

EXTERNAL REVIEW

Southern Housing Group Sustainability Bond Report

Allocation and Impact Report Southern Housing Group

20 September 2022

VERIFICATION PARAMETERS

Type(s) of reporting	Allocation and Impact Report Harmonised Framework for Impact Reporting (HFIR), as administered by International Capital Market Association (ICMA) (06.2021)
Relevant standard(s)	Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB), as administered by ICMA (06.2022) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, as administered by ICMA (06.2021) Southern Housing Group's Allocation and Impact Report (as of 20.09.2022)
Scope of verification	Southern Housing Group's Sustainable Finance Framework (as of 09.2021)
Lifecycle	Post-issuance verification
Validity	As long as no material changes are undertaken by the issuer to its Allocation and Impact Report as of 16.09.2022

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SCOPE OF WORK

Southern Housing Group (“the issuer”) commissioned ISS ESG to provide an External Review¹ on its Allocation and Impact Report by assessing:

1. The alignment of the Southern Housing Group’s Allocation and Impact Report with the commitments set forth in Southern Housing Group Sustainable Finance Framework (as of 09.2021).
2. Southern Housing Group’s Allocation and Impact Report - benchmarked against Harmonised Framework for Impact Reporting (HFIR) and Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB), as administered by ICMA updated as of 06.2021 and 06.2022 respectively.
3. The disclosure of proceeds allocation and soundness of reporting indicators² – whether the impact metrics align with best market practices and are relevant to the Sustainable Bond issued.

¹ ISS ESG does not provide limited or reasonable assurance on the information presented in Southern Housing Group’s Allocation and Impact Report. ISS ESG solely conducted a review of the use of proceeds’ allocation and impact reporting against ICMA Standards (Green Bond and Social Bond Principles, Sustainability Bond Guidelines) core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. ISS ESG bases its assessment solely on the information provided in the allocation and impact reporting. The issuer is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

ISS ESG ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1.</p> <p>Alignment with the issuer's commitments set forth in the Framework</p>	<p>ISS ESG finds that Southern Housing Group's Allocation and Impact Report meet the issuer's commitments set forth in the Sustainable Finance Framework. The proceeds have been used to finance Affordable Housing and Green Buildings in accordance with the eligibility criteria defined in the Framework.</p>	<p>Aligned</p>
<p>Part 2.</p> <p>Alignment with the HFIR and HFIRSB</p>	<p>ISS ESG finds that the Allocation and Impact Report is in line with ICMA Harmonised Framework for Impact Reporting (HFIR) and Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB). The issuer follows core principles and where applicable key recommendations.</p> <p>ISS ESG finds that Southern Housing Group follows ICMA Harmonised Framework for Impact Reporting and ICMA Harmonised Framework for Impact Reporting for Social Bonds' core principles and most of its key recommendations. The issuer provides transparency on the level of reporting as well as on the frequency, scope and duration. The issuer reports within one year from issuance and illustrates the environmental and social impacts transparently. The issuer discloses total amount of proceeds allocated to eligible categories, per type of property and location.</p>	<p>Aligned</p>
<p>Part 3.</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>ISS ESG finds that the allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the framework³.</p> <p>The indicators are relevant and align with the reporting criteria set forth in the issuer's framework.</p> <p>Data sourcing, methodologies of quantitative assessment, the baseline selection and granularity reflect best market practices.</p>	<p>Positive</p>

³ ISS ESG bases its assessment on the information provided in the allocation reporting. The issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement

ISS ESG EXTERNAL REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE SUSTAINABLE FINANCE FRAMEWORK

The following table presents ISS ESG’s assessment of the Allocation and Impact Report against the commitments set forth in Southern Housing Group’s Framework, which are based on the core requirements of the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as well as best market practices.

GBP, SBP AND SBG	OPINION	ALIGNMENT WITH COMMITMENT
<p>1. Use of Proceeds</p>	<p>Southern Housing Group confirms to follow the Use of Proceeds’ description provided by Southern Housing Group’s Sustainable Finance Framework. The report is in line with the initial commitments set in the Southern Housing Group’s Sustainable Finance Framework: (re)finance in Eligible Projects in Affordable Housing and Green Buildings.</p> <p>The issuer’s green and social categories align with the project categories and in accordance with the eligibility criteria as proposed by the Southern Housing Group’s Sustainable Finance Framework. Environmental and social benefits at either category level are described and quantified.</p>	<p>✓</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>Southern Housing Group confirms to follow the Process for Project Evaluation and Selection description provided by Southern Housing Group’s Sustainable Finance Framework. The report is in line with the initial commitments set in the Southern Housing Group’s Sustainable Finance Framework: engage the Sustainable Finance Group (“SF Group”) for the implementation and execution of the framework.</p> <p>The projects selected are defined and structured in a congruous manner. The issuer ensures compliance with the Eligibility Criteria and ESG risk management process has been respected in line with the issuer’s framework.</p> <p>The issuer confirmed that various stakeholders were involved in the Scheme Approval Panel (“SAP”) for the project evaluation and selection process.</p>	<p>✓</p>
<p>3. Management of Proceeds</p>	<p>Southern Housing Group confirms to follow the Process for Management of Proceeds description provided by Southern Housing Group’s Sustainable Finance Framework. The report is in line with the initial commitments set in the Southern Housing Group’s Sustainable Finance Framework: allocate an amount equal to the net</p>	<p>✓</p>

	<p>proceeds of the Sustainability Bond to Eligible Projects and tracked using an internal tracking system.</p> <p>Southern Housing Group confirms that although they initially planned to issue a nominal sum of £300m, they have so far only issued £250m of debt. £50m has been retained and may be issued at a later date if the issuer decides to do so. Net proceeds of £245.6m are collected, of which £146.1m, represents 59% of the amount allocated to eligible projects. £126.7m is allocated to Affordable Housing and £19.4m is allocated to Green Buildings. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Moreover, the issuer confirms the unallocated proceeds are held either in cash or in money market funds.</p> <p>The issuer confirms all proceeds will be allocated to Eligible Projects within 24 months of the issuance.</p>	
<p>4. Reporting</p>	<p>ISS ESG considers that the Southern Housing Group Impact Report is coherent with the Reporting description provided by Southern Housing Group’s Sustainable Finance Framework. The report is in line with the initial commitments set in the Southern Housing Group’s Sustainable Finance Framework: publish an Allocation Report and an Impact Report at full allocation, and at least every 12 months post-issuance ahead of full allocation.</p> <p>The sections “Allocation reporting” and “Impact Reporting” of the Allocation and Impact Report comply with the pre-issuance commitment expressed in the framework. The report is intended to be publicly available.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	<p style="text-align: center;">✓</p>
<p>5. Verification</p>	<p>Southern Housing Group’s Sustainable Finance Framework has received a Second Party Opinion (SPO).</p> <p>Southern Housing Group has appointed ICS to provide an external verification on the Allocation and Impact Report.</p>	

PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING AND THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING FOR SOCIAL BONDS

Reporting is a core component of the GBP, SBP and SBG and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting.

Sustainability bond issuers are required to report on both the use of green categories proceeds, as well as the environmental impacts at least on an annual basis until full allocation or maturity of the bond. ICMA Harmonised Framework for Impact Reporting has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below presents the findings of ISS ESG's assessment of Southern Housing Group Allocation and Impact Report against ICMA Harmonised Framework for Impact Reporting.

CORE PRINCIPLES		
ICMA HFIR	ALLOCATION AND IMPACT REPORT	ASSESSMENT
Reporting on an annual basis	Southern Housing Group has reported within one year from issuance. The issuer has confirmed that all proceeds from the issuance will be allocated within 24 months following the issuance date. The report will be available on Southern Housing Group's website.	✓
Illustrating the environmental impacts or outcomes	<p>The assessment and measurement of the impacts generated by Southern Housing Group Green Buildings category of its Sustainability Bond covered the following areas:</p> <ul style="list-style-type: none"> a. Number of newly delivered housing units with EPC B ratings is 63. b. Percentage of avoided carbon emissions (in kgCO₂e) versus baseline (i.e., issuer's existing stock): 50%. 	✓
ESG Risk Management	The issuer has respected its ESG risk management process in line with the issuer's framework.	✓
Allocation of proceeds - Transparency on the currency	<p>The issuer reports the proceeds allocated to the eligible projects within the environmental categories of its Sustainability Bond. £19.4m is allocated to Green Buildings.</p> <p>Allocated proceeds correspond to investments and expenditures in GBP. According to the issuer, unallocated proceeds are held either in bank accounts or in money market funds.</p>	✓

RECOMMENDATIONS		
ICMA HFIR	ALLOCATION AND IMPACT REPORT	ASSESSMENT
Define and disclose period and process for Project Evaluation and Selection	The issuer followed a transparent process for selection and evaluation of eligible green projects. Projects financed and/or refinanced through the Sustainability Bond issued under Sustainable Finance Framework were evaluated and selected based on compliance with the eligibility criteria as laid out in the framework.	✓
Disclose total amount of proceeds allocated to eligible disbursements	<p>Southern Housing Group confirms that although they initially planned to issue a nominal sum of £300m, they have so far only issued £250m of debt. £50m has been retained and may be issued at a later date if the issuer decides to do so.</p> <p>Total net proceeds of £245.6m has been raised through issuer's Sustainability Bond. £19.4m have been allocated to environmental project categories (i.e., green buildings).</p>	✓
Formal internal process for the allocation of proceeds and to report on the allocation of proceeds	Southern Housing Group confirms project selection and to be in line with the criteria set forth in the underlying Framework.	✓
Report at project or portfolio level	The Allocation and Impact Report includes the total amount of proceeds allocated per the eligible project category (Green Buildings), type of sales tenure (i.e., market rent and open market) and type of housing scheme (i.e., Essex Brewery and Lisgar Terrace).	✓
Describe the approach to impact reporting	The issuer identifies the specific eligible projects and clearly defines, for each project, the total project's allocated proceeds.	✓
Report the estimated lifetime results and/or project economic life (in years)	The issuer does not report on the average portfolio lifetime (in years) for the eligible project category or the subcategories.	○
Ex-post verification of specific projects	ISS ESG has not found a proposed ex-post verification of specific projects.	N/A
Report on at least a limited number of sector specific core indicators	The Southern Housing Group reports on certification standards (EPCs) that is a core indicator for the Green Buildings category.	✓

	<p>A description of core environmental impacts for each target area is available in the report:</p> <ul style="list-style-type: none"> Construction of new homes with an EPC Rating of B or above. 	
<p>If there is no single commonly-used standard, issuers may follow and disclose their own calculation methodologies</p>	<p>Percentage of avoided carbon emissions (in kgCO₂e) per property, per annum versus baseline (i.e., issuer's existing stock)</p> <p>The issuer measures the emissions performance of the housing units financed by the Sustainability Bond and compares them with the average emissions of the issuer's existing stock.</p>	✓
<p>Disclosure on the conversion approach (if applicable)</p>	<p>The reported units have not been converted.</p>	N/A
<p>Projects with partial eligibility</p>	<p>The projects are fully eligible.</p>	✓
<p>When the expected impacts of different project components may not be reported separately, issuers may use (and disclose) the attribution approach</p>	<p>The impact of Southern Housing Group's projects is reported separately per category and sub category on an aggregated basis.</p>	✓

ISS ESG OPINION

ISS ESG finds that Southern Housing Group follows ICMA Harmonised Framework for Impact Reporting core principles and most of its key recommendations. The issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, in alignment with best market practices. Southern Housing Group reports within one year from issuance and illustrates the environmental impacts transparently. The issuer discloses total amount of proceeds allocated to eligible categories, per type of property and location.

Sustainability bond issuers are required to report on both the use of social bond proceeds, as well as the social impacts at least on an annual basis until full allocation. ICMA Harmonised Framework for Impact Reporting for Social Bonds has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below presents the findings of ISS ESG’s assessment of Southern Housing Group Allocation and Impact Report against ICMA Harmonised Framework for Impact Reporting for Social Bonds.

CORE PRINCIPLES		
ICMA HFIRSB	Allocation and Impact Report	ASSESSMENT
Formal internal process to track proceeds	Southern Housing Group confirms project selection and management of proceeds to be in line with the criteria set forth in the underlying Framework.	✓
Reporting on an annual basis	Southern Housing Group has reported within one year from issuance. The issuer has confirmed that all proceeds from the issuance will be allocated within 24 months following the issuance date. The report will be available on Southern Housing Group’s website.	✓
Allocation of the proceeds to social project categories	In accordance with the criteria established within the Framework, in compliance with the Social Bond Principles issued by the ICMA, Southern Housing Group reports the allocations to eligible projects related to the social categories of its Sustainability Bond. In such respect, £126.7m is allocated to Affordable Housing. According to the issuer, unallocated proceeds are held either in bank accounts or in money market funds.	✓
Target Population(s) identified	Where applicable the issuer defined targeted populations for the Affordable Housing category. The issuer refers to local authorities’ definition of income thresholds per area in order to assess eligibility purposes.	✓
Output, outcome and/or impact of projects at project or portfolio level	The Allocation and Impact Report includes the total amount of proceeds allocated per the eligible project category (Affordable Housing), number of delivered affordable housing units, allocation per project and average rent level measured against private market.	✓
Illustration of the social impacts	The assessment and measurement of the impacts generated by Southern Housing Group Affordable Housing category of its Sustainability Bond covered the following areas: ➔ Number of affordable units delivered: over 250.	✓

	<p>→ Overall weighted average rent against the average of the local private market: 70% (with a maximum of 80%).</p>	
<p>The issuer uses output, outcome, and/or impact metrics relevant to the projects and referred to existing indicator lists and catalogs</p>	<p>The issuer referred to existing indicator lists and catalogs from the Annex III of the HFIRSB:</p> <p>Output: number of dwellings. Outcome: rental cost compared to local rent average.</p> <p>ISS ESG conducted a detailed analysis of impact indicators available in Part 3 of this report.</p>	<p>✓</p>

RECOMMENDATIONS

ICMA HFIRSB	Allocation and Impact Report	ASSESSMENT
<p>Disclose the methodology and the assumptions used for the calculation of impact indicators</p>	<p>The issuer reports on actual absolute output indicators and qualitative impact indicators.</p>	<p>✓</p>
<p>When the expected impacts of different project components may not be reported separately, issuers may use (and disclose) the attribution approach</p>	<p>The impact of Southern Housing Group's projects is reported separately per category and per component (i.e. project where the housing units are located).</p>	<p>✓</p>
<p>Disclose the methodology used to determine the share of eligible project financing being applied to impact calculation</p>	<p>The issuer determines the affordability of housing units by using assessments of the private rent levels of comparable properties conducted by professional third party valuation and setting their own rent levels to be at a maximum of 80% of those private rent levels.</p>	<p>✓</p>
<p>Collaborating with experts if reporting on the estimated lifetime impacts and/or project economic life in years</p>	<p>An assessment provided by an expert on the estimated lifetime impact has not been provided.</p>	<p>○</p>
<p>Assumptions and ex-post verification</p>	<p>The issuer reports on actuals not using assumptions or projection estimates.</p>	<p>✓</p>
<p>Report Period</p>	<p>The issuer reports transparently on added projects to the portfolio reporting on actuals as of 31 March 2022 for the period between the issuance date and 31 March 2022.</p>	<p>✓</p>
<p>Disbursement reporting</p>	<p>The proceeds from the social bond issuance were used to finance new project or refinance existing projects. The issuer reports on the amounts allocated to refinance projects funded by existing indebtedness and amounts allocated to finance</p>	<p>✓</p>

	new projects, both overall and on the level of the Affordable Housing category.	
Projects with partial eligibility	All projects are 100% eligible for financing.	✓

ISS ESG OPINION

ISS ESG finds that Southern Housing Group follows ICMA Harmonised Framework for Impact Reporting for Social Bonds core principles and key recommendations. The issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, in alignment with best market practices. Southern Housing Group reports within one year from issuance and illustrates the social impacts transparently. The issuer has confirmed that all proceeds from the issuance will be allocated within 24 months following the issuance date. Moreover, the issuer discloses total amount of proceeds allocated to eligible categories, per project and average rent level measured against private market.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds categories. This report refers to the Sustainability Bond issued by Southern Housing Group in October 2021 for a net collected amount of £245.6m.

The Use of Proceeds allocation reporting occurred within one year from the issuance. £146.1m, corresponding to 59% of the net proceeds from the issuance have been allocated to eligible projects. £126.7m is allocated to Affordable Housing and £19.4m is allocated to Green Buildings. Proceeds that have not been allocated have been temporarily held either in current cash accounts or in money market funds.

Proceeds allocated to Eligible Projects/Assets

The proceeds' allocation is broken down at the project category level and by type of project per project category. The report details the amount of proceeds allocated for refinancing of existing obligations and to finance new eligible projects according to the issuer's framework. The issuer has provided details about the type of projects included in the portfolio.

ISS ESG finds that the allocation report section of the Allocation and Impact Report of Southern Housing Group aligns with best-market practices by providing information on:

- The total amount of allocated proceeds in million pounds, segregated per environmental and social categories, and per amounts financed and refinanced.

For the Affordable Housing category, the report provides information on:

- The number of new Affordable Homes provided by the issuer during the reporting period, broken down by individual project and type of housing scheme.
- the average affordable rent on affordable units delivered against the local private rent market, broken down by individual project.

For the Green Buildings category, the report provides information on:

- Number of new housing units delivered with an EPC rating of B or above, broken down by project.
- the average reduction of emissions (in kgCO₂e) of newly delivered units – per unit and per annum, compared with the issuer's existing stock.

Impact Reporting Indicators

The table below presents an independent assessment conducted by ISS ESG. The issuer reports and discloses on the output, outcome, and impact of projects using impact indicators.

ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicators chosen by the issuer for its Sustainability Bond are the following:</p> <ul style="list-style-type: none"> a) For the Affordable Housing category: <ul style="list-style-type: none"> • Number of new affordable houses • Average affordable rent on affordable units delivered against the local private rent market, broken down by individual project. b) For the Green Buildings category: <ul style="list-style-type: none"> • Number of new housing units delivered with an EPC rating of B or above. • Percentage of avoided carbon emissions (in kgCO₂e) of newly delivered units – per unit and per annum, versus baseline (i.e., issuer’s existing stock). <p>The indicators are qualitative and material to the Use of Proceeds categories financed through this bond and in line with the Suggested Impact Reporting metrics for Green Building projects by the ICMA Harmonized Framework for Impact Reporting and for Affordable Housing projects by the ICMA and Harmonized Framework for Impact Reporting for Social Bonds. This aligns with best market practices.</p>
<p>Data sourcing and methodologies of quantitative assessment</p>	<ul style="list-style-type: none"> a) For the Affordable Housing category: <ul style="list-style-type: none"> • Number of new affordable houses The data is sourced internally. • The average affordable rent on affordable units delivered against the local private rent market, broken down by individual project. The data is sourced internally based on a third-party valuation that defines the local private rent market. b) For the Green Buildings category: <ul style="list-style-type: none"> • Number of new housing units delivered with an EPC rating of B or above. The data is sourced internally. For this impact indicator, the issuer uses Energy Performance Certificates (EPCs), in line with the core indicator proposed by the ICMA Harmonized Framework for Impact Reporting. • Percentage of avoided carbon emissions (in kgCO₂e) of newly delivered units – per unit and per annum, versus baseline (i.e., issuer’s existing stock). The data is sourced internally.
<p>Baseline selection</p>	<p>For the Affordable Housing category, the impact data is determined by comparing the average local private rent as defined by a professional third party valuation and the average rent of the units delivered under the Sustainability Bond.</p>

	For the Green Buildings category, the impact data is compared with relevant baseline since regional, national, or internationally recognized standards are providing important baselines against which the green building project can be benchmarked. In this sense, the report is in line with the suggestion of the ICMA Harmonized Framework for Impact Reporting.
Scale and granularity	The impact data is presented at the Use of Proceed category level for the indicators.

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the issuer’s Allocation and Impact Report, the impact indicator(s) adopted by Southern Housing Group for its Sustainability Bonds can be mapped to the following SDGs, according to the ICMA “A High -Level Mapping to the Sustainable Development Goals”⁴.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
Number of new affordable houses	 
Average affordable rent on affordable units delivered against the local private rent market, broken down by individual project.	 
Number of new housing units delivered with an EPC rating of B or above.	
Average reduction of emissions (in kgCO2e) of newly delivered units – per unit and per annum, compared with the issuer’s existing stock	

ISS ESG OPINION

ISS ESG finds that the allocation of the bond’s proceeds has been disclosed, with a detailed breakdown across different eligible project categories/asset categories as proposed in the framework and the Southern Housing Group’s Sustainable Finance Framework has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies and granularity reflecting best market practices. Besides, ISS ESG finds that the impact indicators used align with best market practices using ICMA’s recommended metrics, both in the HFIR and the HFIRSB.

⁴ ICMA, June 2020, Green, Social and Sustainability Bonds; A High-Level Mapping to the Sustainable Development Goals, [ICMA’s Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds](#)

DISCLAIMER

1. Validity of the External Review: As long as no material changes are undertaken by the issuer to its Allocation and Impact Report as of 20.09.2022.
2. ISS ESG uses a proprietary methodology to assess the post-issuance reports. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we conduct External Reviews solely based on data provided by the issuer.
3. We would, however, point out that we do not warrant that the information presented in this External Review is complete, accurate, or up to date. Any liability on the part of ISS ESG in connection with the use of this External Review, the information provided in them, and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgments given by us do not in any way constitute purchase or investment recommendations. In particular, the External Review is no assessment of the economic profitability and creditworthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Review of the post-issuance Reports

The external review of post-issuance reports provides the issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the issuer, ISS ESG assesses the alignment of the report with recognized market guidelines, the metrics chosen by the issuer and the soundness of process and methodology of reporting. The analysis of the metrics adopted is based on specific sets of indicators developed by ISS ESG referring to common market guidelines.

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, ISS ESG identifies the extent to which the issuers reporting and project categories contribute to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Southern Housing Group commissioned ISS ESG to compile an External Review on its Bond Report. The External Review process includes verifying whether the Bond Report aligns with the issuer's Green, Social and Sustainability Bond Framework and the respective market standards, i.e. the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and to assess the robustness and completeness of the reporting methodologies.

CRITERIA

Relevant Standards for this External Review:

- ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines
- ICMA Harmonized Framework for Impact Report
- ICMA Harmonized Framework for Impact Report for Social Bonds
- ICMA A High-Level Mapping to the Sustainable Development Goals
- Proprietary Assessment methodology

ISSUER'S RESPONSIBILITY

Issuer's responsibility was to provide information and documentation on:

- Allocation and Impact Report
- Southern Housing Group's Sustainable Finance Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

ISS ESG'S VERIFICATION PROCESS

ISS ESG has conducted this independent External Review by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with Southern Housing Group took place in September 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information on External Review services, contact: SPOsales@isscorporatesolutions.com

For more information on this specific Allocation and Impact Report External Review, please contact: SPOOperations@iss-esg.com

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