



Sustainable Finance Framework

2022



CONTENTS

03 Foreword, Anthony Marriott,
Director of Corporate Finance and Treasury

SECTION 1: INTRODUCTION TO PEABODY

04 1.1 Introduction
06 1.2 Our heritage
06 1.3 London's housing challenge
08 1.4 Group Strategy 2021-24: Our Mission and Priorities
09 1.5 Sustainability at Peabody
10 1.5.1 Our Environmental impact
11 1.5.2 Our Social impact
12 1.6 Case Study: Thamesmead
13 1.7 Corporate Governance
13 1.8 Regulatory Context
13 1.9 Sustainability Reporting Standards
14 1.10 Certified Sustainable Housing Label
14 1.11 Rationale for Framework

SECTION 2: SUSTAINABLE FINANCE FRAMEWORK

15 2 Sustainable Finance Framework
15 2.1 Use of Proceeds
17 2.2 Process for Project Evaluation and Selection
18 2.3 Management of Proceeds
18 2.4 Reporting
18 2.4.1 Allocation Reporting
18 2.4.2 Impact reporting
20 2.5 External Review
20 2.5.1 Second Party Opinion
20 2.5.2 External Verification

21 Disclaimer

FOREWORD

ANTHONY MARRIOTT

DIRECTOR OF CORPORATE FINANCE AND TREASURY

Peabody was founded in 1862 by the American philanthropist George Peabody. His vision was to promote “comfort and happiness” by providing good quality affordable homes to people on low incomes in London.

Today, we manage over 67,000 homes for around 150,000 residents and our fundamental mission is the same. We are a not-for-profit housing association helping people make the most of their lives. We do this by building and maintaining great homes and places and investing in our communities for the long term.

We have been at the forefront of establishing the Sustainability Reporting Standard for Social Housing alongside other housing providers, service providers, investors, and other leading organisations.

We published our first ESG report in September, detailing our performance against 48 metrics which demonstrates our positive impact, sets out our approach to embedding sustainability in everything we do, and provides a benchmark for continuous improvement across the Group.

This approach to sustainability is accredited by RITTERWALD through its Certified Sustainable Housing Label, providing quality assurance on our positive impact and on a wide range of environmental, social, and governance metrics.

We currently have 3 Sustainability linked loans that provide interest cost savings tied to achieving social and environmental objectives. These include improving the energy efficiency of our homes year on year, increasing the number of electric charging points for colleagues and residents, supporting grassroots organisations through a Peabody Fellowship Programme, and facilitating more affordable childcare places for working parents.

This Sustainable Finance Framework builds on this work and sets out our priorities and approach to delivery, as well as how the proceeds raised will be used to deliver our objectives in the short, medium, and long term.

Broadly, these objectives are:

- Building genuinely affordable homes
- Improving the energy efficiency of our homes
- Reducing our carbon emissions
- Increasing access to electric charging points
- Investing in our communities through our foundation and more widely

More detail on these can be found on page 16.

Going forward, we want to work with partners and investors who share our values and are passionate about alleviating poverty and providing safe, sustainable thriving communities today and for future generations. This framework is an important step towards achieving that.

150,000

Provide homes for 150,000 residents



1.1 INTRODUCTION

Formed nearly 160 years ago, the Peabody Group (“Peabody”, “the Group”) is one of the UK’s oldest and largest housing associations and is responsible for over 67,000 homes in London and the South East. We are a not-for-profit community benefit society and registered with the Regulator of Social Housing. Our average rent last year was £120 a week. This is £20m lower than regulated rent levels and £477m lower than market rates.

Many of our 150,000+ residents live in inner London boroughs, with diverse and growing populations, and we are involved in significant place-making and regeneration projects in outer London. These include Thamesmead, where our mission is to maintain, improve and grow the town for the long-term, and Dagenham where we are delivering more than 3,500 new homes. Outside of London, we have a significant number of homes in Essex which include many sheltered and supported properties. We also provide services for around 16,000 care and support customers.

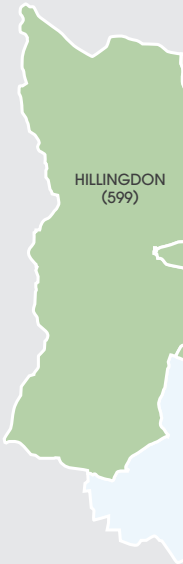
In May 2019 we welcomed Kent based Town and Country Housing into Peabody adding over 9,000 properties to the Group. Becoming part of Peabody has accelerated TCH’s delivery of new affordable homes.

At the end of July 2021, we announced our intention for Catalyst Housing Association to join together with Peabody. With shared values, aspirations, and geographical presence, the two organisations complement each other well. Joining together will mean we can invest and innovate more in services, homes, communities, technology, and people. We will be locally focused and strongly connected with the communities we serve, with residents front and centre of the new organisation. They will have an important voice and say in how their services are delivered and we will have more influence on their behalf.

Following formal consultation with residents, the two boards have now agreed to proceed with the proposals. Catalyst will join the Peabody Group as a subsidiary on 1 April 2021. We will be working with people living in our neighbourhoods to help us shape the new organisation. Together, we will be able to go further and faster in meeting our shared objectives.

KEY

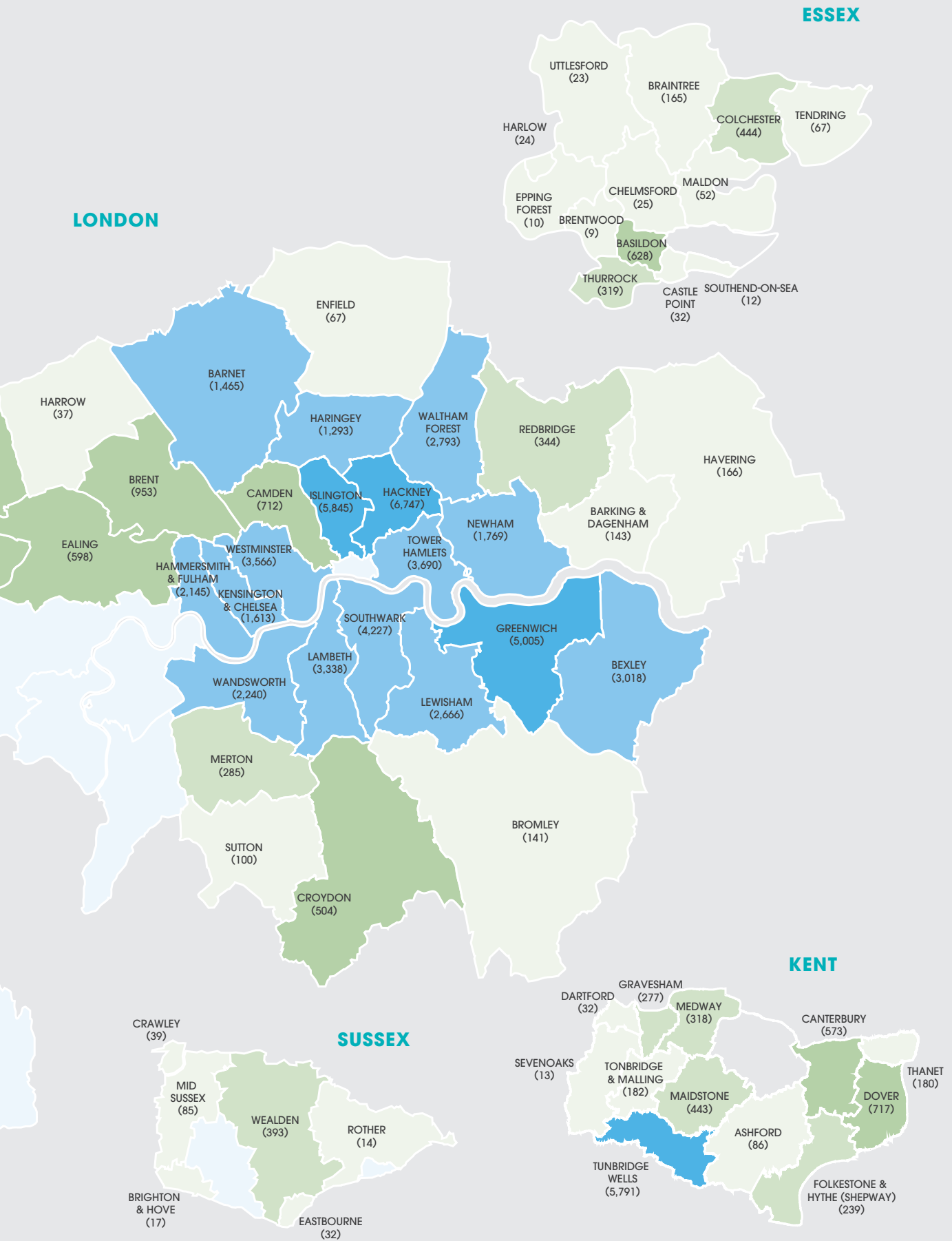
NUMBER OF HOMES:



SURREY



Geographical Coverage
as at 31 March 2021



1.2 OUR HERITAGE

George Peabody (1795-1869), an American financier and philanthropist, set up The Peabody Donation Fund in 1862 to create better housing for ‘the poor of London’. He first visited Britain on business in 1827 and ten years later took up residence in London, where he remained for the rest of his life. He became acutely aware of poverty in the capital and was keen to help.

In 1864, the first dwellings for the “artisans and labouring poor of London” were opened in Commercial Street, Spitalfields. The flats housed 66 low-income families and included provision for shops and laundries. This marked the beginning of his – and our – work in London. Since then, we’ve stood at the forefront of the social housing movement in the capital, pioneering innovative design and delivering a wide range of community programmes.

By the time of his death in 1869, George Peabody had donated £500,000 to establish the Peabody Trust, with the trustees insisting on a 3% return on activities to be reinvested in perpetuity. That half a million pounds 160 years ago has grown to an annual rental subsidy of almost half a billion pounds, today. With an asset base of £8bn and annual turnover last year of £630m we continue to fully reinvest surpluses every year in maintaining and improving existing homes and to provide new affordable housing for people in need.



1.3 LONDON'S HOUSING CHALLENGE

Demand for genuinely affordable housing in London has never been greater. It is the biggest challenge facing people on the lowest incomes as well as those earning more than the national average. The acute shortage also represents a threat to the continuing prosperity of the capital and puts a strain on the NHS and other public services by affecting the health and wellbeing of the population.

A report by London Councils and the g15, with analysis by Savills, published earlier this year shows the scale of the problem. Average house prices in the capital are 93% higher than the UK average and 63% of all families in temporary accommodation in England are in the capital. There are more than 250,000 people in temporary accommodation in London.

<https://www.londoncouncils.gov.uk/sites/default/files/G15%20LHD%20interim%20report%20final.pdf>

London’s demand for affordable housing is almost eight times greater than the number of homes forecast to be delivered (7.6 times greater than supply, compared to the national average of 2.6 in England).

According to Savills’ estimate of housing need, at least 42,500 sub-market homes are required in London each year. This compares to an average of 7,900 sub-market homes that have been delivered annually since 2015/16.

Whilst genuinely affordable rented housing is essential for people on the lowest incomes and is desperately needed to help tackle the supply crisis, it is also an essential part of London’s social and economic infrastructure. Providing homes for London’s key workers including nurses, teachers, social care workers, cleaners, and bus drivers in places where they can access employment opportunities is fundamental to the running of the city, and to enabling one of the largest economies in the world to continue flourishing. Employers need people to be able to live close to where they work.

Housing need in London extends across all tenures and throughout a range of income brackets. Without an increase in supply of social rented housing, intermediate market rented housing, and affordable home ownership, London will struggle to attract the entrepreneurs and young professionals who have traditionally fuelled the growth, creativity, and innovation that the capital is renowned for.

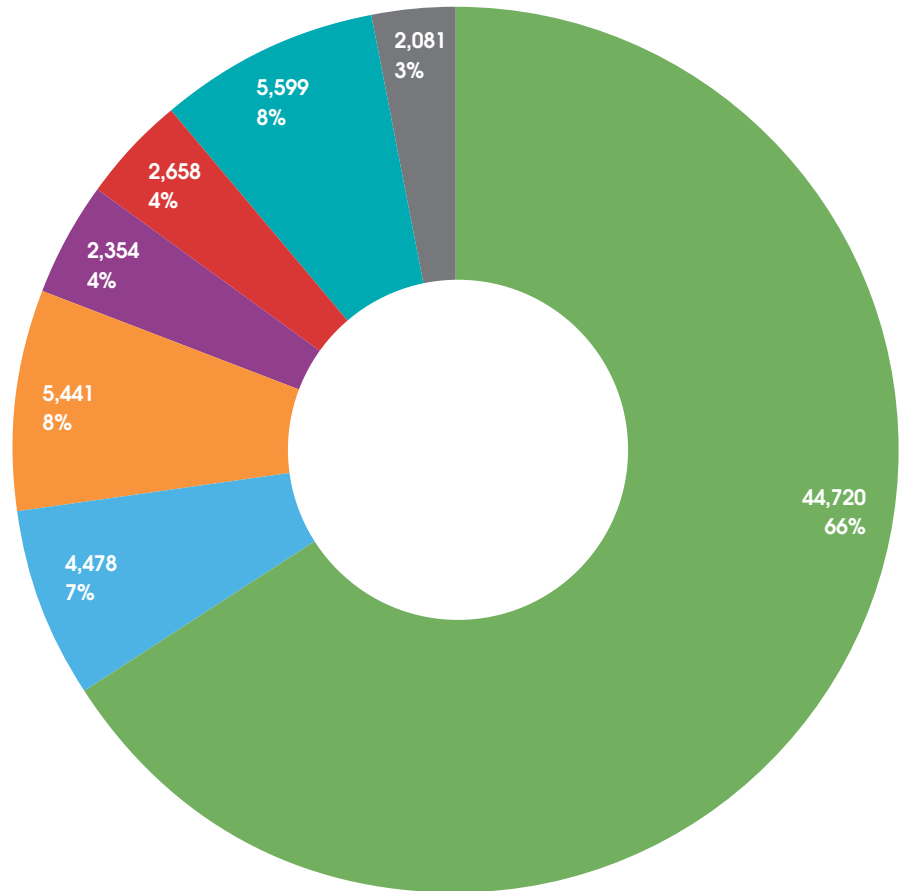
We are committed to providing more mixed tenure affordable homes for people on lower and middle incomes. We are on track to have started 7,000 new homes by 2023 as part of our strategic partnership with the Mayor of London and our long-term goal is to have built at least 60,000 new homes by 2050.

7,000

New homes started by 2023

**Tenure mix by number of properties
(as at 31 March 2021)**

- Social
- Affordable
- Shared ownership
- IMR
- Supported
- Leasehold
- Other



Our property mix is predominantly Social and Affordable housing (74%). 8% of our stock is Shared Ownership¹ which provides affordable housing more broadly and serves as a stepping-stone for first time buyers looking to own their home.

Table 1: London affordability compared to the UK

	Median full-time gross annual earnings (2020*) ²	Average Monthly Rent (2020) ³	Median house price (12m ending 2020 Q4) ⁴
London	£33,280	£1,620	£495,000
UK Average	£24,908	£967	£259,000
% Δ	34%	67%	91%

Table 1 highlights that whilst Londoners earn more in comparison to the rest of the UK, rent and house prices proportionality exceed the income received, making housing less affordable.

1 <https://www.gov.uk/affordable-home-ownership-schemes/shared-ownership-scheme>
 *12 months to April 2020. ONS records data on a tax year basis, with 2020/1 data not released at the time of this framework
 2 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2020>
 3 <https://homelet.co.uk/homelet-rental-index/london?range=6>
 4 https://lginform.local.gov.uk/reports/lgastandard?mod-metric=5230&mod-area=E92000001&mod-group=AllRegions_England&mod-type=namedComparisonGroup

1.4 GROUP STRATEGY 2021-24: OUR MISSION AND PRIORITIES

Our mission is to help people make the most of their lives.
We have four clear priorities to help us deliver our mission:

Priority	Purpose	Key Objectives
 <p>Great customer experience co-creating thriving communities through a local focus</p>	<p>Our customers are at the heart of designing our housing and community services and help us to shape our offer based on the needs of each neighbourhood. We listen to, and act on, our customer's feedback and are transparent about our progress.</p> <p>We keep our promises and get it right first time, so our customers are happy with our services.</p>	<ul style="list-style-type: none"> - Have processes that are effortless and be proactive, empathetic and personal in our communications - Listen to our residents and involve them in directly shaping local services - Establish and maintain partnerships that provide services which benefit our local communities
 <p>Great social impact creating resilience and preventing homelessness</p>	<p>We alleviate homelessness by having more genuinely affordable homes and provide a range of community and care and support services which help our customers to become more resilient.</p> <p>We understand and maximise the social impact of every area of our activity, including our contracts with partners.</p>	<ul style="list-style-type: none"> - Provide more affordable homes for those who need them the most - Ensure our customers' experiences help to shape key public policy decisions - Gain more social value from our procurement contracts
 <p>Great homes and places investing and maintaining for the long-term</p>	<p>We invest in our homes and places for the long term, ensuring our residents' homes and communities are safe, secure and sustainable.</p> <p>Residents work with us to design inclusive neighbourhoods that support wellbeing and ensure that everyone has access to green spaces and community facilities.</p> <p>Our new homes are sustainable and easy to maintain and we work with residents to help them make greener choices and cut energy costs.</p>	<ul style="list-style-type: none"> - Ensure our residents feel safe and secure in their homes and neighbourhoods - Ensure our new developments are efficient and environmentally sustainable - Become net zero carbon in our new and existing homes by 2050 and in our day-to-day business activities by 2030
 <p>Great place to work establishing diverse, inclusive, engaged and creative teams.</p>	<p>Peabody is an inclusive place to work where everyone is welcome and has the opportunity to thrive.</p> <p>Our people are empowered to choose how they work and develop and have the freedom to be themselves and live our shared values.</p>	<ul style="list-style-type: none"> - Embed Equality, Diversity and Inclusion into our policies and culture - Attract and retain the best talent - Provide the right tools, technology and support for our people to do a good job and stay connected regardless of their location

1.5 SUSTAINABILITY AT PEABODY

The UK Government has set in law a target to bring all its greenhouse gas emissions to net zero by 2050. Housing accounts for 23% of the UK's carbon emissions (37% in London) and plays a key role in climate change. As a leading housing association with 67,000 homes over 155,000 residents, 140 buildings, and 3,500+ employees, we recognise that we can make a positive impact on climate change for our residents, communities and the environment. We have now appointed a Director of Sustainability and his team is developing the reporting capability and the actions that we can take to meet the challenge. The first step on that process was publishing our Sustainability Strategy which you could find [here](#)

As part of our Sustainability Strategy 2021-24 our ambition is to be net zero carbon in our new and existing homes by 2050 and in our day-to-day business activities by 2030. We know that we cannot achieve our targets alone. So, we will work with key local authorities and partners alongside our employees and residents, to achieve our sustainability objectives.

Being sustainable is not only an essential part of tackling climate change, it also saves residents money, helps combat fuel poverty, boosts the economy and creates jobs. It can create a better environment for everyone.

23%

Housing accounts for 23% of the UK's carbon emissions

67,000

Number of Peabody homes

Key principles

Our Homes

- **Sustainable new homes**
Ensure new developments are environmentally sustainable, by reducing our carbon footprint during construction.
- **Energy efficiency of our existing homes and buildings**
Plan and improve the environmental sustainability of our existing homes, by improving the efficiency of our heating and hot water systems.
- **Heritage estates**
Analyse how we can make our historic Peabody estates fit for the future.
- **Energy Advice Service**
Procure and generate more energy from renewable sources

Our Communities

- **Working with residents**
Work with residents so they can make greener choices and can access specialist support and advice if they're struggling with their energy and water costs.
- **Biodiversity**
Increase biodiversity and climate resilience of our open spaces, and work with residents so they can make more of their green spaces.

Our Business

- **Facilities and ways of working**
Work towards becoming a more sustainable and resource efficient business, offsetting where we cannot reach zero carbon.
- **Sustainable procurement**
Develop sustainable procurement that benefits Peabody, society and the economy, whilst protecting the environment.
- **Electrify the fleet**
Switch to electric vehicles in our fleet in the future.
- **Accessing funding to deliver change**
Explore internal and external funding to meet our goals and take steps to minimise and offset our carbon footprint.

1.5.1 OUR ENVIRONMENTAL IMPACT

Energy Efficiency

Our housing stock are older, often heritage properties which is reflected in the EPC ratings of our existing homes: A (0.3%), B (11.9%), C (60.3%), D (24.8%), E (2.3%) with 0.4% rated below E. However, our new homes currently have an EPC rating of B (on average), meeting London Plan guidelines which are set above minimum planning and building regulation requirements.

We are striving to improve the energy efficiency of our properties including how they are heated, currently our homes by heating source are as follows: Mains gas, not communal (78%), Mains gas, communal (15%), Electricity, not communal (7%).

Circular Economy

In partnership with Resource London, we led a study to increase recycling rates among purpose-built flats. The initiatives trialled led to a 26% increase in recycling rates and a 24% decrease in contamination rates. These initiatives are now being considered for further implementation by local authorities across the capital.

Improving green spaces

Our IMPROVE programme aims to deliver high-quality outdoor spaces that enable residents to enjoy the open spaces in their neighbourhood. When delivering an IMPROVE scheme we work closely with residents and stakeholders to design an estate that works best for them and also consider access, safety, future maintenance and environmental factors.



1.5.2 OUR SOCIAL IMPACT

Affordable Housing

We provide accommodation to those in greater need through social rented homes significantly below market levels. 88% of our newly built homes in 2020/21 were for affordable rent and shared ownership. The annual subsidy of Peabody's rents to the market level at almost £480m.

Employment and training

With many people affected by furlough and recruitment freezes across London, we have continued to support customers to prepare for interviews, search for jobs and access work related training, despite moving to online remote working.

In 2020/21, we invested £0.8 million in employment and apprenticeships. This helped to secure 536 jobs and apprenticeships across a range of

industries as well as helping 495 people achieve qualifications. In March 2021, we launched a monthly jobs e-bulletin which sets out our opportunities in one place.

We are continuing to work in partnership with corporate law firms Clifford Chance and Winckworth Sherwood LLP who provide our customers with monthly interview practice sessions. During the year, we delivered sessions both online and in-person to help people become job ready. We are working closely with our Financial Inclusion, Tenant and Family Support and Neighbourhood Services teams to maximise opportunities for our residents.

Communities

Our communities are a huge focus, during 2020/21, we invested £8 million in community activities across the Group which enabled free activities for people living in our communities across London and the South East.

We seek our residents' views through several formal panels and forums, including: Scrutiny Panel and Strategy and Policy Group; Resident Association led forums across the East and West regions; and Peabody Online Panel.

In 2022, we will be launching a new Peabody Innovation Fellowship where we will work with grassroots community groups on a phased programmed designed to immerse them in the world of design thinking and innovation, and to increase their capacity to create collective and impactful action.



1.6 CASE STUDY THAMESMEAD



As pressures on central London increase, there is a drive to revitalise outer London and provide healthy places to live. Fragmented governance, and a history of underinvestment, stunted Thamesmead's development, creating low growth and values. By 2050, Thamesmead will be a home for up to 100,000 people. A great place to live is more than just its bricks and mortar; people are and will always be the heart of a community.

In 2019/20 we formed a new 50/50 joint venture partnership with international property and infrastructure group, Lendlease. Together we plan to deliver a c.£8.0 billion development at Thamesmead Waterfront. This transformational scheme includes a minimum of 11,500 homes and will make a significant contribution to the continuing economic regeneration of East London and the Thames Estuary.

Our 'whole place' approach to the regeneration of Thamesmead, with real and widespread change is well underway. We are building new homes, refurbishing existing ones and working with the community to create a better place to live for the areas current 45,000 residents.

We recently launched Living in the Landscape, our green infrastructure framework, captures our strategic approach to managing our unique blue and green spaces of Thamesmead. It guides our work in mitigating the impact of climate change and sets out how we will protect, maintain and enhance the natural environment for the benefit of everyone.

In the last 12 months, this has included planting 4,000 mixed native saplings in Birchmere Park and installing almost

400m² of floating reedbeds in canals and lakes to help clean water systems of pollutants. The first phase of the improvements to the courtyards on our estates at Southmere and Parkview completed – making the spaces more welcoming and enjoyable. The second phase of the co-design project is underway with the South Thamesmead Garden Estate Community Design Collective, a diverse group of 11 local residents who have a real say in how our neighbourhoods will look and change, appointed and working closely with the community.

Despite Covid restrictions, our Thamesmead culture programme in 2020/21 was able to deliver 13 events attended by over 7,600 people and 90 workshops and training sessions attended by 1,466 people which created paid work for 146 people.

1.7 CORPORATE GOVERNANCE

Our activities take place within sound governance arrangements which are fit-for purpose and ensure we have strong control. We will seek to maintain fully compliant regulatory ratings to continue to inspire business confidence and trust while we grow in a sustained way.

The Peabody Trust Board ('the Board') is responsible for the effective governance of the Peabody Group and has ensured that the governance framework of the Group continues to evolve and reflect the changing external and internal economic, risk and regulatory environments. The Board has eleven non-executive members and one executive director and the Gender split of the board is 75% male/ 25% female.

1.8 REGULATORY CONTEXT

The Regulator of Social Housing, established by the UK Government, is a non-departmental public body that regulates private registered providers of social housing to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs. The 2015 regulatory framework⁵ for social housing in England comprises of:

- 1. Regulatory requirements** – obligations on registered providers, including the 'rent standard' for social and affordable housing and 'consumer standards' for the provision of the housing service;
- 2. Codes of practice** – assists registered providers in understanding how compliance might be achieved; and,
- 3. Regulatory guidance** – this provides further explanatory information on the regulatory requirements and includes information on how the regulator will carry out its role.

We are defined as a registered provider of social housing by the Regulator. The most recent assessment (May 2021) confirmed our Governance and Viability as compliant (G1/V2).⁶

1.9 SUSTAINABILITY REPORTING STANDARDS

Working with other leading housing associations, service providers, investors and other organisations concerned with growing the impact investment marketplace, we helped to publish the Sustainability Reporting Standard for Social Housing which launched in November 2020.

The Standard brings consensus on how to measure and report on ESG performance in the social housing sector and as such will help reduce the ESG reporting information burden on housing associations.

The reporting standard is based on 12 themes including "Affordability and security", "Building safety and quality", "Resident voice", "Resident support" and "Climate change" – and 48 criteria for ESG reporting by housing associations. The criteria are aligned with international ESG frameworks and standards including the Sustainable Development Goals (SDGs), the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the International Capital Market Association (ICMA).

We have made a commitment to become an early adopter and our first report was issued in September 2021. We will embed this reporting framework in its annual reporting cycle.



⁵ Regulatory framework - GOV.UK (www.gov.uk)

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/988383/Peabody_Trust_RJ_26.05.21.pdf

1.10 CERTIFIED SUSTAINABLE HOUSING LABEL

To benchmark ourselves against the market and the housing sector, our activities were independently assessed by RITTERWALD⁷, an external pan-European consultancy. RITTERWALD evaluates a housing provider against a comprehensive catalogue of more than 40 individual core and enhanced environmental, social and governance criteria and awards the Certified Sustainable Housing Label[®] (CSHL) to housing providers that meet their required thresholds.

In January 2022, Peabody was awarded the CSHL, achieving “Frontrunner” status, the highest rating, in each of the environmental, social and governance dimensions. This recognition demonstrates our commitment to sustainability performance with reference to other leading social and affordable housing providers in Europe.

The sustainability rating agency imug | rating has reviewed the results to externally verify compliance with the CSHL methodology. An annual review will be carried out to ensure Peabody has implemented and fulfilled the goals set when the CSHL was awarded.

1.11 RATIONALE FOR FRAMEWORK

This SFF sets out how the proceeds issued will be used to support projects which positively contribute to our vision of ‘solving the housing crisis’ in London and South East England.

We have therefore established this SFF in alignment with our corporate strategy to provide homes and create sustainable communities. We need to build more affordable homes and improve the energy performance of our existing stock. Our Environmental targets to achieve Net Zero Carbon Emissions in our new and existing homes by 2050 aligns with Government legislation.

We realise that in order to reach these targets we need to partner with the right organisations and attract investors who are passionate about alleviating poverty and providing safe, sustainable thriving communities for today and our future generations. As set out in our report under the Sustainable Reporting Standard, our procurement process includes an assessment of the ESG performance of our suppliers.



7 <https://www.ritterwald.de/en/>
8 <https://www.sustainable-housing.eu/cshl.html>

SECTION 2 SUSTAINABLE FINANCE FRAMEWORK

This Sustainable Finance Framework (SFF) has been drafted in alignment with the following internationally recognised principles: ICMA Social Bond Principles 2021 (SBP), ICMA Green Bond Principles 2021 (GBP), ICMA Sustainability Bond Guidelines 2021 (SBG), LMA Green Loan Principles 2021 (GLP) and LMA Green Social Loan Principles 2021 (SLP).

Under this SFF, we can issue a broad range of Sustainable debt instruments, such as private placements, loans, and bonds, funding a mixture of Green and Social projects.

This SFF has five core components:

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting
- V. External Review

This framework may be updated to ensure continual alignment with market practices, emerging standards and classification systems.







2.1 USE OF PROCEEDS

Amounts equivalent to the net proceeds raised under this SFF, will be used to finance and/or refinance in whole or in part new or existing Eligible Projects in the below categories, subject to the ICMA/LMA principles.

Dependent on the nature of the project, the investment in the Eligible Projects can be measured through asset value (refinancing existing assets), capital expenditure (Capex) or operating expenditure (Opex). For capital or operating expenditures, a look-back period of up to 36 months prior to the time of financing will be applied. We expect to allocate an amount equivalent to the net proceeds raised under this SFF to Eligible Projects within 24 months of financing.

The table below outlines the envisaged Green and Social categories and the mapping against the relevant SDGs:



Label	ICMA /LMA Category	Description	Target Population	Financial line item	Relevant SDGs
Social	Affordable Housing ⁹	Construction of new Social and Affordable homes in the UK	People in housing need on the housing register for affordable/social homes who are unable to rent or purchase properties on the open market in their local area	Capex	Target 1-4 
		Re-financing of existing Social and Affordable housing in the UK		Asset Value	Target 11-1 
	Access to Essential Services	Support residents and community partners to deliver children's activities, sporting programmes, health and wellbeing sessions as well as clubs for young people	Tenants with a lack of quality access to essential services including high-quality outdoor spaces that enable residents to enjoy the open spaces in their neighbourhood.	Opex	Target 3-4 
		Placemaking and improving green spaces		Capex	Target 11-7 
	Employment Generation	Employment generation, and programs designed to prevent and/ or alleviate unemployment	People who are unemployed within the communities we operate in	Opex	Target 8-6 
	Green	Green Buildings	Construction of new Green Buildings in the UK (EPC B or above)	Tenants living in homes which meet regional, national or internationally recognised standards or certifications.	Capex
Re-financing of existing Green Buildings in the UK (EPC B or above)			Asset Value		
Energy Efficiency		Renovation of existing homes that improve unit EPC ratings by two notches or improve energy efficiency by at least 30%	Tenants running inefficient heating systems in poorly insulated homes with high heating bills and living in fuel poverty	Capex / Opex	
Renewable Energy		Projects aimed at integrating renewables into the energy system for buildings e.g. solar		Capex	Target 7-2 

⁹ As per UK Government definition of affordable housing outlined in the National Planning Policy Framework: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005759/NPPF_July_2021.pdf

2.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

The Eligible Projects described in this SFF provide clear environmental and social benefits. Hence, all potential Eligible Projects first and foremost comply with the applicable environmental and social laws and regulations as well our internal policies and standards, which aim to manage and mitigate ethical, environmental and governance risks.

Overall accountability for the SFF lies with Finance and Treasury Committee (FTC). The FTC is a cross divisional committee comprised of four non-executive members who have a wide range of backgrounds and experience to:

- Exercise delegated authority in relation to certain finance and treasury activities;
- Provide scrutiny and support concerning Peabody Group's treasury management policy and treasury strategy; and
- Monitor financial performance, viability, efficiency and stability of the Peabody Group.

If appropriate, the FTC will delegate to a sub-committee or senior staff with the necessary authority to oversee a project.

As part of its role in overseeing the SFF, our FTC will:

- Approve the addition of Eligible Projects / expenditures
- Oversee the Eligible Project portfolio, confirming its continued compliance with the SFF
- Review the content of our SFF at least on an annual basis and update it to reflect changes in market standards (such as relevant ICMA and LMA principles) and the organisation's strategy
- Exclude projects or investments that no longer comply with the eligibility criteria or have been disposed of and replacing them on a best-efforts basis
- Facilitate the allocation and impact report provision under the SFF

All projects submitted for approval will identify and quantify the expected outputs and outcomes, in line with the use of proceeds table in this SFF.

The FTC is also responsible for wider sustainability matters, including:

- Oversight of any social and environmental risks associated with Eligible Projects
- Continued alignment of project categories with appropriate national and international sustainability taxonomies and legislation, reviewing any impact on our strategy
- Development of mitigants to possible negative social and/or environmental impacts of Eligible Projects, where relevant

2.3 MANAGEMENT OF PROCEEDS

We commit to tracking the receipt and use of proceeds raised under this SFF using internal reporting systems. The internal tracking system used to allocate the proceeds, from any sustainable financing transaction(s), will be assessed by our auditor in line with the ICMA guidance. We will maintain a register of Eligible Projects and the allocation of proceeds to those Eligible Projects., with our Finance team leading the distribution of funds and the reporting.

In alignment with the ICMA/LMA principles, our board will ensure that Eligible Projects financed, at all times exceed net proceeds raised under this SFF, for as long as the financing remains in place.

We expect funds to have been allocated within 24 months of raising finance under this SFF.

Unallocated proceeds issued under the SFF will be held as cash deposits or in sterling denominated money market funds in line with our treasury management policy. We will endeavour to place in sustainable liquidity investments where possible and we continue to discuss potential ESG aligned products with our banks. Alternatively, we are permitted to use any unallocated funds for short-term repayment of other debt facilities before allocation to Eligible Projects.

2.4 REPORTING

We will make and keep publicly available reporting on the allocation of net proceeds and wherever feasible report on the impact of the projects, within 12 months from the issuance of any Sustainable finance instrument, to be renewed annually until full allocation of the net proceeds. Any material developments, such as modification of the SFF or portfolio allocation, will be reported in a timely manner.

2.4.1 ALLOCATION REPORTING

- A complete list of Eligible Projects financed by the proceeds
- Details of proceeds used for financing/refinancing
- Information on unallocated proceeds (if any)
- Split of use of proceeds between project categories

2.4.2 IMPACT REPORTING

- Impact reporting metrics will demonstrate the active contribution to social and environmental factors the Eligible Projects funded through finance issued under this SFF are making

We outline below indicative impact indicators which are aligned to the Sustainability Reporting Standards for Social Housing:

ICMA Category	Use of Proceeds	Indicative Impact Metrics	Alignment with the Sustainability Reporting Standard (SRS) for Social Housing
Affordable Housing	Construction of new Social and Affordable Housing in the United Kingdom	Number of units constructed by tenure	Theme 1: Affordability and Security Criteria: Core – C3 - Share and number, of new Homes, allocated to: General needs (social rent), Intermediate rent, Affordable rent, Supported Housing, Housing for older people, Low-cost home ownership, Care homes, Private Rented Sector
	Re-financing of existing Social and Affordable housing in the UK	Existing number of affordable properties by category and average rents charged relative to private sector rents.	Theme 1: Affordability and Security Criteria: Core – C2 – Share and number, of existing homes, allocated to: General needs (social rent), intermediate rent, Affordable rent, Supported Housing, Housing for older people, Low-cost home ownership, Care homes, Private Rented Sector
Access to essential services	Support residents and community partners to deliver children's activities, sporting programmes, health and wellbeing sessions as well as clubs for young people	Number of attendees across all programmes	Theme 4: Resident Support Criteria: Core – C12 – What support services does the Housing Provider offer to its residents. How successful are these services in improving outcomes?
	Placemaking and improving green spaces	Number of transformational estate improvement projects	Theme 5: Placemaking Criteria: Enhanced – C13 – Provide examples or case studies of where the Housing Provider has been engaged in placemaking or shaping activities
Employment generation	Employment generation, and programs designed to prevent and/or alleviate unemployment	Number of people provided with employment Number of programmes delivered	Theme 4: Resident Support Criteria: Core – C12
Green Buildings	Construction of new Green Buildings in the UK (EPC B or above)	% of new homes with an EPC Rating of A or B	Theme 6: Climate Change Criteria: Core – C15 – Distribution of EPC ratings for new homes (% of homes rated A, B, C, D or worse)
	Re-financing of existing Green Buildings in the UK (EPC B or above)	Number of existing homes with an EPC rating of A or B	Theme 6: Climate Change Criteria: Core – C14 – Distribution of EPC ratings for existing homes (% of homes rated A, B, C, D or worse)
	Renovation of existing homes that improve unit EPC ratings by two notches	Number of existing homes that have been renovated, achieving a 2-notch EPC rating uplift	
Renewable Energy/Energy Efficiency	Projects aimed at integrating renewables into the energy system for buildings or improving the energy efficiency of the building	CO ₂ emissions saved in tCO ₂ e	Theme 6: Climate Change Criteria: Enhanced – C16 - Scope 1, Scope 2 and Scope 3 greenhouse gas emissions Criteria: Enhanced – C17 - What energy efficiency actions has the Housing Provider undertaken in the last 12 months

The reporting will be independently reviewed internally. The report will be made publicly available on our website.

2.5 EXTERNAL REVIEW

2.5.1 SECOND PARTY OPINION

2.5.2 EXTERNAL VERIFICATION

- We have appointed DNV Business Assurance Services UK Limited to provide a Second Party Opinion (SPO) to confirm that this SFF aligns with the internationally recognised principles outlined in section 2.1
- DNV have reviewed this SFF and their SPO can be seen on our [website](#)

- External verification of the tracking of the proceeds will be provided by an appointed qualified external party, that will review and provide an opinion on all allocation reports issued in line with section 2.5.
- The review is included in the Annual Report



DISCLAIMER

This document is intended to provide non-exhaustive, general information. This document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Peabody. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Peabody as to the fairness, accuracy, reasonableness or completeness of the information in this document.

This document may contain statements about future events, projections, expectations, prospects and estimates that are forward looking statements (together, "forward looking statements"). None of the forward looking statements in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such forward looking statements have been prepared are correct or exhaustive or fully stated in the document. Peabody undertakes no obligation to update, modify or amend this document, to reflect actual changes in assumptions or changes in factors affecting forward looking statements or to otherwise notify any addressee if any forward-looking statement set forth herein changes or subsequently becomes inaccurate.

This document is not intended to be and should not be construed as providing legal or financial advice. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities. Nothing contained herein shall form the basis of any contract or commitment whatsoever. This document has not been approved by any security regulatory authority.

The distribution of this document may be subject of legal restrictions in some countries. Persons who might come into possession of it must inquire as to the existence of such restrictions and comply with them.

The information in this document has not been independently verified. The addressee is solely liable for any use of the information contained in this document and Peabody shall have no responsibility for any damages, direct, indirect or otherwise, arising from the use of this document by the addressee.



45 Westminster Bridge Road
London SE1 7JB
Tel: 020 7021 4000
Email: info@peabody.org.uk
Website: www.peabody.org.uk

Peabody Trust is a charitable community benefit society registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 (number 7741) and with the Regulator of Social Housing (number 4878).

