



Sustainable Finance Framework.

Published 2021

Bromford.

Introduction.

Since Bromford was formed in 1963 we have grown to become one of the largest housing associations in the country. Today, more than 100,000 customers live in our 44,000 homes spread across central and south west England.

The **Sustainable Finance Framework** aligns our future financing to strategic commitments, underpinned throughout by the United Nations, Sustainable Development Goals. It aims to encompass multiple funding instruments available to Bromford including, secured and unsecured senior debt, loan facilities (revolving and term debt) and US private placements.

The externally reviewed framework has been produced in accordance with:

International Capital Markets Association (ICMA)

- (i) Green Bond Principles (GBP)
- (ii) Social Bond Principles (SBP)
- (iii) Sustainability Bond Guidelines (SBG)

Loan Market Association (LMA)

- (i) Green Loan Principles (GLP)
- (ii) Social Loan Principles (SLP)

In all cases, our framework aligns to the four core components consistent with the named principles above:

1. use of proceeds
2. process for project evaluation and selection
3. management of proceeds
4. reporting

Our framework is also aligned with the LMA's (ii) Sustainability Linked Loan Principles (SLLP) based around the following four core components:

1. relationship to borrower's overall corporate social responsibility (CSR) strategy
2. target setting – measuring the sustainability of the borrower
3. reporting
4. review

Our history.



Around 53% of our customers live in just four areas – Lichfield, Tewkesbury, Cotswolds and South Gloucestershire. We call these the big four. These are the places where we are the majority social landlord and own up to 80% of all the affordable homes. We think this places a responsibility on us to play our part in the wider success of these places and we will actively look to develop a leadership role.



Our approach to ESG

Our core business is to provide affordable homes for people who are unable to access housing on the open market. We believe in providing safe, secure and warm homes, helping people and the community to thrive.

With a history of leading change for the better, we take great pride in our responsibilities in creating a sustainable future for our customers and our colleagues.

We actively seek a relationship with each of our customers that is focused on building mutual trust and respect. We want to help our customers achieve more for themselves, their families and their communities.



Colleagues, the culture and DNA of the organisation are precious and vital to our success



Our scale enables us to do more and be transformative for customers and whole communities



We recognise the need to be financially strong to achieve any of these things

Operating principles towards a carbon / net zero



We are committed to our strategic target to build 6,500 new affordable homes by 2023.



We seek to avoid carrying out any work on customers' homes that has a negative impact on their fuel bills.



We adopt a default precautionary approach where the actions we take will be of benefit to our customers and the business.



We are adopting a business-wide approach to sustainability and carbon reduction through connected workstreams, rather than one off initiatives.



We will take a no regret approach to research, developing and investing in new technologies - recognising there will be huge changes over the next 30 years.



We focus on building relationships and developing deeper partnerships with housebuilders, think-tanks and funding bodies.



We are taking an evidence-based approach to decision-making, using data and robust financial and non-financial modelling. To achieve this we are ensuring we have quality data about our assets, customers and operations. We are investing in our management information and modelling capability to support decisions.

Our commitment to sustainability

Our sustainability strategy is at the heart of our organisation's purpose.

Whilst our strategy focuses around our core business, we are well aware of our broader responsibilities, and place significant emphasis in reducing our impact on the environment, working within parameters of a robust governance framework.

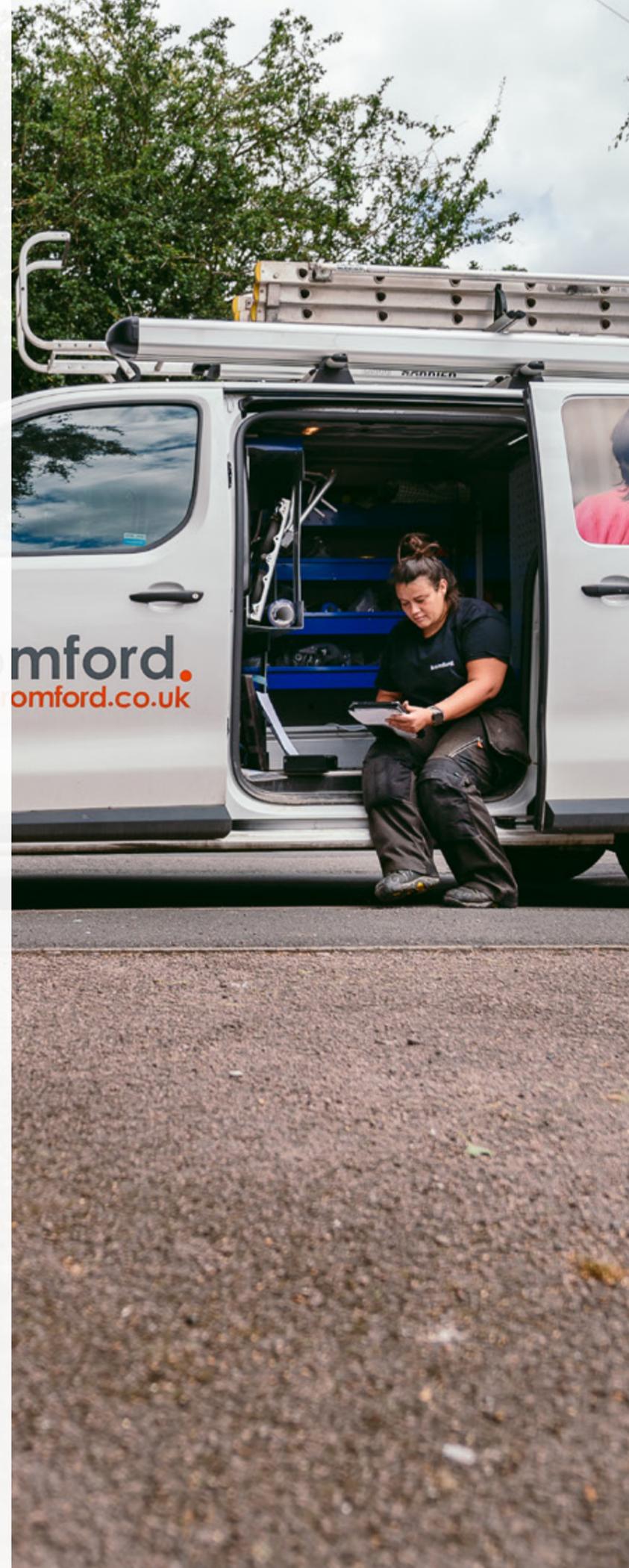
What we do today will shape the future of tomorrow and we are committed to building an organisation which will have a lasting impact on our clients, as well as the area we operate in.

Our corporate governance

We acknowledge and comply with The Regulatory Framework for Social Housing in England from the 1st April 2015 issued by the Regulator of Social Housing.

We have also adopted the UK Corporate Governance Code and will comply with that code in all matters of financial and treasury management governance.

Finally, we are committed to a dual credit rating platform with current investment grade ratings from Moody's and S&P.





Why sustainability is important to us

We have aligned commitments to seven of the UN Sustainable Development Goals (SDG). From a global perspective, we welcome the setting of a framework which promotes collaborative action across industries and countries and we support the vision provided by the SDGs to address poverty, hunger, environmental degradation and human rights.

We considered all 17 SDGs and elected to align to goals where we believed we can meaningfully track contribution described further in the framework. Below highlights each goal and the associated target(s) relevant to us:



Ending poverty in all its forms everywhere

1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as

access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters



Ensure access to affordable, reliable, sustainable and modern energy for all

7.1: By 2030, ensure universal access to affordable, reliable and modern energy services

7.2: By 2030, increase substantially the share of renewable energy in the global energy mix

7.3: By 2030, double the global rate of improvement in energy efficiency



Reduce inequality within and among countries

10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality



Ensure sustainable consumption and production patterns

12.2: By 2030, achieve the sustainable management and efficient use of natural resources

12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

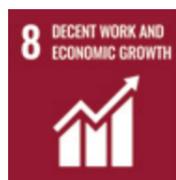
12.7: Promote public procurement practices that are sustainable, in accordance with national policies and priorities



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

4.4: By 2030, substantially increase the number of youth and adults

who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value



Make cities and human settlements inclusive, safe, resilient and sustainable

11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and

upgrade slums.

11.7: By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.



Alignment to ICMA and LMA principles

Our framework is aligned with the four core components set out by ICMA and the LMA.

1. Use of proceeds

The net proceeds from the issuance of green, social or sustainable funding instruments will be exclusively used to finance or re-finance a combination of both green and/or social projects. Below we outline the eligibility criteria for the associated green and/or social projects, alongside the linkage to the seven UN SDGs.

ICMA - GBP, SBP and SBG / LMA - GLP and SLP	UN SDG alignment	Eligible criteria	Our commitments
Employment generation alleviating unemployment	1.4, 1.5	Neighbourhood coaching	Building individual relationships with customers so people and communities can thrive Delivery Effectiveness will be tracked monitoring tenancy sustainability metrics
Employment generation alleviating unemployment	4.4	Employment of graduates / apprenticeships	Being recognised as a place of work which supports our community Delivery Welcome 100 apprenticeships / graduates by 2023 140 qualification opportunities to employees across 22 different business areas
Socioeconomic advancements and empowerment	8.5, 10.2, 10.4	Equality and diversity	Improve our understanding of what we need to do better Delivery Improve our approach to recruitment, promotions, workforce culture, and how we ensure we are an inclusive team Enhance our awareness of customers individual experiences, shaping future decisions about our service delivery
Affordable housing	11.1	Homelessness reduction	Through the Homelessness Reduction Plan, investigate the root causes of homelessness Delivery Build more homes available for social rent in the four local authority areas where we own the highest number of homes Provide homes to more homeless households who turn to us for help, making available permanent solutions where possible End rough sleeping in our geography. Use our learning from three Housing First pilots to develop similar services in partnership with each of our big four local authorities
Affordable housing	11.1, 11.7	Delivering Affordable homes and regeneration	Ensure our customers in the lowest income group continue to have access to long-term housing Better understand the impact we have in local areas by regenerating homes Delivery Development pipeline concentrated on social and affordable homes Report annually on homes developed via regeneration, land led programmes and strategic land, giving us the greatest ability to shape a community

ICMA - GBP, SBP and SBG / LMA - GLP and SLP	UN SDG alignment	Eligible criteria	Our commitments
Energy efficiency green buildings	1.5, 7.1, 7.2, 7.3, 12.2	Carbon reduction – energy efficient homes	Improve the energy efficiency of all our homes, both new and existing Delivery 86% of homes achieving EPC C by 2023 and 100% by 2030 Further our understanding of the CO2 emissions from our homes
Clean transport	7.3	Carbon reduction – electric and hybrid repairs fleet	With more than 450 diesel vehicles currently in operation, explore alternatives to reduce our annual CO2 emission Delivery By 2025, have 70% of our fleet as either hybrid or electric vehicles
Energy efficiency	12.2, 12.5, 12.7	Modern Methods of Construction (MMC)	Deliver new homes in a way that not only reduces building costs, but also reduces our impact on climate change Delivery Progressive annual targets of homes started onsite, using offsite construction methodologies
Energy efficiency green buildings	12.2, 12.5, 12.7	Carbon reduction – green office buildings	Building a sustainable approach to our working environments Delivery Track electricity delivered back to the grid via the installation of solar panel Identify, track and reduce office wastage Reduction of employees carbon footprint and office consumables

The eligible projects have been selected by a newly formed Sustainability Group within Bromford. The group has representation from across the senior executive team, who in turn have been assigned project owners, relevant to their area of expertise.

We at Bromford want sustainability to be everyone's responsibility, reflective of our strategic commitment.

Whilst the tables above summarise how our commitments align to industry standards, the following pages gives a greater sense to the value behind the eligible criteria.

Neighbourhood coaching

Moving beyond simply providing a great home in the right location, we are investing in relationships so people can thrive. With a goal to have a relationship with each and every customer – built on mutual trust and respect; the neighbourhood coaching initiative establishes a relationship that helps customers achieve more for themselves, their families and their communities.

Our neighbourhood coaches are out working in their communities every day helping customers and communities to thrive. Each neighbourhood coach has a patch of around 175 homes which means they can really get to know their area of operation.

The neighbourhood coaches concentrate on the positives in people; focusing on what they can do rather than what they can't. We want to coach customers to take control of their own lives, so they can work together with others and help make the place they live somewhere great.

Customers tell us that by knowing their neighbourhood coach they are significantly more likely to get what they need from their community and do more themselves to contribute to the community, including offering support to others. Customers also tell us that they feel better able to work towards the things they want from life and are more likely to know where to get help if they need it.



Our approach to apprenticeships and learning

Providing opportunities to learn and develop is essential for the delivery of our strategy. We aim to have an inclusive offer with access to education and training for our colleagues and to facilitate an environment where our customers will access education.

An important aspect of this commitment to learning is our apprenticeships and formal qualification training that we make available.

We have established an apprenticeship offering which provides excellent opportunities to give people a head start in their career; allowing them to develop new skills alongside our existing colleagues, gain accredited qualifications, whilst making a real contribution to meeting our strategic goals.

Between 2019 and 2023 we want to welcome 100 apprentices / graduates into our business.

Our e-learning offering provides easy remote access to all colleagues for education and training in important skills and behaviours needed to improve their level of education and professional development. We are proud to offer 140 different qualification opportunities to our colleagues spanning across 22 different business areas.

Equality and diversity

Our people are our success, and our DNA sets us apart from other companies.

One of our key strategic aims is for our colleagues to thrive so we can create the best team we can be. We want to ensure that we focus on equal opportunities and inclusion, and examine how we recognise equality and celebrate diversity here.

On top of our colleague and customer engagement reviews, we have commissioned working groups to engage a specialist diversity consultant to complete an independent and impartial review of Bromford.

The analysis will help us understand what we excel at and give us direction on how we can improve our approach to the likes of recruitment, promotions, workforce culture, and how we might ensure we are an inclusive team.

Customers are of course at the heart of everything we do and we will make sure we understand their individual experiences of how we work with them as this can shape decisions about our service delivery.

Homelessness reduction plan

Although street homelessness is the most obvious, and extreme, form of homelessness, it is just the tip of the iceberg.

Homelessness comes in many different forms and includes those living in B&B, temporary accommodation, hostels and sofa surfing in friends' homes. All forms of homelessness have been rising since 2010 in the UK.

Our plan builds out from our purpose of investing in homes and relationships and has links with every part of our strategy. It is built around three pledges:

- 1) **to build more**
- 2) **to house more**
- 3) **to help more**

Our plan will help address the root causes of homelessness, it will help build the resilience of our existing customers to reduce the risk of them falling into homelessness and will enable us to respond quickly to rehouse those who are experiencing homelessness.

Our plan will ensure that all colleagues have a better understanding of the root causes of homelessness and the part we are playing in partnership with others to tackle root causes and address crisis need.

Delivering affordable homes and regeneration

With homelessness increasing, the housing crisis is still a hugely important issue. As one of the largest housing associations in the country, we're committed to continuing our role as one of the leading developers of affordable housing.

Our commitment to build 12,000 new homes by 2029 is focused on social and affordable properties to ensure those most in need, have access to housing. A key focus is to build more social rent, the most affordable tenure, across the four local authority areas where we own the highest number of homes. Social rented homes can be as much as £25 per week cheaper than other tenures; meaning customers will have more disposable income.

Our responsibility does not stop with new homes and we have invested in a team that is reviewing the impact we can have in local areas by regenerating homes. We are also custodians of thousands of properties that were transferred via local authority large scale voluntary transfers (LSVT) and, with many of the LSVT homes either approaching or outlasting their forecasted life, they now present challenges in meeting the standards our customers expect and deserve. This presents us with opportunities to regenerate some of these properties, giving us the chance to play a significant role in shaping the regeneration of the local areas for years to come.

As a result, our regeneration activities are focused in areas where we can make the most difference and we are developing new and replacement homes across our area of operation.

Leading energy efficiency

We want to deliver new homes in a way that not only reduces building costs, but also reduces our impact on climate change. At the same time we are pioneering new, efficient improvements to our existing homes to improve their energy performance to a minimum C rating, reducing CO2 consumption from our homes whilst reducing customers' fuel costs whenever possible and always seeking to protect them from fuel poverty.

We will do this in a number of ways:

1. investing in external and internal wall insulation solutions, replacing inefficient heating systems with modern and highly efficient new ones and exploring the use of alternative heat sources such as air source or ground source heat pumps.
2. creating a new Bromford Home Standard to make our new and existing homes future-ready.
3. coaching customers to use their homes efficiently to maximise their comfort whilst supporting them to lower their energy bills.
4. maximising our investment plans by ensuring we procure energy solutions effectively. We will take advantage of our scale, purchasing power, evidencing best practice and value for money in the process.

Making our fleet greener

We have commissioned a review of our fleet which comprises of more than 450 vehicles and, over the next four years as existing lease arrangements expire, will begin the transition to greener alternatives.

Currently our entire fleet consists of diesel vehicles and the first replacement tranche of around 25% will be a mix of electric vehicles (EVs) and diesels.

This will allow us to fully test the EVs across our engineer base to assess their suitability. This initial acceptance of EVs is expected to reduce our emissions by c.71 tonnes CO2e p.a. (7%).

Over the next three years our remaining fleet will be replaced. We anticipate our fleet will comprise of 70% EVs overall, subsequently reducing our CO2e per annum by 710 tonnes (70%).

The remaining vehicles will all be diesels but will generate less emissions than the vehicles they replace as they will all be Euro6 compliant (legislation since September 2015).

Finally, the fit-out of our vehicles is also being re-designed to build in lighter racking, shelving & floor panels, reducing the vehicles payload.





Modern Methods of Construction (MMC)

We are always looking to do better for our customers and developments in technology present opportunities to achieve more, while using less.

MMC supports our broader new homes strategy, and we have split the construction technique into seven categories.

Whilst we believe each category can deliver carbon reduction benefits during the construction phase, MMC can also bring other business benefits, such as increased quality, reduced defects, increased speed of construction and a reduction in our reliance on traditional resource intensive building methods.

We also recognise MMC as a concept is still at the beginning of its journey within the construction industry, particularly in comparison

to the bricks and mortars approach, and we continue to explore techniques to realise further benefits for our customers.

As such we are investing in the fully modular solutions, with our first approved Light Gauge Steel Frame off site project approved for 2021.

We are also looking at volumetric delivery and ways of increasing the productivity of our own in-house construction team through increased use of pre-manufactured components, improved processes and innovative site labour reduction techniques.



Green office buildings

From charging points for electric vehicles to finding ways to improve our recycling facilities, we are committed to having a sustainable approach to our working environments.

Externally, we are targeting the energy efficiency of our buildings and fitting solar panels to a number of offices, increasing our use of renewable energy.

Internally, our buildings are being refurbished to improve their waste reduction and energy usage. Nothing is too small and we will target, paper and printing volume, waste to landfill, water usage and single use plastics.

Finally, increased remote working is enabling us to reduce the business miles that our colleagues would make. This is also allowing us to reduce the square footage of our office locations, which helps us to further reduce our carbon footprint.

2. Process of project evaluation and selection

Projects financed or refinanced through green, social or sustainability bond or loan proceeds are evaluated and selected based on compliance with the Sustainability Bond Eligibility Criteria highlighted within the Use of Proceeds section and in alignment with our strategic sustainability objectives.

Incorporated within a significant funding exercise, the projects will be discussed at Treasury Committee and Board. During this process, the Sustainability Group will assess the project's eligibility and appropriate allocation of proceeds in accordance to this framework.

Our treasury department will allocate the proceeds of the funding instrument to the selected portfolio of projects in accordance with the respective eligible expenditures.

In accordance with ongoing reporting obligations, the selection, re-selection and tracking of eligible projects will occur at least once a year.

3. Management of proceeds

The proceeds from the funding instruments will be deposited into a trackable sub account. Where the funding instrument is a bond, private placement or loan, we intend to fully allocate the proceeds to eligible projects within 36 months following settlement.

Pending allocation to eligible projects, the balance will be invested in cash or short-term liquidity money market instruments in accordance with our Treasury Management Policy.

Via already established disclosure channels, we will annually report on the allocation of proceeds to eligible projects, and where applicable, the amount to be allocated in accordance with the funding instrument. Should a loan take the form of one or more tranches of a loan facility, each eligible tranche will be clearly designated with the proceeds appropriately tracked.

4. Reporting

Alongside the allocation report, which will be disclosed annually up until all net proceeds are allocated to eligible projects, we will also report the expected benefits arising from these projects via an impact report.

Allocation reporting

The allocation report will incorporate the following:

- total amount allocated to eligible projects – detailing the underlying category
- on a project by project basis, break down of proceeds used for financing and/or refinancing
- the yearly investment / disbursement
- unallocated proceeds

Impact reporting

Separate to the allocation report, we will also endeavour to report the anticipated environmental and social impact, where feasible, of the eligible projects which have been financed in accordance with the funding instrument.

As we continue to invest in sustainability, our ability to use data to better represent the development of our business will evolve. Our impact report will be at the forefront of this development and provide a snapshot of our sustainability journey.

External review

We are committed to investment transparency and will make any external review publicly available.

Second party opinion

S&P Global Ratings has been selected to provide an external review via a second party opinion of our Financing Framework. This will confirm alignment with ICMA's GBP, SBP and SBG as well as the LMA's GLP and SLP.

The second party opinion, as well as the Financing Framework, will be made publicly available on our website.

Verification

We intend to request a verification by an external auditor or an assurance provider on the allocation of the funding instrument proceeds until the full allocation or the divestment / sale of such funding instrument has taken place.

The associated report will be publicly available on our website.

Framework amendment

We will review the framework on a periodic basis to ensure continued alignment to relevant ICMA and LMA principles as and when they are updated. Any update will be made to further our transparency and, should it be deemed material, will receive the appropriate external review and disclosures.

The latest version of the framework will always be publicly available via bromford.co.uk/investorrelations



Sustainability linked loan principles

Given our track record in linking lending to sustainability metrics, our framework is also aligned with the four core components of the Loan Market Association SLLP, a set of voluntary process guidelines that recommend transparency, disclosure and reporting.

1. Relationship to borrower's overall corporate social responsibility (CSR) strategy

The Bromford Strategy 2019-2023 is used as the foundation in shaping our goals and objectives for the years ahead. Whilst our core business focuses on providing much-needed affordable housing to as many people as possible, there is more to our organisation which stands us apart from our peer group:



We seek a relationship with each of our customers that builds mutual trust and respect and helps our customers achieve more for themselves, their families and their communities



Our colleagues, the culture and DNA of the organisation are precious and vital to our success



Our scale enables us to do more and be transformative for customers and whole communities

We know we need to be financially strong to achieve any of these things. So we do not apologise for giving financial strength central importance. Nor do we apologise for recognising that we will achieve far more by working in partnership with others than we will on our own.

We are aware that our corporate social responsibility touches multiple stakeholders. With over 100,000 customers and nearly 2,000 staff under direct employment, our DNA, the organisation's values, sets out how we intend to be the very best to all.

2. Target setting — measuring the sustainability of the borrower

We have already highlighted how we intend to track performance via an annual Impact Report.

Further to this, our intention is to report on corporate Sustainability Performance Targets (SPTs) to enable our bank lending partners to link loan facilities. We have determined relevant SPTs with the goal of improving our sustainability profile.

Category	Eligible criteria	Sustainability performance target
Environmental	Energy efficiency of our existing homes	86% of homes to have an energy efficiency rating of SAP C or above by 2023
Governance	Gender pay gap	Continuously improve our gender pay gap from its existing median group level of 7.1%



Respective loan terms will be aligned to the SPT performance with associated terms agreed between Bromford and the respective lender(s). All SPTs will reflect a sustainable transition and be challenging in order to represent an additional stimulus for the company to continue to focus on the long-lasting benefits of sustainability.

Where we benefit from a lower interest margin as a consequence of meeting our sustainability performance target, via our YouCan Foundation, savings will be re-invested into community projects to support customers and enable communities to thrive.

3. Reporting

Alongside appropriate impact reporting, where the data output does not overlap, we are committed to produce the specific SPT related information for the benefit of those institutions participating in the loan instrument periodically. This will be made available publicly either through our annual report or via separate disclosures available on the website. Should we decide the content of the information to be confidential, we will determine who to share the information with privately.

We will also report on how initiatives, like **YouCan**, is supporting local communities.

4. Review

We intend to disclose performance against sustainability targets either publicly or to lender(s) on a transaction-by-transaction basis. In the unusual circumstance that both are not available, we will receive an external review of its performance against its STPs.

We have a robust internal process with expertise spread across different areas of the organisation. The Sustainability Group co-ordinated by executive management will be used to determine suitability of each agreed target.

With a goal of stretching to achieve better, the targets agreed aim to reflect how the organisation is transitioning as opposed to what it is currently achieving.



YouCan Foundation

The YouCan Foundation is a starter fund to support bright ideas. Listening to the community, people have raised that it can be quite difficult to get help with new ideas. The foundation aims to make the process easy and accessible to all. YouCan is an additional way that we spot and nurture talent in communities. YouCan is a way for us to channel colleague and partner fundraising, grants and goodwill to help our customers and their communities achieve more. The YouCan Foundation encourages people to step forward with their ideas and brings these to life in the form of grants to kick start bright ideas, community projects, education, volunteering and business opportunities.

This document may contain forward-looking statements that may or may not prove accurate. Phrases such as "aim", "plan", "intend", "anticipate", "believe", "expect", "target" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Bromford as of the date of the statement. All written or oral forward-looking statements attributable to Bromford are qualified by this caution. Bromford has and undertakes no obligation to update, modify or amend this document or the statements contained herein to reflect any changes in assumptions, circumstances or expectations. No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein. Accordingly, none of Bromford, or any of their subsidiary undertakings, or any other person, or any of such person's respective directors, officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

By accepting this document, you acknowledge that you will be solely responsible for your own assessment of Bromford, the market and market position of Bromford and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of Bromford and its business. The past business and financial performance of Bromford is not to be relied on as an indication of its future performance. This document does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any securities.