The Housing Finance Corporation

# SUSTAINABLE BOND FRAMEWORK

2026

Issued by The Housing Finance Holding Corporation Limited and its financing vehicles, including Blend Funding Plc and THFC Sustainable Finance Plc.

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# FOREWORD

**Priya Nair**
Chief Executive

The Housing Finance Corporation ("the Group") was established in 1987 as a specialist, mutual aggregator, enabling housing associations (HAs) across the United Kingdom to access capital markets. For nearly four decades, the Group has supported the financial strength and resilience of the affordable housing sector, helping to finance the development and maintenance of safe, sustainable homes.

Social impact is not an overlay on our business; it is embedded in our purpose. We lend exclusively to regulated, not-for-profit housing associations across all four nations of the UK, and we onlend the proceeds of our capital markets issuance to those organisations on materially matched terms.

The sustainability credentials of our financing therefore flow directly from the regulated social purpose of our clients. Since our first Sustainable Bond Framework was published in 2021, the market, the regulatory environment and our own platform have evolved. We have launched a dedicated issuance vehicle, THFC Sustainable Finance Plc, entered a landmark retrofit funding partnership with the National Wealth Fund ("NWF"), and broadened the range of instruments through which we raise capital.

This refreshed Framework reflects those developments and aligns our approach with the latest editions of the International Capital Market Association ("ICMA") Principles and the expectations of investors and external reviewers.

*"Our commitment is clear: to deploy capital transparently and credibly in support of decent, affordable, sustainable homes.*

*This Framework sets out how we turn that commitment into tangible impact."*

SECTION 1

# INTRODUCTION, ISSUER PROFILE AND SUSTAINABILITY CONTEXT

# ABOUT THE HOUSING FINANCE CORPORATION

The Housing Finance Corporation ("the Group") is the UK's longest-established affordable housing aggregator. **Founded in 1987** as a non-profit-distributing organisation, it raises finance in the capital markets and on-lends to housing associations, "HAs" on materially matched terms, passing on the benefit of its scale and market access to the sector.

As of 31 March 2026, the Group's loan book stood at approximately **£8.3 billion**, lending to over **140** housing associations ("HAs") in England, Scotland, Wales and Northern Ireland.

The Group raises finance through a group structure comprising several issuing entities. Issuance under this Framework is expected principally through:

- Blend Funding Plc ("Blend"), the Group's flagship public bond aggregator established in 2018, providing secured bond finance to HAs across the UK through its £5 billion Euro Medium Term Note (EMTN) programme
- THFC Sustainable Finance Plc ("TSF"), which established a £2 billion EMTN programme to support the sector with low-cost, unsecured funding guaranteed by the National Wealth Fund ("NWF") to help HAs fulfil their retrofit obligations out of TSF, alongside secured unguaranteed funding for general corporate purposes out of T.H.F.C. Sustainable Finance (No.2) Plc ("TSF 2") and THFC Sustainable Finance (No.3) Plc ("TSF 3")
- Vehicles under the multi-issuer programme, established in 2025 with capacity of up to £5 billion, providing HAs outside the scope of Blend with flexible access to capital markets through issuers included are Social Housing Finance 1 Plc ("SHF 1"), Social Housing Finance 2 Plc ("SHF 2"), Urban Housing Finance ("UHF"), Shared Ownership Funding Plc ("SOF") and Temporary Accommodation Funding Plc ("TAF") and there is an ability to add further issuers in the future.

Issuance may also be undertaken directly by The Housing Finance Corporation Limited or by other current or future group financing vehicles. Historically, the Group also delivered the UK Government's initial Affordable Homes Guarantee Scheme ("AHGS") through Affordable Housing Finance Plc ("AHF"), which **financed over 32,000 affordable homes.**

1987

Founded as a non-profit-distributing organisation

£8.3bn+

Group loan book

140+

Housing associations lent to

32,000+

Homes funded under AHF

# BUSINESS MODEL AND THE SOCIAL HOUSING SECTOR

The Group operates a corporate, non-asset-specific lending model rather than project finance. It makes its own independent credit assessment of each client using a bespoke internal rating system and monitors the financial health of its HA clients (also called borrowers in this Framework) throughout the life of each loan.

Because lending is at the corporate (HA) level, eligibility under this Framework is assessed primarily at the level of the client and its regulated social purpose, supported, for environmental categories, by project-level information on the use of funds.

The UK affordable housing sector is characterised by a high level of statutory regulation. HAs across all four nations of the UK are subject to economic and consumer standards set by their respective national regulators: the Regulator of Social Housing in England, the Scottish Housing Regulator, the Welsh Government, and the Department for Communities in Northern Ireland. These regulatory bodies oversee governance, financial viability, value for money, rent-setting, and the quality and management of homes. This regulatory architecture provides a publicly reported assurance mechanism that underpins the social integrity of the Group's lending.

# SUSTAINABILITY STRATEGY AND CORE COMMITMENTS

The Group's sustainability strategy rests on four long-standing commitments, which together define how it generates positive social and environmental outcomes through its financing activity:

| Commitment | Description |
|---|---|
| Social impact | The Group lends exclusively to UK HAs for the development and maintenance of affordable homes and the delivery of services that address social need and support tenants. |
| Competitive pricing | By aggregating demand and maintaining strong investor relationships and credit ratings, the Group secures cost-effective financing and passes the benefit to clients on materially matched terms. |
| Responsibility | All loans are supported by rigorous, ongoing credit analysis and the Group's own strong credit ratings, to safeguard the capital entrusted by investors. |
| Financial sustainability | The Group monitors and forecasts client health throughout the loan life, sustaining the long-term financial resilience that allows social impact to be delivered. |

These commitments are reinforced by the Group's adoption of the Sustainability Reporting Standard (SRS) for Social Housing (see Section 1.8) and by its engagement with clients to encourage consistent, comparable ESG reporting across the loan portfolio.

The Group's Sustainability Strategy recognises that housing is a significant source of UK emissions, and that HAs own or manage a material share of the national housing stock. Retrofit – the decarbonisation of existing homes – is therefore central to both the sector's and the country's climate objectives, alongside the delivery of new affordable, sustainable homes. The UK Government has tasked HAs with bringing stock to EPC band C, creating a substantial multidecade investment requirement to meet EPC C and, ultimately, net zero.

As a mutual, The Housing Finance Corporation's role in this transition is that of financier and enabler rather than owner of housing stock. Our strategic purpose is to channel affordable capital to housing associations across the UK so they can build, improve and preserve safe, affordable and sustainable homes, while protecting tenant affordability. It also recognises that the provision of affordable housing is a social good in itself, underpinning security of tenure, affordability relative to market rents, improved health and wellbeing, and reduced poverty and exclusion.

Beyond bricks and mortar, many of our clients deliver wider support to tenants and communities – including employment and training, financial inclusion, welfare advice, and services addressing homelessness and fuel poverty.

Within this context, the Group's social impact ambition is to maximise the flow of affordable capital to organisations whose core purpose is to meet housing need, and to strengthen the transparency with which the resulting social outcomes are identified, measured and reported.

The 2025 retrofit funding partnership with the National Wealth Fund ("NWF") is a direct expression of this strategy, designed to deploy lowcost unsecured capital for energyefficiency improvements and retrofit works in affordable homes. At the same time, our sustainability reporting and frameworks enhance visibility of both climate and social outcomes, ensuring that the power of finance is translated into lasting impact for residents, communities and the sector.

Further detail on our sustainability approach and reporting is available on our Sustainability webpage.

# CORPORATE GOVERNANCE

The Housing Finance Holding Corporation Limited is registered with the Financial Conduct Authority ("FCA"), which, in this context, acts (amongst other more substantive functions) as the registrar for community benefit societies. Consequently, although registered with the FCA, The Housing Finance Holding Corporation Limited itself is not an FCA regulated firm for conduct or prudential purposes. It operates as a non-profit-distributing finance company and applies financial covenants to mitigate against financial risk.

The Board of the Group sets the Group's strategic objectives and monitors performance and compliance. It governs through clearly mandated committees including Audit and Risk, Remuneration and Nomination, and New Business committees, benefiting from sector representation.

Although not legally required to adopt a formal corporate governance code, the Board has, for several years, voluntarily applied the principles of the UK Corporate Governance Code issued by the Financial Reporting Council, where appropriate to its structure as a non-profit distributing society registered under the Co-operative and Community Benefit Societies Act 2014.

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# REGULATORY FRAMEWORK

The Group lends to HAs across all four UK nations, each of which operates its own regulatory regime. While the detail differs, the core architecture is common: a set of regulatory standards, codes of practice and guidance maintained by the relevant national regulator.

In England, the Regulator of Social Housing (RSH) applies economic and consumer standards. [1] Equivalent oversight is provided by the Scottish Housing Regulator, [2] the Welsh Government, [3] and the Department for Communities in Northern Ireland. [4]

Each standard carries reporting expectations reflected in the statutory accounts and annual reporting of HAs. In England, the RSH operates an assurance-based model and publishes regulatory judgements and notices. This regulatory regime ensures that the social purpose and performance of HAs are independently monitored and publicly reported - a foundation on which the social integrity of this Framework rests.

Further details can be found online at the relevant government websites.

1. *www.gov.uk/government/organisations/regulator-of-social-housing. See: Governance and Financial Viability Standard, Value for Money Standard, Rent Standard, Home Standard, Tenancy Standard, Neighbourhood and Community Standard*
2. *www.housingregulator.gov.scot*
3. *www.gov.wales/social-housing-regulation*
4. *www.communities-ni.gov.uk/articles/housing-regulation-and-registered-housing-associations*

# SUSTAINABILITY REPORTING STANDARDS AND SDG MAPPING

The Group is an adopter of Sustainability for Housing's (SfH) Sustainability Reporting Standard for Social Housing (SRS) [5], the sector's voluntary Environmental, Social and Governance (ESG) reporting standard, developed to bring consensus and comparability to ESG reporting by HAs. The Guidance on SRS [6] is organised around themes that include affordability, building safety and quality, residents and communities, and climate. It provides a set of criteria aligned with international frameworks including the UN Sustainable Development Goals (SDGs), the Global Reporting Initiative (GRI), the standards of the value-reporting/ Sustainability Accounting Standards Board (SASB) tradition, and ICMA.

As a lender, the Group integrates the SRS into its investment processes and encourages clients to report against it, enabling meaningful and consistent sustainability reporting across the loan portfolio. This Framework maps each Eligible Category in Section 2 to the SDGs it primarily supports.

*5. www.sustainabilityforhousing.org.uk*

*6. At the publication date of this framework, the Group reports against SRS v2.1 (2026) and will seek to report against the latest available version of the SRS, in line with SfH's most recent guidance*

# RATIONALE FOR THE SUSTAINABLE BOND FRAMEWORK AND CONTRIBUTION TO NATIONAL POLICY OBJECTIVES

The UK faces an acute and persistent housing challenge. The National Housing Federation ("NHF") has estimated that millions of people are affected in some way by the housing crisis - through overcrowding, poor-quality or unaffordable housing, or homelessness - while sector debt continues to grow as HAs invest in new supply, existing stock and decarbonisation. Private capital is essential to meeting these needs, and investors increasingly view the sector as a defensive, high-social-impact investment that is inherently aligned with sustainability considerations.

In parallel, the decarbonisation of housing is a national priority. Meeting the EPC band C objective for affordable housing and the longer-term net zero target requires sustained, large-scale retrofit investment that, absent supportive funding, can represent investment without a commercial return for HAs - creating a risk to the preservation of affordable units. By mobilising affordable finance for both new supply and retrofit, the Group's issuance under this Framework seeks to contribute directly to national housing and climate policy objectives, including the Government's affordable homes investment programme and the sector's decarbonisation pathway.

Accordingly, this Framework enables the Group to raise Social, Green and Sustainability labelled finance for its core business of lending to HAs.

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# FRAMEWORK UPDATES

This Sustainable Bond Framework 2026 supersedes the Group's previous social and sustainable bond frameworks. The Framework has been reviewed and updated to reflect the Group's governance, evolving market practice and stakeholder feedback, while maintaining alignment with the applicable ICMA Principles. An independent Second Party Opinion ("SPO") has been obtained to assess the Framework's alignment with the ICMA Principles.

The Framework will be published online on the Group's website.

The Group intends to review this Framework periodically and may update it from time to time to reflect changes in its sustainability strategy, business activities, market practices, regulatory developments or investor expectations. Any material updates to the Framework will be published on the Group's website and, where appropriate, reviewed by an independent SPO provider.

SECTION 2

# THE SUSTAINABLE BOND FRAMEWORK

This Framework has been prepared to enable The Housing Finance Corporation and its financing vehicles to issue Social, Green and Sustainability instruments - comprising use of proceeds bonds - to finance and refinance lending to Eligible Housing Associations for the Eligible Categories set out below.

# ALIGNMENT WITH MARKET STANDARDS

This Framework is aligned with the following voluntary market standards:

## International Capital Market Association (ICMA)[7]

- Social Bond Principles (2025)
- Green Bond Principles (2025)
- Sustainability Bond Guidelines (2021)
- Harmonised Frameworks for Impact Reporting (2026 – Green, 2026 – Social)

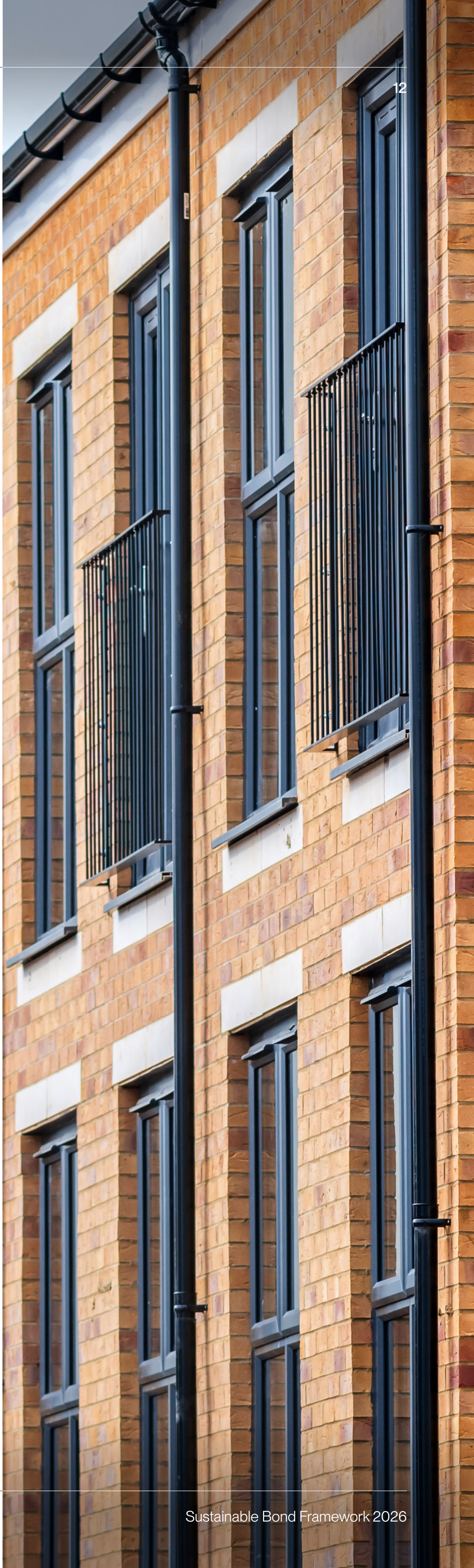
## Sustainability for Housing

- Guidance on the Sustainability Reporting Standard for Social Housing (SRS) (v2.1, 2026)

## UN Sustainable Development Goals (SDGs)

The four core components of this Framework follow the ICMA guidance: (2.1) Use of Proceeds, (2.2) Process for Project Evaluation and Selection, (2.3) Management of Proceeds and (2.4) Reporting. This Framework also adopts the ICMA recommendation on external review of this Framework.

A Second Party Opinion has been provided by Moody's and can be found on the Group's website at Investors.



7. *www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks*

# USE OF PROCEEDS

An amount equal to the net proceeds of each Sustainable Finance Instrument issued or entered into under this Framework will be lent solely to HAs in the UK that satisfy the eligibility requirements of this Framework ("Eligible Housing Associations"), on materially matched terms, to finance or refinance the Eligible Categories below.

Eligible Housing Associations must be non-profit landlords of affordable housing registered with the relevant national regulator in the UK. Their core business must be the provision and management of affordable housing, a significant proportion of their turnover should relate to that provision, and their development of new homes should include a significant proportion of affordable homes. As this is corporate lending and not project finance, the Group assesses eligibility by reference to the client's corporate purpose, mission and regulated activity; individual lettings are not separately assessed.

Instruments will be labelled according to the Eligible Categories they finance:

- Social bonds where an amount equal to the net proceeds will be used to finance or refinance, in part or in full, Eligible Social Categories
- Green bonds where an amount equal to the net proceeds will be used to finance or refinance, in part or in full, Eligible Green Categories
- Sustainability bonds where an amount equal to the net proceeds will be used to finance or refinance, in part or in full, a combination of Social Eligible Categories and Green Eligible Categories

The label applied to each instrument will be specified in the instrument's documentation.

## Target populations, social objectives and expected outcomes

The primary target populations are people who are unable to access adequate, secure and affordable housing through the open market, including in particular:

- Households on local authority housing registers or waiting lists, prioritised by assessed housing need (e.g. banding or points-based systems), for whom demand typically far exceeds supply
- People on low-to-moderate incomes who cannot afford suitable market housing - including households in receipt of Universal Credit, Housing Benefit or other state support, and households whose income falls below the threshold at which adequate market housing is affordable in their area
- People who are homeless or at risk of homelessness
- People requiring supported or specialist housing, including older people, people with disabilities, people with care and support needs, care leavers, and people fleeing domestic abuse
- People seeking an affordable route into home ownership who cannot afford to buy on the open market (e.g. shared ownership / Low-Cost Home Ownership applicants)

These groups correspond to recognised ICMA Social Bond Principles target populations - including people living below or near the poverty line, excluded or marginalised populations, people with disabilities, and other vulnerable groups - as applied to the UK affordable-housing context.

Allocation to the target populations is assured by the needs-based letting mechanisms operated by HAs and by the statutory rent and tenancy standards described in Section 1.7.

The geographical distribution of HA clients is disclosed in the Group's annual SRS report.

## Eligible Categories

The table below sets out the Eligible Categories, eligible activities and eligibility criteria and primary SDG contributions. Target populations are defined below.

| Social Eligible Categories | Eligible activities and eligibility criteria | Objectives and SDG mapping | Indicative impact metrics |
|---|---|---|---|
| Affordable Housing<br><br>Capex and/or opex. | Financing to UK Housing Associations ("Eligible Housing Associations") for general corporate purposes.<br>Eligibility criteria include the construction, acquisition or refurbishment of affordable housing in the UK, owned or managed by an Eligible Housing Association, such as:<br>▪ General needs (social rent)<br>▪ Affordable rent<br>▪ Intermediate / key-worker housing<br>▪ Supported and sheltered housing<br>▪ Housing for older people<br>▪ Low-cost home ownership e.g. shared ownership<br><br>Includes associated services that address social need. | Increase the number of homes available for target populations<br>—<br>SDG 1: No poverty<br>SDG 10: Reduced inequalities<br>SDG 11: Sustainable cities and communities | ▪ Number of housing associations supported<br>▪ Estimated new housing units constructed, acquired or retrofitted<br>▪ Number of individuals in the target population supported<br>▪ SRS C17: Share, and number, of new homes (owned and/or managed) that were completed in the last financial year, by tenure type |

## Eligible Categories continued

| Green Eligible Categories | Eligible activities and eligibility criteria | Objectives and SDG mapping | Indicative impact metrics |
|---|---|---|---|
| Green Buildings<br><br>Capex. | Financing to UK Eligible Housing Associations.<br><br>Eligibility includes financing or refinancing the construction or acquisition of new buildings, where they have an EPC rating of A or B. | ▪ Contributes to greening of UK housing stock in line with legislated targets for carbon emissions<br>▪ Saves tenants money on fuel bills and tackles fuel poverty<br>▪ Improves health and wellbeing of tenants by improving safety and health of housing stock<br>—<br>**SDG 11:** Sustainable cities and communities<br><br>**SDG 13:** Climate action | ▪ Number of new homes financed<br>▪ EPC ratings spread<br>▪ **SRS C1:** Distribution of EPC ratings of existing homes (those completed before the last financial year)<br>▪ **SRS C2:** Distribution of EPC ratings of new homes (those completed in the last financial year)<br>▪ **SRS C5:** Scope 1, Scope 2 and Scope 3 Green House Gas emissions and Scope 1 + Scope 2 and Scope 3 Green House Gas emissions per home |
| Energy Efficiency<br><br>Capex and/or opex. | 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.<br><br>Eligible activities must meet at least one of the following eligibility criteria:<br>▪ Improves the EPC rating by at least two EPC notches<br>▪ Achieves at least a 30% improvement in energy efficiency on the element being improved | **SDG 7:** Affordable and clean energy<br><br>**SDG 9:** Industry, innovation and infrastructure<br><br>Reduction in energy consumption or GHG-emissions intensity (measured on the element(s) improved) | ▪ Number of homes retrofitted<br>▪ Average EPC band uplift |
| Renewable Energy<br><br>Capex. | Financing or refinancing the generation and installation of renewable energy sources that serve eligible homes e.g., solar photovoltaic installation and associated storage.<br><br>Projects must achieve emissions below 100g CO2e/ kWh. | **SDG 7:** Affordable and clean energy<br><br>**SDG 13:** Climate action<br><br>Contributes to the production of renewable energy and helps the UK achieve legislated targets for carbon emissions. | Installed renewable capacity financed (MW). |

## Look-back period

Upon issuance, proceeds of bonds issued under this Framework will typically be on-lent immediately to HA clients. These loans represent new financing from the point of view of the Group; therefore, no look-back period is required for refinancing. If this changes, any refinancing look-back period will be disclosed prior to issuance.

The Group typically on-lends the bond proceeds as general corporate purpose loans to Eligible Housing Associations. Information on whether the HA borrower uses the loans for financing or refinancing is not requested.

For Social Eligible Categories, no further reporting is requested on how the loan proceeds have been deployed by the HA borrower as it is deemed that all financing to the pureplay social housing companies is deployed to eligible criteria, without detail on whether it's to finance or refinance eligible projects.

For Green Eligible Categories, evidence of the environmental schemes to which the green proceeds are being deployed is requested. In the instances where, in the usual course of business and in delivering the framework allocation data (which includes costings and timings - see Section 2.2 Process for Project Evaluation), it becomes clear that the HA borrower's eligible green scheme is historic and involves refinancing, the Group will seek to disclose this.

## Exclusions

Although the regulated activities of HAs are generally consistent with the eligibility criteria, the Group will not knowingly allocate proceeds to:

- Clients or activities where it cannot be ascertained with reasonable confidence that funds will be applied consistently with this Framework
- Direct financing of market-rate housing for sale or rent as an end in itself. Incidental market-rate activity that cross-subsidises affordable provision and supports the client's core social purpose is not, of itself, incompatible with this Framework
- Any activity that would conflict with the Group's environmental and social risk management or controversy-management standards (see Section 2.2)

# PROCESS FOR PROJECT EVALUATION

All prospective clients undergo a thorough credit review before approval, comprising analysis of accounts, business plans and projections; scrutiny of regulatory judgements and audit reports; comparison of performance indicators; review of risk registers; and assessment of management capability. Clients accessing the Blend, TSF 2, TSF 3 and the Multi-Issuer programmes are additionally subject to an external credit review.

As part of the credit application, each HA client will confirm that it will meet the eligibility criteria of this Framework. The Executive Credit and Issuance Committee ("ECIC") will consider and confirm this in their credit review.

**For the purposes of this Framework, ECIC, chaired by the Chief Executive, holds responsibilities to:**

- Confirm the eligibility of clients and the allocation of proceeds to Eligible Categories
- Oversee the eligible portfolio and confirm its continued compliance with this Framework
- Oversee the management of environmental and social risks, exclusions and controversy management
- Review and approve allocation and impact reporting
- Commission or approve any external review or assurance sought in connection with the Framework
- Review this Framework periodically and update it to reflect changes in market standards (including the relevant ICMA principles), regulation and the Group's strategy

The HAs will be responsible for the implementation of the affordable housing projects and qualifying projects will not be individually assessed by the Group, although the individual HAs must satisfy the Group criteria for participation as a beneficiary of the Social or Sustainability Bond. For Green projects, the Group will request costings and timings to satisfy itself that the allocation of funds to projects meets the terms of the Framework.

For Social Eligible Categories, the Group verifies that the clients remain regulated not-for-profit HAs throughout the life of the bond and its underlying loans.

For Green Eligibility Criteria, the Group will request costings and timings of the environmental schemes to satisfy itself that the allocation to projects meets the terms of the Framework. The Group asks for annual confirmation of retention of the funded environmental schemes. This will take place until fully allocated, at which point it will be assessed and confirmed that the eligibility criteria have been satisfied.

## Environmental and social risk management

The Group relies, as a first line of assurance, on the comprehensive statutory regulation of its clients, which addresses governance, financial viability, building safety, housing quality, rents and tenant protections. Complementing this, the Group's due diligence considers non-financial risks - including building safety and remediation, EPC performance and decarbonisation plans - within its credit assessment.

## Controversy management

Where the Group becomes aware of a material controversy affecting a client - for example a significant adverse regulatory judgement, a serious building-safety or service-failure finding, or a material breach of regulatory standards - ECIC will review the client's continued eligibility and, where appropriate, the treatment of associated allocations, including potential reallocation.

## Declassification

If an HA client is no longer registered with its relevant national regulatory body, it would no longer meet the Social Eligibility Criteria. It would also be in breach of its loan agreement, and the loan would have to be repaid by the borrower to the Group.

In the instance that the Group becomes aware that a project no longer meets the green eligibility criteria it will request additional green schemes are pledged. If this is not possible and any other steps to remedy are not taken, it could lead to an event of default of its loan agreement and the loan would have to be repaid by the borrower to the Group.

If an HA ceases to be eligible and repays its loan, or prepays its loan for any other reason, funds may be reallocated to another Eligible Housing Association immediately. If funds cannot be reallocated immediately, the Group commits to redeeming a portion of the bond equal to the loan amount repaid.

# MANAGEMENT OF PROCEEDS

An amount equal to the net proceeds of each Sustainable Finance Instrument is allocated to Eligible Categories. Proceeds are managed within the Group's general treasury accounts, including trustee accounts for specific Group issuance entities (as described in Section 1.1), and tracked through internal records.

The Group's loan portfolio is audited as part of the Group's annual accounts. The most recent reporting can be found online on the Group's website. The balance of drawn loans is updated periodically, with any undrawn amounts disclosed as part of the SRS reporting. The Group seeks to have committed loans to Eligible Categories equal to the net proceeds of outstanding bonds.

In most cases, proceeds are allocated (on lent) to Eligible Categories immediately upon issuance of a bond under this Framework.

In other cases, there may be a delay to allocation, such as deferred draw down - where a loan agreement is in place but drawdown by the HA borrower may occur up to 24 months after bond issuance. In these instances, such amounts will be held and/or invested in accordance with the Group's treasury management policy (in cash or cash equivalents). The Group will seek to allocate the proceeds in line with this Framework within 24 months of issuance.

# REPORTING

The Group will publish allocation and impact reporting for bonds issued under this Framework, to complement its annual portfolio reporting. The reporting will be publicly available on the Group's website as a standalone report or embedded in Group sustainability reporting. Both allocation and impact reporting will be published annually until the net proceeds of the relevant instruments have been fully allocated, and thereafter in the event of any material change in allocation or impact.

For Social Eligible Categories, the core indicators focus on housing units and beneficiaries at the point that new units or retrofits are delivered, rather than annualising a lifetime social benefit. For that reason, the Group intends to report on impact for Social Eligible Categories until the net proceeds of the relevant instruments have been fully allocated.

In the case of Eligible Green Categories, if appropriate to the metric, the Group will seek to provide impact reporting on an annualised basis until maturity of the relevant instrument.

## Allocation reporting

- List of Eligible Housing Associations and the amounts allocated (on-lent) to each
- Amount of any proceeds allocated but not yet drawn down, and of any funds temporarily held by the Group pending drawdown
- Share of proceeds allocated by Eligible Category
- Confirmation of the portion of new financing

## Impact reporting

Subject to the availability and quality of data from HA clients, the Group will report on relevant impact metrics as laid out in the Indicative Impact Indicators column in the Use of Proceeds table in Section 2.1. These seek to align with the ICMA Harmonised Frameworks for Impact Reporting.[8]

Where possible, the metrics will represent pro-rata attribution relating to the bond proceeds that the Group on-lends to HAs. As much as possible, this data will originate from the regulated reporting that each HA client submits to their national regulator.

Where metrics are drawn from The Housing Finance Corporation's annual SRS-aligned reporting, data will typically represent the aggregated portfolio of homes relating to the HAs supported. The underlying data originates from the HA clients' own SRS-aligned reporting.

The Group will describe the methodology and key assumptions underlying reported metrics, and will note where metrics are estimated, attributed on a pro-rata or portfolio basis, or subject to data limitations.

Impact metrics are reported on a best-efforts basis, reflecting the corporate (non-project-finance) nature of the Group's lending and its reliance on client-reported data. The Group will continue to work with clients to improve the coverage, consistency and quality of impact data over time.

*8. ICMA guidance on impact reporting for green projects and for social projects, both found at www.icmagroup.org/sustainable-finance/impact-reporting*

SECTION 3

# EXTERNAL REVIEW

# EXTERNAL REVIEW

## Pre-issuance: Second Party Opinion

The Group has obtained a Second Party Opinion ("SPO") from Moody's, an independent external reviewer, confirming the alignment of this Framework with the applicable ICMA principles. The SPO is publicly available on the Group's website at Investors and on Moody's website.

## Post-issuance: Allocation and impact review

The Group is committed to transparency and to maintaining the quality of its allocation and impact reporting. The Group may seek independent external verification or limited assurance of the allocation of proceeds and/or of its impact reporting, where it considers this feasible and appropriate.

The Group's allocation (on-lending of proceeds to Eligible Housing Associations) is audited in the normal course of business, and this may be drawn upon for sustainable bond reporting.

Impact metrics are obtained from the HA clients' regulated reporting and their SRS-aligned reporting, so the Group typically relies on the quality and transparency of those entities.

# GLOSSARY

## Eligible Housing Association

A registered, regulated, non-profit social landlord in the UK that is registered with the relevant national housing regulator and satisfies the eligibility requirements of this Framework.

## Eligible Categories

The categories of activity set out in Section 2.1 (Affordable Housing; Green Buildings; Energy Efficiency; Renewable Energy).

## EPC

Energy Performance Certificate, the UK rating of a building's energy performance (Bands A–G).

## SRS

The Sustainability Reporting Standard for Social Housing.

## SPO

Second Party Opinion - an independent external review of the alignment of a framework or instrument with relevant market principles.

# DISCLAIMER

The Housing Finance Corporation Limited and its affiliates ("the Group") note that there is currently no framework or definition (legal, regulatory or otherwise) as to what constitutes an "environmental", "social", "governance" ("ESG"), "green", "sustainable", "climate-friendly" or an equivalently-labelled product, or as to what precise attributes are required for a particular investment, product or asset to be defined as "ESG", "green", "sustainable", "climate-friendly" or such other equivalent label nor can any assurance be given that such a clear global definition or consensus will develop over time. As a result, the Group is making this statement in order to assist its borrowers, potential borrowers, investors, potential investors and other third parties with regard to its own current position in view of the possibility of different interpretations of these terms.

While the Group has obtained information from sources considered to be reliable, the Group neither represents that any third-party ESG information or data is accurate or complete, nor that the Group has (itself or via a third-party) taken any steps to independently or otherwise verify such information and data. Accordingly, the Group does not accept any liability whatsoever for any direct, indirect or consequential loss arising from any actions or inactions undertaken in reliance on third party information or any other contained herein or in relation to determinations made under any regulatory regime by investors, users and other relevant persons.

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