Rough Sleeping Accommodation Programme to provide homes for rough sleepers. 2020-21: 134 people accommodated 2021-22: 427 people accommodated 2022-23: 284 people accommodated	-
Access to Essential Service	VIVID Plus	Provision of training to support people in finding new employment. 2020-21: 180 people started jobs 2021-22: 310 people started jobs 2022-23: 288 people started jobs Provision of support, mentoring and advice to people that are struggling. Recipients secured the following total amounts in additional income after receiving advice on benefits: 2020-21: GBP 5.8 million 2021-22: GBP 4.9 million 2022-23: GBP 5.8 million	2020-21: 1.3 million 2021-22: 1.9 million 2022-23: 2.6 million
Energy Efficiency	Modern Methods of Construction	VIVID is working with BoKlok to deliver modular homes, the first 72 apartments will be completed in FY 2023/24 2020-21: 317 timber framed units delivered 2021-22: 225 timber framed units delivered 2022-23: 278 timber framed units delivered	-
Green Buildings	EPC rating A or B	Residential buildings with EPC B or above (excluding affordable homes in Development Project) 2020-21: 270 units 2021-22: 232 units 2022-23: 158 units	2020-21: 62 million 2021-22: 65 million 2022-23: 64 million
Clean Transportation	Charging Points	12 charging points installed at VIVID's offices. 28 more charging points to be installed at VIVID's trades properties.	168,000
	Fully Electric Vans	28 fully electric vehicles, which will be delivered during financial year 2023/24	-

Appendix 3: Sustainalytics' Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects (Appendix 2) to determine if the projects aligned with the use of proceeds eligibility criteria outlined in the Framework (Appendix 1).	All projects reviewed (Appendix 2) complied with the eligibility criteria.	None
Project Selection and Management of Proceeds Criteria	Verification of the Nominated Projects to determine if the commitments under processes for project selection and management of proceeds were consistent with the Framework.	VIVID has also confirmed to Sustainalytics that the processes for project selection and management of proceeds for the Nominated Projects are consistent with the commitments described in the Framework.	None

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

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