

HEXAGON HOUSING ASSOCIATION SUSTAINABLE FINANCE FRAMEWORK 2022

DNV INDEPENDENT ASSESSMENT

Scope and Objectives

Hexagon Housing Association (henceforth referred to as "Hexagon" or the "Company") is a charitable, not-for-profit housing cooperative formed in 1990 with the merger of Shackleton Housing Association and Solon South-East Housing Association. Its roots go back to June 1969 with the formation of Shackleton HA. Hexagon is based in South London with a mission to provide housing and care for people in the greatest need, i.e., those who cannot afford other ways of getting a home or have been nominated by their local Council housing. The Company works with local authorities to meet strategic housing, care, and support needs across the region to assist with economic and social regeneration. To date, the Company owns over 4,500 homes across seven of the London Boroughs (primarily operating in the boroughs of Lewisham, Southwark, Greenwich, Bexley, and Croydon) valued at £758 million (open market value subject to tenancy).

To steer Hexagon's journey in the right direction, the Company has set a commitment to act responsibly, balancing the need to have a positive social, environmental, and economic impact in the communities in which it serves¹. For instance, Hexagon aspires to achieve sustainable operations in its office premises, employment procedures and business practices, in addition to its core services, such as building new homes, maintaining existing homes, and providing services to its residents and service users.

Hexagon is working to achieve an EPC rating of C and above for all its homes by 2030 (in line with the UK Government targets), to achieve a carbon reduction target of 40% above 2010 Building Regulations for new buildings, as required by the London Mayor's Net Zero Carbon Plan, and to develop a roadmap to achieve net zero carbon emissions by 2050. Hexagon has also been awarded both a 'Gold SHIFT award' and an award for the 'most improved landlord' given its commitment to improve energy efficiency in its homes.

In line with the United Nations (UN) Sustainable Development Goals (SDGs) - specifically Goal 1 (No Poverty), 2 (Zero Hunger), 3 (Good Health and Well-being), 4 (Quality Education), 8 (Decent Work and Economic Growth), and 10 (Reduced Inequalities), Hexagon has implemented multiple initiatives as part of its commitment to create social value. This includes for instance: actively engaging residents through multiple channels such as the Resident Advisory Group (RAG), increasing employment access through its 'Into Work' programme, and providing financial inclusion services to its residents. Hexagon also evaluates the social value contribution of all goods and services supplied by its suppliers and ensures that the social

¹ This is reflected in Hexagon's six corporate values.

value is considered when assessing the future of a home, that *no longer* meets Hexagon's or its residents' needs.

To help catalyse capital to support its sustainability commitments, Hexagon has developed a Sustainable Finance Framework (the 'Framework') under which it can engage in Sustainable Financing Transactions (SFTs) for projects that will have a positive environmental and/or social impact. This Framework will be used to govern all forms of SFTs including Bonds, Private Placements, Revolving Credit Facilities, Bank Loans, Commercial Papers, and other financing products (together known as "Sustainable Financing Transactions"). The eligible categories to be covered are outlined in [Schedule 1](#).

DNV Business Assurance Services UK Limited (henceforth referred to as "DNV") has been commissioned by Hexagon to provide a review of the Framework against the International Capital Market Association ("ICMA") for the Green Bond Principles 2021 ("GBP"), the Social Bond Principles 2021 ("SBP") and the Sustainability Bond Guidelines 2021 ("SBG"); and against the Loan Market Association ("LMA") for Green Loan Principles 2021 ("GLP") and Social Loan Principles 2021 ("SLP"). Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of the SFTs issued via the Company's Framework, the value of any investments, or the long-term environmental or social benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of Hexagon and DNV

The management of Hexagon has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Hexagon's management and other interested stakeholders in the Framework, as to whether the Framework is aligned with the principles set out by the GBP, SBP, SBG, GLP and the SLP. DNV's assessment is supplemented with international guidelines and standards, as well as DNV's own technical expertise to assess sustainability eligibility. In our work we have relied on the information and the facts presented to us by Hexagon. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Hexagon used as a basis for this assessment, were not correct or complete.

Basis of DNV's opinion

We have adapted our eligibility assessment methodology to create a "Hexagon-specific Framework Eligibility Assessment Protocol" (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. As per our Protocol, the criteria against which the Framework has been reviewed, can be grouped under the four Principles:

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

Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that the information provided to us by Hexagon was done in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken that has formed our opinion has included the following:

- Creation of a Hexagon-specific Protocol, adapted to the purpose of the Framework, as described above;
- Assessment of documentary evidence provided by Hexagon on the Framework and supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with Hexagon's management and a review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria, as detailed in Schedule 2 of this document.

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

Findings and DNV's opinion

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

1. Principle One: Use of Proceeds.

DNV can confirm that an amount equivalent to the net proceeds from the SFTs issued under the Framework by Hexagon will be used to (re-)finance, in part or in full, the below Eligible Green and/or Social Projects.

Eligible Green Project Categories:

- Green buildings

Eligible Social Project Categories:

- Affordable Housing

The performance criteria for each eligible category as listed above, and within the Framework, are further defined in Schedule 1 of this opinion.

For the eligible green project category, DNV can confirm that Hexagon has specified the suitable eligibility criteria, such as: Energy Performance Certificate (EPC) Rating of B or above (SAP 81) for the construction or acquisition of new homes; improving EPC Ratings by at least two notches and/or a reduction in Primary Energy Demand of at least 30% in comparison to the energy performance of the building before the renovation for existing homes. DNV concludes that the eligible green project categories as described above, and in Schedule 1 of this opinion, will positively contribute to climate change mitigation and the low carbon transition.

For the eligible social project category, DNV confirms that the eligibility criteria are in line with the 2015 regulatory framework for social housing in England², and that the target populations as identified within the Framework by Hexagon, fall into the applicable ICMA/LMA categories.

Hexagon has also mapped the eligible green and social project categories to the stated United Nations Sustainable Development Goals (SDGs) - specifically SDG 1 (no poverty), SDG 7 (affordable and clean energy) and SDG 11 (sustainable cities and communities). In addition, for the eligible green project category, the projects have also been mapped to the relevant EU Environmental Objective of 'Climate Change Mitigation'.

DNV can conclude that the eligible green and social project categories as described within the Framework (and the example projects provided to DNV) fall into the defined categories, that they are consistent with those listed by the GBP, SBP, SBG, GLP and SLP, and that such projects will provide clear environmental and/or social benefits.

² <https://www.gov.uk/government/collections/regulatory-framework-requirements>

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

Hexagon has specified the eligibility criteria for each type of green and social project in the Use of Proceeds table of its Framework. DNV can confirm that the assets and expenditures that meet the criteria of the Hexagon's Framework, will be reviewed, and approved for inclusion within the use of proceeds by the Executive Management Group ("EMG"). The EMG will have overall responsibility for managing the proceeds³.

Hexagon has also confirmed that all assets and expenditures will comply with the Company's wider internal policies and standards that aim to manage and mitigate ethical, environmental and governance risks, including alignment with appropriate national and international sustainability taxonomies and legislation.

DNV concludes that there is a robust decision-making process behind the approval of any eligible category and project, considering a comprehensive set of parameters, as outlined in the Framework. In addition, this process aligns with Hexagon's mission 'To meet housing needs in South London through our commitment to existing and future residents, local communities and the environment'. As stated in its Sustainability Strategy, Hexagon aspires to achieve sustainable operations in its office premises, employment procedures, and business practices, in addition to its core services such as building new homes, maintaining existing homes, and providing services to residents and service users.

DNV concludes that the eligible projects to be financed by future issuances will be appropriately evaluated, selected, managed, and reported on as outlined within Hexagon's Framework, and that they meet the requirements under the GBP, SBP, SBG, GLP and the SLP.

3. Principle Three: Management of Proceeds.

DNV can confirm that Hexagon has committed to ensuring that the amounts represented by the eligible projects will at least be equal to the amount of finance raised under the Framework.

Hexagon intends to use a portfolio approach to track disbursements towards the eligible projects. DNV can confirm that Hexagon will rely on its internal tracking system for allocating the SFT proceeds; the internal tracking system will be under the oversight of the Hexagon Finance team and audited annually.

The Company has also outlined in the Framework that, when possible, the proceeds will be allocated to Eligible Green and Social Projects within 24 months of issuance. For capital and operating expenditures, Hexagon has also determined a look-back period of up to 36 months prior to the time of the issuance of the debt.

DNV also confirms that Hexagon will manage unallocated net proceeds in accordance with the Company's internal treasury policy; Hexagon will hold or invest, at its discretion, any unallocated net proceeds.

³ The detail of the EMG's responsibilities can be found in Schedule 2.

DNV concludes that the process in place for the management of proceeds, as outlined within the Framework meets the requirements of the GBP, SBP, SBG, GLP and the SLP.

4. Principle Four: Reporting.

Hexagon has committed to providing information on the allocation and impact of the eligible green and social projects on its website, on an annual basis and until full allocation. DNV can confirm that the Allocation Report will include the following information:

- The amount issued and outstanding amount for the SFT(s);
- The total value of the Eligible Projects financed;
- A description of the portfolio of Eligible Projects, including a breakdown of the allocated amounts by the relevant ICMA / LMA categories, where appropriate;
- The amount and/or percentage of new and existing projects (share of financing and refinancing); and
- Any further information on how unallocated proceeds have been held.

Hexagon has also committed to Impact Reporting, detailing the quantitative and/or qualitative impacts where viable, of the eligible projects to be financed.

Relevant metrics can include, for instance⁴:

- **Green Buildings:**
 - Percentage (%) of new homes delivered with an EPC Rating of A or B;
 - Change in distribution of EPC ratings, and/or SAP scores of existing homes
 - Number of existing homes with an EPC rating of A or B;
- **Affordable Housing:**
 - Number of new affordable properties by category and average rents charged, relative to private sector rents;
 - Existing number of affordable properties by category and average rents charged, relative to private sector rents;
 - Number of people provided with affordable housing
 - Number of homes where necessary improvement/ refurbishment works have been completed.

DNV concludes that Hexagon has made the appropriate plans to produce reporting on both the allocation and impact of future SFT issuances, and that this is aligned with the requirements as set out under the GBP, SBP, SBG, GLP, and the SLP.

⁴ Further evidence is provided on in [Schedule 2](#).

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

for DNV Business Assurance Services UK Limited

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About DNV

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

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 12,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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

ICMA / LCA Eligible Green/Social Project Category	Description of activities	SDG / Mapping to the EU Environmental Objectives
Eligible Green Projects:		
Green buildings	<ul style="list-style-type: none"> • Construction or acquisition of new homes with an EPC Rating of B or above (SAP 81). • Re-financing of existing homes with an EPC Rating of B or above (SAP 81). • Renovation of existing homes that improve unit EPC Ratings by at least two notches or improve energy efficiency by at least 30%. 	<div data-bbox="1653 715 1818 884" style="text-align: center;">  </div> <p data-bbox="1527 932 1957 999">EU Environmental Objective alignment : Climate Change Mitigation</p>
Eligible Social Projects:		
Affordable Housing	<ul style="list-style-type: none"> • Construction or acquisition of new Social and Affordable Housing in the United Kingdom. • Re-financing of existing Social and Affordable Housing in the United Kingdom. • Necessary improvements and/or refurbishments required for the continued use of the social housing, not covered under energy efficiency improvements category. <p data-bbox="465 1241 1160 1353">The population groups that Hexagon’s Framework spans include:</p> <ul style="list-style-type: none"> ○ Less privileged families ○ Homeless people ○ Other disadvantaged individuals <p data-bbox="465 1378 1312 1407"><i>Projects align with the 2015 regulatory framework for social housing in England.</i></p>	<div data-bbox="1550 1136 1715 1305" style="display: inline-block; text-align: center;">  </div> <div data-bbox="1760 1136 1926 1305" style="display: inline-block; text-align: center; margin-left: 20px;">  </div>

Schedule 2: HEXAGON-SPECIFIC SUSTAINABLE FINANCING FRAMEWORK ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	<p>The Green/Social/Sustainable Bond must fall in one of the following categories, as defined by the Green/Social/Sustainable Bond Principles:</p> <ul style="list-style-type: none"> • Use of Proceeds Bond • Use of Proceeds Revenue Bond • Project Bond • Securitized Bond <p>Green/Social/Sustainable Loans are defined as any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing Eligible Sustainable Projects.</p>	<p>In addition to reviewing the evidence below, we held several meetings and had detailed discussions with Hexagon management.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Hexagon Sustainable Finance Framework 	<p>The Framework outlines the type of Use of Proceeds Transactions expected to be issued under the Framework, as various Sustainable Financing Transactions including Green, Social and Sustainability Bonds, and Green and Social Loans.</p> <p>This Framework will be used to govern all forms of Sustainable Financing Transactions including, but not limited to, Bonds, Private Placements, Revolving Credit Facilities, Bank Loans, Commercial Paper, and other financing products (together known as “Sustainable Financing Transactions”).</p> <p>The specific type of Use of Proceeds Transactions will need to be further assessed when it comes to allocation and impact reporting on an annual basis.</p>

<p>1b</p>	<p>Green/Social Project Categories</p>	<p>The cornerstone of a Green/Social/Sustainability Bond/Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Hexagon Sustainable Finance Framework • Hexagon Sustainability Strategy (2017-2021) 	<p>Hexagon intends to use the proceeds from future issuances to (re-)finance the following eligible projects:</p> <p>Green Categories:</p> <ul style="list-style-type: none"> • Green Buildings <p>Social Categories:</p> <ul style="list-style-type: none"> • Affordable Housing <p>We can confirm based on the evidence reviewed that the transactions to be issued under this Framework also support the achievement of the UN SDGs (see Schedule 1) and for the green category, the EU environmental Objective of Climate Change Mitigation.</p> <p>DNV can also confirm that these projects and the relevant target populations fall within the definition of Eligible Categories, as outlined in the Framework and Schedule 1 of this opinion.</p> <p>We can also confirm they are consistent with the GBP, SBP, SBG, GLP and SLP guidelines. All issuances will be reviewed annually for impact and allocation reporting.</p>
<p>1c</p>	<p>Green/Social/Sustainable benefits</p>	<p>All designated Green and/or Social Project category should provide clear environmentally sustainable or social benefits, which, where feasible, will be quantified or assessed by the issuer.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Hexagon Sustainable Finance Framework • Old Kent Road case-study • Hexagon Development Strategy (2021-2016) 	<p>Hexagon has provided a description of the types of Eligible Green and/or Social projects that it intends to (re-)finance under the Framework. To make the benefits quantifiable, Hexagon has also provided a detailed list of potential KPIs. DNV can confirm that Hexagon has clearly outlined how it intends to support the performance and assessment of eligible projects by following the vision and focus points as detailed in the Framework, its net zero carbon roadmap and the ESG objectives in its sustainability strategy document. The evidence reviewed gives us the opinion that future</p>

				issuances to be issued under the Framework will deliver clear social and/or environmental benefits.
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2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green/Social/Sustainability Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using Bond/Loan proceeds	<p>In addition to reviewing the evidence below, we held several meetings and had detailed discussions with Hexagon management.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Hexagon Sustainable Finance Framework Hexagon Sustainability Strategy (2017-2021) 	<p>DNV can confirm Hexagon has specified the eligibility criteria for each type of Green and Social project it intends to finance in the Use of Proceeds table of its Framework.</p> <p>Based on the evidence reviewed, we can conclude that there is a robust decision-making process behind the approval of any Eligible Project. Hexagon's Executive Management Group ("EMG") has overall responsibility for ensuring potential Eligible Projects comply with the applicable environmental and social laws and regulations, and the internal policies and standards of Hexagon which aim to manage and mitigate ethical, environmental and governance risks. Meetings of the EMG are held every two weeks, with representatives from all sides of the organisation including Development & Sales, Finance & IT, Property Services, and Housing Services. The property services division will identify potential assets/expenditures and propose them to the EMG for approval. The Development & Sales Director will identify newbuild opportunities and propose them to the EMG for approval. The EMG will review these proposals and approve their delivery.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Within the Framework, Hexagon has outlined that the EMG group will be responsible for:</p> <ul style="list-style-type: none"> • Documenting eligible project evaluation and selection, in line with the criteria as detailed under the Use of Proceeds section, and ensuring alignment with the GBP, SBP, SBG, GLP and SLP; • The tracking and reporting of net proceeds (monitoring), specifically during the life of each SFT issued; • Ensuring that the net proceeds received from the issuance of the Use of Proceeds Transaction are utilised; and ensuring the appropriate tracking and reporting of the net proceeds; • Overseeing the establishment of the Framework and review its content, updating it to reflect changes in market standards (such as relevant ICMA and LMA Principles) and the organisation's strategy on a best-efforts basis; • Approving the addition of Eligible Projects/ expenditures; • Overseeing the Eligible Project portfolio, confirming its continued compliance with Hexagon's Framework; • Excluding projects or investments that no longer comply with the eligibility criteria or have been disposed of, and replacing them on a best-efforts basis; • Overseeing the introduction and operation of arrangements to generate the information required to produce periodic impact reports, in accordance with the Framework and the ICMA/ LMA Principles;

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> Supporting investors, as required, with additional information pertaining to the eligible projects and eligibility criteria (such as examples of the SAP calculations); and Overseeing any social and environmental risks associated with Eligible Projects. <p>DNV concludes that the process outlined and managed by the EMG will enable Hexagon to assess all potential eligible projects to be financed, and that it should help the Company to identify any potential risks and opportunities early on.</p> <p>DNV also concludes that the activities to be financed by future issuances will be appropriately evaluated, selected, managed, and reported on as outlined within Hexagon’s Framework, and that they meet the requirements under the GBP, SBP, SBG, GLP and SLP.</p>
2b	Issuer’s environmental and social governance framework	In addition to information disclosed by an issuer on its Green/Social/Sustainability Bond/Loan process, criteria and assurances, investors may also take into consideration the quality of the issuer’s overall framework and performance regarding environmental sustainability.	Evidence reviewed: <ul style="list-style-type: none"> Hexagon Sustainable Finance Framework Hexagon Sustainability Strategy (2017-2021) Hexagon Development Strategy (2021-2016) Hexagon’s corporate website section “Sustainability - Hexagon & the Environment” and “Residents & the Environment Old Kent Road case-study 	DNV has reviewed evidence showing that Hexagon’s project selection and evaluation process will be supported by a robust governance framework. <p>The association’s commitment to the environment and society focuses on:</p> <ul style="list-style-type: none"> Achieving an EPC rating of C and above for all its homes by 2030, in line with UK government climate targets; Achieving a carbon reduction target of 40% above 2010 Building Regulations, meeting a minimum EPC band B (SAP 85), phasing out gas boilers, as well as

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>meeting the London Mayor’s Net Zero Carbon target (with offsetting) for new buildings;</p> <ul style="list-style-type: none"> • Developing a roadmap to achieve net zero carbon emissions by 2050; • Considering were appropriate Modern Methods of Construction (MMC) practices; • Evaluating the social value contribution of all goods and services supplied by its suppliers; and • Ensuring that social value factors are considered when assessing the future of a home that no longer meets Hexagon’s or residents’ needs. <p>We can also confirm this aligns with Hexagon’s mission - ‘<i>To meet housing needs in South London through our commitment to existing and future residents, local communities and the environment</i>’. As stated in its Sustainability Strategy, Hexagon also aspires to achieve sustainable operations in its office premises, employment procedures, and business practices, in addition to its core services such as building new homes, maintaining existing homes, and providing services to residents and service users.</p> <p>Based on the evidence reviewed it gives DNV the opinion that the Framework is in line with Hexagon’s wider approach to managing environmental and social sustainability.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of a Green/Social/Sustainability Bond/Loan should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Green/Social Projects.	In addition to reviewing the evidence below, we held several meetings and had detailed discussions with Hexagon management. Evidence reviewed: <ul style="list-style-type: none"> Hexagon Sustainable Finance Framework 	DNV concludes that the Framework commits Hexagon to tracking the use of proceeds in an appropriate manner, attested to by a formal process.
3b	Tracking procedure	So long as the Green/Social/Sustainability Bonds/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Green/Social/Sustainability investments or loan disbursements made during that period.	Evidence reviewed: <ul style="list-style-type: none"> Hexagon Sustainable Finance Framework 	Hexagon intends to use a portfolio approach to track disbursements towards eligible projects. DNV can confirm that Hexagon will rely on its robust internal tracking system for allocating the SFT proceeds; the internal tracking system will be under the oversight of the Hexagon Finance team and will be audited annually. We can conclude that Hexagon has a clear process in place for tracking the balance of the net proceeds, taking into account any disbursements.
3c	Temporary holdings	Pending such investments or disbursements to Eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Evidence reviewed: <ul style="list-style-type: none"> Hexagon Sustainable Finance Framework 	Hexagon has committed to following the Company’s internal treasury policy who will hold or invest, at its discretion, any unallocated net proceeds, prioritising ESG-aligned products where possible.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Bond, and where appropriate Loan proceeds, have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.</p>	<p>In addition to reviewing the evidence below, we held several meetings and had detailed discussions with Hexagon management.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Hexagon Sustainable Finance Framework Hexagon Sustainability Strategy (2017-2021) 	<p>We confirm that Hexagon has committed to annual reporting on the allocation of the net proceeds and the impact of the sustainable projects financed.</p> <p>Hexagon has committed to publicly reporting its allocations through its website on an annual basis until the full allocation of the net proceeds are issued. This will provide investors (and alike) with the relevant information on the selected projects, such as the quantifiable and/or qualitative information on the environmental and/or social benefits.</p> <p>When feasible, Hexagon will provide additional impact information of the selected projects.</p> <p>Hexagon has also confirmed its intent to have its reporting verified by a third party.</p> <p>Hexagon will publish both an Allocation and Impact report, and the Company intends on aligning, where relevant, with the reporting requirements as laid out by the ICMA's Harmonised Framework for Impact Reporting.</p> <p><i>Allocation Report – Hexagon has committed to report on:</i></p> <ul style="list-style-type: none"> The amount issued and outstanding for the SFTs; The total value of Eligible Projects; A description of the portfolio of Eligible Projects, including a breakdown of the allocated amounts by ICMA / LMA categories where appropriate;

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • The amount and/or percentage of new and existing projects (including the share of financing vs. refinancing); and • Any further information on how unallocated proceeds have been held. <p><i>Impact Report:</i></p> <p>Hexagon will report against key KPIs with the appropriate metrics, specifying what targets have been achieved – for instance:</p> <ul style="list-style-type: none"> • Green Buildings: <ul style="list-style-type: none"> ○ Percentage (%) of new homes with an EPC Rating of [A] or [B]; ○ Change in distribution of EPC ratings and/or SAP scores of existing homes ○ Number of existing homes with an EPC rating of [A] or [B]; • Affordable Housing: <ul style="list-style-type: none"> ○ Number of new affordable properties by category and average rents charged relative to private sector rents; ○ Existing number of affordable properties by category and average rents charged relative to private sector rents; ○ Number of people provided with affordable housing

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> ○ Number of homes where necessary improvement/ refurbishment works have been completed. <p>DNV can confirm Hexagon’s intent to provide information on the impact assessment and data reporting methodologies applied. The approach to impact reporting may be updated over time to align with emerging reporting standards and methodologies.</p> <p>In addition, Hexagon will seek independent third-party assurance on the data to be reported in the allocation report.</p>