

# Sustainable Finance Framework 2021





# About PA Housing

PA Housing (“PA” or the “Group”) is a registered provider of social housing with more than 23,000 homes across the Midlands, London and the South East with a range of sub-market housing solutions for people in need including social rent, housing for older people, and shared ownership.

PA has a positive impact on the lives of nearly 70,000 residents, and the communities in which they live, through the effective management and maintenance of our existing portfolio of homes, the associated services we provide and through the development of new social and affordable housing.

PA is constituted as a community benefit society and our profits are reinvested back into providing homes and services for our residents. Environmental, social and governance (“ESG”) considerations are embedded in our operations and we are focused on delivering a positive social impact through our sustainable investments.

While PA is a forward looking organisation, our legacy organisations Paragon Community Homes (“Paragon”) and asra Housing Group (“asra”) which came together to form PA in 2017, shape our culture and strategic objectives. Paragon operated in the London commuter belt where affordable, good quality rented housing is a major social challenge and asra was the largest Black and Minority Ethnic (“BAME”) housing association in the UK.

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# Introduction

## Corporate Plan

Our approach for the next three years is underpinned by six clear objectives set out in our Corporate Plan, each with measurable goals.

1. Providing great services to customers
2. Positive relationships in our neighbourhoods
3. Sustainability strategy to deliver net zero-carbon before 2050
4. Increase construction of affordable and social homes
5. Maximise our capacity to deliver
6. Our People – delivering the plan

## Growth

Over the last three years we have invested £229m in new homes, with 940 homes completed and a further 1,000 in the pipeline. Our objective is to build 6,000 homes in the 10 years to 2030, entailing a doubling of output from current levels. Our core growth plan is entirely focused on building a mix of social or affordable rented and shared ownership homes. We do not assume any market sales activity although we may build a small number of such homes at suitable locations.

## Community investment

We offer a comprehensive community investment programme and we aim to continue and expand this going forward. Projects being delivered within this programme include:

- Incubating and providing seed capital for new business proposals generated by budding entrepreneurs
- Financial support and partnership working with specialist agencies to assist residents who are experiencing temporary acute hardship
- Specialist advice from our Tenancy Sustainment Team, to improve access to eligible benefits and offer financial awareness and inclusion support
- A joint employment and housing offer to people who are registered as homeless, through the Naumann Initiative - developed in partnership with Kingdom Housing Association

- Developing a wellbeing service which will enable more vulnerable residents of all ages to access appropriate help and support
- A digital learning programme to improve residents' digital skills, particularly in relation to employability, with devices also provided to those who need them
- Regional online employment support programmes to help residents with job search, including marketing their skills and experiences to potential employers
- Partnership working with local credit unions to give residents access to affordable credit options
- Partnership working with a charity which provides energy saving / efficiency advice to residents
- An allotment and community garden project to encourage residents to grow their own produce and gain enrichment through creating attractive outdoor spaces
- Youth engagement projects to promote physical wellbeing, team working and positive contribution to local communities

Although our community investment programme is not capital-intensive, it delivers a range of strong and measurable social outcomes. As such, we have arranged bank loan finance with pricing which is directly linked to elements of the above outputs. Measurable outcome metrics relating to our community investment programme include items such as:

- Number of residents given specialist tenancy sustainment support
- Number of registered homeless people helped into employment and a secure home
- Number of people supported into employment or to start their own business
- Hardship fund and food banks expenditure
- Number of residents supported to improve digital engagement
- Number of children engaged in local PA-led community activities

## Equality, diversity and inclusion ('EDI')

Our EDI Working Group comprises colleagues from all areas of

the business. The Group devises and deliver a rolling programme of work from the 'bottom up' to ensure that minority groups are supported, nurtured and represented, with opportunities to flourish, and that diversity in its broadest sense lies at the heart of PA's decision making and service delivery. This is an area where PA and its legacy organisations has a long and proud tradition, and we want to continue leading the way for our sector. Our Working Group won in the 'EDI team of the year' category at the 2020 Housing Heroes Awards, testament to the strong work we do in this area.

## ESG reporting

PA acknowledges the importance of harmonised sector-wide ESG reporting and we are pleased to be an early adopter of the Good Economy's reporting standards. The establishment of this **Framework for Sustainable Finance** (the "Framework") signifies our long-term commitment to an ESG-centred corporate strategy.

The Framework is designed to align PA's plans to raise sustainable financing through public bonds, private placements, revolving credit facilities and bank loans, to enable effective contribution towards the UN's Sustainable Development Goals

(the "SDGs"), as well as our own sustainability linked objectives, corporate strategy and vision.

In aligning the Framework to the International Capital Market Association (ICMA) Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), Sustainability Bond Guidelines 2018 (SBG) and the Loan Market Association Green Loan Principles 2018 (GLP), PA is further committing to transparent reporting of its continuing strategy.





# Sustainability

Our Sustainability Strategy, built around the following three key themes, lies at the heart of our corporate objectives:

## People

Enabling and encouraging sustainable living, working and travel practices among our customers and our colleagues. The pandemic has accelerated our plans to introduce blended ways of working are less office-reliant. Commuting to our offices has reduced by over 90%, and we cut our business travel by 215,000 miles from April to September 2020 compared with the same period the previous year. We have embedded this saving by reviewing our essential car users policy to reduce subsidy for business travel.

## Property

Improving the environmental performance of our new homes, our existing homes, our estates and our offices. We are undertaking a vigorous data gathering and validation exercise to ensure that our records are accurate. Completion of this process will enable us to quantify our current carbon emissions, providing a baseline against which to track improvements. For new homes, we have updated our specification and we aim to achieve carbon emission reductions of at least 30% better than the Target Emission Rates required by Building Regulations on sites we control. We are currently developing plans for our first net zero carbon development.

## Partners

Working with our contractors and external partners such as Local Authorities and the GLA / Homes England to achieve wider sustainability goals together. We continue to engage with key Local Authority Partners, to play an active role in shaping their carbon reduction plans. We have commenced discussions with our core repairs and maintenance contractors and are developing a programme of “quick win” measures alongside longer-term plans for service improvements such as switching to electrical fleet.





## Framework core components

The Framework aligns to the Social Bond Principles – June 2020 (“SBP”), the Sustainability Bond Guidelines – June 2018 (“SBG”), the Green Bond Principles – June 2018 (“GBP”) and the Green Loan Principles – December 2018 (“GLP”) as published by the International Capital Markets Association (“ICMA”) and Loan Market Association (LMA”) and uses the four core components of the principles as its basis, being:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

## Rationale for sustainable financing

PA’s purpose is to provide affordable homes and high quality services. We aim to connect with our residents in every community we serve, creating places where people thrive and are proud to live. We do this by operating within a set of principles which are already aligned to the SBP and our Sustainability Strategy will embed the development standards within the Green Buildings category of the GBP.

Our updated Corporate Plan, published in 2020, comes at the most challenging of times, as the nation continues to tackle the COVID-19 pandemic. PA Housing has the potential to make a profoundly positive impact on people’s lives and we intend to do all we can to make this a reality.

The economic impact of the pandemic is hitting our residents hard. Our specialist teams have a critical role to play in supporting our communities through this situation and then helping them to thrive in the longer term. Our range of services goes beyond the core landlord and tenant relationship, we invest in initiatives to give residents access to opportunities and support which are appropriate to their own circumstances.

In June 2019, the UK became the first major economy to pass a law requiring net zero-carbon emissions by 2050. A number of local authorities, including the majority of London Boroughs, have since adopted targets for reaching net zero-carbon emissions even earlier, by 2030. PA Housing fully supports these aims and we are taking steps to ensure we play our part in tackling the climate emergency. We are determined to meet this challenge head on and deliver more sustainable homes for all our customers, our goal being to ensure that all our homes achieve Energy Performance Certificate (“EPC”) ‘C’ rating as a minimum by 2030.

More broadly, the acute need for greater supply of affordable housing in the UK is well documented. We are utilising our financial capacity to build homes for those who cannot access housing on the open market, including on both a rented and shared ownership basis. Wherever possible we want to build new homes at social rent, the most affordable product in the social housing sector. Our new build estates are increasingly incorporating environmental sustainability measures, meaning the homes we build will have both a positive social and environmental impact.

## Our target populations

- Those on low incomes
- Those in receipt of state benefits
- Minorities who are economically and socially disadvantaged



# Use of Proceeds

PA will allocate sustainable funding raised under the framework to finance or refinance:

- Eligible Spending on our existing affordable housing portfolio, or
- Specific, eligible sustainable projects including:
  - Affordable new build homes
  - Green buildings
  - Sustainable estates, communities and public spaces

Relevant projects and activities include the following:

## Affordable housing

PA is a developer of affordable housing, which is outlined as an eligible social project under the SBP. Affordable housing developed by us, in addition to modernisation and acquisition projects, aims to achieve positive social outcomes for our target populations and is solely for the benefit of people on lower incomes and / or in receipt of state benefits, including those who have household incomes eligible for shared ownership.

## Improving the energy efficiency of our homes to EPC 'C' or above

Currently, 40 per cent of our homes (10,500 properties) achieve an EPC rating of 'D' or lower. Our stock portfolio includes a number of older homes (some dating back to the 19th century) which are highly energy inefficient. We have an ongoing and significant

programme of investment to renew heating systems, upgrade insulation and install new windows and doors, all of which will contribute to improved energy efficiency performance and lower energy costs for our residents. By 2030, all of our homes will achieve at least an EPC 'C' rating in line with the national target. Our use of proceeds tracking and reporting will though focus on investment in both existing and new homes to achieve at least an EPC 'B' rating.

## Investing in renewable energy supply installations

To contribute towards the national 2050 carbon neutral target, we will increase investment in renewable energy installations for both our new build homes and our existing stock, where feasible. This will comprise installation of air or ground source heat pumps, solar panels, and other renewable energy plant on our estates so that our carbon footprint is reduced and residents benefit from low energy costs. Our long term financial plan already includes provision for the estimated costs of achieving carbon neutral targets, and during 2021 we will be working to develop a granular understanding of the investment requirements.

## Incorporating sustainability into our wider estates planning

We are increasingly factoring in broader sustainability aspects when

planning and designing new build estates on sites we control, working in partnership with local authorities to achieve planning consent at the first time of asking wherever possible. This includes features such as:

- Enhanced energy efficiency measures (at least 30% in excess of Building Regulations Target Emission Rates on sites we control)
- Reduced water consumption
- Recycling facilities including in relation to e-waste
- Electric vehicle charging points
- Biodiverse planting and improvements to local infrastructure (e.g. parks and public transport)

Going forward, the same principles will be applied to our existing estates wherever possible.



# Alignment of Use of Proceeds with UN SDGs

Mapping of these SDGs to the Eligible Projects is shown below.

Eligible social project and green project categories	Use of proceeds	Example impact metrics	Relevant SDGs
<b>Affordable Housing</b>	Financing construction, modernisation and acquisition of affordable housing in the United Kingdom	<p>Number and cost of homes built or acquired which comply with Government definition of affordable housing</p> <p>Number of people housed in newly built affordable housing</p> <p>Number and cost of existing affordable homes receiving capital investment to modernise structure and components</p>	<p>1</p> <p>7</p> <p>10</p> <p>11</p>
<b>Green Buildings</b>	Financing construction and modernisation of Green Buildings in the United Kingdom, to achieve minimum EPC 'B' rating and including investment in renewable energy sources, waste recycling facilities and water reduction measures	<p>Number and cost of new homes built which achieve an EPC rating of 'B' or above</p> <p>Number and costs of existing affordable homes receiving capital investment to move from an EPC rating of 'C' or below to a rating of 'B' or above</p> <p>Calculated reduction in CO2 emissions arising from capital investment in existing affordable homes to achieve EPC rating of 'B' or above</p> <p>Amount invested in renewable energy sources and number of homes serviced by the investment</p>	<p>1</p> <p>7</p> <p>9</p> <p>11</p> <p>13</p>
<b>Clean transportation</b>	Financing establishment of electric vehicle charging points	<p>Amount invested in clean transportation facilities</p> <p>Number of electric vehicle charging points installed</p>	<p>7</p> <p>11</p> <p>13</p>
<b>Affordable Basic Infrastructure and Essential Services</b>	Financing creation or improvement of parks and public spaces to support physical and mental wellbeing, and improving access to public transportation for the benefit of the local community	<p>Amount invested in parks and public spaces</p> <p>Amount of public space created / allocated</p> <p>Number of homes and residents receiving access to the facilities</p>	<p>3</p> <p>11</p>

# Process for Project Evaluation and Selection

Projects will be evaluated and selected by PA's Sustainable Investment Panel, which will meet monthly to consider proposals. All projects submitted for approval will identify and quantify the expected outputs and outcomes, in line with the table at section 6 of this Framework.

Members of the Sustainable Investment Panel are as follows:

- Chief Executive
- Executive Director – Development and Sales
- Executive Director – Customer Services
- Executive Director – Resources
- Assistant Director – Regeneration
- Assistant Director – Treasury and Financial Planning

The Assistant Director – Regeneration is also the sponsor of PA's Sustainability Strategy, and will periodically advise the Panel on progress towards delivery of Strategy objectives.

## Management of Proceeds

PA recognises the importance of separately managing and monitoring the proceeds issued under the Framework. Eligible projects will be matched to proceeds issued under the Framework by the Panel.

We have a documented and structured process to determine how projects fit within the categories identified, and how the proceeds will be matched to, and monitored in relation to, specific Eligible Spending or Projects.

Amounts equivalent to the net proceeds from sustainable finance issued under the Framework will be:

- Separately accounted for, reconciled and reported

- Reported through the Sustainable Investment Panel and the Development and Assets Committee, a permanent sub-committee of the Board with responsibility for approving and monitoring our major investment programmes.

Unallocated proceeds issued under the Framework will be held as cash deposits or in sterling denominated money market funds in line with our treasury management policy, or used for short-term repayment of other debt facilities before allocation to eligible projects.

We will allocate an amount equivalent to the net proceeds of a Sustainable Bond issuance to Eligible Social and Green Projects originated either after receipt of funds, or no more than three years prior to the receipt of funds (taking into account any retained bonds to be issued at a later date). We expect all proceeds to be allocated within three years from the date of receipt of funds.



# Reporting

PA will annually, and until the maturity of the Sustainable Bonds issued, provide investors with an annual ESG Report on its website [PA Housing](#). The report will include:

## Allocation Reporting

- Net proceeds outstanding from Sustainable Financing
- The balance on the Sustainability Account (including any temporary investments or deposits and Sustainable Financing repayments)
- Share of proceeds used for financing/refinancing as well as share of proceeds used for categories in section “Use of proceeds”
- Share of unallocated proceeds (if any)
- A complete list of Eligible Green and Social Assets financed by outstanding Sustainable Financing

## Impact reporting

- Case studies of key projects to illustrate investment outcomes
- Review of PA’s broader social impact activities
- Confirmation of PA’s performance against the Good Economy’s Sustainability Reporting Standard

metrics and in support of the UN SDG metrics, including:

## Environmental

- Number and proportion of homes utilising renewable energy sources
- Number and proportion of all homes achieving EPC ‘C’ rating or better
- Number and proportion of homes built in the year achieving EPC ‘B’ rating or better

## Social

- Number of affordable (sub-market) new homes built
- Proportion of all new homes occupied by lower income people, in accordance with established local affordability criteria
- Average rent on rented new build homes as a proportion of Local Housing Allowance

The example impact metrics provided in the table at section 6 of this report also provide insight into our planned impact reporting.

# External Review

Sustainalytics has been appointed to confirm the alignment of the Framework to the Social Bond Principles – June 2020, the Sustainability Bond Guidelines – June 2018 and the Green Bond Principles – June 2018 as published by the ICMA. Sustainalytics has provided a Second Party Opinion (SPO) on the Group’s Framework for Sustainable Finance.

A link to the Second Party Opinion is available [here](#).





## Appendix 1 – Case Studies

### Thames View House, Walton-on-Thames

PA is redeveloping a thermally inefficient existing block of flats built in 1972 to deliver 97 high quality new homes and a purpose-built community space. We have exceeded local requirements and aimed for the highest achievable environmental performance, including:

- 35% additional carbon reduction above Building Regulations
- Efficient centralised heating plant
- Solar panels
- 50% of parking spaces enabled for electric vehicle charging
- Provision of a car club for the local neighbourhood
- Biodiverse planting including 48 new trees
- Contributions to improvements to local park and public transport

### Ealing regeneration project, West London

We are working in partnership with the London Borough of Ealing to regenerate a run-down former industrial neighbourhood and deliver over 500 new homes, at least 85% of which will be affordable homes for households in need. We are keen to play our part in helping the Council to deliver its objective to achieve carbon neutrality by 2030, and this development will be our first designed to Passiv Haus principles.

Through a combination of high thermal efficiency and on-site renewable energy generation, we aim to achieve close to net zero carbon in use. Not only will this approach reduce the environmental impact of our new neighbourhood, but it will offer homes with a low cost in use to our residents in order to address fuel poverty. The development will include on-site renewable energy generation through solar panels and heat pumps.



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