

# MOTABILITY OPERATIONS GROUP PLC SOCIAL BOND FRAMEWORK

## DNV GL INDEPENDENT ASSESSMENT

### Scope and Objectives

Motability Operations Group plc and its wholly owned subsidiary Motability Operations Limited (henceforth referred to as “Motability Operations” or the “Company”) serves customers in the United Kingdom by enabling them to lease a new car, scooter, powered wheelchair or wheelchair accessible vehicle using their government mobility allowances. The Company provides mobility to over 600,000 customers with a wide range of different disabilities, with the aim of providing an opportunity to achieve freedom and independence. Motability Operations was established in 1978 to deliver the Motability Scheme (the “Scheme”), by way of a Service Agreement with Motability the national charity (which is responsible for oversight of the Scheme).

Motability Operations has long-standing socio-economic commitments and has defined four strategic pillars, as below, to ensure outstanding customer experience:

- Ensure long-term sustainability
- Build customer and disability expertise
- Provide value and choice
- Improve reach and awareness

Motability Operations has developed a Social Bond Framework (the “Framework”) under which it can raise debt to support the financing and refinancing of activities of a social nature, supporting the Company’s single purpose of providing its customers with access to affordable, worry-free mobility.

DNV GL Business Assurance Services UK Limited (“DNV GL”) has been commissioned by Motability Operations to provide a review of the Framework. 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 Bonds/Loans issued via the Company’s Social Bond Framework, the value of any investments, or the long-term societal 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 Motability Operations and DNV GL

The management of Motability Operations has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform Motability Operations management and other interested stakeholders in the Framework as to whether the Framework is aligned with the International Capital Markets Association (ICMA) Social Bond Principles (SBP) 2020. In our work we have relied on the information and the facts presented to us by Motability Operations. DNV GL 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 GL shall not be held liable if any of the information or data provided by the Company’s management and used as a basis for this assessment were not correct or complete.

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## Basis of DNV GL's opinion

We have adapted our eligibility assessment methodology to create Motability Operations-specific Social Bond Framework Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a Social bond must use the funds raised to finance eligible activities. The eligible activities should produce clear social 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 Social bond should outline the process it follows when determining eligibility of an investment using Social Bond 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 a Social bond should be tracked within the issuing organization, 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 to the bond investors should be made of the use of bond proceeds 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 this information was provided to us by Motability Operations 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 to form our opinion included:

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

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

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## Findings and DNV GL's opinion

DNV GL's findings are listed below:

### 1. Principle One: Use of Proceeds.

Motability Operations intends to use the proceeds of securities to be issued under its Framework to finance and re-finance social projects.

Motability Operations operates a scheme for the provision of vehicles, powered wheelchairs, or scooters leased to persons with disabilities. Assets, capital and operating expenditures supporting this activity will be defined as "Eligible Social Projects". These are summarised in Schedule 1 of this Assessment. Motability Operations has confirmed its Eligible Social Projects will fall within the following SBP category:

- Socioeconomic advancement and empowerment.

Motability Operations has also determined, in alignment with the SBP's examples of target populations, that the use of proceeds from future bond issuance would mainly benefit the following population:

- People with disabilities.

Motability Operations has confirmed that an amount at least equivalent to the net proceeds from the funds raised under the Framework will be allocated to finance or refinance new or existing eligible assets and expenditures. Motability Operations intends to finance on-going and future Eligible Social Projects but, wherever possible, may also re-finance projects that have been completed or charged in the last 36 months.

Motability Operations has also mapped its Eligible Social Projects against the UN Sustainable Development Goal 10: Reduced Inequalities, specifically target 10.2 related to empowering and promoting the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

DNV GL concludes that the eligible category and target populations outlined in the Framework are consistent with those listed in the SBP, and that such projects would result in clear social benefits.

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

Motability Operations has established an ESG Oversight Committee as the main entity responsible for project selection and evaluation, in line with Motability Operations' established processes and eligibility criteria. The ESG Oversight Committee will also be responsible for meeting bi-annually to review the use and management of proceeds as well as appropriate reporting. Coordination with the Asset and Liability Management Committee and public disclosure of findings will be the ESG Oversight Committee's responsibility.

DNV GL can confirm Motability Operations has built its eligibility criteria upon its existing internal guidelines, strategy and values, and is in line with relevant national and international standards and regulations. This provides additional confidence that the Framework is in line with Motability Operations' wider approach to managing its social impacts.

DNV GL concludes that Motability Operations' Framework appropriately describes the process of project evaluation and selection and is in line with the requirements of the SBP.

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### **3. Principle Three: Management of Proceeds.**

The proceeds will be allocated to Motability Operations primary objective which is to provide fully-maintained vehicles to its customers. Motability Operations intends to use a portfolio approach whereby it will manage a pool of rolling assets falling under the Eligible Social Projects.

Motability Operations has stated that its Treasury department and the Asset and Liability Management Committee will support the ESG Oversight Committee in its responsibility of managing the proceeds.

Motability Operations has confirmed that amounts represented by the Eligible Social Projects will exceed, or at least be equal to, the amount of finance raised by the bond issuance. This will be managed and monitored via the establishment of a Social Bond Register, in which the proceeds for Eligible Social Projects will be marked as reserved and deposited in Motability Operations' general funding accounts. Motability Operations has provided a detailed description of information contained in the register, including the list of Eligible Social Projects, amounts allocated, records of proceeds issuance and number of beneficiaries. The Social Bond Register will be formally reviewed bi-annually by the ESG Oversight Committee.

Motability Operations intends to follow its internal treasury policy to hold or invest any unallocated proceeds; where possible and practicable, those will be invested in other Eligible Social Projects and Motability Operations aims to track and report on such reallocation in full transparency, notably to avoid double-counting.

DNV GL has reviewed evidence and can confirm Motability Operations has committed to appropriately managing the proceeds arising from future Bond issuances in line with the requirements of the SBP.

### **4. Principle Four: Reporting.**

Motability Operations has made plans to report annually to its stakeholders on the allocation of net proceeds and wherever possible on the impact of social projects, from the first year after the launch of the social bonds, until the net proceeds are fully allocated. Motability Operations intends to make this reporting publicly available on its company website.

In its allocation report, Motability Operations has committed to providing information on the allocation of proceeds, the amount of new and existing projects, the investment or disbursement timelines, and the amounts disbursed or unallocated.

In order to track and report on the impact of the social component of the activities under the Eligible Social Projects, Motability Operations has also committed to disclosing the expected social impacts, the number of beneficiaries of associated activities, and qualitative case studies in their annual impact reporting.

DNV GL concludes that Motability Operations has made appropriate plans to produce reporting on the allocation and social impact of future Bond issuances, in line with the requirements of the SBP.

On the basis of the information provided by Motability Operations and the work undertaken, it is DNV GL's opinion that the Framework meets the criteria established in the Protocol and that it is aligned with the stated definition of Social bonds within the Social Bond Principles 2020.

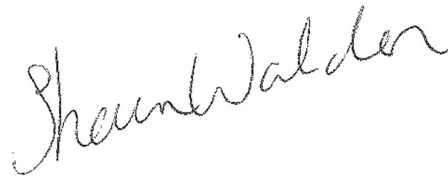
**for DNV GL Business Assurance Services UK Limited**

London, 22<sup>nd</sup> June 2020



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**About DNV GL**

Driven by our purpose of safeguarding life, property and the environment, DNV GL 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 16,000 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 Social Project category	ICMA target population to be reached	Description of activities
<p><b>Socioeconomic Advancement and Empowerment</b></p>	<p><b>People with disabilities</b></p>	<p>Scheme for the provision of vehicles, powered wheelchairs, or scooters leased to individuals that receive one of the following mobility allowances:</p> <ul style="list-style-type: none"> <li>- Higher Rate Mobility Component of the Disability Living Allowance (DLA)</li> <li>- Enhanced Rate of the Mobility Component of the Personal Independence Payment (PIP)</li> <li>- War Pensioners’ Mobility Supplement or the Armed Forces Independence Payment (AFIP)</li> </ul>