



WHEN TRUST MATTERS



# MIDLAND HEART HOUSING LIMITED SUSTAINABLE FINANCING FRAMEWORK 2023



**Document title:** Second Party Opinion on Midland Heart Housing Limited Sustainable Finance Framework 2023

**Prepared by:** DNV Business Assurance Services UK Limited

**Location:** London, U.K.

**Date:** 18 October 2023

This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial instrument being assessed.

# MIDLAND HEART HOUSING LIMITED

## SUSTAINABLE FINANCING FRAMEWORK 2023

### DNV INDEPENDENT ASSESSMENT

#### Scope and Objectives

Midland Heart Housing Limited (henceforth referred to as “Midland Heart” or the “Group”) is a leading housing association, delivering homes and services across the Midlands region, enabling people to live independently. Midland Heart owns and manages around 34,000 high-quality, safe and affordable homes, and provides services to over 70,000 customers.

The Group has recognised that sustainable business practices are key to the long-term success of the company, and as such, Midland Heart has launched several initiatives to improve the sustainability of the homes they rent, the homes they build and their operations. As an early adopter of the Sustainability Reporting Standard for Social Housing (SRSSH), the Group reports and tracks its progress against various environmental, social, and corporate governance (ESG) spheres, such as - affordability, carbon emissions, safety, equality, diversity and resident voices.

In achieving its carbon emission targets, Midland Heart has set an ambition for all homes to reach a minimum Energy Performance Criteria (EPC) rating of D, and all homes to reach EPC C by 2030. The Group has also committed to achieving Net Zero by 2050 through a pathway that is Paris-aligned and against a 2019/20 baseline. On an environmental front, in 2021/22 the Group achieved a 16% reduction in its Scopes 1, 2 and 3 carbon emissions, a result of increasing the stock of independently heated homes, increasing energy-saving retrofits to homes and enhancing its portfolio’s EPC scores. Given that Midland Heart is a housing association, it has committed to addressing key social challenges facing its customers by improving housing/rent affordability and security; buildings safety and quality; and assisting customers through the impact of COVID-19. Midland Heart also recognises that the improved energy efficiency of its homes will translate into greater affordability for its customers. For instance, in 2021, Midland Heart built the first UK homes to the Government’s future home standard which are 80-90% less carbon-intensive, helping customers save approximately 65% on their energy bills. Midland Heart has also pledged a commitment to investing £120 million pounds to improving and maintaining homes and delivering 4,000 new affordable homes, over a six-year period to the year 2025.

To drive its commitment to deliver on its key environmental and social objectives, DNV Business Assurance Services UK Limited (henceforth referred to as “DNV”) has been commissioned by Midland Heart to provide a review of its Sustainable Finance Framework against the International Capital Market Association’s (“ICMA”) 2021 Green Bond Principles (GBP) with June 2022 Appendix 1, the 2021 Social Bond Principles (SBP) with June 2022 Appendix 1 and the 2021 Sustainability Bond Guidelines (“SBG”). The Framework also refers to the Loan Market Association (“LMA”) 2023 Green Loan Principles (“GLP”) and the 2023 Social Loan Principles (“SLP”).

Our methodology to achieve this is described under ‘Work Undertaken’ below. We were not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of the Sustainable Financing Instruments as issued via the Company’s Framework, the value of any investments, or the long-term environmental or social benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

## Responsibilities of the Management of Midland Heart and DNV

The management of Midland Heart has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Midland Heart management and other interested stakeholders in the Framework, as to whether it is aligned with the principles as set out by the GBPs, SBPs, SBGs, the GLPs and the SLPs. DNV's assessment is supplemented with international guidelines and standards, as well as DNV's own technical expertise to assess sustainability eligibility.

In our work we have relied on the information and the facts presented to us by Midland Heart. DNV is not responsible for any aspect of the projects or assets referred to in this opinion, and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Midland Heart used as a basis for this assessment were not correct or complete.

## Basis of DNV's opinion

We have adapted our eligibility assessment methodology to create a Midland Heart-specific Sustainable Finance Framework Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that the Sustainable Financing Instruments must use the funds raised to finance eligible activities, that should produce clear green, social and sustainable benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection. Evaluation criteria are guided by the requirements that an issuer of a Sustainable Financing Instrument should outline the process it follows when determining the eligibility of an investment using the proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that the Sustainable Financing Instruments should be tracked within the issuing organisation, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting should be provided on the use of proceeds until all have been allocated, and that quantitative and/or qualitative performance indicators should be used, where feasible.

## Work undertaken

Our work constituted of a high-level review of the available information provided to us by Midland Heart in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work undertaken to form our opinion, included:

- Creation of a Midland Heart-specific Protocol adapted to the purpose of the Framework, as described above;
- Assessment of documentary evidence provided by Midland Heart on the Framework, supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology;



- Discussions with Midland Heart's management and a review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria as detailed in [Schedule 2](#) of this document.

Our opinion, as detailed below, is a summary of these findings.

## Findings and DNV's opinion

DNV's findings are listed below, with further detail provided in [Schedule 2](#).

### 1. Principle One: Use of Proceeds.

DNV confirms that an amount equivalent to the net proceeds from the Sustainable Finance Instruments (including, but not limited to, loans, public bonds, private placements, and revolving credit facilities) as issued under the Framework, will be used to (re-)finance, in part or in full, the following eligible green and social projects (the "Eligible Projects"):

#### Eligible Green Project Categories:

- Energy efficiency.
- Renewable energy.
- Clean Transportation.

#### Eligible Social Project Categories:

- Affordable Housing.

The performance criteria for each of the eligible project under the associated categories as listed above and within the Framework are further defined in [Schedule 1](#) of this Opinion.

For the eligible green building projects, we can confirm that Midland Heart has specified the suitable eligibility criteria, such as renewably sourced energy (e.g. percentage (%) of energy used purchased from renewable sources) to represent an improved, or achieved level of, low carbon in their housing portfolio. Similarly, for the eligible energy efficiency projects, we can confirm that Midland Heart has specified the suitable eligibility criteria, such as energy performance certifications (i.e. EPC rating higher than B in new homes) to represent an improved or achieved level of energy efficiency. Furthermore, Midland Heart has included an EPC uplift of one rating for retrofits where the investment also increases homes to EPC band C. This Use of Proceeds was selected to enable the Company to improve homes which in some cases, are over a century old and difficult to uplift substantially. This will help to enable Midland Hearts ESG strategy, and the wider UK Government targets for Social Housing. DNV concludes that the eligible green categories and the associated projects as described above, and in [Schedule 1](#) of this Opinion, will positively contribute to the low carbon transition and that they are in line with the GBPs, GLPs, and SBGs.

For the eligible affordable housing projects, Midland Heart has outlined the appropriate criteria within the Framework and has confirmed that the proposed projects in its Framework, will support the Group in addressing the growing cost of the living crisis and the need for affordable housing. We can also confirm that the Group's definition of affordable housing aligns with that set out in the UK Government's Policy Statement on Rents for Social Housing (2008)<sup>1</sup>. DNV concludes that the eligible social categories as described above, and the associated projects as described in [Schedule 1](#) of this opinion, are in line with the SBPs and SLPs.

In addition to mapping the eligible green and social projects to the SRSSH targets, Midland Heart has also mapped the eligible projects to the stated United Nations (UN) Sustainable Development Goals (SDGs), specifically: Goal #10 (Reduced inequalities), Goal #11 (Sustainable cities and communities), and Goal #13 (Climate action) - in which the eligible green and/or social projects are expected to contribute towards.

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<sup>1</sup> [Policy statement on rents for social housing - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/social-housing)

DNV concludes that the eligible green and social project categories as described within the Framework by Midland Heart and the example projects provided to DNV are consistent with those listed by the GBPs, GLPs, SBGs, SBPs and the SLPs, and that such projects will provide clear environmental and/or social benefits.

## **2. Principle Two: Process for Project Evaluation and Selection.**

DNV can confirm that Midland Heart has specified the eligibility criteria for each type of eligible green and/or social project in the Use of Proceeds section of its Framework. We can confirm there is a robust decision-making process behind the approval of the eligible green and social projects that fall within the respective categories, which takes into account a comprehensive set of parameters, as outlined in the Framework.

Midland Heart has confirmed the New Business Group will be accountable for the evaluation and selection of eligible green and/or social projects. The New Business Group is chaired by the Chief Executive Officer and includes the Executive Director of Finance and Growth, the Executive Director of Assets and Delivery as well as Directors in the Treasury and Development Teams. After committee approval, the projects will be submitted to the ESG Committee. The ESG Committee will be given ultimate accountability for coordinating and evaluating the pledges, obligations, and subsequent progress of the projects. The Committee is chaired by Midland Heart's Executive Director for Finance and Growth, with both the Executive Directors for Assets & Delivery and Corporate Resources, as members. The ESG Committee will meet every two months.

Midland Heart has also reported in its Framework, that the ESG committee will be responsible for assessing and overseeing the eligibility of the following social and green projects:

- Affordable Housing.
- Energy Efficiency.
- Renewable energy.
- Clean Transportation.

In addition, the ESG Group will be responsible for identifying any potential risks and when required, developing mitigants to address any possible material social and environmental impacts. Furthermore, the ESG Group will be responsible for monitoring and providing oversight of compliance against ESG policies, and applicable changing regulations and legislations.

DNV concludes that the eligible green and/or social projects to be financed by future issuances will be appropriately evaluated, selected, managed, and reported on as outlined within Midland Heart's Framework. We can also confirm that they meet the requirements of the GBPs, GLPs, SBGs, SBPs and the SLPs.

## **3. Principle Three: Management of Proceeds.**

We can confirm the net proceeds from the financing instruments will be segregated and tracked via Midland Heart's Finance Team and ESG committee to debt at the identifiable cost centres, and on an internal register to prevent double counting of eligible projects.

For each eligible project, Midland Heart's finance team, which includes the corporate and commercial aspects of the management of accounts and planning will track and report on:

- A brief description of the project financed;
- The amount of proceeds allocated to the project;
- The expected social and/or environmental impact; and
- The obtaining of any external verification where it is appropriate.

Midland Heart has reported in the Framework that it will hold any unallocated proceeds as issued under the Framework, as cash deposits or short-term liquidity money market instruments. We can confirm this is in line with the Group's Treasury Management Policy.

The Group has also committed to allocate the net proceeds (or an amount equivalent to those net proceeds) to eligible green and/or social projects within 36 months following receipt. For Capex and Opex spend, a lookback period of up to 24 months will be applied prior to the receipt of the debt. As such, Midland Heart has committed to reporting the share of proceeds used for financing versus refinancing of eligible projects. In the case whereby a project/investment/asset no longer is classified as "eligible" under the criteria set out in the Framework, it will be removed from the Eligible Project Portfolio.

DNV concludes that there is a clear process in place for the management of proceeds as outlined within the Framework, and that this meets the requirements of the GBPs, GLPs, SBGs, SBPs and the SLPs.

#### **4. Principle Four: Reporting.**

Midland Heart has committed to providing information on both the allocation of its proceeds and on the green and social impacts of the projects (re-)financed until the proceeds have been fully allocated. Both the impact and allocation reports will be made publicly available on the Midland Heart website, in the [investor hub](#).

DNV can confirm that Midland Heart's allocation report will include information on:

- The net proceeds outstanding from the Sustainable Financing
- The amount of proceeds allocated to Eligible Projects
- The split between Social and Green allocation
- The amount of unallocated proceeds (if any); and
- A complete list of Eligible Projects financed by the outstanding Sustainable Financing.

The allocation report will be produced annually, and within 12 months from the receipt of the net proceeds, until full allocation has taken place. The report will be produced until either of the following, whichever is earliest:

- The maturity of the debt; and
- The proceeds of the debt have been reported as having been fully allocated to eligible green/social project spend.

To demonstrate the ongoing environmental and social impact of the Group, Midland Heart has also committed to reporting on the green and/or social impacts of the Sustainable Financing Instruments to be financed (the eligible projects/assets), in addition to reporting on the broader initiatives and project delivery in an Impact Report.

Relevant metrics may include, for instance:

#### **Affordable Housing:**

- Number of new affordable properties by category
- Average rents charged, relative to private sector rents

**Energy Efficiency:**

- Number or % new homes with an energy efficiency rating of EPC 'B' or higher
- Number or % of existing homes improved to EPC 'C' from EPC 'D' or lower
- Annual Energy Savings (kWh/m<sup>2</sup>)
- Total CO<sub>2</sub> emissions avoided (kg/tonnes)

**Renewable energy:**

- Total CO<sub>2</sub> emissions avoided (kg/tonnes).
- Renewable energy capacity installed (kW).
- Number of solar PV installations.

**Clean Transportation:**

- The number of EV charging points installed
- Total charging capacity installed (kW)
- The number of EVs purchased or leased for Midland Heart's own fleet
- The number of cycling facilities installed

DNV concludes that Midland Heart has made the appropriate plans to produce reporting on both the allocation and the impact of future Sustainable Financing Instruments issued, and that this is aligned with the requirements as listed under the GBPs, SBPs, SBGs, GLPs and the SLPs.



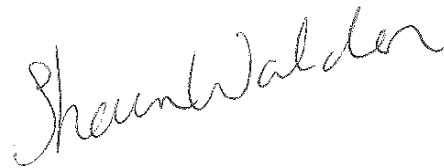
On the basis of the information provided by Midland Heart and the work undertaken, it is DNV's opinion that the Framework meets the criteria established in the Protocol, and that it is aligned with the stated definitions of green bonds within the GBP 2021, social bonds within the SBP 2021, sustainability bonds as stated within the SBG 2021, green loans within the GLP 2023, and social loans within the SLP 2023.

**for DNV Business Assurance Services UK Limited**

London, 18 October 2023.

A handwritten signature in black ink, appearing to read "Niki Bowen".

**Niki Bowen (PhD)**  
Principal Consultant and Project Manager  
DNV – Business Assurance

A handwritten signature in black ink, appearing to read "Shaun Walden".


**Shaun Walden**  
Head of Sustainable Finance and Reviewer  
DNV – Business Assurance





#### **About DNV**



Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 13,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

## SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE FRAMEWORK

ICMA / LMA Eligible Project Categories	Description of Projects to be Financed & Proposed Impact Metrics	Financial Line Item	ESG SRSSH Alignment	UN SDG Alignment
<b>Eligible Green Project Categories:</b>				
<p><b>Energy efficiency</b></p>	<p>(Re-)financing the improvement of energy efficiency across Midland Heart’s housing stock, which includes the following activities:</p> <ul style="list-style-type: none"> <li>• The construction of new homes classified as EPC ‘B’ or higher in the UK.</li> <li>• Retrofitting existing stock of EPC ‘D’ or below to EPC ‘C’ or above.</li> <li>• Installation of appliances or devices to improve energy efficiency of new or existing buildings.</li> </ul> <p>The proposed Impact metrics include:</p> <ul style="list-style-type: none"> <li>• Number or % new homes with an energy efficiency rating of EPC ‘B’ or higher</li> <li>• Number or % of existing homes improved to EPC ‘C’ from EPC ‘D’ or lower</li> <li>• Annual Energy Savings (kWh/m2)</li> <li>• Total CO2 emissions avoided (kg/tonnes)</li> </ul>	<p>Capex, Opex</p>	<p>C14 – Energy efficiency of existing homes</p> <p>C15 – Energy efficiency of new homes</p> <p>C16 – Greenhouse gas emissions</p> <p>C17 – Actions taken to improve energy efficiency</p> <p>C48 – Positive environmental impact through procurement</p>	

<p><b>Renewable Energy</b></p>	<p>(Re-)financing the purchase of renewably sourced energy or the use of self-generated electricity that has no operationally associated carbon emissions across Midland Heart’s housing stock.</p> <p>The proposed impact metrics include:</p> <ul style="list-style-type: none"> <li>• Total CO2 emissions avoided (kg/tonnes).</li> <li>• Renewable energy capacity installed (kW).</li> <li>• Number of solar PV installations.</li> </ul>	<p>Capex, Asset Value</p>	<p>C16 – Greenhouse gas emissions</p> <p>C17 – Actions taken to improve energy efficiency</p> <p>C48 – Positive environmental impact through procurement</p>	 
<p><b>Clean Transportation</b></p>	<p>(Re-)financing the purchase and/or the installation of equipment to enable clean transportation for customers of the housing stock. This includes:</p> <ul style="list-style-type: none"> <li>• Installation of Electric Vehicle (EV) charging points in new homes, schemes and commercial spaces.</li> <li>• Purchase of EVs for Midland Hearts own vehicle fleet</li> <li>• Provision of facilities for cycling</li> </ul> <p>The proposed impact metrics include:</p> <ul style="list-style-type: none"> <li>• The number of EV charging points installed</li> <li>• Total charging capacity installed (kW)</li> <li>• The number of EVs purchased or leased for Midland Heart’s own fleet</li> <li>• The number of cycling facilities installed</li> </ul>	<p>Capex, Opex</p>	<p>C16 – Greenhouse gas emissions</p> <p>C17 – Actions taken to improve energy efficiency</p>	 

ICMA / LMA Eligible Project Categories	Description of Projects to be Financed & Proposed Impact Metrics	Financial Line Item	ESG SRSSH Alignment	UN SDG Alignment
<b>Eligible Social Project Categories:</b>				
<p><b>Affordable Housing</b></p>	<p>(Re-)financing the construction, acquisition, ongoing maintenance, refurbishment, and modernisation of affordable housing (including social and shared ownership) in the UK. The impact against the affordable housing category will be measured by:</p> <ul style="list-style-type: none"> <li>• Number of new affordable properties by category</li> <li>• Average rents charged, relative to private sector rents</li> </ul> <p><i>Note: Projects align with the definition for social housing as set out in the UK Government's Policy Statement on 'Rents for Social Housing'. Midland Heart has also aligned with the UK Government definition for affordable housing.</i></p>	<p>Capex, Asset Value</p>	<p>C1 – Rent affordability</p> <p>C2 – Existing homes</p> <p>C3 – New homes</p>	 



## Schedule 2: Midland Heart-specific Sustainable Finance Framework Assessment Protocol

### 1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	<p>The Green/Social/Sustainable Bond must fall in one of the following categories, as defined by the Green/Social/Sustainable Bond Principles:</p> <ul style="list-style-type: none"> <li>• Use of Proceeds Bond</li> <li>• Use of Proceeds Revenue Bond</li> <li>• Project Bond</li> <li>• Securitised Bond</li> </ul> <p>Green/Social/Sustainable Loans are defined as any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing Eligible Sustainable Projects.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Midland Heart.</p> <ul style="list-style-type: none"> <li>• Midland Heart Sustainable Finance Framework 2023</li> </ul>	<p>The Framework outlines the type of Use of Proceeds instruments expected to be issued under the Framework as various sustainable finance debt instruments (including but not limited to, loans, public bonds, private placements, and revolving credit facilities) through Green, Social and Sustainability Bonds; and Green and Social Loans (together known as “Sustainable Financing Instruments”). The specific type of Use of Proceeds Instruments will need to be further assessed on an individual basis.</p>

1b	Green/Social Project Categories	The cornerstone of a Green/Social/Sustainability Bond/Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Midland Heart.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• Midland Heart Sustainable Finance Framework 2023</li> </ul>	<p>Midland Heart intends to use the proceeds from future issuances, to finance or re-finance, the following eligible categories, and green/social projects:</p> <p><b>Green Categories:</b></p> <ul style="list-style-type: none"> <li>• Energy Efficiency.</li> <li>• Renewable Energy</li> <li>• Clean Transportation</li> </ul> <p><b>Social Categories:</b></p> <ul style="list-style-type: none"> <li>• Affordable Housing.</li> </ul> <p>DNV confirms that the eligible green/social categories and projects as stated in the Framework and in <a href="#">Schedule 1</a> of this opinion, are consistent with the GBPs, SBPs, SBGs, GLPs and the SLP guidelines.</p> <p>We can conclude that the specific type of sustainable financing instruments will need to be further assessed on an individual basis. All issuances will be reviewed annually for impact and allocation reporting.</p>
1c	Green/Social/Sustainable benefits	All designated Green and/or Social Project category should provide clear environmentally sustainable or social benefits, which, where feasible, will be quantified or assessed by the issuer.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Midland Heart.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• Midland Heart Sustainable Finance Framework 2023</li> <li>• Midland Heart ESG report 2021-22</li> </ul>	<p>Midland Heart has provided a description of the types of eligible green and/or social projects that it intends to (re-) finance under the Framework, as well as the corresponding ICMA/LMA-eligible project categories.</p> <p>The Group has also committed to working towards the UN SDGs key to social housing sector and has outlined what SDGs its proposed initiatives and projects will contribute towards – specifically Goal #10, Goal #11, - and Goal #13.</p> <p>To make the benefits quantifiable, Midland Heart has also provided a detailed list of potential impact metrics.</p> <p>We can confirm Midland Heart has clearly outlined how it intends to support the performance and assessment of</p>



				<p>eligible projects by following the vision and focus points. The Framework also recognises the need for compliance with the applicable environmental and social laws, regulations, taxonomies which are constantly evolving and may become applicable to their financing.</p> <p>The evidence reviewed gives us the opinion that future issuances to be issued under the Framework will deliver clear social and/or environmental benefits.</p>
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## 2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green/Social/Sustainability Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using Bond/Loan proceeds	<p>In addition to reviewing the evidence below, we had several detailed discussions with Midland Heart.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• Midland Heart Sustainable Finance Framework 2023</li> <li>• Midland Heart ESG report 2021-22</li> </ul>	<p>DNV can confirm Midland Heart has specified the eligibility criteria for each type of green and social projects/activities in the Use of Proceeds table of its Framework.</p> <p>Midland Heart has specified that the “New Business Group” bears responsibility and accountability for the evaluation and selection of all eligible projects, before they are submitted to the ESG Committee.</p> <p>The ESG Committee is responsible for the framework and the coordination and implementation of the pledges and obligations detailed within the framework. The ESG committee meets once every two months and is chaired by the Executive Director for Finance &amp; Growth who is supported by two other Executive Directors. Other participants include senior leadership and subject matter experts from key areas within business operations.</p> <p>In addition to assessing all potential eligible projects, the ESG</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Committee will identify any potential risks and when required, develop mitigants to address any possible material social and environmental impacts.</p> <p>We can also confirm that Midland Heart has specified the applicable criteria within the Framework, and has stated that the use of proceeds will not be used for any activities which fall outside of those outlined in the framework:</p> <p>DNV concludes that the activities to be financed by future issuances will be appropriately evaluated, selected, managed and reported on, as outlined within Midland Heart's Framework. In addition, we can also confirm that they meet the requirements as set out under the GBPs, SBPs, SBGs, GLPs and the SLPs.</p>
2b	Issuer's environmental and social governance framework	In addition to information disclosed by an issuer on its Green/Social/Sustainability Bond/Loan process, criteria and assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding social and environmental sustainability.	<p>In addition to reviewing the evidence below, we had several detailed discussions with Midland Heart.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• Midland Heart Sustainable Finance Framework 2023</li> <li>• Midland Heart ESG report 2021-22 (<a href="#">link</a>)</li> <li>• Midland Heart Corporate Plan 2025 <i>Making What Matters Brilliant</i> (<a href="#">link</a>)</li> <li>• Midland Heart Carbon Reduction Plan 2021 (<a href="#">link</a>)</li> <li>• Midland Heart Code of Professional Conduct (<a href="#">link</a>)</li> <li>• Midland Heart Inclusion Network</li> </ul>	<p>DNV has reviewed the evidence showing Midland Heart's process will be supported by a robust governance framework, and that this aligns with the Group's wider and long-term commitment towards sustainability as reflected in the Groups Corporate Strategy and wider ESG reports. For instance:</p> <p><b>Environment:</b></p> <ul style="list-style-type: none"> <li>• Commitment to recognising and reducing carbon emissions. Midland Heart's Carbon Reduction Plan outlines the organisation's Paris-aligned strategy to achieve net-zero emissions in their operations and across their supply chains and homes by 2050.</li> <li>• Commitment to upgrading the EPC rating of all homes in Midland Hearts portfolio to EPC D by</li> </ul>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>2025 and EPC by 2030.</p> <p><b>Social:</b></p> <ul style="list-style-type: none"> <li>• Commitment to investing in customers and communities, by prioritising customer engagement in the retrofit process and tackling issues that matter most to customers such as the safety, security and affordability of homes.</li> <li>• Commitment to invest in the energy efficiency of homes to help customers struggling with the cost of living. This includes building new homes which meet the UK governments future home standard.</li> </ul> <p>Based on the evidence provided, it gives DNV the opinion that the Framework is in line with Midland Heart’s wider approach to managing environmental and social sustainability.</p>

### 3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of a Green/Social/Sustainability Bond/Loan should be credited to a sub-account, moved to a sub- portfolio, or otherwise tracked by the issuer in an appropriate manner and attested to by a formal	<p>In addition to reviewing the evidence below, we had several detailed discussions with Midland Heart.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• Midland Heart Sustainable Finance</li> </ul>	<p>DNV concludes that the Framework commits Midland Heart to the tracking of the proceeds in an appropriate manner, and that this is attested to by a formal process.</p> <p>In the Framework, Midland Heart has outlined a transparent process whereby the net proceeds from the financing</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>internal process that will be linked to the issuer's lending and investment operations for Green/Social Projects.</p>	<p>Framework 2023</p>	<p>instrument (bond/loan/RCF) will be appropriately segregated and tracked by the Finance Team and reconciled to the disclosed eligible project(s) referenced under the framework.</p> <p>The Finance team, which includes the corporate and commercial aspects of the management of accounts and planning, has overall responsibility for tracking and reporting on the following:</p> <ul style="list-style-type: none"> <li>• A brief description of the projects financed.</li> <li>• The amount of proceeds allocated to the projects.</li> <li>• Expected social and/or environmental impacts.</li> <li>• Obtaining external verification, where appropriate.</li> </ul> <p>The Group has also stated how projects fit within the categories identified and how the proceeds will be matched and monitored, in relation to specific eligible projects.</p>
3b	Tracking procedure	<p>So long as the Green/Social/Sustainability Bonds/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Green/Social/Sustainability investments or loan disbursements made during that period.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with Midland Heart.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> <li>• Midland Heart Sustainable Finance Framework 2023</li> </ul>	<p>We can confirm that Midland Heart has a clear process in place for tracking the balance of the net proceeds, accounting for any disbursements. Midland Heart has also laid out its intention to allocate an amount equivalent to the net proceeds from its eligible projects within 36 months of issuance. A look-back period of up to 24 months prior to the time of debt issuance will be applied for the refinancing of eligible projects.</p> <p>The Group has also committed to reporting an estimate of the share of financing versus refinancing for the eligible projects.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3c	Temporary holdings	Pending such investments or disbursements to Eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Evidence reviewed: <ul style="list-style-type: none"> <li>Midland Heart Sustainable Finance Framework 2023</li> <li>Midland Heart Group Treasury Policy</li> </ul>	<p>DNV concludes that Midland Heart has appropriately disclosed how it will manage any unallocated proceeds within its portfolio. Midland Heart has confirmed that any unallocated funds will be held as in cash or short-term liquidity money market instruments, until the allocation of the proceeds can be made to an eligible project. Where Midland Heart uses the funds to pay debts and where this is the case Midland Heart has made the commitment to invest an equivalent amount of the proceeds to the eligible projects. This is in accordance with the Group's Treasury Management Policy.</p> <p>If an asset is no longer eligible under the criteria, Midland Heart has confirmed that it will be removed from the eligible project Portfolio.</p>

#### 4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Bond, and where appropriate Loan proceeds, have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the	Evidence reviewed: <ul style="list-style-type: none"> <li>Midland Heart Sustainable Finance Framework 2023</li> </ul>	<p>We can confirm that Midland Heart has committed to both annual reporting on the allocation of the net proceeds, and the impact of the sustainable, green and social projects that are to be (re-) financed.</p> <p>The ambition is that the allocation reporting will be a separate statement publicly available on the Group's website, while the impact report will be integrated into Midland Heart's annual ESG report. These reports will provide investors (and alike)</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>projects and the amounts disbursed, as well as the expected environmentally sustainable impact.</p>		<p>with clear, relevant, and transparent information on the selected projects, including impact information on the environmental and/or social benefits of the selected projects financed.</p> <p><b>Allocation reporting</b> will include:</p> <ul style="list-style-type: none"> <li>• Net proceeds outstanding from Sustainable Financing.</li> <li>• The amount of proceeds allocated to Eligible Projects.</li> <li>• The split between Social and Green allocation.</li> <li>• The amount of unallocated proceeds (if any).</li> <li>• A complete list of Eligible Projects financed.</li> </ul> <p>The report will continue to be produced until the earlier of:</p> <ul style="list-style-type: none"> <li>• the maturity of the debt; or</li> <li>• the proceeds of debt have been reported as having been fully allocated to eligible project spend.</li> </ul> <p>The allocation report will also highlight any cases whereby a project/investment/asset is no longer classified as “eligible” under the criteria as set out in the framework. Where this event takes place, the project/investment/asset will be removed from the Eligible Project Portfolio, and the Group will endeavour to replace the project/investment/asset as soon as reasonably practicable.</p> <p><b>Impact reporting</b> will incorporate the Harmonised Framework for Impact Reporting 2021, and until the maturity of the Sustainable Financing Instruments. This will provide investors and alike, with the relevant information regarding the environmental or social impacts of the projects financed, on</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>an annual basis.</p> <p>The impact report may include, for instance:</p> <p><b>Affordable Housing:</b></p> <ul style="list-style-type: none"> <li>• Number of new affordable properties by category</li> <li>• Average rents charged, relative to private sector rents.</li> </ul> <p><b>Energy Efficiency:</b></p> <ul style="list-style-type: none"> <li>• Number or % new homes with an energy efficiency rating of EPC 'B' or higher</li> <li>• Number or % of existing homes improved to EPC 'C' from EPC 'D' or lower</li> <li>• Annual Energy Savings (kWh/m2)</li> <li>• Total CO2 emissions avoided (kg/tonnes)</li> </ul> <p><b>Renewable Energy:</b></p> <ul style="list-style-type: none"> <li>• Total CO2 emissions avoided (kg/tonnes).</li> <li>• Renewable energy capacity installed (kW).</li> <li>• Number of solar PV installations.</li> </ul> <p><b>Clean Transportation:</b></p> <ul style="list-style-type: none"> <li>• The number of EV charging points installed</li> <li>• Total charging capacity installed (kW)</li> <li>• The number of EVs purchased or leased for Midland</li> </ul>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Heart's own fleet</p> <ul style="list-style-type: none"> <li>The number of cycling facilities installed</li> </ul> <p>In addition, as part of its annual ESG reporting, and to bring to life the impact of the projects financed, case studies may also be provided.</p> <p>DNV can confirm Midland Heart's intent to provide information on the impact and data reporting methodologies applied by the Issuer. In addition, Midland Heart's approach to impact reporting may be updated over time to align with emerging reporting standards and methodologies.</p>