SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Stonewater
16 June 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	• Green, Social and Sustainability Bonds, Loans, Inter-Authority Deposits and Private Placements
Relevant standards	• Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainability Bond Guidelines (SBGs) administered by the International Capital Market Associated (ICMA). Green Loan Principles (GLPs) and Social Loan Principles (SLPs) administered by the Loan Market Association (LMA).
Scope of verification	• Stonewater's Sustainable Finance Framework • Eligible project categories' selection criteria
Lifecycle	• Pre-issuance verification
Validity	• As long as no new project category is added to the framework

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Scope of work

Stonewater (or "the Issuer") commissioned ISS ESG to assist with its Sustainable Finance Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. The Framework's link to Stonewater's sustainability strategy – drawing on Stonewater's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Stonewater's Sustainable Finance Framework (May 2021 version) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs), Social Bond Principles (SBPs), Sustainability Bond Guidelines (SBGs), and the Loan Market Association's (LMA) Green Loan Principles (GLPs) and Social Loan Principles (SLPs).
3. The eligible project categories – whether the projects contribute positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 1).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[1]
Part 1: **Framework's link to issuer's sustainability strategy**	Stonewater, operating as a non-profit organization, develops and redevelops residential properties for rental and shared ownership. It manages around 33,300 homes in England for over 70,000 customers including specialist accommodation such as retirement and assisted living schemes for older and vulnerable people and domestic abuse refuges. The Use of Proceeds categories financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green or social bonds is clearly described by the issuer.	**Consistent with issuer's sustainability strategy**
Part 2: **Alignment with GBPs, SBPs, SGBs, GLPs and SLPs**	The issuer has defined a formal concept for its Sustainable Finance Framework regarding the use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBPs, SBPs, SBGs, GLPs and SLPs.	**Positive**
Part 3: **Sustainability quality of the eligible project categories**	The overall sustainability quality of the eligible project categories (in terms of sustainability benefits, risk avoidance and minimisation) is good based upon the ISS ESG assessment. The issuer will (re-)finance eligible asset categories, including green buildings and affordable housing projects in the United Kingdom. These Use of Proceeds categories have a positive contribution to SDG 1 'No poverty', SDG 11 'Sustainable cities and communities' and SDG 13 'Climate action'.	**Positive**

[1] ISS ESG's evaluation is based on the Stonewater's Sustainable Finance Framework (May 2021 version), eligible project categories selection criteria and on the ISS ESG Indicative Corporate Rating applicable at the SPO delivery date.

ISS ESG SPO ASSESSMENT

PART I: GREEN AND SOCIAL BOND LINK TO STONEWATER'S SUSTAINABILITY STRATEGY

A. STONEWATER'S INDICATIVE SUSTAINABILITY PROFILE

Methodological note: *Please note that Stonewater is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Real Estate sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.*

Industry classification:

Real Estate[2]

Key Issues of the industry:

- Green building considerations
- Climate protection, energy efficiency and renewables
- Environmental and social aspects in site selection
- Worker safety and accident prevention
- Health and well-being of occupants

Indicative ESG risk and performance assessment:

Stonewater, operating as a non-profit organization, develops and redevelops residential properties for rental and shared ownership. It manages around 33,300 homes in England for over 70,000 customers, including specialist accommodation such as retirement and assisted living schemes for older and vulnerable people and domestic abuse refuges. The company generates a major share of revenues from the management and letting of social housing for people who cannot afford to buy their own home or rent from a private landlord.

As a real estate company with significant development activities, Stonewater is aware of the positive environmental impact of sustainable procurement practices. In this context, part of its environmental strategy is to assess the environmental impact of the manufacture and disposal of purchases and create a hierarchy of preferred materials or products. Stonewater further recognizes that buildings account for a comparably large share of CO2 emissions. As part of its environmental strategy, the company refers to the target of having no properties in its portfolio with Energy Performance Certificate (EPC) ratings below C by 2030. Stonewater is committed to reducing its office carbon footprint by 33% to 81.5 tons per annum and its business mileage carbon footprint by 33% to 482 tons per annum by March 2022[3]. The target does not include scope 3 emissions, such as the ones deriving from downstream-leased assets. Regarding efforts to make its property portfolio more energy-efficient, Stonewater refers to retrofit measures, trialling innovative low carbon heating solutions (e.g. in the framework of the Superhub Oxford Project) and exploring opportunities to deliver "Passiv-

[2] As per ISS ESG industry classification.
[3] Compared to the financial year 2019/20.

Haus" standards in the context of new projects. To increase tenants' awareness of environmental issues, Stonewater refers to energy-saving campaigns and encourages sustainable travel and transport choices at some properties (e.g., cycle storage facilities, electric vehicle charging points). The company has projects on different sites trialling approaches to meet net-zero or decarbonise heating, including a scheme of ground source heat pumps with endothermic roofs and building management systems. A majority of Stonewater's existing stock is rated with an EPC label of C or above. Stonewater's business plan for 2021 includes additional annual expenditures to support retrofit measures (including insulation, renewables, replacing windows, doors and heating systems). Additionally, from April 2021, Stonewater will not approve new homes which are reliant on fossil fuels on its own land-led sites.

Various policies and procedures prove that the company strategically manages employees and contractors' occupational health and safety. Accident data is readily available on Stonewater website. Stonewater also addresses tenant health, well-being, and safety by informing them on health exposures at home and how to deal with them (e.g., asbestos, legionella) and also by organizing fire risk assessments of properties.

Indicative product portfolio assessment:

Social impact of the product portfolio: Stonewater generates a significant share of revenues from the management and letting of social housing (rental income) for people who cannot afford to buy a house or rent from a private landlord. The share of revenues from residential properties was estimated to be around 90% (based on turnover), providing substantial positive impacts on achieving of the social objective to provide basic services. Further, support and housing for older people constituted 11.4% of income from social housing lettings in 2020/21.

Environmental impact of the product portfolio: There are no indications that any of the company's properties are certified to a sustainability label[4]. However, due to the residential nature of the company's properties, and as commonly seen in the Housing Association sector, Stonewater utilises the EPC rating system to evaluate their product portfolio. At the time of writing 64.8% of Stonewater's existing stock is rated with an EPC level of C or above.

Controversy risk assessment: Based on a review of controversies in the period of 1 January 2019 – 26 March 2021, the greatest risk reported against companies operating in the Real Estate and House Financing industry relate to activities that may have adverse impacts on human rights and business malpractice. This is closely followed by the failure to respect labour rights. The top three issues that have been reported against companies within the industry are as follows: alleged to prevent bribery, failure to prevent money laundering and failure to respect the right to safe and healthy working conditions. This is closely followed by the alleged failure to respect the right to just and favourable work conditions, failure to respect consumer health and safety, and failure to respect the right not to be subjected to torture / inhumane treatment.

The analyst in charge of producing this report conducted a high-level controversy assessment on the company, which did not reveal any controversy attributed to the issuer.

[4] BREEAM (e.g. "Very Good"), "DGNB" (e.g. "Silver"/ "Gold"), LEED (e.g. "Gold"), "HQE", "excellent" certificate or better certification.

B. CONSISTENCY OF THE SUSTAINABLE FINANCE FRAMEWORK WITH STONEWATER'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

As one of the UK's leading social housing providers, Stonewater is committed to providing homes for customers and supporting them to live healthier lifestyles while minimising its overall impact on the environment.

Social Impact

Stonewater's social purpose is at the very heart of the organisation. Providing good quality, affordable homes for people is its foundation but, above and beyond that, the way the company delivers its services and works with customers is fundamental.

Stonewater currently has 33,300 homes under management but is involved in partnerships to develop its social purpose further. The company has been named Legal & General Affordable Homes' largest management partner. Stonewater supports the organisation in delivering its development plan of building 3,000 homes by 2022 by leading on its partner's housing operations across England.
Moreover, Stonewater is part of the largest Homes England strategic partnership alongside Guinness Partnership – with £224 million funding for 4,500 additional affordable homes by 2022. The funding will enable Guinness and Stonewater to extend and accelerate their development plans, bringing forward affordable and social housing.

Environmental Impact

As a charitable housing association, Stonewater's Environmental and Sustainability Strategy is mostly focused on developing new sustainable, affordable, and energy-efficient homes with no overall impact on the environment and improving and aligning its existing homes with its sustainability targets for the benefit of its customers. In addition, the company aims to engage with its customers concerning energy and environmental improvements and reduce its corporate environmental impact.

As part of its Environmental and Sustainability Strategy, the targets, which will create the most benefit, are as follows:

Development of new affordable and sustainable Housing

- Build 6,250 new homes in the 5-year period until March 2024
- Develop 1,500 new homes every year from 2022/23
- Develop strategies for sustainable procurement, sustainable waste management, and water management

Reduce net carbon emissions

- Develop a credible strategy for reducing carbon emissions
- Have no homes with an EPC rating below Band C [SAP 69] by 2030
- Reduce office carbon footprint by 33% to 81.5 tons per annum and business mileage carbon footprint by 33% to 482 tons per annum by March 2022 compared to the financial year 2019/20

Other measures and initiatives can be found in Stonewater's Sustainable Finance Framework.

Rationale for issuance

Stonewater aims to develop new affordable and sustainable housing and improve the sustainability of its existing housing stock. Consequently, Stonewater has developed a Sustainable Finance Framework to align its financing instruments with its social and environmental strategy, unlocking the ability to issue various sustainable debt instruments.

Stonewater hopes to attract investors that share its sustainability ethos and values and thereby contribute to the growth of the sustainability debt market. In doing so, the company hopes to garner financing to address the targets set out in the UN SDGs.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Sustainable Finance Framework with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Real Estate sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Affordable Housing	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds categories financed through possible bond issuances are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The bond's environmental objectives and Use of Proceeds categories are appropriately linked to the issuer's strategy. The rationale for issuing Sustainability Bonds is clearly described by the issuer.*

PART II: FRAMEWORK ALIGNMENT WITH THE GBPs, SBPs, SBGs, GLPs and SLPs

1. Use of Proceeds

Net proceeds raised under this Sustainable Finance Framework will be utilised to finance and/or re-finance suitable projects subject to ICMA and LMA principles. The net proceeds will only be utilised for suitable projects 36 months before or 12 months after the issuance date of the debt instruments, as well as re-financing of existing eligible assets.

ELIGIBLE CATEGORY	DESCRIPTION	REFERENCE FINANCIAL LINE ITEM
Affordable Housing	• Construction of new Social and Affordable Housing in the United Kingdom	• Expenditures – construction costs
	• Re-financing of existing Social and Affordable Housing in the United Kingdom	• Asset value
Green Buildings	• Construction of new homes with an EPC (Energy Performance Certificate) Rating of A or B	• Expenditures – construction costs
	• Renovation of existing homes that improve unit EPC ratings by two notches	• Expenditures
	• Re-financing of existing homes – subject to a minimum EPC rating of A or B	• Asset value

Regulatory Framework for Affordable Housing

Registered providers of social housing must comply with a regulatory framework established by the UK Government. The 2015 regulatory framework[5] for social housing in England is comprised of:

- Regulatory requirements – obligations on registered providers, including the 'rent standard' for social and affordable housing and 'consumer standards' for the provision of the housing service;
- Codes of practice – assists registered providers in understanding how compliance might be achieved; and,
- Regulatory guidance – this provides further explanatory information on the regulatory requirements and includes information on how the regulator will carry out its role.

[5] Regulatory framework - GOV.UK (www.gov.uk)

The standards are classified as either 'economic' or 'consumer' and serve to ensure social housing providers comply with specific expectations in relation to home and tenancy management – particularly through the Economics standards[6], Home Standard[7] and Tenancy Standard[8]. There are three economic standards and four consumer standards as below:

Economic Standards:

- Governance and Financial Viability Standard
- Value for Money Standard
- Rent Standard   Consumer Standards

Home Standard:

- Tenancy Standard
- Neighbourhood and Community Standard
- Tenant Involvement and Empowerment Standard

Opinion: *ISS ESG considers the Use of Proceeds description provided by Stonewater's Sustainable Finance Framework as aligned with the GBPs, SBPs, SBGs, GLPs and SLPs. Stonewater has defined environmental and social objectives for its use of proceeds categories, which align with the issuer's broader sustainability strategy.*

2. Process for Project Evaluation and Selection

Overall accountability for the Sustainable Finance Framework lies with Stonewater's Executive Directors Group (EDG). EDG is a cross-divisional committee including senior representatives from Finance, Development, Assets, Corporate Services and Customer Experience. It is responsible for overseeing many of Stonewater's internal policies and compliance procedures.

As part of its role in overseeing the framework, EDG will:

- Approve the addition of eligible projects/expenditures
- Oversee the eligible project portfolio, confirming its continued compliance with Stonewater's Sustainable Finance Framework
- Review the content of Stonewater's Sustainable Finance Framework and updating it to reflect changes in market standards (such as relevant ICMA and LMA principles) and the organisation's strategy on a best effort basis
- Exclude Projects or investments that no longer comply with the eligibility criteria or have been disposed of and replacing them on a best effort basis
- Facilitate the allocation and impact report provision under the framework

Additional subject matter experts can be invited to attend EDG meetings as and when required.

[6] https://www.gov.uk/guidance/regulatory-standards
[7] https://www.gov.uk/government/publications/home-standard/home-standard-2015
[8] https://www.gov.uk/government/publications/tenancy-standard/tenancy-standard-2015

Opinion: *ISS ESG considers the Process for Project Evaluation and Selection description provided by Stonewater's Sustainable Finance Framework as aligned with the GBPs, SBPs, SBGs, GLPs and SLPs. A group of relevant senior stakeholders is responsible for the project evaluation and selection process and general governance of the framework. A description of the committee composition and activities is provided, which further increases transparency.*

3. Management of Proceeds

Stonewater intends to allocate the proceeds from any Sustainability financing transaction(s) to an eligible project portfolio, selected in accordance with the use of proceeds criteria and the evaluation and selection process presented above.

The EDG will ensure that sustainable projects financed, at all times exceed net proceeds raised under the Sustainable Finance Framework, for as long as the financing remains in place. Additional Projects will be added to the Issuer's eligible project portfolio to the extent required, as a result of, for instance, divestments, thereby ensuring that an amount equal to the net proceeds from outstanding debt instruments is allocated to Projects until the maturity of the debt instruments.

Pending the full allocation to the eligible project portfolio, Stonewater is permitted to use any unallocated funds for either debt repayment and/or its treasury liquidity portfolio – which can include deposits, money market funds and other similar products. Stonewater's finance team will take principal responsibility for managing this process.

Opinion: *ISS ESG finds that Management of Proceeds proposed by Stonewater's Sustainable Finance Framework is well aligned with the GBPs, SBPs, SBGs, GLPs and SLPs. Earmarking of proceeds is ensured through a portfolio approach, while the management of unallocated proceeds is also described.*

4. Reporting

Stonewater will make and keep publicly available reporting on the allocation of net proceeds and wherever feasible report on the impact of the projects, within 12 months from the issuance of any Sustainability Debt Instrument, to be renewed annually until full allocation of the net proceeds. Any material developments, such as modification of the framework or allocation portfolio, will be reported in a timely manner.

The impact report will outline on progress made, against a selection of sustainability indicators, relevant for the Social Housing Sector in the United Kingdom. The sustainability indicators will be released on our Investor Relations website, in addition to the release of our annual financial reporting.

Allocation of proceeds reporting

The allocation report will provide:

- The total amount of proceeds allocated to each Project with a clear reference to the type of financial expenditure (expenditure or asset value)
- The amount and/or percentage of new and existing projects (share of financing and refinancing)
- The balance of unallocated proceeds

Impact reporting

Impact reporting for any debt issuance under this framework will leverage metrics from the Sustainability Reporting Standard for Social Housing[9], as well as include additional metrics to monitor its performance. The Sustainability Reporting Standard for Social Housing, launched in November 2020, consists of 12 themes including "Affordability and security", "Building safety and quality", "Resident voice and support", "Climate Change" and "Ecology" – and 48 criteria for ESG reporting by housing associations.

Stonewater has made a commitment to become an early adopter of this standard and will embed this reporting framework in its annual reporting cycle.

ICMA CATEGORY	DESCRIPTION	INDICATIVE IMPACT METRICS
Affordable Housing	• Construction of new Social and Affordable Housing in the United Kingdom	• Number of new affordable properties by category and average rents charged relative to private sector rents
	• Re-financing of eligible existing Social and Affordable Housing in the United Kingdom	• Existing number of affordable properties by category and average rents charged relative to private sector rents
Green Buildings	• Construction of new homes with an EPC (Energy Performance Certificate) Rating of A or B	• % of new homes with an EPC Rating of A or B
	• Renovation of existing homes that improve unit EPC ratings by two bands	• Change in distribution of EPC ratings of existing homes

[9] https://esgsocialhousing.co.uk/wp-content/uploads/2020/11/SRS_final-report-2.pdf

	• Re-financing of existing homes – subject to a minimum EPC rating of A or B	• Number of existing homes with an EPC rating of A or B

Opinion: *ISS ESG finds that the reporting proposed by Stonewater's Sustainable Finance Framework is aligned with the GBPs, SBPs, SBGs, GLPs and SLPs. The issuer gives details about level, frequency, scope and duration of reporting for both allocation and impact reporting. Impact indicators are well defined, and intended public disclosure further enhances the quality of the reporting.*

External review

Stonewater's Sustainable Finance Framework has been reviewed and verified by ISS ESG. In addition, for as long as any Sustainable Finance is outstanding, Stonewater will engage an independent third-party assurer, to provide independent assurance, that sustainable finance raised at all times, remains aligned with relevant sustainable finance principles.

PART III: SUSTAINABILITY QUALITY OF THE ELIGIBLE CATEGORIES

A. CONTRIBUTION OF THE GREEN AND SOCIAL BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Sustainable Finance Framework's Selection Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the Stonewater's Sustainable Finance Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

Each of the Green and Social Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Affordable housing	Significant Contribution	
Green buildings	Significant contribution[10]	
	Limited Contribution	

[10] This assessment differs from the ISS ESG SDG Solutions Assessment (SDGA) proprietary methodology designed to assess the impact of an issuer's product and service portfolio on the SDGs. For the projects to be financed under the Use of Proceeds category "Green Buildings" that comply with the Technical Screening Criteria defined by the EU Taxonomy Technical Annex, a significant contribution to climate change mitigation is attested.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ELIGIBLE USE OF PROCEEDS CATEGORIES

Eligible categories include affordable housing and green buildings. The table below presents the findings of an ISS ESG assessment of the selection criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI	
Energy efficiency prerequisites for Green Buildings	
✓	100% of assets underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency. All new building homes are located in the United Kingdom and received an EPC Rating of A or B.
Standards for Affordable Housing	
✓	Stonewater's selection criteria comply with the regulatory framework for social housing established by the UK Government.[11]
Site selection	
✓	100% of projects have been developed in areas excluding protected areas and sites of high environmental value.
✓	More than 50% of assets are located within 1 km from one or more modalities of public transport.
Construction standards	
✓	100% of assets are located in the United Kingdom where high labour and health and safety standards are in place (e.g., ILO core conventions).
○	36.4% of Stonewater's maintenance material is responsibly sourced[12].
Safety of building users	
✓	100% of assets ensure good measures for the safety of users, based on national legislation.
Water use minimization for Green Buildings	
✓	100% of assets provide measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings) as provided by national legislation.
Sustainability labels for Green Buildings	
○	No information is available with regards to the assets that obtained sustainability labels such as BREEAM "Very Good", "DGNB" "Silver"/ "Gold", LEED "Gold", "HQE", "excellent" certificate or better certification[13]. Yet, 64.8% of Stonewater's existing stock is rated with an EPC level of C or above.

[11] Regulatory framework - GOV.UK (www.gov.uk)
[12] Stonewater plans to continue improving its procurement process as part of its Environmental Strategy 2019/2022.
[13] This is not uncommon for Housing Association/residential real estate sectors.

DISCLAIMER

1. Validity of the SPO: As long as no new project category is added to the framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: Methodology

ISS ESG Green and Social KPIs

The ISS ESG Green and Social Bonds KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Stonewater's Green and Social Bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green and Social Bonds KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green and Social Bonds KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Stonewater (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association 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, ISS ESG identifies the extent to which Stonewater's Green and Social Bonds contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Stonewater commissioned ISS ESG to compile a Sustainable Finance Framework SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the ICMA GBPs, SBPs, and SBGs, the LMA GLPs and SLPs, the sustainability quality of the eligible project categories, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs, SBPs, and SBGs
- LMA GLPs and SLPs
- ISS ESG Green and Social KPI sets

ISSUER'S RESPONSIBILITY

Stonewater' responsibility was to provide information and documentation on the concept of its framework, eligibility criteria applied to the selection and evaluation of eligible projects (re)financed under the framework.

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainable Finance Framework to be issued by Stonewater based on ISS ESG methodology and in line with the ICMA GBPs, SBPs, SBGs, and LMA's GLPs and SLPs.

The engagement with Stonewater took place in February/March 2021.

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 SPO

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 / Social Bond Principles), 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 SPO 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/

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