

Sustainability Framework Alignment Opinion

Bromford Housing Group Ltd. Sustainable Finance Framework

June 7, 2021

Sustainable Finance Framework Overview

In our view, Bromford Housing Group Ltd.'s (Bromford's) sustainable finance framework, published on June 7, 2021, is aligned with the four components of the Green Bond Principles 2018 (GBP) as well as the four components of the Social Bond Principles 2020 (SBP), collectively referred to under the Sustainability Bond Guidelines, as well as the four components of the Green Loan Principles 2021 (GLP) and the four components of the Social Loan Principles 2021 (SLP; collectively the Principles). Bromford is a U.K.-registered social housing provider operating across central and southwest England. Bromford aims to provide energy-efficient affordable homes for individuals who are unable to access the private housing market. By increasing access to housing, it aims to contribute to the advancement of the Sustainable Development Goals (SDGs). These efforts are complemented by its additional social and environmental goals to promote equality, diversity, and employment, as well as decrease carbon emissions. The main objectives of the framework correspond with Bromford's social and environmental commitments.

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Framework Alignment Overview



1. Use of proceeds

Bromford's sustainable finance framework is aligned with this component of the Principles because it commits to use the net proceeds of funding instruments issued under this framework exclusively to fund eligible green and social projects that fit into the categories defined by the Principles. The GBP and GLP categories are energy efficiency, clean transportation, and green buildings. The SBP and SLP categories are affordable housing, employment generation, and socioeconomic advancement and empowerment.



2. Process for project evaluation and selection

Bromford's sustainable finance framework is aligned with this component of the Principles because it states how the issuer's Sustainability Group evaluates and selects projects based on compliance with eligibility criteria and Bromford's strategic objectives.



3. Management of proceeds

Bromford's sustainable finance framework is aligned with this component of the Principles because the issuer commits to depositing net proceeds into a trackable subaccount. The issuer manages unallocated funds following its treasury policy.



4. Reporting

Bromford's sustainable finance framework is aligned with this component of the Principles because it intends to report on the allocation of proceeds and on the impact of eligible categories until net proceeds are fully disbursed. The issuer will report annually.

Issuer Sustainability Objectives

Bromford has a comprehensive sustainability agenda centered around its core mission of providing affordable homes for individuals who are locked out of the open housing market, helping both tenants and their local communities. Beyond its intention of delivering more housing in its core areas of operations, Bromford also has broader goals to reduce its environmental impact by working toward carbon neutrality and promoting better social outcomes for its local communities. Through its sustainable finance framework, Bromford highlights its commitment to its tenants and employees, and their communities, to promote diversity and equality, and to deliver its services in a way that promotes a more sustainable future. Bromford's commitment to work toward carbon neutrality is reflected in its environmental targets, such as 100% of its homes achieving an Energy Performance Certificates (EPC) rating of C by 2030, and 70% of its fleet being hybrid or electric vehicles by 2025.

Framework Description

1. Use of proceeds



The Principles stipulate that a seeker of finance should commit the net proceeds of an issuance exclusively to eligible green and social projects. According to the GBP and GLP, eligible projects will seek to achieve at least one of five environmental objectives, including: 1) climate change mitigation, 2) climate change adaptation, 3) natural resource conservation, 4) biodiversity conservation, and 5) pollution prevention and control. According to the SBP and SLP, the following eligible project categories capture the most common social issues: 1) affordable basic infrastructure, 2) access to essential services, 3) affordable housing, 4) employment generation, and programs designed to prevent and/or alleviate unemployment, 5) food security and sustainable food systems, and 6) socioeconomic advancement and empowerment.

Bromford has committed to allocating the net proceeds of funding instruments issued under this framework exclusively to financing or refinancing green and social projects. In our view, all three green categories listed in Bromford's sustainable finance framework--energy efficiency, clean transportation, and green buildings--meet at least one of the environmental objectives described by the GBP or GLP. Examples of green projects include delivering new homes using modern construction methods and improving the energy efficiency of existing and new homes (measured through EPC levels). These projects contribute to climate change mitigation objectives. Other eligible green projects, such as the increased use of hybrid and electric vehicles in Bromford's fleet and the adoption of a green office approach for the working environment will also contribute to the objective of pollution prevention and control.

The framework outlines that social proceeds will be used to finance projects in three of the SBP and SLP categories: affordable housing, employment generation, and socioeconomic advancement and empowerment. The first category includes projects to increase the delivery of social and affordable homes in Bromford's core geographies, and to tackle homelessness through partnering with local authorities to end rough sleeping and offer permanent housing to homeless households. The second category includes projects such as the creation of apprenticeships and graduate roles and offering increased qualification opportunities to existing employees. The third eligible category includes projects to improve equality and diversity in its workforce culture, recruitment processes, and service delivery to tenants.

2. Process for project evaluation and selection



To align with the second component of the Principles, a seeker of finance must explain the process by which eligible projects are selected, the related eligibility criteria applied to select those projects, including exclusionary criteria, if applicable, and the overall sustainability objectives that underpin the selection process.

Bromford's sustainable finance framework includes a description of its process to evaluate and select eligible projects. The issuer has established a Sustainability Group, which is responsible for assessing the alignment of projects with eligibility criteria and Bromford's strategic objectives. The group comprises representatives from across Bromford's senior executive team, who then become project owners, and who report to Bromford's treasury committee and board for projects that require significant funding.

3. Management of proceeds



The Principles require a seeker of finance to monitor the net proceeds of all outstanding green and social financing transactions, which includes appropriately tracking the proceeds and adjusting the balance of net proceeds to match allocations to eligible green and social projects. The Principles also require a seeker of finance to disclose to investors what types of temporary placement they intend to use for unallocated proceeds.

Bromford's sustainable finance framework outlines its plan to allocate all proceeds from sustainable debt instruments issued under the framework to eligible projects.

The framework states that the issuer plans to deposit the proceeds from the funding instruments in a trackable subaccount. Bromford aims to allocate all funds to eligible projects within 36 months following settlement. Pending allocation to eligible projects, the balance can be held in cash or invested in short-term liquidity money market instruments, in accordance with the group's treasury management policy.

4. Reporting



The Principles stipulate that a seeker of finance should report on the use of proceeds annually until full allocation. Information presented in the annual report must include a list of the projects that receive financing; a description of each project, including the amount allocated to each project; and their expected environmental and social impacts.

Bromford has committed to reporting annually on the allocation of proceeds, as well as, where feasible, on the expected social and environmental benefits arising from these projects, until full allocation of net proceeds. Impact reporting will be separate from allocation reporting.

Allocation reporting of net proceeds will disclose the following: total amount of proceeds allocated to eligible projects and underlying category on a project-by-project basis, yearly divestment and disbursement figures, and unallocated proceeds.

Additional Features Of The Framework

This section of the report provides additional information on whether the framework incorporates recommended aspects of the Principles and goes beyond minimum requirements. This section does not affect our opinion of the alignment with the stated principles.

Bromford's sustainable finance framework follows the voluntary guidelines provided by the Principles. It provides a good level of transparency and disclosure. In some cases, the framework goes beyond the requirements of the Principles. The key strengths of the framework include:

- Bromford will obtain verification from an external auditor or assurance provider on the allocation of proceeds until full allocation. It provides a credible external review to ensure proceeds are properly tracked and allocated and thereby supports the integrity of financing issued under the framework.
- Bromford follows recommendations from the Principles to provide an impact report of the projects funded with the environmental and social proceeds.
- The framework outlines that eligible green building and energy efficiency projects are expected to attain certification against industry standards, such as EPC levels in the U.K.
- Bromford commits to providing a second-party opinion about its sustainable financing framework, to ensure alignment with the Principles.

Offsetting the above strengths are the following limitations:

- Some of the eligible social projects and criteria are loosely defined from a use-of-proceeds perspective, as the framework does not clearly outline specifically how the proceeds will be allocated to some of the selected eligible social projects.
- The framework does not outline quantitative impact indicators for each eligible category regarding its impact reporting, nor does it give the underlying methodology to calculate these indicators. In addition, Bromford does not intend to have third-party verification of--or audited, estimated, or actual, environmental, and social impact data for--transactions issued under its sustainable finance framework.

Conclusion

Based on our assessment of the contents of Bromford's sustainable finance framework, we regard this framework as being aligned with the four components of the Principles, given that the seeker of finance has committed to:

- Allocate the full amount of the net proceeds of financing to eligible green and social projects, as defined by the seeker of finance;
- Use clear green and social criteria (as defined by the seeker of finance) to select projects for funding;
- Manage and track proceeds; and
- Report regularly on the environmental and social impact and use of proceeds.

Mapping To The UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set up by the United Nations in 2015 and form an agenda for achieving sustainable development by 2030. We use the International Capital Market Association (ICMA) SDG mapping for this part of the report. We acknowledge that the ICMA mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

Bromford's sustainable finance framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
<i>Socioeconomic advancements and empowerment</i>			
	* 8. Decent work and economic growth	* 10. Reduced inequalities	
<i>Employment generation alleviating unemployment</i>			
	1. No poverty	4. Quality education	
<i>Affordable Housing</i>			
	* 11. Sustainable cities and communities		
<i>Clean transport</i>			
	7. Affordable and clean energy		
<i>Energy efficiency</i>			
<i>Green buildings</i>	12. Responsible consumption and production	* 7. Affordable and clean energy	1. No poverty

* We could link the eligible project categories to those SDGs based on the ICMA mapping.

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