

Sustainable Finance Framework

November 2023



Contents

3 Section 1: Introduction to Sovereign Housing Association

- 4 Overview of Sovereign
- 5 Sovereign's ESG in Numbers
- 6 Our 2023-29 Investment Strategy
- 7 Embedding Sustainability
- 8 Our ESG Reporting Approach
- 9 Delivering Quality Services and More Opportunity
- 11 Our Approach to Sustainable and Affordable Housing
- 11 Homes and Place
- 12 The Homes and Place Standard
- 13 Strategic Asset Management
- 14 Our Strategy 2021 - 1059
- 15 Reaching Net Zero 2050
- 15 Equality, Diversity and Inclusion

16 Section 2: Sustainable Finance Framework

- 17 Framework
- 17 Use of Proceeds
- 21 Process for Project Evaluation and Selection
- 22 Management of Proceeds
- 22 Reporting
- 22 External Review

23 Section 3: Case Studies

- 23 Springfield Meadow, Oxfordshire
- 24 Kickstarter Programme
- 25 #iWill Fund





Section 1:
**Introduction to
Sovereign Housing
Association**

Overview of Sovereign

Sovereign Housing Association, now trading as Sovereign Network Group (Sovereign or SNG) is a leading UK Registered Provider of Social Housing with not-for-profit status.

On 1 October 2023 Network Homes (now known as Sovereign Network Homes or SNH) became a subsidiary of Sovereign. By the 31st March 2025, a transfer of engagements will be completed, merging SNH into SNG. The combined organisation manages over 82,000 homes, and has over 210,000 customers across London, Hertfordshire, and southern England. SNG's scale will support its ambitious plans to create more sustainable homes that people can love living in over many generations.

SNG's vision is to be the leading landlord in the regions in which it operates; it will strive to provide quality, affordable homes in thriving and sustainable communities. SNG is driven by its social purpose, with residents at the heart of everything it does. SNG builds homes and provides great services, investing for the long-term, creating great places to live and working with residents to support them in realising their potential.

SNG is establishing a Community Foundation to invest £100m in direct support and access to external funding for residents and communities, and intends to invest at least £8.5bn over the next 10 years on new development and retrofitting existing homes, supporting both new and existing customers. SNG will continue to leverage its relationships with central and local government and will build successful and sustainable partnerships with house builders and local businesses to support its retrofit journey.

SNG is committed to ensuring that all homes within its portfolio are rated at least EPC C well ahead of the UK Government's 2035 deadline and that it achieves an operationally net zero carbon housing portfolio by 2050.

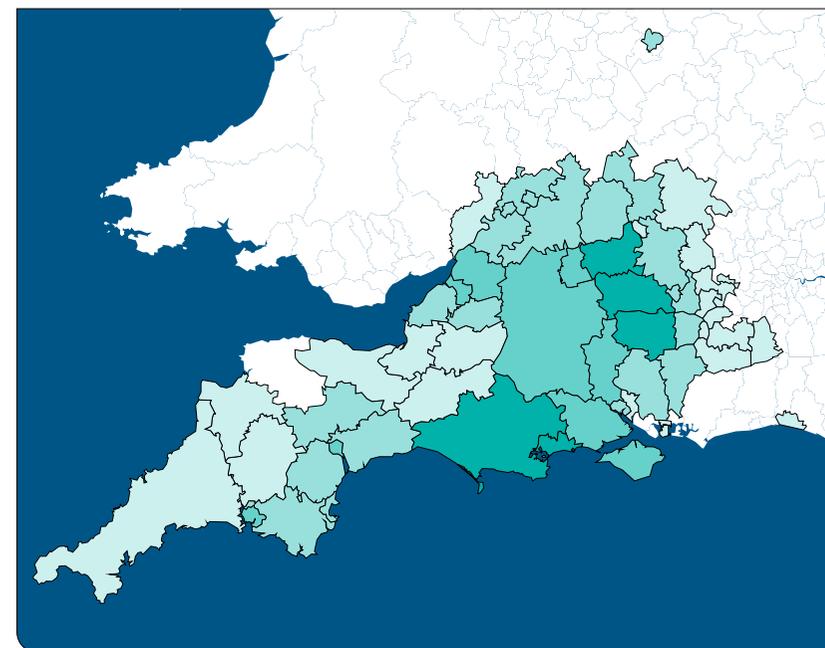
This Framework relates to the existing Sovereign entities and their sustainability strategy, and will be updated in future to reflect the enlarged SNG following the transfer of engagements.

The existing Sovereign organisation has deep roots in southern England, with more than 62,000 homes focused in a core area across Berkshire, Cornwall, Devon, Dorset, Gloucestershire, Hampshire, Isle of Wight, Oxfordshire, Surrey, Wiltshire and West of England. While our registered office is in Basingstoke, Hampshire, we have a network of regional offices which provide a quality and local service to residents.

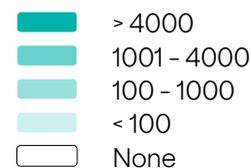
Our strategy is to continue to grow, staying financially strong through good governance and performance management, so we can invest more into building more homes and making better places.

Sovereign is a high performer under Value for Money (VfM) assessment and aims to maximise social value through initiatives that matter to our residents and the communities in which they live. We increased our support to customers through the cost-of-living crisis, committing to invest the larger of £3.5m a year or at least 5% of our pre-tax surplus in community projects to deliver positive outcomes for our customers and their communities. We track our social value by using the Housing Association's Charitable Trust's (HACT's) Wellbeing Valuation approach, and are working closely with HACT on its roadmap to develop new measures and tools to evolve the sector's approach to impact measurement. During 2022/23 we generated over £68m of social value and we aim to reach £75m in 2024.

© Crown copyright and database rights Ordnance Survey 100050351



Total homes



Sovereign's ESG in Numbers

Our Top 5 ESG KPIs



£68m

of social value created



-31%*

reduction in operational carbon emissions on new build only



1,672

new homes delivered in 2023, 94% of which were affordable



60% female 40% male

Gender balance of board



10%

Biodiversity net gain

Our ESG Snapshot

Number of properties



61,457

Sovereign pays the



living wage

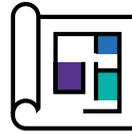
Governance/ viability rating



G1/V2

S&P A, Moody's A3

EPC B+



1,000

retrofit starts

EPC C or better in



70%

of our existing homes

Market value of assets



£13.4bn

Community investment



£3.5m

with a further £2.6m of external funding secured

Customer service satisfaction



71%

Rents below LHA in



97%

of homes

Our ESG Objectives

Net investment over 25 years



over £1bn

to improve quality and meet net zero target

All our homes to meet at least



good

Homes and Place standard

All existing homes retrofitted to meet



EPC B

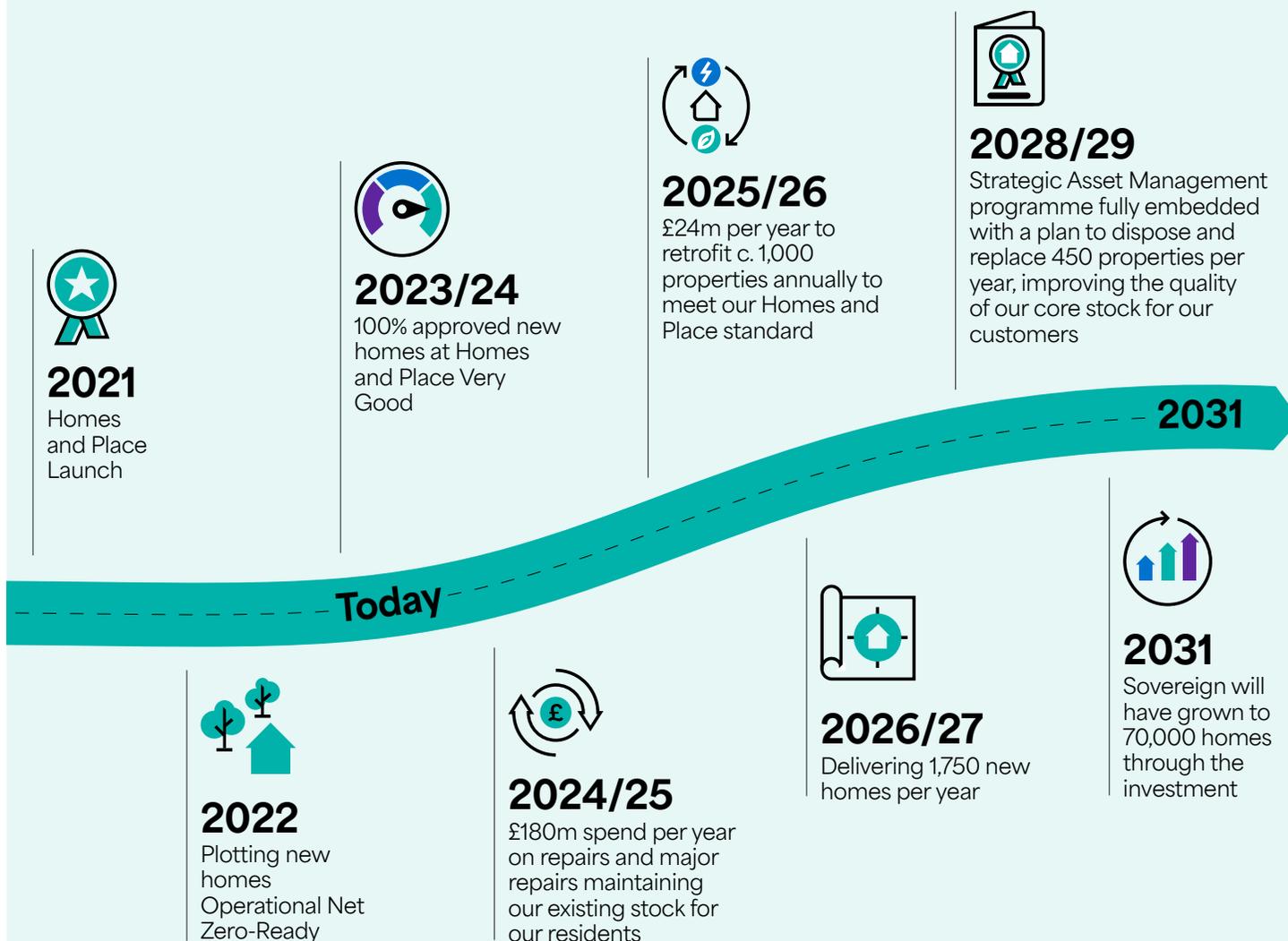
or better

Our 2023-29 Investment Strategy

Our response to the global climate and ecological crisis is to evolve as a more sustainable organisation that is resilient and delivers long-term impact for our customers. Maximising social value and having a positive impact on the environment will help to address the housing crisis and increase our overall prosperity, building and shaping a future in which people can thrive. We want to have a positive impact on the planet and to demonstrate how improving housing and policy can do that. But we know we need to think differently as an organisation, and as a sector, about how we work.

We need to embed sustainability in everything we do, transforming how we work and think as a business and respond to changing needs - from responding to the political and environmental context to navigating the opportunities and demands of technology - while staying true to our roots, our vision and our customers.

2023-29 Investment Strategy by Year



Embedding Sustainability

Everything that we exist for aligns with positive Environmental, Social and Governance (ESG) values. ESG can help us to measure, demonstrate and communicate our purpose and significant impact to the wider world. Our strategy represents a holistic approach based on these pillars.

- **Environmental** – how we perform as a steward of the natural environment with a focus on climate change, biodiversity, and resource management
- **Social** – how we treat people, concentrating on supporting our residents and hearing their voice, building safety and quality, affordability, security and placemaking
- **Governance** – how we manage and police ourselves, with a focus on our Board and Trustees, staff wellbeing and our supply chain; our Modern Slavery Statement¹ covers our commitment to our procurement and supply chains as well as slavery and human trafficking

We have developed comprehensive strategies to ensure that we act and behave in a manner which is consistent with our values and ensures that we surpass the expectations of our stakeholders in achieving our ambitions.

All of our homes – new and existing – are already being assessed and scored against our Homes and Place standard to ensure they meet ambitious targets for sustainability, quality and safety.

By 2050, we are committed to ensuring that all the homes we own and manage will be enjoyable, have character, complement the natural and built environment and be carbon neutral. We will also measure ourselves on how well we promote a healthy environment and empower customers

through technology. The Homes and Place standard is accompanied by our Strategic Asset Management plan, outlining how we intend to invest in our current and future homes.

Our sustainability strategy encompasses environmental objectives for Sovereign as a whole. It is underpinned by the United Nations' Sustainable Development Goals (SDGs) and takes a holistic approach that considers the impact we have on our people and wider society, the natural environment and the housing system.

Our Health, Safety and Wellbeing Strategy focuses on making sure that both employees and customers feel safe and secure. Within our People Strategy, we focus on our equality, diversity and inclusion (EDI) objectives, and we firmly believe that a more inclusive and diverse workplace, representative of our customers, leads to greater innovation and new ways of thinking.

Guiding our EDI strategy, Sovereign has established internal targets promoting inclusivity for previously underrepresented social backgrounds relating to disability, ethnicity, gender and sexuality. Our board composition was 60% female and 40% male in 2023.

Our Thriving Communities strategy sets out our ambitious goals to improve the wellbeing and quality of life of our residents through an asset-based community development approach. This goes hand in hand with our Customer Impact Strategy (CIS)², which considers how, where and when we interact with our customers, making best use of technology to give them the highest possible levels of service.

How social housing contributes to UN Sustainable Development Goals

11 SUSTAINABLE CITIES AND COMMUNITIES



1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



13 CLIMATE ACTION



¹Modern Slavery Statement 2020-21

²Customer Impact Strategy

Our ESG Reporting Approach

We continue to develop our ESG reporting through data collection and internal processes. These are currently overseen by our ESG Group, led by our Treasury Director and supported by senior team members across development, sustainability, communities and governance. Management also recognised the importance of senior leadership and accountability for our performance, with the creation of a Chief Communities and Sustainability Officer role as part of the Executive Board.

Sovereign is an Early Adopter and was part of the initial working group that published the Sustainability Reporting Standard (SRS) in November 2020. The SRS embraces the concept of collaborative advantage and lays strong ESG foundations for Sovereign and the UK social housing sector as a whole through quantitative and qualitative reporting against core and enhanced criteria.

The criteria are inspired by international frameworks and standards including the SDGs, Global Reporting Initiative (GRI), the Value Reporting Foundation's SASB framework, the International Capital Market Association (ICMA) and the principles set out by the Loan Market Association (LMA).

We are continuing to align our corporate plan and ESG ambitions with the SRS, and will continue to directly support its evolution.

Our key ESG indicators were developed in 2021/22, to demonstrate our performance against our priorities, how our ESG approach links to our corporate plan, and where we need to get to as a business. They include social value, carbon emissions, new homes delivery, biodiversity and customer satisfaction, with recent new additions for EDI and retrofits.

ESG Year-on-year Snapshot



% of general needs homes at **64.3%** versus 64.5%



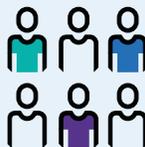
1,672 new homes in 22/23, of which **94%** are affordable



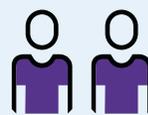
EPC ratings of existing homes at EPC C or above: from 65% to **70.3%**



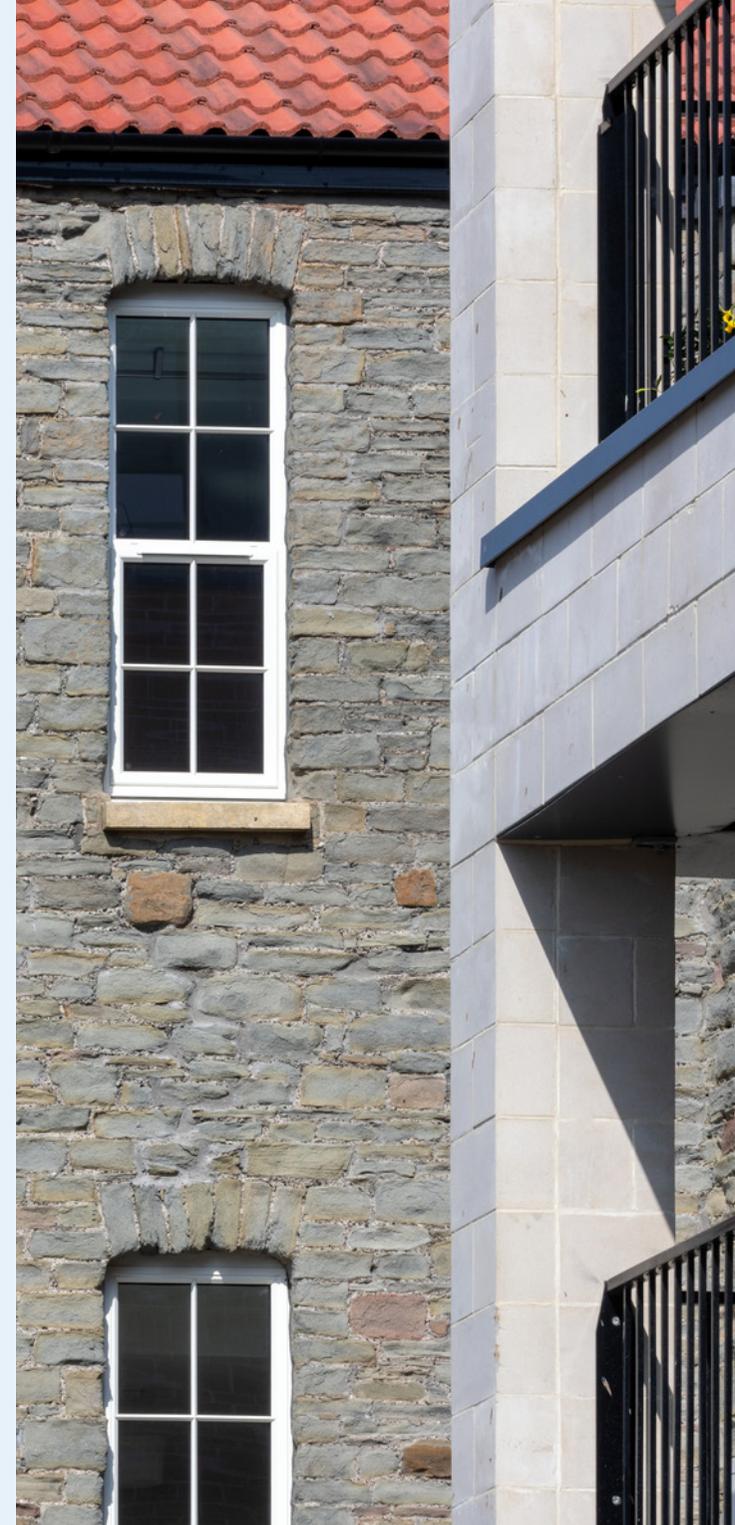
% gender of board: **60% female 40% male** in 2023 vs 63% female and 37% male in 2022



% BAME board members is **10%**, up from 9% last year



Our mean gender pay gap is **5%**, up from 1.7% last time



Delivering Quality Services and More Opportunity

Our customers always come first and are at the heart of everything we do. We supported the Regulator of Social Housing's (RSH) consultation on Tenant Satisfaction Measures (TSMs) in 2022 which allows customers to compare landlords' performance across a broad range of themes. We introduced these ahead of schedule, using an independent research company to survey a representative sample of customers each month. This allows us to 'keep our finger on the pulse' of opinion and take actions to improve the customer experience accordingly.

We continue to invest in customers' homes to improve energy efficiency. During 2022/23 we replaced windows in 570 homes, 1,800 old boilers with modern efficient models and installed 400 modern Quantum heating systems. We replaced 1,700 external doors to improve safety and security, 600 kitchens, 450 bathrooms and 300 new roofs.

We have a clear focus on keeping our customers safe, demonstrated by our ISOAQR Accreditation as a commitment to quality, safety and the environment, as well as our work with partners to deliver asbestos, legionella, lifts and fire programmes.

Following a thorough review of our approach to damp and mould in 2021, we upskilled our customer-facing team and all of our property teams to identify signs, symptoms and underlying causes of damp and mould. We also gave specialist training to property maintenance and delivery managers to help them identify and address issues.

Technology, digital platforms and data are transforming the way we serve our customers. New hardware in homes is giving us insights that will help us anticipate issues - during 2022/23 we installed over 1,000 sensors to monitor for conditions that can cause damp, mould and legionella in communal heating systems.

Embracing the Internet of Things (IoT) is having a positive impact on our customers.

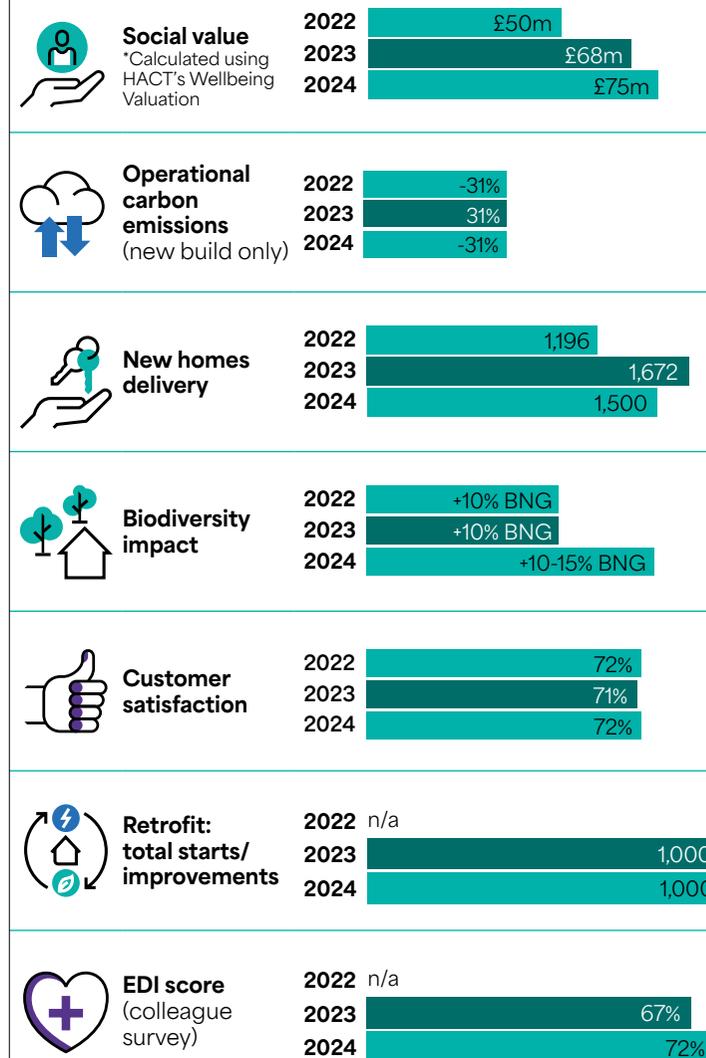
We also returned to a top G1 rating (RSH grading) in June 2023, after addressing issues with historic data relating to health and safety requirements in some communal areas in our blocks.

Our obligations go beyond just safety - we also support our customers' mental wellbeing and development. We offer a wide range of support services for our customers, including short-term emergency support to programmes facilitating long-term change such as employment and skills advice, money support, digital inclusion and youth & social action through #IWill and Live Well initiatives. Supporting the development of our communities and giving our tenants certainty, we stopped issuing Fixed Term Tenancies (FTTs) on homes with one to three bedrooms and converted all of these to assured tenancies.

We are improving our green spaces to make them more enjoyable and rewarding for communities, supported by our "Your Community, Your Choice" budgeting programme which allows customers to apply for funding to improve their local area. The programme has also allowed residents, across our regions, to share their experiences of anxiety, depression and stress, and to develop stronger connections with their neighbours.

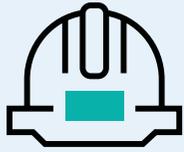
A number of groups hold management to account, including our Resident Board Partnership, Scrutiny Co-ordination Group and our Youth Panel. These are all key voices in assessing our performance and ensuring our activities and services are exceeding the needs of our residents and their communities.

Our ESG KPI dashboard



Employment and Skills

302 jobs secured



Partnerships and Funding

81 projects funded with Crowdfunder grants



Employment and Skills

83 customers supported with business start up and self employment



Community Investment

24 youth social action organisations funded through #iWill



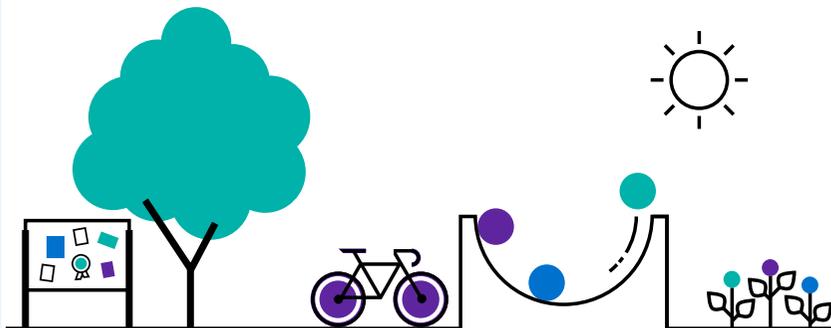
Financial and Digital Inclusion

5,189 emergency fuel vouchers given



Community Investment

5,484 people engaged in community activities



Financial and Digital Inclusion

Over £380,000 saved for customers



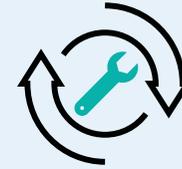
Partnerships and Funding

55,646 people supported through our grants



Employment and Skills

961 training outcomes



Community Investment

354 young people engaged in social action through #iWill



Financial and Digital Inclusion

622 customers supported to get online



Financial and Digital Inclusion

6,497 Money Matters interventions



Employment and Skills

960 customers supported with employment and skills



Community Investment

435 charities and community organisations supported



Our Approach to Sustainable and Affordable Housing

Integral to our ESG story is our ambitious, future-facing Homes and Place standard (Standard or Homes and Place) - aimed at creating dwellings fit for the future customer in terms of quality, space, cost, amenity and energy efficiency. The Standard sets out Sovereign's approach to design, going far beyond national and local policies, guidance or regulations. It is structured under four key areas and guides how we assess our existing homes, how we make the right investments and where we need to regenerate or rebuild.



Homes and Place



The Homes and Place Standard

The Homes and Place assessment uses a scorecard to consider a scheme's performance and to monitor which areas of our developments are performing well and which need additional focus. The Standard is a cornerstone of our Strategic Asset Management and Investment Strategy, putting the customer at the centre of all our decision-making by prioritising customer health, wellbeing and affordability needs.

As part of our commitment to a sustainable future, our homes will:

- Support customers to reduce their negative impact on the environment, promote energy efficiency and regulate temperatures
- Minimise water use
- Achieve zero carbon, minimise carbon in construction and aim for the RIBA 2030 Climate Challenge targets
- Generate renewable energy, to compensate for any carbon used to build them
- Avoid traditional concrete in favour of low-embodied energy

We consider all aspects of sustainable design within our development and regeneration programmes, including land use and the impact of our projects on the local environment. Our development pipeline forecasts place 25% of new projects on brownfield land increasing to c.35% when estate regeneration and mixed use urban regeneration are included. We also ensure a positive impact through our schemes by encouraging a biodiversity net gain of at least 15% wherever possible.

We use this approach on all new build and land opportunities, measuring them against performance standards of Good, Very Good and Excellent. We have set a target of achieving at least Very Good for all new developments. The toolkit has been used to grade c.46,000 of our c.60,000 existing homes.

Our ambitious whole-house 'digital' retrofit strategy of 1,000 homes per year is well underway, providing customers with more energy efficient homes. In 2022/23, the Standard guided our successful bid for the UK government's Social Housing Decarbonisation Fund (SHDF) which will be deployed to meet EPC targets and as a stepping stone on our digital pathway to net zero. We are making the SHDF go further by targeting the strategic objectives within our Homes and Place standard: enhanced affordability, health and wellbeing, carbon reduction and mapping a clear pathway to net zero.

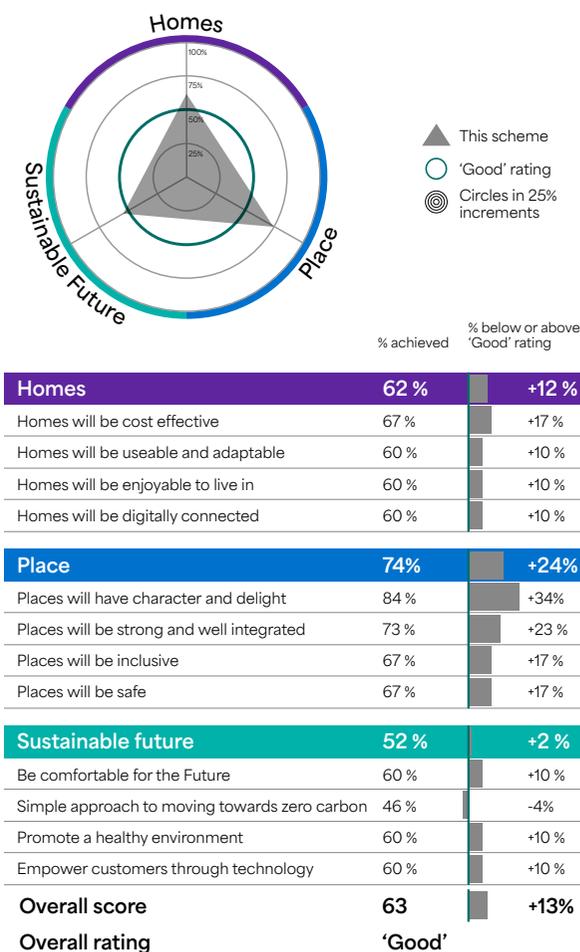
This means using the SHDF in the context of a 30-year horizon rather than simply to achieve the UK Government's target of all homes being at least EPC C by 2035.

We provide monthly reporting on the EPCs of our homes, which has seen the percentage of homes at EPC C and above rise from 65% to 70% in the last year, reflecting the investment and resource we have put into making our homes more energy efficient and our systems more reliable. This has meant centralising and sharpening our reporting process, helping us to manage risks, being more proactive and encouraging greater collaboration across the business.

We are also working with consultants to develop a methodology that enables us to see a fuller picture of operational, embodied and whole life carbon, considering emissions from all the materials, infrastructure, landscape and construction processes throughout the lifecycle of our buildings and places.

We intend to deliver around 1,500 homes every year, with every property meeting our Homes and Place standard on quality, comfort, safety and efficiency - including being net zero ready.

Our Homes and Place scorecard



% of existing homes that meet Homes and Place 'Good' standard or above

2022	2023	2024
40%	44%	45.5%

% of new homes that meet Homes and Place 'Good' standard or above

2022	2023	2024
93%	100%	100%

Strategic Asset Management

Our Strategic Asset Management (SAM) plan is how we will deliver our ambition and put the Homes and Place standard into action. It is therefore another central component to our ESG approach.

SAM marks our most ambitious programme of development and regeneration ever. It is the culmination of many years' work building up a strong asset base, a solid credit rating and a reputation as a trusted partner and quality landlord. SAM will be fully embedded by 2028/29 and focuses on improving the quality of core stock for our customers.

It recognises how compliance standards have risen and continue to change. It commits us to sustainability and a reduction in our carbon footprint. Net zero carbon 2050 alone means an investment liability in excess of £1bn over and above our existing spending plans.

All new build properties designed under the Homes and Place standard will follow a 'fabric-first approach', where we consider the best and most environmentally-friendly insulation materials and structure types. We're also using renewable technologies like air source heat pumps and photovoltaic panels to achieve our aim of getting to net zero by 2050. Taken together, these measures will deliver an enhanced energy efficiency rating of at least EPC B or B+ and an improved affordability benefit to our customers where bills could fall by as much as half post-retrofit.

Where it is not possible to bring properties in line with the Homes and Place standard, we will replace them on a 1:1 basis.



Our Strategy 2021 - 2050

The challenge

How are we going to grow the amount of affordable housing we can offer while making sure that all the housing we have meets an acceptable standard, and that all of our residents live in a great home, in a great place?

🏠 Approximately 1000 homes

- 🏠 Homes and Place standard met
- 🏠 Homes and Place standard partially met
- 🏠 Homes and Place standard not met
- 🏠 Divested assets
- 🏠 Retained and improved assets
- 🏠 Regeneration assets

Core Homes let at sub-market rents

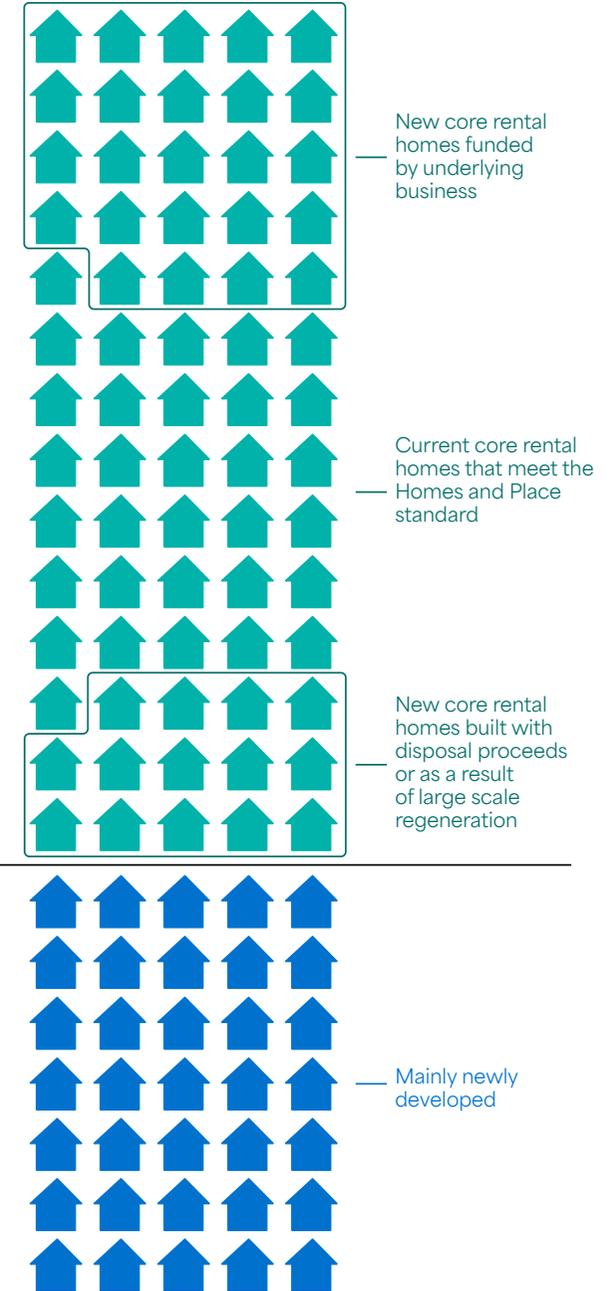
Non core

Other tenures
e.g. shared ownership,
market rent etc.

2021



2050



£££
funds to replace or refurbish core stock



Reaching Net Zero 2050

We have established a carbon emissions baseline with a full Scope 1, 2 and 3 inventory against which we can measure our upstream and downstream emissions across our value chains, suppliers and housing stock - where we have the most material impact. This baseline informs our new Streamlined Energy & Carbon (SECR) and Carbon-Balance reports³, which are essential benchmarks when developing a net zero strategy and the setting of science-based targets. SECR provides a summary of energy usage, associated emissions, energy efficiency actions and energy performance. Our Carbon Balance reporting and 'downstream' Scope 3 emissions forecasts have been informed by detailed portfolio energy, carbon and investment modelling aligned to our corporate targets. We have also commenced whole-life carbon analysis for our new developments and are working closely with our partners and suppliers on their sustainability performance, through an ethos of continuous improvement and collaboration towards shared goals.

³ Available on Sovereign's Investors website



Equality, Diversity and Inclusion

Our EDI strategy includes four tenets: leadership, representation, employee inclusion and customer inclusion. Throughout 2022, we underwent an independent audit of our culture through an EDI lens. We have made significant strides in raising awareness and influencing inclusive changes in our processes. We are committed to evolving our strategies, ensuring that we regularly check ourselves against the external landscape and the latest thinking in EDI.

We are a Social Housing Anti-Racism Pledge (SHARP) signatory, which outlines a framework for social landlords to embrace anti-racism and implement focused actions within their organisations.

We have completed the Stonewall Workplace Equality Index (WEI), an annual audit recognising our efforts to foster inclusive workplaces, receiving a Stonewall Bronze award which highlights our commitment to LGBTQ+ inclusivity. We will continue to strive for a more inclusive workplace.



Section 2:
**Sustainable
Finance
Framework**



Framework

Sovereign has created this Framework to facilitate issuing a range of instruments, including public bonds, debt private placements, loans and revolving credit facilities (RCFs), funding green, social or a combination of expenditures (respectively green, social or sustainability instruments; together, Sustainable Finance Instruments).

The Framework aligns with key market guidelines, as published by the International Capital Markets Association (ICMA) and Loan Market Association (LMA):

- ICMA Green Bond Principles - 2021; with June 2022 Appendix ⁴
- ICMA Social Bond Principles - 2023⁵
- ICMA Sustainability Bond Guidelines - 2021⁶
- LMA Green Loan Principles - 2023⁷
- LMA Social Loan Principles - 2023⁸

The Framework may be updated over time as various international taxonomies and standards take shape and become further embedded in financing markets.

This Framework has five core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

⁴[Green Bond Principles](#)

⁵[Social Bond Principles](#)

⁶[Sustainability Bond Guidelines](#)

⁷[Green Loan Principles](#)

⁸[Social Loan Principles](#)

Use of Proceeds

We intend to deploy capital raised from investors to support our social and environmental objectives, spanning construction, remediation and community investment. As a registered provider, these investments are critical for the delivery of our social mission of delivering high quality and sustainable housing in thriving communities.

Amounts equivalent to the gross proceeds (Proceeds) of Sustainable Finance Instruments will be used or notionally allocated to finance and/or refinance Eligible Projects as outlined overleaf. We intend to fully allocate the Proceeds to assets, capital expenditure (CapEx) and/or operating expenditure (OpEx) within 24 months from their receipt into our accounts, however this may not always be possible in the event of unforeseen disruption. No lookback period will be applied to assets or CapEx, however OpEx must have been incurred after the Proceeds have been received or up to 36 months beforehand. Before or after full allocation is achieved, it is possible that some Proceeds may be temporarily unallocated e.g. as a result of disposals. Nevertheless, we endeavour to achieve a very high level of allocation during the life of an outstanding Sustainable Finance Instrument.

Whilst our funding requirements may change over time, we expect that finance raised under this framework will substantially contribute to the construction, refurbishment and maintenance of green and affordable housing, supporting our ambitious development pipeline and retrofit programme. Our selected Eligible Projects are core to our environmental and social sustainability agenda and should provide clear and tangible benefits for our stakeholders.

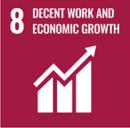
ICMA Category	Eligible Projects	Eligibility Criteria or Example Investments	Example Impact Metrics	Sovereign Corporate Plan Alignment	UN SDG Alignment	SRS Theme Alignment	Taxonomy Alignment
Green Buildings⁹	Development, acquisition, construction or ownership of buildings	Buildings (in any of the pre-construction, construction or completed phases) meeting or targeting at least one of the recognised certification standards: <ul style="list-style-type: none"> EPC and EIR rating band A or B BREEAM certification of 'Excellent' or better We target that at least 50% of homes financed will meet Sovereign's Homes and Place 'Very Good' standard, including all new developments	Number of new or refinanced buildings meeting specified criteria with a split provided against our Homes and Place classifications	More homes, better places	Target 9.4 	Climate Change (T1)	Climate Change Mitigation
Energy Efficiency	Renovation, retrofit, modernisation improvement or maintenance of buildings	Investments that result in or are expected to result in one of: <ul style="list-style-type: none"> At least a 30% improvement in energy efficiency (as measured by a building's Standard Assessment Procedure (SAP) score or Primary Energy Demand (PED)) At least a two notch uplift in the EPC to a minimum of EPC C EPC and EIR ratings of A or B Achieving a ranking within the top 15% of the national building stock following completion of works, expressed with reference to the EPC/SAP score, PED or a similar measure following completion of the works Capital and operating expenditures relating to whole house retrofit pilot projects exploring heat, energy generation, storage and digital controls solutions in order to inform energy efficiency improvements across our portfolio	Number of properties which have been renovated and achieved the standards outlined, split by EPC band Forecast and performance in use measured outcomes for retrofit pilot projects Avoided tCO2 emissions Number and type of devices fitted	More homes, better places	Target 7.3  	Climate Change (T1)	Climate Change Mitigation
	Installation of energy efficient devices in buildings	Investments and installations which have the potential to reduce energy consumption of properties in use, including: <ul style="list-style-type: none"> Measurement devices such as energy smart meters, smart thermostats Energy efficient devices or appliances and technology such as LED lighting, A and B rated household appliances, communal heating systems not using fossil-fuels and sensing equipment Battery storage systems Performance in use monitoring 					

⁹ Equivalent or replacement building assessment methodologies or scoring systems may be considered for practical reasons should there be a material change in the approach commonly used for scoring the environmental performance of buildings in the United Kingdom

¹⁰ Household appliances falling into the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369

ICMA Category	Eligible Projects	Eligibility Criteria or Example Investments	Example Impact Metrics	Sovereign Corporate Plan Alignment	UN SDG Alignment	SRS Theme Alignment	Taxonomy Alignment
Renewable Energy	Acquisition, investment in or Integration of renewables into projects or the energy system for buildings, and the maintenance of such systems	In accordance with Sovereign Homes and Place 'Very Good' standard: On site solar photovoltaic or hot water panels, ground or air-source heat pumps and other wind systems operating at lifecycle emissions of less than 100gCO ₂ /kWh	Homes and Place Performance Metrics relating to: Installed capacity (kWh) Energy generated (kWh) Avoided tCO ₂ emissions Proportion of energy used from renewable sources (%)	More homes, better places	Target 7.2 	Climate Change (T1)	Climate Change Mitigation
Clean Transportation	Development, investments in and maintenance of infrastructure facilitating access to clean transportation	In accordance with Sovereign Homes and Place 'Very Good': Installation of technology and infrastructure which facilitates access to clean or public transportation including: Electric vehicle charging points Investment in Sovereign's leased or owned vehicles with zero CO ₂ tailpipe emissions Cycling infrastructure such as racks and cycle paths	Homes and Place Performance Metrics relating to: Number and type of installations / purchases % of low or zero emission vehicles in fleet	More homes, better places	Target 11.2 	Climate Change (T1)	Climate Change Mitigation
Terrestrial and Aquatic Biodiversity Conservation	Investment or costs of promoting and developing the natural environment	In accordance with Sovereign Homes and Place 'Very Good' Standard, investments and expenditure on developing land which is part of or in the vicinity of Sovereign developments with the objective of achieving a site-wide biodiversity net gain of at least 10%, excluding the use of biodiversity offsetting	Homes and Place Performance Metrics relating to bio-diversity net gains achieved	More homes, better places	Target 15.5 	Ecology (T2)	Protection and restoration of biodiversity and ecosystems
Affordable Housing	Development, acquisition, construction modernisation and ownership of Social or Affordable Housing	<ul style="list-style-type: none"> Units to comply with the Government definition of Social or Affordable Housing, including Shared Ownership¹¹ May include other forms of supported or sheltered housing Target Populations: Persons living below the poverty line (defined as low income households or individuals eligible for Social or Affordable Housing or other not-for-profit schemes / forms of housing administered by Sovereign), underserved (in terms of access to quality local affordable housing and financing), people with disabilities, and ageing populations	Number of new and existing properties constructed or refinanced by tenure Number of development pipeline properties Actual average rent charged versus private local market rent	More homes, better places	Target 11.1 	Affordability and Security (T4)	N/A

¹¹ For the purpose of financing newly developed shared ownership properties under this Framework, a gross household income threshold of £65,000 or less will initially be applied. This threshold may be refreshed by Sovereign when allocating Proceeds, reflecting changes in the level of the Consumer Prices Index (CPI) since the publication date of the Framework, and will be capped at the UK Government's prevailing gross household income limit for shared ownership eligibility, where it is applicable. A threshold will not be applied to the financing or refinancing of an existing shared ownership property (in relation to timing of the receipt of Proceeds) or one which has already been financed by a Sustainable Finance Instrument.

ICMA Category	Eligible Projects	Eligibility Criteria or Example Investments	Example Impact Metrics	Sovereign Corporate Plan Alignment	UN SDG Alignment	SRS Theme Alignment	Taxonomy Alignment
Access to Essential Services	The provision of customer support schemes, services and facilitating wellbeing	<p>In accordance with Sovereign Homes and Place 'Very Good' Standard:</p> <p>Schemes and training provision devised to improve customer wellbeing, health and engagement, and advancing socio-economic advancement and empowerment, including</p> <ul style="list-style-type: none"> • Financial support services • Commercial & entrepreneurial support and work skills • Digital Inclusion training and equipment • Mental and physical health support <p>Investment in the Sovereign estate and public realm in order to provide</p> <p>(a) residents with access to green, open and/or recreational space to support physical and mental health, and (b) communal facilities to encourage community development</p> <p>Target Population: With a specific focus on our residents, persons living below the poverty line, underserved (in terms of access to local affordable housing and financing) - including low income households, people with disabilities, and ageing populations</p>	<p>Number of residents benefiting from financial support, advice and other training programmes</p> <p>Number of individuals supported into employment</p> <p>Land area allocated to parkland and recreational spaces (sqm)</p> <p>Number of buildings and/or floor space (sqm) provided for community purposes</p>	<p>Quality services, more opportunity</p>	<p>Target 10.2</p>   	<p>Resident Support (T7)</p> <p>Placemaking (T8)</p>	<p>N/A</p>

Process for Project Evaluation and Selection

Sovereign's Group Investment Committee (IC) has delegated authority from the Board to approve most development projects. Larger, more complex projects are evaluated and monitored in more detail by the Major Projects Committee (MPC). Both committees are ultimately accountable to the Board for providing oversight of development, commercial and asset management schemes including social and affordable rent, shared ownership, market rent or open market sale. The IC's remit includes scrutiny of projects involving remodelling, rehabilitation, regeneration and disposal of existing homes, alongside the approval and monitoring of all land acquisitions required to facilitate development projects.

The committees scrutinise and recommend updates to the Strategic Asset Management plans and the Homes and Place standard for Board approval. They monitor the performance of joint venture partnerships, ensure that the Board receives regular updates, and that emerging risks are escalated and dealt with in a timely manner. The committees review any reported environmental and social risks associated with investments and ensure such projects are appropriately managed, mitigated, and progressed in compliance with relevant laws, standards and regulations. The

IC comprises the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) as the Chair, the Chief Operating Officer and the Chief Investment and Development Officer. The MPC comprises two non-executive directors who are also Board members and up to one independent member.

The CFO, Treasury team, and Construction and Technical Director (ESG Team) will assume responsibility for overseeing, implementing and managing the Framework, as well as reviewing non-developmental spend and other minor expenditures for potential allocation under the Framework. It will consult with key development and sustainability functions to inform its decision making, and ensure that authorised investments and expenditures are aligned to our Corporate Plan and our key standards. The ESG Team will receive subject matter input from experts across the organisation, including the Chief Investment and Development Officer and various development directors.

The ESG Team meets quarterly and will incorporate review and approvals necessary for operation of the Framework on an ad-hoc basis as necessary.

The ESG Team will:

- Oversee establishment of the Framework, reviewing and approving new Eligible Projects / Categories and ensuring that prevailing market standards are taken into consideration
- Approve the addition of Eligible Projects to the Sustainable Finance Asset Register (the Register) once relevant approvals have been received from the committees, and removal of assets from the Register where they are no longer considered eligible or appropriate e.g. subject to material disposals (such as a bulk stock transfer)
- Ensure that the value of tracked assets on the Register is always greater than the amount of Sustainable Finance Instruments outstanding
- Approve selected Eligible Projects to be financed via Sustainable Finance Instruments issued under the Framework
- Monitor the investment of Proceeds from Sustainable Finance Instruments in accordance with the Framework, including initial allocation and ongoing monitoring to ensure compliance with the Eligibility Criteria
- Approve parameters for tracking and reporting of allocations and impacts
- Commission and approve any external assurance or review sought in connection with the Framework
- Review and approve any necessary changes to the project evaluation and selection process over time



Management of Proceeds

The Proceeds from any Sustainable Finance Instruments will be paid initially into our main receipts account and the ESG Team will track and monitor an equivalent amount using internal reporting systems until at least full allocation of the Proceeds.

Sovereign has established a Sustainable Finance Asset Register (the Register) which it will use to track projects, investments and expenditures identified as Eligible Projects. Once approved by the Committee, the ESG Team will notionally allocate against or use Proceeds to finance or refinance Eligible Projects on the Register. Subject to achieving full allocation of the Proceeds, the ESG Team will aim to ensure that, over time, Eligible Projects on the Register are equal to, or are in excess of, the outstanding Proceeds of Sustainable Finance Instruments issued or borrowed in relation to this Framework.

Unallocated Proceeds will be used in accordance with our Treasury Management Policy, which amongst other uses may include being held as cash deposits, placed in sterling denominated money market funds or ESG bonds and deposits, as well as for the short-term repayment of other debt facilities before allocation to Eligible Projects. This process ensures that the Proceeds will not be used to directly fund or support activities in sensitive sectors.

Reporting

Once material expenditure is available, we will report annually on the allocation of Proceeds from any Sustainable Finance Instruments until full allocation has been achieved and thereafter in the event of any material reallocations resulting from reassignments or developments during the life of an outstanding instrument. In relation to RCFs (and subject to agreement with lenders as necessary, individually or as a syndicate) we intend to report annually in relation to the balance of proceeds outstanding, whilst continuing to maintain at least an equivalent amount of Eligible Projects on the Register.

Allocation reporting will include, but is not limited to:

1. A description of the Eligible Projects within the Register and those financed by the Net Proceeds
2. The total amount of Proceeds outstanding (per Sustainable Financing Instrument) and amounts allocated to each ICMA Category
3. The share of financing versus refinancing of new and existing Eligible Projects
4. The amount of and how unallocated Proceeds are being held (if any), and any undrawn limits

We also intend to report on the environmental and social impacts of investments facilitated with the Proceeds. Example Impact Metrics are included along with the sample Eligible Projects within this Framework.

Our impact reporting will, on a best-efforts-basis, recognise key aspects of the SRS as well as ICMA's Harmonized Framework for Impact Reporting¹² and the Harmonized Framework for Impact Reporting for Social Bonds¹³.

We intend to publish our allocation and any impact reporting on our website.



External Review

We have engaged Sustainalytics to provide a Second Party Opinion (SPO) on the alignment of this Framework with the Principles listed in Section 2, as well as to consider the social and environmental objectives we are seeking to deliver. The SPO will be made publicly available on our website.

We intend to appoint an independent third-party reviewer to verify allocation reporting. Their report will also be made available for investors outlining any specific assurance levels provided. Sovereign is keen to recognise the impact of its investments and is engaging with third-party consultants to assist with its impact assessment which will be shared with investors where possible.

¹² [Harmonized Framework for Impact Reporting](#)

¹³ [Harmonized Framework for Impact Reporting for Social Bonds](#)



“ I love my new home, it’s so different to where I used to live. Having this new home for myself and my family has given us a new lease of life. We feel really comfortable and relaxed here with very little stress - it’s just a good place to be.

Linda
Sovereign customer

Section 3: Case Studies

Springfield Meadow, Oxfordshire

Springfield Meadow is an award-winning development of carbon-zero homes in Longworth outside Abingdon. The homes were built by Greencore, a developer specialising in building to Passivhaus energy efficiency standards. The mixed development of 25 homes includes nine affordable Sovereign homes, six for affordable rent and three shared ownership homes.

The site was granted One Planet Living Global Status by environmental charity Bioregional and is the second of Sovereign’s eco-developments using modern methods of construction. The first, at Kings Farm Close near Wantage was also built by Greencore. The homes are built using an off-site manufactured closed panel timber frame construction, insulated with limehemp and natural fibre, the homes are carbon zero, as well as embodying around 60 tons of carbon in the construction. Our customers have net-zero energy use and consequently very low energy bills. The site includes facilities for electric car charging to further reduce its carbon footprint.

Sovereign’s new Corporate Plan includes commitments to invest in modern methods of construction as well as to raise the standard of all its existing stock to meet the Homes and Place standard. Sovereign has also committed that by 2026 all new homes will be net-zero ready - meaning that they are designed with a view to the installation of future technology to reduce their operational carbon footprint.

Kickstarter Programme

In January 2021 Sovereign committed to taking on 49 young people as part of the government's Kickstarter scheme. The scheme provides funding to create new jobs for 16 to 24-year-olds on Universal Credit who are at risk of long-term unemployment.

In February 2022 Sovereign announced that it would extend the programme, investing £250k in the scheme. The extension programme at Sovereign will give existing Kickstarters the opportunity to increase to full time working hours if they want to or to move to other departments. Eight young people on the scheme have already been offered full-time jobs.

Jack, 20, learnt about Kickstart in March 2021 and joined Sovereign's Housing Response team as an admin assistant. He is responsible for raising repairs, booking inspections and sorting out other jobs for Sovereign customers. He has benefited from hybrid working and comes to the Sovereign office twice a week:

"For me the hybrid working has been good - I thought I would get distracted by home stuff like the TV or other people in the house, but I've found that I can do it - I just shut myself away. And to build up my confidence we decided I would do two long days in the office where I can ask questions and see real people. My work colleagues have given me the best experience. My Kickstart buddy gave me a month-long induction plan and everyone is very nice and we like to have a laugh."

Mum of one Caitlin worked in retail but after taking time out to look after her daughter found herself lacking in confidence. She was put in touch with Sovereign through Kickstarter and joined the Corporate Affairs team to support the press office.



“ Being a PR assistant is both fascinating and terrifying but I’m always up for a challenge! And although I was extremely nervous, when I started, my new manager helped ease me into the role. The first day ‘in real life’ was very exciting as I got to go into Sovereign House and work in an office environment, something I’d never done before. There must be a lot of things that those who have office jobs take for granted that Kickstart has helped me get to grips with, like using Excel, Powerpoint, email, Teams - all of this was unfamiliar to start off with.

Caitlin
Kickstart scheme

#iWill Fund

Sovereign Housing Association will invest £450k over the next two years in giving young people a voice in their housing and community future by matching £225,250 in funding from The National Lottery Community Fund and the Department for Digital, Culture, Media and Sport (DCMS).

The money will be spent to give young people a confident voice in their housing future, enabling them to take part in social action projects that matter to them. The #iwill Fund aims to support young people to access high quality social action opportunities and Sovereign is acting as a match funder and awarding grants on behalf of the #iwill Fund.

Projects interested in applying for support will be able to access up to £10,000 for their organisations. Criteria for the groups and projects that can apply will be co-created with Sovereign's own Youth Panel, which is made up of young Sovereign residents.

Matt Buckham, Communities Director for Sovereign, said: "Accessing affordable housing is one of the biggest issues facing young people in this country right now, and the value of having a sustainable, affordable, attractive place to call your own, in a community where you feel safe and secure, cannot be underestimated.

"We have communities across the south of England, from Surrey to Bristol, the Isle of Wight to Berkshire

so the potential reach of this project is huge, as we enable young people to have their say. We'll aim to deliver around 40 youth projects, aim to get 500 young people engaged in youth social action, and bring another 500 forward in youth voice programmes.

"We want to break down barriers and encourage our young residents from across the country, from our many and varied communities, to step forward and voice their opinions, their ideas, their plans, hopes and dreams. Having the confidence to be part of something bigger than yourself doesn't always come naturally but working with partners and charities we want to open doors for our young residents to achieve their life goals."

Sovereign will be working closely with Creative Youth Network to manage the project, during which it also intends to create youth-focused innovation labs to encourage entrepreneurialism and creativity and to launch a Sovereign Youth Network of housing associations and youth partners to share good practice and learning.



“The work of the #iwill Fund has had an incredible impact on young people across England. We are pleased to be able to support Sovereign Housing Association in their vital work, giving young people a platform to use their voice and speak up about their housing future. This new funding will empower young people to take part in meaningful social action, supporting them and their communities to prosper and thrive.

Helen Whyman
Head of the #iwill Fund



Sovereign Network Group Ltd

Sovereign House
Basing View
Basingstoke RG21 4FA

T: 0300 5000 926

Please note: The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.