

Sustainable Finance Framework

July 2022



Contents

3	Section 1 Introduction to Sovereign Housing Association
3	Overview of Sovereign
4	Sovereign's ESG story in numbers
5	Our Corporate Plan
6	Embedding sustainability
9	Delivering quality services and more opportunity
12	Our approach to sustainable and affordable housing
13	Homes and Place standard
16	Strategic Asset Management
18	Section 2 Sustainable Finance Framework
18	Framework rationale
19	Framework
19	Use of proceeds
22	Process for project evaluation and selection
23	Management of proceeds
23	Reporting
23	External review
24	Section 3 Case studies



Section 1: Introduction to Sovereign Housing Association

Overview of Sovereign

Sovereign Housing Association (Sovereign) is a leading UK Registered Provider of Social Housing with not-for-profit status.

Our vision is to be the leading landlord in the south of England, and we strive to provide quality, affordable homes in thriving and sustainable communities.

We currently own or manage over 60,000 homes and are committed to delivering 2,000 new affordable homes every year.

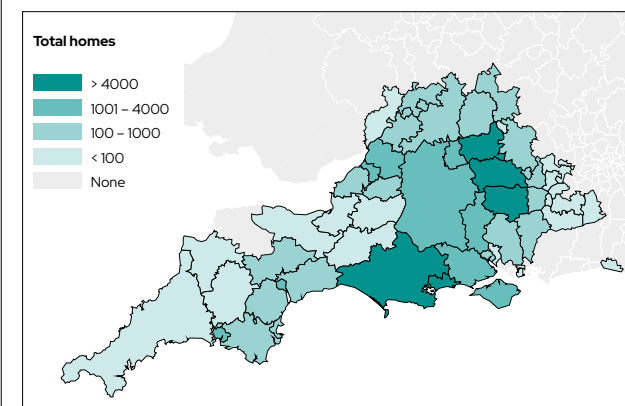


We invest over £280m annually on new development, making the most of our relationships with central and local government and our ability to build successful and sustainable partnerships with house builders. We're driven by our social purpose, with residents at the heart of everything we do. We build homes and provide great services – we invest for the long-term, creating great places to live, working with residents to support them in realising their potential.

We provide homes across the south and south west of England and the Isle of Wight. While our registered office is in Basingstoke, Hampshire, we have a network of regional offices throughout our operating area, 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 in the things that matter – building more homes and making better places.

Sovereign is a high performer under Value for Money (VfM) assessment and also generated £10 in social value for every £1 invested, calculated using the Wellbeing Calculator from the Housing Associations Charitable Trust (HACT). In our five year Corporate Plan¹ for 2021 -2026, we aspire to generate £150m of social value.



© Crown copyright and database rights Ordnance Survey 100050351

¹ 2021-2026 Corporate Plan

Sovereign's ESG story in numbers (FY2022)

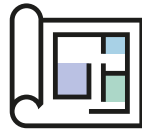
Number of properties



60,464

93% social and affordable

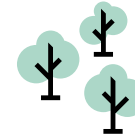
EPC C or better in



100%

of our new homes

Community investment



£5.2m

Sovereign pays the



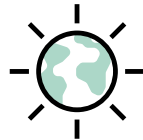
living wage

Number of affordable homes built in 2022



1,109

EPC C or better in



65%

of our existing homes

Customer service satisfaction



72%

Rating of governance and viability



G2 / V1

S&P A+ and Moody's A2

Market value of assets



£13.7 bn

Sovereign rents below Local Housing Allowance in



98.8%

of our homes

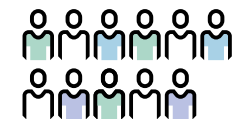
Oversight of governance by engaged residents



RBP

Resident Board Partnership

Gender balance across our Board



7/11

63% female and 37% male



Our Corporate Plan

In our 2019 Corporate Plan, we pledged that our customers would be at the heart of all we do, today and tomorrow. Our 2021-2026 Corporate Plan renews that pledge: our core offer to them, a good home in a great place to live.

Our pledge centres around how we think about our customers, the way in which we build more homes and maintain our stock, and the services that enable us to deliver as a business.

These three strategic pillars need to be aligned, which is why we have brought them together and focus on them through our ongoing transformation programme to ensure we continue to put our customers at the heart of everything we do.

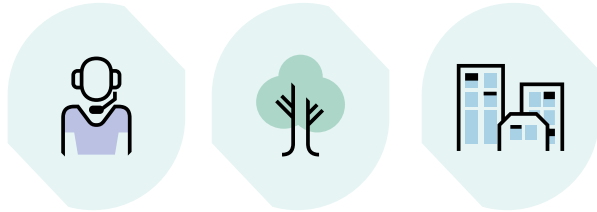
Our response to the global climate and ecological crisis is to become a sustainable organisation that is resilient as a business and delivers long-term impact for our customers. Not only is it the right thing to do, but maximising social value and having a positive impact on the environment will help 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 we want to demonstrate how improving housing and housing policy can do that. But we know we need to think differently as an organisation, and a sector, about how we work. We need to embed sustainability in everything we do, transforming how we work and think as a business.

By 2026 the way we work will have been transformed in every corner of our business. It will be an exciting and challenging period for Sovereign, as we make the decisions that will set our course to 2050 and beyond. We intend to reshape our business to meet the changing needs of the sector – from responding to the political and environmental context to navigating the opportunities and demands of technology – while staying true to both our roots and our vision for the future.



Embedding sustainability

Everything that we exist for aligns with positive Environmental, Social and Governance (ESG) values. ESG in turn can help us measure, demonstrate and communicate our purpose and significant impact to the wider world. Our sustainability strategy moves Sovereign from talking about sustainability from an environmental perspective to a holistic approach based on three connected pillars.



The impact that we have on our people and wider society

The impact that we have on the natural environment

The impact that we have on the housing system

We are conscious of the need to build more affordable homes with minimal or even positive impact on the environment, and have embedded ESG into our business focusing on:

- Environmental – how we perform as a steward of the natural environment with a focus on climate change, ecology and resource management
- Social – how we treat people, concentrating on our resident's voice, support for residents, 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 Statement² covers our commitment to our procurement and supply chains as well as slavery and human trafficking

²Modern Slavery Statement 2020-21

³Sovereign – Homes and Place standard, June 2021

⁴Sovereign – Strategic Asset Management, April 2021

Our core values (Accountable, Drive to Deliver, Together and Adaptable) support our vision and shape our culture; they also guide our decision making and underpin our ESG commitments. 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 Corporate Plan.

All of our homes – new and existing – are already being assessed and scored against our Homes and Place standard³ 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 plan⁴, outlining how we intend to invest in our current and future homes.



Key ESG objectives for our housing stock



All our homes to meet at least **good** Homes and Place standard



All existing homes retrofitted to meet **EPC B** or better



Over **£1bn** net investment over 25 years to improve quality and meet net zero target

Our sustainability strategy sets out a number of commitments, including that:

- We will be on track to ensure all of our homes are EPC C or above by 2035
- We will be on track to ensure all of our homes are above SAP 86 by 2047
- We will establish an overarching approach to biodiversity
- We will support our customers in the transition to low-cost clean energy
- We will launch an education programme empowering customers to live sustainably
- We will adopt an overarching Science-Based Target for carbon emissions
- We will redesign key services and our operations to embed circular principles
- All of our operational energy will come from renewable sources

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, noting that a more inclusive and diverse workplace, representative of our customers, leads to greater innovation and new ways of thinking.

Sovereign firmly believes in equality, and consequently has established internal targets promoting inclusivity for previously underrepresented social backgrounds relating to disability, ethnicity, gender and sexuality. We use ONS regional datasets to set appropriate targets and have a 50/50 gender target by 2023 for our Senior Leadership.

Our Thriving Communities strategy⁵ brings employment opportunities and flourishing neighbourhoods to life. This goes hand in hand with our Customer Impact Strategy (CIS)⁶, 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.

We made a number of commitments in our Corporate Plan which are measurable and time-limited – our Key Performance Indicators (KPIs) provide a clear line of responsibility up to our Executive Board. We will publish quarterly updates on progress against the Corporate Plan to ensure we are moving forward at a faster pace. We think in decades rather than years but refer to the plan as a milestone on a long journey to delivering more for our fellow citizens.

We outline a number of our key targets below relating to servicing our customers, developing our existing and new homes responsibly, and managing our business sustainably. In addition, we are committed to achieving:

- All homes to at least EPC band C by 2035
- All fuel poor households to at least EPC band C by 2030 (where feasible to do so)
- All homes to have a SAP score above 86 by 2047 (vs. average portfolio SAP 71 (EPC band C) as at October 2021)

⁵Thriving Communities

⁶Customer Impact Strategy

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



Our Objective		Our target for 2026
Customer	Becoming a customer impact organisation	<ul style="list-style-type: none"> Customer satisfaction will be 90% or higher 9 out of 10 customers will tell us they trust us
	Personalising our services by better understanding our customers	<ul style="list-style-type: none"> 95% of our services will be delivered right first time
	Providing digital services our customers want to use	<ul style="list-style-type: none"> 80% of our customers will make first contact using our online / digital offer
	Improving customers' quality of life by enabling them to build	<ul style="list-style-type: none"> Our customers will say they feel safe and can thrive in their communities
	Measuring customer impact, so we understand which interventions have the biggest social impact	<ul style="list-style-type: none"> We will be regularly publishing data on the social impact we have on our customers
Development	Raising the standard of all our homes with the Homes and Place standard	<ul style="list-style-type: none"> All new homes approved will be minimum Homes and Place 'good' We will be undertaking at least two major regeneration schemes
	Through Homes and Place we will decarbonise our homes	<ul style="list-style-type: none"> All existing homes will have a pathway to net zero All new homes will be net zero ready
	Building more affordable homes to meet housing need	<ul style="list-style-type: none"> We will be ready to build 2,400 homes in the FY 2026/27
	Investing in high streets, creating mixed developments	<ul style="list-style-type: none"> We will have at least two schemes of mixed retail and housing under development
Organisational	Building a diverse workforce that reflects our communities	<ul style="list-style-type: none"> We will have an inclusive culture and a diverse workforce that understands our customers' needs
	Making Sovereign a great place to work	<ul style="list-style-type: none"> Our employee engagement scores will have seen a 2% year-on-year improvement
	Enabling our workforce to be safe and well	<ul style="list-style-type: none"> We will have embedded a systematic approach to health and safety, resulting in 60% fewer injuries
	Enabling our business to deliver customer and development priorities	<ul style="list-style-type: none"> Our operating model will demonstrably enhance how we work and be reflected in improved business performance
	Ensuring our business remains financially strong	<ul style="list-style-type: none"> We will maintain strong credit ratings in order to support the delivery of our Corporate Plan and have met 80% of our financial targets in each of the last five years
	Influencing policy at the highest level	<ul style="list-style-type: none"> We will be known as one of the most influential housing associations and as a go-to organisation for policymakers

6

workshops
hosted by our
customer-led
Scrutiny Group

100%

of lifts had
an in-date
inspection

1,000

evacuation plans for
elderly or vulnerable
customers living in
flatted schemes

11

recommended
service improvements
for anti-social
behaviour

During 2022, we expect to develop our own ESG reporting framework, combining our Corporate Plan and the exciting potential of the Sustainability Reporting Standard (SRS).

The SRS lays strong ESG foundations for Sovereign and the UK social housing sector as a whole – embracing the concept of collaborative advantage.

In its current iteration, the SRS presents 12 themes and 48 criteria for ESG reporting by housing associations. These are qualitative and quantitative and are identified as core and enhanced requirements to demonstrate strong ESG performance.

The criteria align to 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 were part of the initial working group that published the SRS in November 2020. We are an early adopter of this standard and are continuing to align the SRS more closely with our own Corporate Plan and ESG ambitions.

We will further enhance our framework and create a dashboard, enabling us to track, and demonstrate, our progress. It will give our stakeholders full sight of our performance and progress.

Delivering quality services and more opportunity

We believe that customers will always come first and as a result, residents are at the heart of what we do. Maintaining the safety of our customers and employees, while continuing to provide essential services has been our priority through the Covid-19 lockdowns. And we have adjusted our working practices to ensure we remain available for our customers, making reassurance calls, maintaining safety and compliance and using innovative ways to communicate.

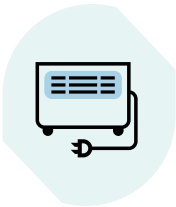
Our new CIS helps us deliver the best outcomes via a "culture of customer" that drives our people to take ownership, to care and to listen. We received quarterly feedback from 1,500 customers through our Survey of Tenants and Residents (STAR), giving c.70% approval for "getting things right first time" and customer satisfaction

levels at year end of c.90% following a challenging 2021 due to Covid-19.

We have a clear focus on keeping our customers safe, demonstrated by our ISOAQAR 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.

Our extensive programmes of work will ensure our buildings perform how we would expect them to and keep our residents safe in the event of an incident. This year we trialled a "remote fix" service where our gas engineers supported customers over the phone – of the 315 people that participated in our pilot, 57% were happy to use a video call so we could see the issue in their homes and our virtual assistant was used 291 times in 10 weeks to complete a full conversation.





5,188 electrical checks achieved



More than **2,000** outdated gas boilers and electric heating systems replaced

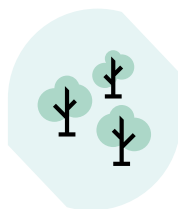


99.99% of all gas checks achieved



Our obligations go beyond just safety – we also support our customers' mental wellbeing and development. Our Employment and Training team works to support our customers to gain access to guidance, training and sustainable employment opportunities to help them reach their full potential via a bespoke professional service. During 2021 we delivered advice and guidance to 1,944 customers, hosted 40 Kickstart placements to support disadvantaged young children in our communities, launched our Skills for Work programme providing 100 customers on the Isle of Wight with employment advice and support, and created £24m of social wellbeing along the way. During 2022, we will match a grant of £225,250 from the #iwill Fund to give young people a voice in their housing future through inclusive social action projects.

We are acutely aware of the financial concerns of some of our most vulnerable customers. We provide an independent money and debt advice service, Money Matters, which was accessed by 1,238 people and have launched a Digital Inclusion service providing training, equipment and connectivity for our customers to make the most of the online world. Our Supported Housing teams made thousands of reassurance calls, providing guidance, support, signposting and a friendly voice during challenging times.



9 environmental projects encouraged outdoor activity



23 Housing First properties support those experiencing long-term homelessness



£283k in grants to schools to help families with home-schooling



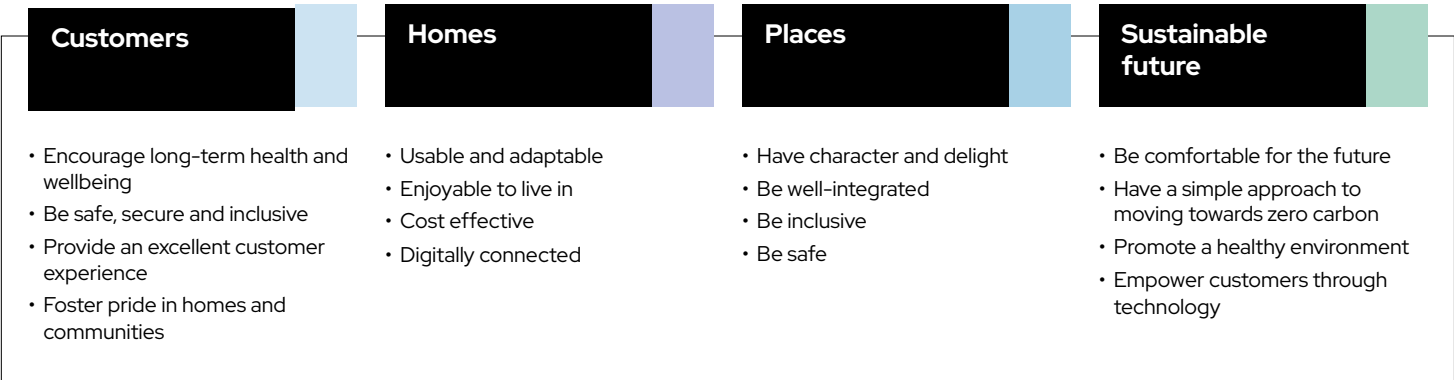
504 customers used our Digital Inclusion service to boost their technical know-how

Our approach to sustainable and affordable housing

Integral to our ESG story is our ambitious, future-facing standard – our Homes and Place standard – 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 designing new homes and places, 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

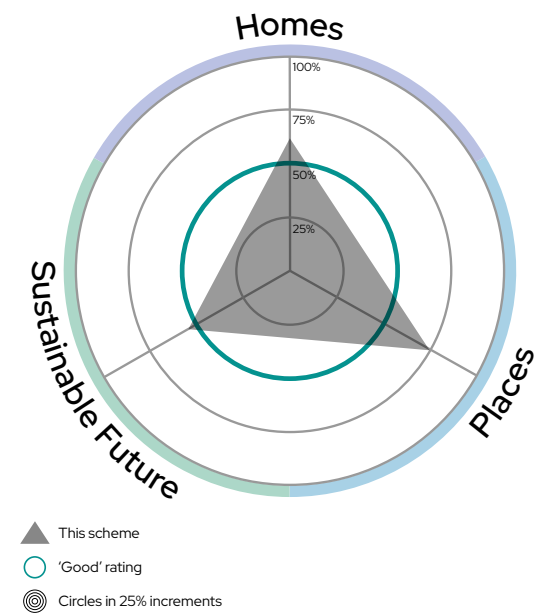
The Homes and Place standard assessment uses a scorecard, showing the performance of any given scheme. Using this scorecard, we are able to monitor which areas of our developments are performing well and which should receive additional focus.

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

- 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, offsetting carbon used to build them
- Avoid traditional concrete in favour of low-embodied energy



Homes and Place standard scorecard



	% achieved	% below or above 'Good' rating
Homes	62 %	+12 %
Homes will be cost effective	67 %	+17 %
Homes will be useable and adaptable	60 %	+10 %
Homes will be enjoyable to live in	60 %	+10 %
Homes will be digitally connected	60 %	+10 %
Places	74%	+24%
Places will have character and delight	84 %	+34%
Places will be strong and well integrated	73 %	+23 %
Places will be inclusive	67 %	+17 %
Places will be safe	67 %	+17 %
Sustainable future	52 %	+2 %
Be comfortable for the Future	60 %	+10 %
Simple approach to moving towards zero carbon	46 %	-4%
Promote a healthy environment	60 %	+10 %
Empower customers through technology	60 %	+10 %
Overall score	63%	+13%
Overall rating		'Good'

Customers

Sovereign homes will:



Encourage long-term health and wellbeing

Homes and places where people choose to live and thrive; creating well-integrated, sustainable and sociable communities.



Be safe, secure and inclusive

Customers will be safe and feel secure within their homes and the wider community. People of all ages and ability will be able to play, stay and flourish.



Provide an excellent customer experience

The customer journey of renting or buying, and living in a home from Sovereign will be a great experience.

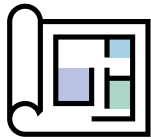


Foster pride in homes and communities

Places where customers can play a full part in shaping their community.

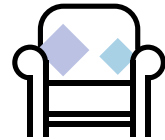
Homes

Sovereign homes will:



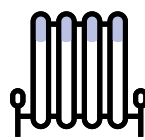
Usable and adaptable

Homes will be designed to be flexible so they can meet the changing needs of households over the long-term.



Enjoyable to live in

Homes will be designed to be welcoming, creating a sense of arrival and providing shelter. Consideration will be given to views from the home and noise insulation between homes.



Cost effective

Homes will be designed to keep customer costs, service charges and energy use as low as possible.

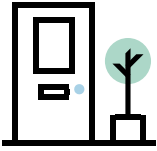


Digitally connected

Homes will be future-proofed so that customers can take advantage of new technology.

Place

Sovereign homes will:



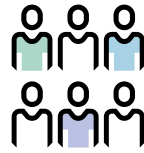
Have character and delight

Our homes will be beautiful and complement their local area, enhancing the built and natural environment. Places will be designed to look and feel great and will provide usable and inviting outside spaces.



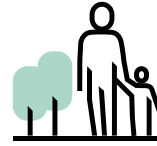
Be well-integrated

Places will connect and integrate with the surrounding area, making it easy for people to get about.



Be inclusive

Places will provide different kinds of homes to reflect local housing need with supporting facilities and services.



Be safe

People will feel safe in their local areas, created through a deep sense of belonging and understanding of their community. Places will be designed with safety and security in mind.

Sustainable future

Sovereign homes will:



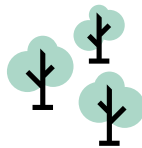
Be comfortable for the future

Homes will be future-proofed against climate change and increasing extreme weather events. They will be easy to keep cool in the summer and warm in the winter.



Have a simple approach to moving towards zero carbon

We will take a fabric-first approach to the delivery of homes. Embodied carbon and energy requirements will be minimised.



Promote a healthy environment

Homes and places will have a positive impact on the environment and the community. Gardens and allotments will sit alongside existing trees and hedgerows to encourage biodiversity.



Empower customers through technology

Our homes and places will take into account how customers use technology, so they can make the most of its benefits from day one.

We consider all aspects of sustainable design within our development and regeneration programmes, including the land we use as well as the impact our projects have 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 taken into consideration. We also ensure a positive impact through our schemes by encouraging a biodiversity net gain of at least 10%.

Strategic Asset Management

Our Strategic Asset Management 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.

The Strategic Asset Management plan 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.

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.

As at June 2020, 44% of our existing stock has an EPC rating of C, 18% is rated B and 1% is A rated.

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 photo-voltaic panels to achieve our aim of getting to net zero by 2050.

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

We are investing for the next generation with sustainable growth and low carbon developments.



Strategic Asset Management in numbers (core housing)

9,000	homes that meet Homes and Place standard
17,000	homes requiring investment and partially meets Homes and Place standard
6,000	homes that do not meet Homes and Place standard
14,000	homes to be regenerated or replaced

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

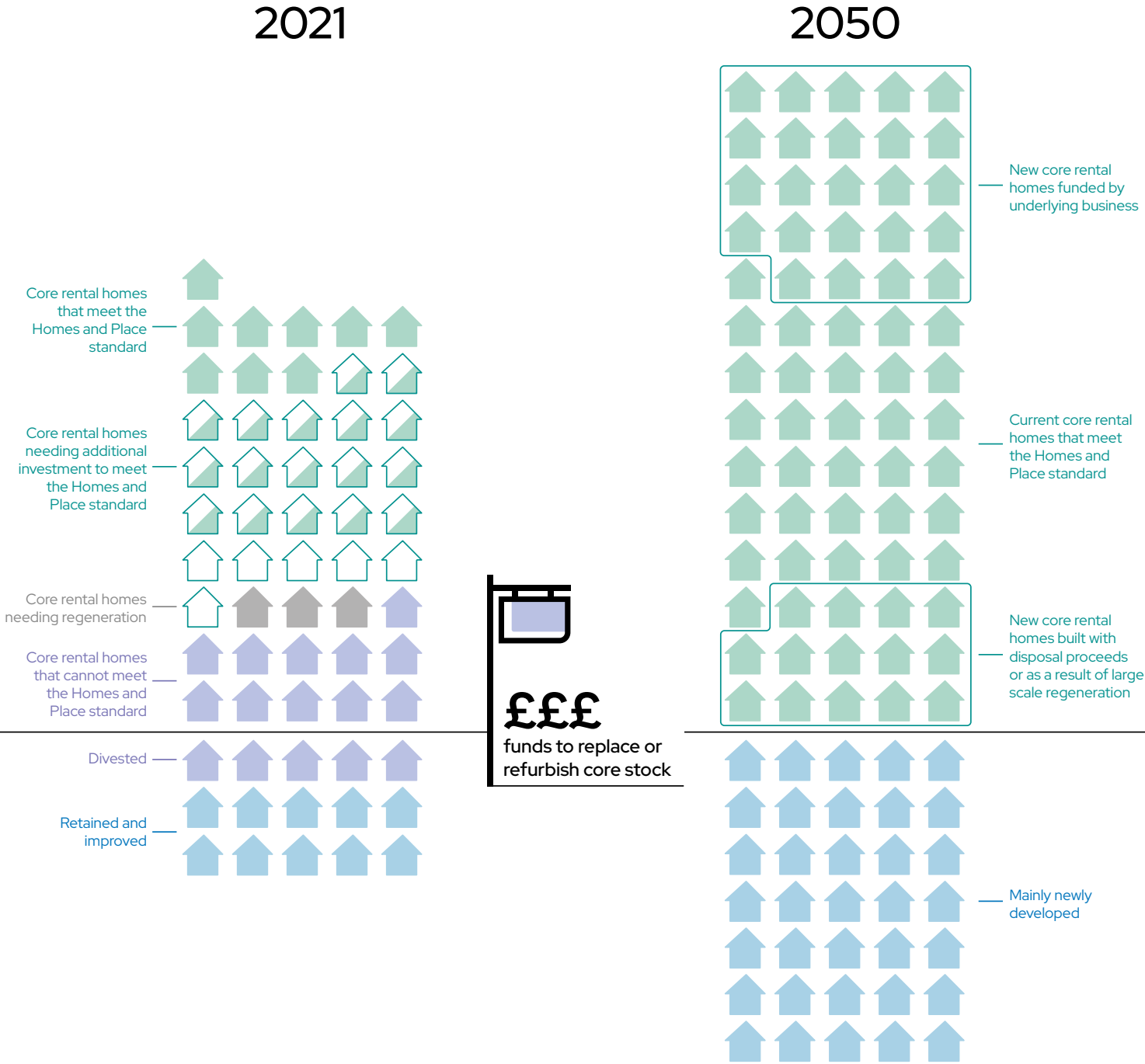
Divested assets

Retained and improved assets

Regeneration assets

Core
Homes let at sub-market rents

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





Section 2: Sustainable Finance Framework

Framework rationale

To achieve our commercial and social goals we need a diverse range of funding which is stable and long-term in nature. We believe that this Sustainable Finance Framework (the Framework) underpins our strategy and through the optimisation of funding sources, will facilitate the implementation of our sustainability priorities. Where possible, we expect to align our activity in the capital markets to this Framework.

It is critical that the finance we raise in accordance with this Framework is allocated transparently to projects and initiatives that align with relevant sustainability standards and our own ESG framework, and positively impact our underlying customers.

Our stakeholders recognise that at the core of our business lies a motivation to deliver better social and environmental outcomes for our customers. By investing in our Sustainable Finance Instruments, investors are also recognising and supporting our sustainability ambitions and outcomes for all of our stakeholders.

We have identified a number of investment priorities which are fundamental to our business model and Corporate Plan and deliver the most material societal and environmental impacts, with a long-term planning horizon.

We have selected eligible categories to which we intend to align finance raised, providing investors with visibility, transparency and assurance that there will be no double-counting of spend.



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 – 2021⁷
- ICMA Social Bond Principles – 2021⁸
- ICMA Sustainability Bond Guidelines – 2021⁹
- LMA Green Loan Principles – 2021¹⁰
- LMA Social Loan Principles – 2021¹¹

The Framework may be updated over time as various international taxonomies take shape and become further embedded in financing markets, including the UK Taxonomy, EU Taxonomy and other recognised standards.

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

⁷[Green Bond Principles](#)

⁸[Social Bond Principles](#)

⁹[Sustainability Bond Guidelines](#)

¹⁰[Green Loan Principles](#)






¹¹[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 (Gross Proceeds) of Sustainable Finance Instruments will be used or notionally allocated to finance and/or re-finance Eligible Projects as outlined overleaf. We aim to allocate the Gross Proceeds to 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. Before or after full allocation, it is possible that some proceeds may be temporarily unallocated e.g. as a result of disposals. However, 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 significantly contribute to the construction and maintenance of green and affordable housing in support of our ambitious development pipeline and retrofit/upgrade programme.

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 Buildings	Financing the development, acquisition or construction of new Green Buildings Refinancing of existing Green Buildings	Buildings meeting at least one of the recognised certification standards: <ul style="list-style-type: none">EPC rating band A or BBREEAM certification of 'Excellent' or better We are targeting that 50% of buildings financed will meet Sovereign's Homes and Place standard minimum target of 'Good' standard and 50% will meet 'Very Good' standard	<ul style="list-style-type: none">Number of new built or refinanced homes meeting specified criteria with a split provided against our Homes and Place classifications	More homes, better places	Target 9.4 	Climate Change (T6)	Climate Change Mitigation
Energy Efficiency	Renovation, retrofit, modernisation or improvement of existing homes	Investments that result in at least a two notch uplift in the EPC of existing buildings to a minimum of EPC C, or a one notch uplift to achieve a EPC A or B 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	<ul style="list-style-type: none">Number of properties which have been renovated and achieved the standards outlined, split by EPC bandForecast and performance in use measured outcomes for retrofit pilot projectsAvoided tCO2 emissionsNumber and type of devices fitted	More homes, better places	Target 7.1  	Climate Change (T6)	Climate Change Mitigation
	Installation of energy efficient devices in new and existing homes	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 thermostatsEnergy efficient devices or appliances and technology such as LED lighting, A and B rated household appliances¹², communal heating systems not using fossil-fuels and sensing equipmentBattery storage systemsPerformance in use monitoring					
Renewable Energy	Acquisition, investment in or Integration of renewables into projects or the energy system for buildings	In accordance with Sovereign Homes and Place 'Very Good' standard: <ul style="list-style-type: none">On site solar photovoltaic or hot water panels, and wind systems operating at lifecycle emissions of less than 100gCO2/kWh	Homes and Place Performance Metrics relating to: <ul style="list-style-type: none">Installed capacity (kWh)Energy generated (kWh)Avoided tCO2 emissionsProportion of energy used from renewable sources (%)	More homes, better places	Target 7.2 	Climate Change (T6)	Climate Change Mitigation
Clean Transportation	Development and investments in infrastructure to facilitate access to clean transportation	In accordance with Sovereign Homes and Place 'Very Good': <ul style="list-style-type: none">Installation of technology and infrastructure which facilitates access to clean or public transportation including:Electric vehicle charging pointsInvestment in Sovereign's leased or owned electric and hybrid vehicles with emissions lower than 50gCO2/km until 31 December 2025 or zero emissions from 1 January 2026 (in relation to vehicles in categories M1 and N1 (passenger cars and light goods vehicles), and zero emissions for all other types of vehicles (including category L)Cycling infrastructure such as racks and cycle paths	Homes and Place Performance Metrics relating to: <ul style="list-style-type: none">Number and type of installations / purchases% of low or zero emission vehicles in fleet	More homes, better places	Target 11.2 	Climate Change (T6)	Climate Change Mitigation

¹² 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
Terrestrial and Aquatic Biodiversity Conservation	Investment in promoting and developing the natural environment	In accordance with Sovereign Homes and Place 'Very Good' Standard, investments and expenditure on developing land part of or in the vicinity of Sovereign developments with the objective of improving biodiversity	<ul style="list-style-type: none"> Homes and Place Performance Metrics relating to bio-diversity net gains achieved 	More homes, better places	Target 15.5 	Ecology (T7)	Protection and restoration of biodiversity and ecosystems
Affordable Housing	Financing the development, acquisition, construction and modernisation of Social or Affordable Housing Refinancing of existing Social or Affordable Housing	<ul style="list-style-type: none"> Units to comply with the Government definition of Social or Affordable Housing (including Shared Ownership with relevant income thresholds) May include other forms of supported or sheltered housing Target Populations: 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	<ul style="list-style-type: none"> 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	N/A
Access to Essential Services	Financing the provision of customer support schemes, services and facilitating wellbeing	In accordance with Sovereign Homes and Place 'Very Good' Standard: Schemes and training provision devised to improve customer wellbeing, health and engagement, and advancing socio-economic advancement and empowerment, including <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 Investment in the Sovereign estate and public realm in order to provide (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 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	<ul style="list-style-type: none"> Number of residents benefiting from financial support, advice and other training programmes Number of individuals supported into employment Land area allocated to parkland and recreational spaces (sqm) Number of buildings and/or floor space (sqm) provided for community purposes 	Quality services, more opportunity	Target 10.2   	Resident Support (T4) Placemaking (T5)	N/A



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 owned by the Group, alongside the approval and monitoring of all land acquisitions required to facilitate any new development project.

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 and mitigated, and progressed in compliance with relevant laws, standards and regulations. The IC comprises the Chief Executive Officer, 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 Group, including the Chief Investment and Development Officer and various development directors. In respect of the Framework.

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

Our selected Eligible Projects are core to our environmental and social sustainability agenda and will provide clear and tangible benefits for our stakeholders.

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) (per section 2.5) once relevant approvals have been received from the Committee, and removal of assets from the Register where they are no longer considered eligible or appropriate e.g. subject to material disposals
- 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 Gross 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 Gross 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 Gross 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 Gross Proceeds to finance or refinance assets on the Register. Subject to achieving full allocation, the ESG Team will aim to ensure that Eligible Projects financed are at all times equal to or are in excess of the Gross Proceeds outstanding under this Framework whilst the relative Sustainable Financing Instrument remains outstanding and funded/utilised.

Unallocated Gross 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 Gross Proceeds will not be used to directly fund investments in or allocations to support activities in the fossil fuel, nuclear, weapons/defence, alcohol, tobacco or gambling industries.

Subject to availability of projects, we intend to allocate an amount equivalent to the Gross Proceeds of a Sustainable Finance Instruments to Eligible Projects originated or financed up to 24 months after or no more than 24 months prior to the receipt of funds. On exception, we may consider using Net Proceeds to finance or refinance capital expenditures relating to existing legacy Green Buildings or Affordable Housing stock without applying a lookback or look forward concept, however on a best efforts basis we intend to deploy all proceeds within the defined time periods.

¹³ Harmonized Framework for Impact Reporting.

¹⁴ Harmonized Framework for Impact Reporting for Social Bonds

Reporting

Once material expenditure is available, we will report annually on the allocation of proceeds from any Sustainable Finance Instruments until all proceeds have been fully allocated 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 Sustainable Finance Asset 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)

We also intend to report on the environmental and social impacts of investments facilitated with the Gross Proceeds. Example Impact Metrics are included in Section 2.3 of 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 Reporting¹³ and the Harmonized Framework for Impact Reporting for Social Bonds¹⁴.

We intend to publish our allocation and any impact reporting within our ESG report which is made available 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 2.2, 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.





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 lime-hemp 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 Places 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.

Linda

Sovereign customer

"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."

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 Kickstart and joined the Corporate Affairs team to support the press office.



Caitlin

Kickstart scheme

"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."

#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.

Helen Whyman

Head of the #iwill Fund

"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."



Sovereign Housing Association Ltd

Sovereign House
Basing View
Basingstoke RG21 4FA

T: 0300 5000 926

Sovereign Housing Association Limited is charitable
CORP-31870 July22inh

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.