






Second Party Opinion

Jigsaw Homes Group Ltd.'s Sustainable Finance Framework

April 25, 2022

Jigsaw Homes Group Ltd. is a registered social and affordable housing provider in the U.K., operating primarily in the North West and the Midlands. The group's members develop, renovate, and manage housing primarily for eligible renters, with a current stock of over 35,000 low-cost homes. Some units are also available for sale. The group also provides a variety of supportive services through its "JigsawSupport" subsidiary, including emergency financial assistance, programs for homeless individuals and those at risk for homelessness, and peer mentoring.

In our view, Jigsaw's Sustainable Finance Framework, published on April 22nd, is aligned with:

-  Social Bond Principles, ICMA, 2021
-  Social Loan Principles, LMA/LSTA/APLMA, 2021
-  Green Bond Principles, ICMA, 2021
-  Green Loan Principles, LMA/LSTA/APLMA, 2021
-  Sustainability Bond Guidelines ICMA, 2021

This second party opinion does not assess the alignment of any individual transaction with the Social Bond Principles (SBPs), Social Loan Principles (SLPs), Green Bond Principles (GBPs), Green Loan Principles (GLPs), or Sustainability Bond Guidelines (SBGs).

Issuer's Sustainability Objectives

Jigsaw's sustainability strategy identifies seven specific aims, the top two being "reduce our carbon emissions by reducing the energy demands of our homes" and "build quality homes with a low carbon footprint." These are consistent with Jigsaw's commitments to become net-zero by 2050 in line with the U.K. Climate Change Act 2008, as well as Jigsaw's five-year plan to develop 4,000 new homes to help meet rising demand for social and affordable housing.

Jigsaw has developed a sustainable finance framework to further align its funding strategy with its sustainability strategy. While Jigsaw Homes Group includes four principal member organizations (Jigsaw Homes Midlands, Jigsaw Homes North, Jigsaw Homes Tameside, and Jigsaw Support), management has confirmed that all issuance under the framework will occur at the group level and not member level.

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Second Party Opinion Summary


Use of proceeds

Alignment  Jigsaw's Sustainable Finance Framework is aligned with this component of the SBPs, SLPs, GBPs, GLPs, and SBGs.

Score Not aligned Aligned **Strong** Advanced

Jigsaw commits to allocate an amount equivalent to the proceeds of all financings issued under the framework to eligible projects, which include the construction, renovation, and refinancing of energy-efficient homes, and the construction and refinancing of Affordable Housing and Social Rent housing consistent with U.K. regulatory definitions.


Process for project evaluation and selection

Alignment  Jigsaw's Sustainable Finance Framework is aligned with this component of the SBPs, SLPs, GBPs, GLPs, and SBGs.

Score Not aligned Aligned Strong **Advanced**


The framework explains that a Sustainable Finance Group within Jigsaw will be responsible for approving eligible projects consistent with the criteria in the framework, monitoring the financed portfolio for continued eligibility, and overseeing and managing potential environmental and social risks of the projects.

Management of proceeds

Alignment  Jigsaw's Sustainable Finance Framework is aligned with this component of the SBPs, SLPs, GBPs, GLPs, and SBGs.

Under the framework, the Finance department will track the allocation of proceeds to eligible projects, which will be matched to Sustainable Finance Group records. Jigsaw anticipates full allocation within 36 months of issuance; pending allocation, funds will be managed in line with the Treasury Management Strategy.

Reporting

Alignment  Jigsaw's Sustainable Finance Framework is aligned with this component of the SBPs, SLPs, GBPs, GLPs, and SBGs.


Score Not aligned **Aligned** Strong Advanced

The framework commits to provide annual reporting on the allocation of proceeds and impact metrics until full allocation of proceeds, and thereafter in the case of a material change. Both allocation and impact reporting will have external verification.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 Jigsaw's Sustainable Finance Framework is aligned with this component of the SBPs, SLPs, GBPs, GLPs, and SBGs.

Commitments score

Not aligned

Aligned

Strong

Advanced


We consider Jigsaw's overall use of proceeds commitments to be strong.

Jigsaw commits in the framework to allocate an amount equivalent to the net proceeds of all financings under the framework to eligible projects identified in the framework. Those eligible project types include the construction, renovation, and refinancing of energy efficient homes (green buildings), and the construction and refinancing of Affordable Rent Housing and Social Rent housing in the U.K., consistent with regulatory definitions and serving qualifying individuals. Management has confirmed that all homes will be rental properties. All renters must qualify for affordable or social housing under regulation, and may do so on the basis of income, disability, age, or other factors such as domestic abuse. The framework identifies how these projects align with Jigsaw's sustainability goals of reducing the carbon footprint of its operations while providing more social and affordable housing to meet demand.

The framework states that Jigsaw will disclose the amounts used for financing new projects versus refinancing existing projects, and identifies a look-back period of up to 24 months for refinanced projects.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 Jigsaw's Sustainable Finance Framework is aligned with this component of the SBPs, SLPs, GBPs, GLPs, and SBGs.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Jigsaw's overall process for project selection and evaluation commitments to be advanced.

The framework specifies that the Sustainable Finance Group within Jigsaw is responsible for overseeing project selection and portfolio compliance with the sustainability strategy and eligibility criteria outlined in the framework. These eligibility criteria include market standard benchmarks, including minimum Energy Performance Certificate (EPC) levels for the green building housing projects. Jigsaw is a registered provider of Affordable Rent Housing and Social Rent housing, which has a thorough regulatory framework in the U.K. including financial and consumer standards and eligibility requirements for customers. The regulator of social housing reviews registered providers for compliance with the standards.

The Sustainable Finance Group also has oversight for environmental and social risk management policies, and developing mitigants for potential environmental or social risks of the financed projects.

Second Party Opinion

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✓ Jigsaw's Sustainable Finance Framework is aligned with this component of the SBPs, SLPs, GBPs, GLPs, and SBGs.

Under the framework, the Finance department will track the allocation of proceeds to eligible projects. The Sustainable Finance Group will also maintain records of eligible project allocations, which will be matched against the finance records. The Sustainable Finance Group will monitor the financed portfolio for continued eligibility; in the case of divestment, if a project no longer meets eligibility criteria, or if the renters no longer qualify for affordable or social housing, Jigsaw intends to reallocate the funds to other eligible projects.

Jigsaw anticipates full allocation of proceeds within 36 months of issuance. Pending allocation, the framework states that funds may be used for other transactions in line with Jigsaw's Treasury Management Strategy. This could include deposits, money market funds, or similar products.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✓ Jigsaw's Sustainable Finance Framework is aligned with this component of the SBPs, SLPs, GBPs, GLPs, and SBGs.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider Jigsaw's overall reporting practices to be aligned.

Jigsaw commits to report annually on the allocation of proceeds and impact metrics until full allocation of proceeds, and thereafter in the case of a material change. This includes amounts allocated to different project types, the balance of unallocated proceeds, and any further information about how unallocated proceeds have been managed. Management has confirmed that reporting will be available at the financing level. Both allocation and impact reporting will have external verification, which we view as a strong practice.

Impact key performance indicators (KPIs) are identified in the framework, and Jigsaw commits to disclose the methodology and assumptions used to calculate them. For green buildings, KPIs include the number of new or refinanced homes with an EPC rating of B or above and the change in EPC distribution of renovated homes. For affordable and social housing, KPIs include the number of properties constructed or refinanced, and average rents compared to private sector rents. It is not possible to compare expected to actual impacts of the financed projects, which constrains our opinion of the reporting commitments.

Jigsaw intends to align its reporting on a best-efforts basis with the ICMA Harmonized Framework for Impact Reporting, which we view as an advanced practice.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Jigsaw's Sustainable Finance Framework intends to contribute to the following SDGs:

Use of proceeds/KPI

SDGs

Green Buildings



11. Sustainable cities and communities*

Affordable Housing



1. No poverty*



11. Sustainable cities and communities*

*The eligible project categories link to these SDGs in the ICMA mapping.

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