

# VIVID Housing Ltd.

**Type of Engagement:** Sustainability Bond Pre-Issuance Review

**Date:** 27 June 2024

**Engagement Leader:** Akshay Chandrakapure, [akshay.chandrakapure@morningstar.com](mailto:akshay.chandrakapure@morningstar.com)  
Tomya Sardana, [tomya.sardana@morningstar.com](mailto:tomya.sardana@morningstar.com)

---

## Introduction

In 2022, VIVID Housing Ltd. (“VIVID” or the “Issuer”) developed the VIVID Sustainable Financing Framework 2022 (the “Framework”)<sup>1,2</sup> under which it intends to issue sustainability debt instruments (including but not limited to loans, public bonds, private placements, and revolving credit facilities) aimed at refinancing projects or assets related to Green Buildings, Energy Efficiency, Clean Transportation, Affordable Housing and Access to Essential Services, such as education and vocational training, healthcare, and financial services (VIVID Plus).

In June 2024, VIVID engaged Sustainalytics to review the projects intended to be refinanced through the sustainability debt instruments issued under the Euro Medium Term Note programme in the UK (the “Nominated Projects”) to provide an assessment as to whether the Nominated Projects comply with the use of proceeds, project selection and management of proceeds criteria of the Framework.

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects as to whether:

1. They are aligned with the use of proceeds eligibility criteria in the Framework.
2. The commitments to select projects and manage proceeds are aligned with the ones described 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 Nominated Projects, including a description of the projects. This information was provided to Sustainalytics to support its review. VIVID is also responsible for confirming to Sustainalytics that the processes for project selection and management of proceeds will remain aligned with the commitments 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 sustainability debt instruments. The work undertaken as part of this engagement included verification of the Nominated Projects and confirmation from representatives of VIVID that the use of proceeds, processes for project selection and management of proceeds for the sustainability 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 the assessment.

---

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

<sup>2</sup> DNV Group AS provided a second-party opinion on the Framework in September 2022. “Sustainable Financing Framework, Second Party Opinion”, (2022), at: <https://www.vividhomes.co.uk/media/3316/sff-second-party-opinion-2022.pdf>

---

### **Conclusion**

Based on the limited assurance procedures conducted,<sup>3</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects are not aligned with the Framework.

---

<sup>3</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects and assets, including description, estimated and realized costs, and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix 1: Use of Proceeds Eligibility Criteria of the Sustainable Financing Framework

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 Description	Projected Allocation (million GBP)		
		2021-22	2022-23	2023-24
Green buildings	New homes built that achieved a minimum EPC rating of A or B	65.35	63.89	93.08
Energy Efficiency	Expenditure on homes with EPC rating improvement of any of: (a) at least two bands (b) minimum EPC B (c) SAP score improvement >30%	-	-	0.35
Clean transportation	Amount invested in construction, extension and/or improvement to core, sustainable transport infrastructure.	-	0.18	0.02
	Amount invested in Electric/ Low Emission vehicles	-	-	0.06
Affordable Housing	Cost of homes built or acquired, in compliance with the Government definition of affordable housing.	217.21	254.49	430.43
Access to Essential Services	Expenditure related to providing access to essential services, including health, education and vocational training, mentoring, healthcare, financing and financial services (VIVID Plus)	1.98	2.66	2.51
<b>Total</b>		<b>284.54</b>	<b>321.22</b>	<b>526.45</b>
		<b>1132.21</b>		

## Appendix 3: Impact from the Nominated Projects

Use of Proceeds Category	Key Performing Indicator	Actual Impact		
		2021-22	2022-23	2023-24
Green buildings	Number of new homes built that achieved a minimum EPC rating of A or B.	232	158	119
Energy Efficiency	Number of homes with EPC rating improvement of any of: (a) at least two bands (b) minimum EPC B (c) SAP score improvement >30%	-	-	55
	Number of new homes delivered using modern methods of construction	225	278	249
Clean transportation	Number of electric vehicle charging points installed.	-	12	29
	Number of low emission fleet vehicles procured for employees and customers.	-	28	1
	Percentage of Vivid fleet that is electric / zero-emission	-	8%	8%
Affordable Housing	Number of homes built or acquired, in compliance with the Government definition of affordable housing.	1,169	1,229	1,629
	Number of homeless people, or people from local authority waiting lists, that have been provided with newly built affordable housing.	427	284	684
Access to Essential Services	Number of meals funded	8,458	19,880	19,592
	Number of jobs started from the training provision.	310	288	329
	Number of people granted specialist addiction or mental health support, via the charity VIVID Plus.	78	127	185
	Number of people at risk of homelessness helped through mentoring.	35	9	N/A
	Amount of additional income secured for Vivid customers, through benefit advice (EUR Thousands)	4,932	5,785	10,316
	Number of customers supported by our Tenancy Support service	-	-	2,835

## Appendix 4: Sustainalytics' Findings

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

## Disclaimer

**Copyright ©2024 Sustainalytics, a Morningstar company. All rights reserved.**

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an “expert opinion” or “negative assurance letter” as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. Sustainalytics has not independently verified any such information or data. The deliverables are provided “as is” and reflect Sustainalytics’ opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers’ names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit [Governance Documents](#) or contact [compliance@sustainalytics.com](mailto:compliance@sustainalytics.com).

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

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

## About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

