ASSESSMENT

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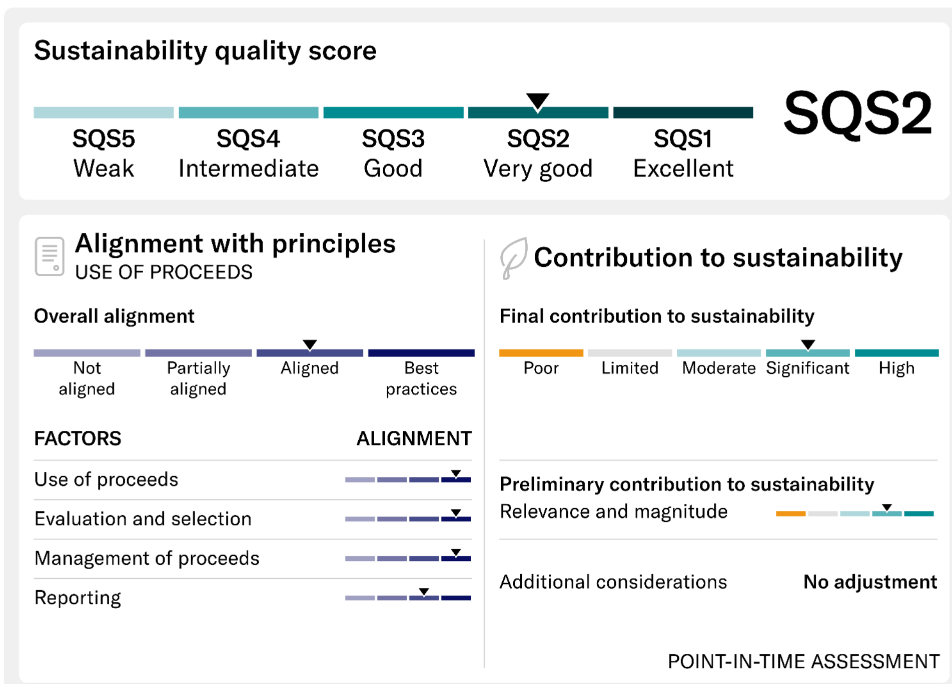
The Housing Finance Corporation

Second Party Opinion – Sustainable Bond Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (very good) to The Housing Finance Corporation Ltd. (The Group) sustainable bond framework dated 2026. The Group has established a use-of-proceeds framework with the aim of financing projects across three eligible green categories and one social category. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025, Social Bond Principles (SBP) 2025, and Sustainability Bond Guidelines (SBG) 2021. The framework demonstrates a significant contribution to sustainability.



Scope

We have provided a second party opinion (SPO) on the sustainability credentials of The Group's sustainable bond framework, including the alignment with the ICMA's GBP 2025, SBP 2025, and SBG 2021. Under its use-of-proceeds framework, the issuer plans to finance projects across three eligible green categories and one social category, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 12 August 2026, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in October 2025.

Issuer profile

The Housing Finance Corporation (The Group) is a specialist, mutual housing finance aggregator established in 1987 to provide housing associations across the United Kingdom with access to capital markets funding. As the UK's longest-established affordable housing aggregator, the issuer raises financing and on-lends it to regulated, not-for-profit housing associations. As of March 2026, the group had a loan book of approximately £8.3 billion across more than 140 housing associations in England, Scotland, Wales and Northern Ireland.

The Group lends exclusively to regulated providers of social and affordable housing. Through entities including Blend Funding Plc, THFC Sustainable Finance Plc, and its recently established Multi-Issuer Programme, the group supports the development and preservation of affordable housing, as well as the retrofit and decarbonisation of existing homes.

The Group's environmental and social risks are closely linked to those of the UK social housing sector. Environmental risks primarily relate to the substantial investment required to meet EPC C and longer-term net-zero objectives, while social risks stem from persistent housing affordability challenges, growing demand for social housing, tenant welfare considerations, and evolving regulatory requirements. However, The Group benefits from a well-established lending model, rigorous credit assessment and monitoring processes, and a highly regulated sector that provides oversight of governance, financial viability, housing quality and social purpose.

Strengths

» The framework provides clearly defined eligibility criteria across all categories, supporting the consistent selection of projects aligned with its environmental and social objectives.

» Strong focus on low-income and vulnerable populations, supported by a housing portfolio predominantly comprising Social Rent, Affordable Rent and specialised housing, in a context of significant affordable housing shortages across the UK.

Challenges

» The framework does not commit to provide external verification of the impact reporting, which falls short of the best market practice on transparency of reporting.

» The category “energy efficiency” does not exclude fossil-fuel-based heating systems, introducing potential technology lock-in risks.

Alignment with principles

The Group's sustainable bond framework is aligned with the four core components of the ICMA's GBP 2025, SBP 2025, and SBG 2021. For a summary alignment with principles scorecard, please see Appendix 1.

- ☑ Green Bond Principles (GBP)
- ☑ Social Bond Principles (SBP)
- ○ Sustainability-Linked Bond Principles (SLBP)
- ○ Green Loan Principles (GLP)
- ○ Social Loan Principles (SLP)
- ○ Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned | Partially aligned | Aligned | Best practices ▼

Clarity of the eligible categories – BEST PRACTICES

The Group has clearly communicated the nature of expenditures, including the distinction between capex and opex where relevant, and has defined detailed eligibility and exclusion criteria for all eligible categories. The framework specifies that eligible projects are located in the United Kingdom and provides clear definitions and thresholds across all categories.

Clarity of the environmental or social objectives – BEST PRACTICES

The issuer has clearly defined environmental and social objectives for all eligible categories, focusing on access to affordable housing for the social category and climate change mitigation for the green categories. The objectives are aligned with relevant UN Sustainable Development Goals (SDGs) and are coherent with recognized international sustainability standards.

Clarity of expected benefits – BEST PRACTICES

The Group has identified relevant environmental and social benefits for all eligible categories, and the expected benefits are measurable and subject to impact reporting. The framework finances new lending, and therefore no look-back period applies. Should refinancing occur in the future, the issuer has committed to disclosing the relevant refinancing information and look-back period prior to issuance and in its reporting.

Process for project evaluation and selection

Not aligned | Partially aligned | Aligned | Best practices ▼

Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

The Group's process for the evaluation and selection of eligible projects is clearly structured and publicly disclosed in the framework. The Executive Credit and Issuance Committee (ECIC) oversees borrower eligibility, allocation of proceeds, ongoing compliance with the framework, environmental and social risk management, and allocation and impact reporting.

The issuer has established procedures to monitor continued compliance with eligibility criteria throughout the life of the instruments and to address controversies and non-compliant projects, including reallocation where appropriate. In addition, the framework discloses the process for identifying and managing environmental and social risks, supported by both regulatory oversight of housing association borrowers and the issuer's own credit due diligence.

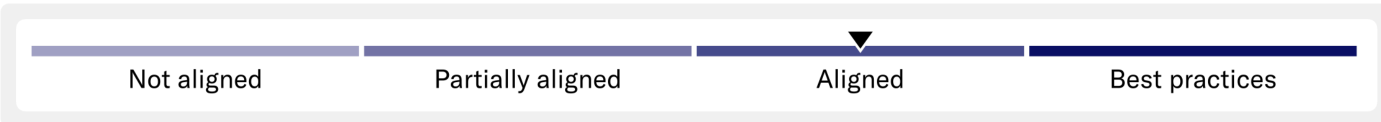
Management of proceeds

Not aligned | Partially aligned | Aligned | Best practices ▼

Allocation and tracking of proceeds – BEST PRACTICES

The Group has defined a clear process for the management and allocation of proceeds in its framework, which is publicly disclosed. The proceeds allocated to eligible categories are tracked through internal records within the Group's general treasury accounts. Proceeds are typically allocated immediately upon issuance; however, where allocation is delayed, the issuer has committed to allocating proceeds within 24 months of issuance. Pending allocation, proceeds will be held in cash or cash equivalents in line with the Group's treasury management policy.

Reporting

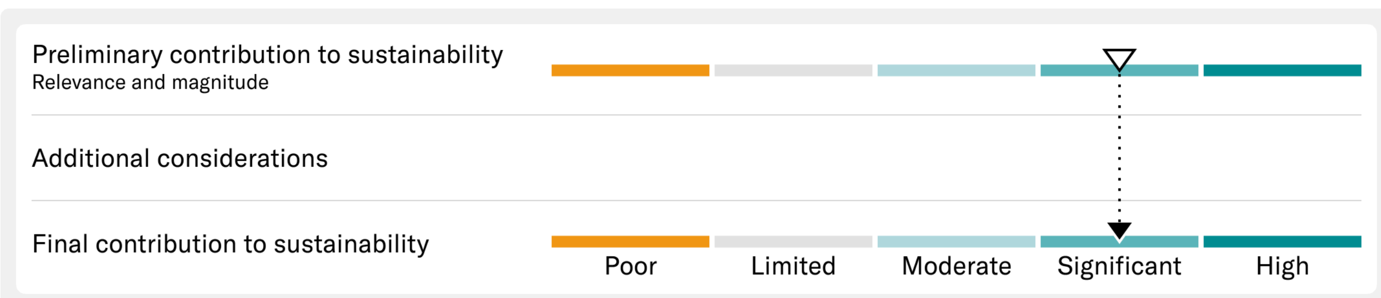


Reporting transparency – ALIGNED

The Group has committed to publish allocation and impact reporting annually, with reports made publicly available. Allocation reporting will continue until the proceeds have been fully allocated and thereafter in the event of any material change, while The Group will seek to provide impact reporting on an annualised basis until maturity of the relevant instrument, where the relevant impact metrics are suitable for ongoing annual reporting beyond full allocation. The reporting is expected to be comprehensive and will cover detailed information on the allocation of proceeds and the associated environmental and social impacts. The methodologies and assumptions used to calculate and report environmental and social benefits are publicly disclosed in the framework. While the Group's allocation (on-lending of proceeds to Eligible Housing Associations) is audited in the normal course of business, the issuer has not formally committed to obtaining external verification of impact reporting, which falls short of best practice.

Contribution to sustainability

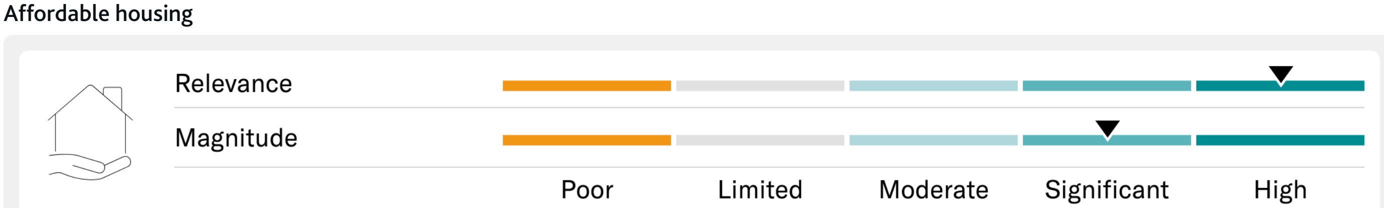
The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. The issuer has indicated that the vast majority of the funding is allocated towards affordable housing, so we have weighted the category accordingly for our assessment. A detailed assessment by eligible category has been provided below.

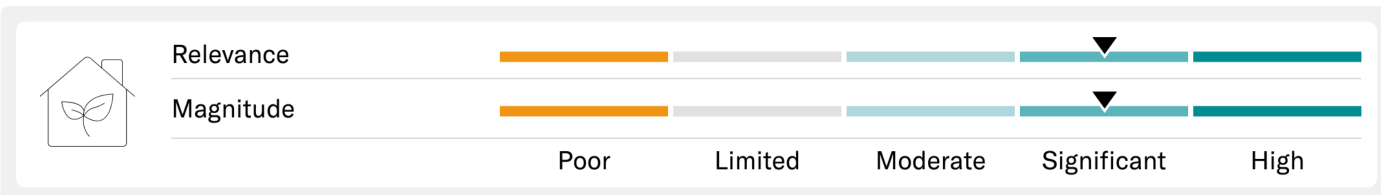
Affordable housing



The eligible projects address access to affordable housing, which is a highly relevant objective for the issuer, its sector and local context. Financing affordable housing is central to The Group's core activities, which are exclusively focused on supporting regulated housing associations across the United Kingdom. The category is highly material in the local context, given the structural shortage of affordable housing across the UK, particularly in England, where affordability pressures and unmet housing demand remain acute and where the majority of the issuer's borrower portfolio is concentrated. Housing affordability remains a significant challenge, with the median house price in England equivalent to more than seven times median annual earnings in 2024, compared with six times in Wales and lower affordability ratios in other UK nations[2]. High housing costs continue to contribute to housing insecurity and financial hardship for low- and moderate-income households.

Projects financed under this category are expected to significantly contribute to increased access to affordable housing for low- and moderate-income households across the United Kingdom. The target population includes vulnerable and underserved groups, as more than 80% of the underlying housing stock comprises Social Rent, Affordable Rent, Supported Housing and Housing for Older People. The financing also supports populations with specific housing needs, including older people, people with disabilities, individuals requiring specialist housing and households at risk of homelessness. However, the inclusion of Low-Cost Home Ownership and Intermediate Rent tenures introduces some exposure to moderate-income beneficiaries who may be less vulnerable than social housing tenants. Affordability is ensured through the financing of regulated housing associations that provide housing at below-market rents and operate within established regulatory frameworks across the UK.

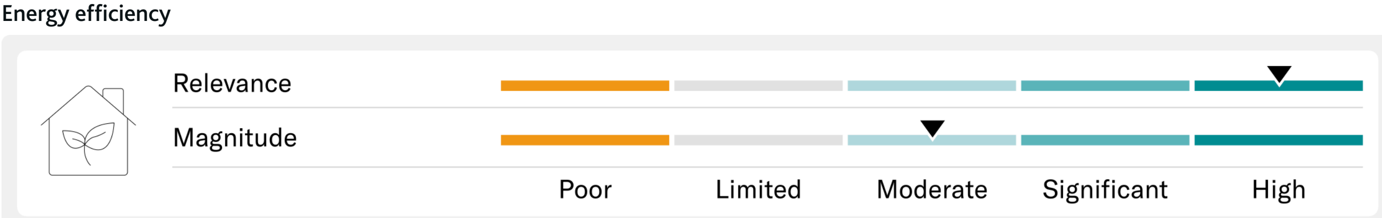
Green buildings



The relevance is considered significant. By investing in the construction of green building assets, the issuer addresses the objective of climate change mitigation by enhancing energy efficiency in the housing sector. Addressing the substantial environmental footprint and energy consumption is a material consideration to the sector and the issuer, and is particularly relevant in the context of residential housing in the UK. The UK buildings and product use sector accounts for around 22% of territorial greenhouse gas emissions, largely driven by fossil-fuel-based space and water heating in residential buildings,[3] and decarbonization of buildings is critical to achieving the UK's legally binding target of at least a 68% reduction in emissions by 2030 and net zero by 2050[4]. However, by focusing on the financing of the constructions of newly built units and their acquisition, the issuer responds partially to the climate change mitigation challenge for the real estate sector in the country.

Projects financed under this category significantly contribute to climate change mitigation through energy performance standards and low construction-related emissions. The financed assets are expected to achieve strong operational energy performance, with buildings meeting EPC B or higher standards. This places them within the 15% top-performing assets nationally and is consistent with the long-term Carbon Risk Real Estate Monitor (CRREM) decarbonisation pathway[5], which is in line with market best practices. However, the issuer does not require housing association borrowers to perform a full lifecycle carbon accounting assessment of projects, nor to reduce embodied carbon emissions against business-as-usual base-case, therefore limiting the overall impact of the funding.

Energy efficiency

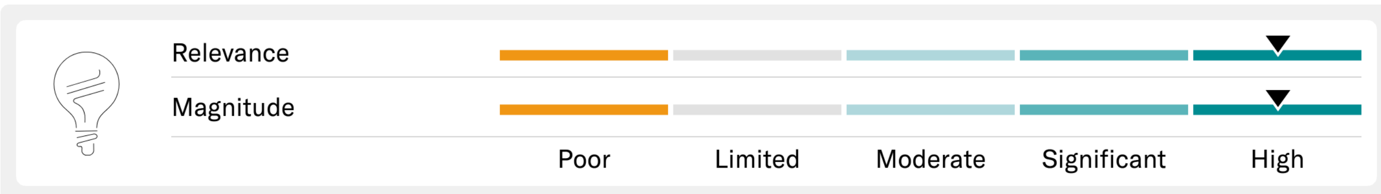


Expenditures into the decarbonisation of the real estate sector address climate change mitigation, which is highly relevant for the issuer, the housing sector and the local context, given the material contribution of buildings to energy consumption and greenhouse gas emissions in the UK. Energy efficiency is a material consideration for the real estate sector, given the explicit contribution of buildings to energy consumption and greenhouse gas emissions, and is particularly relevant in the context of residential housing in the UK as buildings are among the largest energy consumers, with residential buildings accounting for around 17% of UK CO_2 emissions[6].

In the local context, the relevance is reinforced by the current efficiency profile of the housing stock, where the majority of homes remain in mid-to low-efficiency EPC bands and around one-third lack an EPC rating altogether[7], underscoring the importance of energy efficiency improvements to meet the UK's legally binding net-zero target by 2050[8].

Projects financed under this category moderately contribute to climate change mitigation by enhancing the energy performance of existing buildings through retrofit and energy-efficiency improvements. The financed projects are required to achieve either a minimum 30% improvement in energy efficiency or an improvement of at least two EPC notches, criteria that are broadly consistent with established market standards and long-term decarbonisation pathways. Although no minimum post-renovation EPC rating is required, the two-notch improvement criterion is likely to result in many financed homes achieving an EPC rating of C or above. These criteria align with minimum market standards and long-term decarbonisation trajectories (CRREM 2050); however, they remain below the most ambitious benchmarks, such as EPC ratings of A or B or a 50% improvement in energy performance. In addition, the framework does not exclude fossil-fuel-based heating systems, thereby introducing technology lock-in risks and reducing certainty regarding the magnitude of long-term emissions reductions.

Renewable energy



Expenditures into renewable energy address climate change mitigation, which is highly relevant for the issuer, the UK housing sector and the local context. Decarbonisation of residential buildings represents a core sustainability challenge for UK housing associations that are supported by The Group, given their direct exposure to gas-related transition risks, including tightening regulatory requirements for home decarbonisation, the need for large-scale and phased retrofit programmes, and rising long-term energy costs that affect tenant affordability within the social and affordable housing segment[9] While the UK electricity grid has progressed in decarbonisation, with renewables supplying approximately 47%–51% of total electricity generation in 2024–2025 and an average grid carbon intensity of around 215 gCO_2e/kWh[10], the country's overall energy supply remains dominated by fossil fuels, with natural gas (38%) and oil products (36%) accounting for nearly three-quarters of total energy supply in 2024[11]. This imbalance is particularly pronounced in the residential sector, where heating remains predominantly gas-based, making household energy use a key bottleneck in the UK's net-zero transition[12]. The relevance of this category is further reinforced by the UK Climate Change Committee's assessment that the near-complete decarbonisation of the housing stock is central to meeting the UK's legally binding carbon budgets[13]. Against this backdrop, renewable energy deployment within The Group's housing portfolio directly targets an issuer-specific and material emissions source, supports the gradual displacement of fossil fuel-based energy consumption, and aligns with sector-wide transition requirements.

Projects financed under this category highly contribute to climate change mitigation through the deployment of renewable energy technologies. Eligible projects comprise solar photovoltaic installations and associated battery storage systems, air-source and ground-source heat pumps, and small-scale wind energy installations, which represent some of the most effective available solutions for decarbonising energy use. The application of a maximum lifecycle emissions threshold of 100 gCO_2e/kWh and the exclusion of dual fuel systems supports the financing of assets with strong decarbonisation credentials and long-term emissions reduction potential.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

The Housing Finance Corporation has in place comprehensive processes to manage environmental and social risks.

The Group benefits from borrower reporting under the Sustainability Reporting Standard for Social Housing (SRS), which supports transparency and impact monitoring, alongside the UK social housing regulatory framework that provides oversight of governance, financial viability, housing quality, building safety and tenant protections across its borrower base. The issuer also incorporates environmental and social considerations into its credit assessment process, and has procedures to address borrower controversies and potential ineligibility.

Lastly, we consider the eligible projects to be coherent with the issuer's objective of supporting the sustainability and resilience of the UK social housing sector through investments that address affordability, energy efficiency and the decarbonisation of residential buildings.

Appendix 1 - Alignment with principles scorecard for The Housing Finance Corporation's Sustainable bond framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Best practices	**Best practices**
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	Yes		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Best practices	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	**Best practices**
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	**Best practices**
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Aligned	**Aligned**
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	No		
				Overall alignment with principles score:	**Aligned**

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The four eligible categories included in The Group's Sustainable bond framework are likely to contribute to six of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	KPI	SDG Targets
GOAL 1: No Poverty	*Affordable Housing*	1.4: Ensure all have equal rights to economic resources, access to basic services, property ownership and finance
GOAL 7: Affordable and Clean Energy	*Renewable Energy*	7.2: Increase substantially the share of renewable energy in the global energy mix
	Energy Efficiency	7.3: Double the global rate of improvement in energy efficiency
GOAL 9: Industry, Innovation and Infrastructure	*Energy Efficiency*	9.1: Develop sustainable infrastructure to support economic development and human well-being, focusing on equitable access
GOAL 10: Reduced Inequality	*Affordable Housing*	10.2: Empower and promote the social, economic and political inclusion of all
GOAL 11: Sustainable Cities and Communities	*Affordable Housing and Green Buildings*	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
GOAL 13: Climate Action	*Green Buildings and Renewable Energy*	Measures to reduce GHG emissions contribute to climate action under SDG 13

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's bond framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in The Housing Finance Corporation's Sustainable bond framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Affordable housing	Financing to UK Housing Associations (Eligible Housing Associations") for general corporate purposes. Eligibility criteria include the construction, acquisition or refurbishment of affordable housing in the UK, owned or managed by an Eligible Housing Association, such as: • General needs (social rent) • Affordable rent • Intermediate / key-worker housing • Supported and sheltered housing • Housing for older people • Low-cost home ownership e.g. shared ownership Includes associated services that address social need. Capex and/or opex.	Access to affordable housing	- Number of housing associations supported - Estimated new housing units constructed, acquired or retrofitted - Number of individuals in the target population supported
Green buildings	Financing to UK Eligible Housing Associations. Eligibility includes financing or refinancing the construction or acquisition of new buildings, where they have an EPC rating of A or B. Capex.	Climate change mitigation	- Number of new homes financed - EPC ratings spread
Energy efficiency	Financing or refinancing the retrofit and energy-efficiency improvements of existing homes and associated systems e.g. insulation, glazing, heating controls, heat pumps, energy storage, district heating and smart energy systems. Eligible activities must meet at least one of the following eligibility criteria: • Improves the EPC rating by at least two EPC notches • Achieves at least a 30% improvement in energy efficiency on the element being improved Capex and/or opex.	Climate change mitigation	- Number of homes retrofitted - Average EPC band uplift
Renewable energy	Financing or refinancing the generation and installation of renewable energy sources that serve eligible homes e.g., solar photovoltaic installation and associated storage. Projects must achieve emissions below 100g CO_2e/kWh. Capex	Climate change mitigation	- Installed renewable capacity financed (MW)

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

2 ONS. Housing affordability in England and Wales: 2025. 26 March 2026.

3 GOV.UK, 2025 UK greenhouse gas emissions: provisional figures - statistical release, 2 April, 2026.

4 UK Parliament, UK's Updated 2030 Nationally Determined Contribution, 22 September, 2022.

5 CRREM Pathways, accessed in June 2026

6 IEA, Europe, accessed May 2026.

7 Department for Energy Security & Net Zero, National Energy Efficiency Data-Framework (NEED): Summary of Analysis, Great Britain, 2025, 26 June, 2025.

8 See endnote 4.

9 UK Parliament, Housing and net zero, 08 July, 2024.

10 Department for Energy Security & Net Zero, 2025 UK greenhouse gas emissions: provisional figures - statistical release, 2 April, 2026.

11 IEA, United Kingdom, accessed May 2026.

12 See endnote 9.

13 See endnote 8.

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