



Sustainability Financing Framework

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A. Introduction

About us

Paradigm Housing Group (Paradigm, us or we) is one of the leading providers of affordable housing in the South East, managing over 15,000 homes for more than 37,000 people and employing over 400 staff. We are a financially stable, not-for-profit organisation including a community benefit society and registered provider of affordable housing for rent and for shared ownership.

Our vision is to provide excellent services to customers and build new homes to help more people. We make sure our homes are safe and sustainable and strive to do more, by making the most of our resources.

We are committed to our core purpose of providing good, affordable homes for those who need them. We employ the best and most committed people to work together to achieve this. With their skills and efforts, we have grown over 30 years to become one of the largest social housing providers in the counties of Buckinghamshire, Hertfordshire and Bedfordshire.

At the heart of our vision and values is a commitment to design and deliver homes and services in those places, which our customers can rely on, and which help them to live well.



Our commitment to sustainability

At Paradigm we are committed to improving our services, building more homes and making the ones that we have more energy efficient. The importance of these is clear enough, but the complexity of how we coordinate and plan them is great, and so is the scale of the task, particularly to eliminate greenhouse gas emissions from our business.

At Paradigm, we are committed to:

- Providing homes to people who need them and can't afford them in the open market – we will continue to build new affordable homes within the limits of our financial capacity, and consolidating our approach to be a large, developing provider with a local focus in our core operating areas
- A zero-failure approach to health and safety – we will do our job as landlord to make sure our properties are safe and kept in good repair for our customers, and to make sure that our employees have a safe workplace
- Engaging purposefully with our customers and listening and acting on their views to improve how we serve them
- Transforming the service which we provide to our customers so that it is easier to contact us, more convenient for them, and delivered reliably and to an excellent standard
- Ensuring that we are responsive and courteous to customers, and take into account their individual circumstances in how we provide services to them
- Providing support to customers who need more help to sustain their tenancy

- Continuing the journey to make Paradigm a net zero carbon business by 2050, in the new homes that we build, the adaptations that we make to our existing homes, and the impacts of how we manage our business day to day

A key part of our vision is to build new homes to help more people and make sure our homes are safe and sustainable.

We aim to create places where people are proud to live and that demonstrate high quality affordable housing development which is environmentally sustainable, well designed and cost effective to build and manage – places that we will be proud to have built in the long term.

We have developed this Sustainability Financing Framework (Framework) to enable us to issue an initial sustainability bond. The purpose of this is to maximise our impact through building new affordable homes, adapting existing homes to increase their energy efficiency, and providing benefits and services as social landlord to our customers.

We may choose to issue future bonds against this Framework.

B. Our Sustainability Financing Framework

Scope

We have developed this Framework to demonstrate how we intend to enter into Sustainability Financing Transactions (SFTs). We are currently considering the issuance of Green Loans, Green Bonds, Social Loans, Social Bonds, Sustainability Bonds and Sustainability Linked Loans under this Framework. This Framework may be subsequently updated as the Sustainable Finance market evolves.

In this Framework, we refer to Green Loans, Green Bonds, Social Loans, Social Bonds and Sustainability Bonds collectively as Use of Proceeds Transactions (UoPTs).

Representatives from our Corporate Finance and Policy and External Affairs teams will monitor the implementation of this Framework as well as our annual reporting.

Use of proceeds transactions

Green Loans drawn under this Framework will be aligned with the Green Loan Principles (GLP)¹ as they may be amended from time to time. Social Loans drawn under this Framework will be aligned with the Social Loan Principles (SLP)² as they may be amended from time to time.

Green Bonds, Social Bonds and Sustainability Bonds issued under this Framework will be aligned, as appropriate for the type of bond issued, with the Green Bond Principles (GBP)³, Social Bond Principles (SBP)⁴ or Sustainability Bond Guidelines (SBG)⁵. Sustainability Bonds are aligned with the four core components of both the GBP and SBP with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

The issuance of UoPTs under this Framework will contribute towards sustainable development by earmarking the proceeds to finance, or refinance, projects and expenditures

¹ <https://www.lsta.org/content/green-loan-principles/>

² https://www.lma.eu.com/application/files/1816/1829/9975/Social_Loan_Principles.pdf

³ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁴ <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

⁵ <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

that fall within the categories of Eligible Green Projects and Eligible Social Projects described in this Framework and deliver positive environmental and social outcomes which support Paradigm's strategy and vision.

Each UoPT will align with the following four core components of the GBP and SBP (which also apply under the SBG) and/or the GLP or SLP as described in Part C of this Framework:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Behaviour based transactions

Sustainability Linked Loans (SLLs) drawn under this Framework will be aligned with the Sustainability Linked Loan Principles (SLLP)⁶ as they may be amended from time to time.

The use of proceeds in relation to a SLL is not a determinant in its categorisation and, in most instances, we will use the proceeds of SLLs for general corporate purposes. By entering into a SLL, we will be incentivised to improve our sustainability profile over the term of the loan as the loan terms will be aligned to our performance against predetermined sustainability performance targets (SPTs).

Each SLL will align with the following four core components of the SLLP as described in Part D of this Framework:

1. Relationship to Borrower's Overall Sustainability Strategy
2. Target Setting – Measuring the Sustainability of the Borrower
3. Reporting
4. Review

Details of the external review process to be undertaken prior to issuance and on an annual basis are further detailed within this Framework.

C. Proceeds Based Transactions

1. Use of proceeds

As a registered provider of social housing, our core business is sustainable by design and intention, as the core organisational purpose is to provide affordable homes for those who need them.

As at 31 March 2021, our properties comprise 11,561 social housing properties (affordable rents, sheltered and supported housing tenures) and 2,576 low cost home ownership accommodation and 1,515 non-social housing and other properties.





Our decision to issue UoPTs provides us with an opportunity to build on our existing social purpose whilst highlighting our ongoing commitment to become a sustainable, zero carbon business.





As well as applying the net proceeds of all UoPTs in furtherance of our charitable objects or as permitted by our governing rules:

⁶ https://www.lma.eu.com/application/files/8015/5307/4231/LMA_Sustainability_Linked_Loan_Principles.pdf

- the net proceeds of each Green Bond issued under this Framework and each Green Loan drawn under this Framework will be exclusively applied to finance or refinance, in part or in full, new and/or existing Eligible Green Projects;
- the net proceeds of each Social Bond issued under this Framework and each Social Loan drawn under this Framework will be exclusively applied to finance or refinance, in part or in full, new and/or existing Eligible Social Projects; and
- the net proceeds of each Sustainability Bond issued under this Framework will be exclusively applied to finance or refinance, in part or in full, new and/or existing Eligible Green Projects and Eligible Social Projects.

The listing below includes a sample of initiatives which may be considered as Eligible Projects by Paradigm.

	Eligible Categories	Sample Eligible Projects	Target Populations	UN SDG Alignment and Contribution
Eligible Social Projects (Social Bond Principles/Social Loan Principles)	Affordable Housing	Construction, purchase or upgrade of social housing or affordable housing	People who cannot afford to rent or purchase homes on the open market in their local area	 <p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>
	Affordable basic infrastructure	Construction, purchase or upgrade of social housing or affordable housing and supporting infrastructure	People who cannot afford to rent or purchase homes on the open market in their local area	 <p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>
Eligible Green Projects (Green Bond Principles / Green Loan Principles)	Green buildings	Investment in existing homes to improve EPC rating and energy efficiency Construction of homes with an EPC Rating of B or higher		  <p>7.3: By 2030, double the global rate of improvement in energy efficiency.</p> <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>

	Renewable energy	Solar energy generation (solar PV)	  <p>7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.</p> <p>9.1: Develop quality, reliable, sustainable and resilient infrastructure.</p> <p>9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies</p>
	Clean Transport	Electric vehicles and charging infrastructure	  <p>9.1: Develop quality, reliable, sustainable and resilient infrastructure.</p> <p>9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies</p> <p>11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all</p>

The Eligible Categories under the GLP, GBP, SLP and SBP may be expanded over time. It is expected that where required the list of selected Eligible Green Projects and Eligible Social Projects will be dynamic and reflect Paradigm’s priorities.

Where a UoPT takes the form of less than all of the tranches of a loan facility or bond issuance, the green, social or sustainability tranche(s) will be clearly designated, with proceeds of the green, social or sustainability tranche(s) tracked in an appropriate manner.

Paradigm commits to not knowingly be directly involved in financing any of the following projects or activities through the proceeds of any UoPT:

- Gambling
- Tobacco
- Whaling
- Weapons
- Predatory Lending
- Fossil Fuels
- Palm Oil
- Transport of Live Cattle

2. Process for project evaluation and selection

In accordance with the GLP, GBP, SLP, SBP and SBG, the Eligible Projects that will be financed or refinanced by an issuance of:

- Sustainability Bonds under this Framework will be a combination of both Eligible Social Projects and Eligible Green Projects;
- Social Bonds or Social Loans under this Framework will be Eligible Social Projects; and
- Green Bonds or Green Loans under this Framework will be Eligible Green Projects.

The process for project evaluation and selection will ensure that the allocation of the net proceeds of Green Bonds, Social Bonds and Sustainability Bonds issued under this Framework and Green Loans and Social Loans drawn under this Framework will meet the criteria set out above.

This Framework has been approved by our Board. On an annual basis, compliance with this Framework will be confirmed by our Board following a review by our Audit and Risk Committee. In addition to this governance process our Project Appraisal Group identify the categories of Eligible Projects and carry out the evaluation and selection process. The Project Appraisal Group consists of representatives from each of the following teams:

- Corporate finance
- Customer operations
- Strategic asset management
- Development (new build assets)
- Governance
- Policy/sustainability representative

3. Management of proceeds

Paradigm commits to tracking the receipt and use of proceeds from issuance of UoPTs via internal reporting systems. Paradigm will maintain a register of Eligible Projects and the allocation of proceeds of UoPTs to those Eligible Projects.

Paradigm does not intend to have any unallocated proceeds during the life of any UoPTs. Paradigm intends to maintain a pool (or pools) of relevant Eligible Projects having an aggregate value which is larger than the aggregate value of all relevant outstanding Paradigm UoPTs.

In the event that unallocated proceeds exist upon the issuance of UoPTs, Paradigm commits

to fully allocating proceeds raised from UoPTs within a maximum of 24 months from issuance and in the meantime the Paradigm Treasury Team will:

- ensure that the unallocated proceeds are invested in temporary investment instruments such as cash, or cash equivalent instruments in accordance with Paradigm Treasury's policy; or
- apply the unallocated balance to temporarily reduce indebtedness of a revolving nature.

Any unallocated proceeds will be disclosed as part of our annual reporting on our UoPTs. To manage the net proceeds of each UoPT, Paradigm will establish a Sustainability Financing Projects Register.

The proceeds of each UoPT will be allocated to one or more Eligible Green Projects or Eligible Social Projects identified in the Sustainability Financing Projects Register.

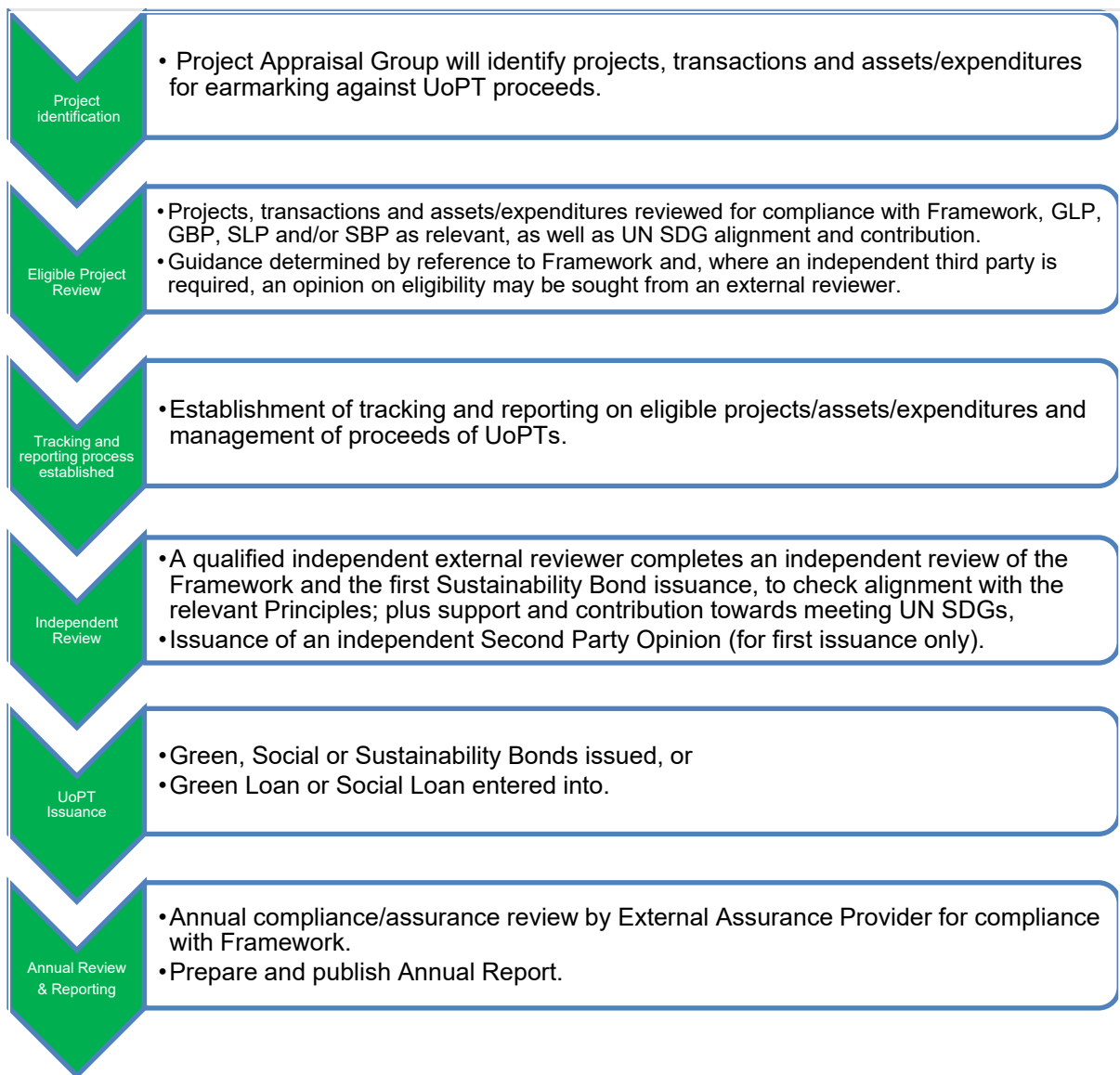
The Sustainability Financing Projects Register will be reviewed annually by the Audit and Risk Committee and the Board to account for any re-allocation, repayments or drawings on the Eligible Green Projects and Eligible Social Projects.

The Sustainability Financing Projects Register will contain relevant information including:

- Details of the UoPT(s): key information including transaction date, principal amount of proceeds, settlement date, maturity date, and interest margin or coupon, ISIN number etc.
- Details of Use of Proceeds, including:
 - Summary detail of Eligible Green Projects and Eligible Social Projects to which the proceeds of the UoPT have been earmarked in accordance with this Framework
 - Amount of UoPT proceeds earmarked to each Eligible Green Project and Eligible Social Project category
 - Confirmation of appropriate delegation authority endorsement that each Eligible Green Project and Eligible Social Project is considered to be an eligible use of proceeds under this Framework
 - Aggregate amount of UoPT proceeds earmarked to Eligible Green Projects and Eligible Social Projects
 - Any unallocated UoPT proceeds yet to be earmarked against Eligible Green Projects and Eligible Social Projects
 - Estimated environmental and social impact (where available), and
 - Other necessary information

Paradigm has implemented internal accounting and financial management and information systems to track and report on Eligible Green Projects or Eligible Social Projects and verify whether the net proceeds of the UoPTs have been fully allocated.

Where a Green Loan or Social Loan takes the form of one or more tranches of a loan facility, or a Green, Social or Sustainability Bond takes the form of one or more tranches of a bond issuance, each green or social tranche will be clearly designated, with proceeds of the green, social or sustainability tranche(s) tracked as described above.



4. Reporting

On an annual basis, Paradigm will publish an Annual Report and/or reporting pursuant to our adoption of the Sustainability Reporting Standard for Social Housing which will disclose the use of proceeds of our UoPTs and be made available on our website.

The following information will be provided until the proceeds of each UoPT have been allocated, then updated on an annual basis. Our annual reporting will contain at least the following details:

a) Summary:

A list of all UoPTs issued or drawn in the reporting period and outstanding at the reporting date and summary terms of each transaction. Key information to be provided will include transaction date, principal amount of proceeds, maturity date, and (in the case of UoPTs that are bonds) interest rate or coupon and ISIN.

b) Allocation Reporting – for each UoPT:

- A list of Eligible Green Projects and/or Eligible Social Projects earmarked to be funded by the proceeds

- Amount of proceeds allocated to the various Eligible Green Projects and/or Eligible Social Projects
- Description of major Eligible Green Projects and/or Eligible Social Projects
- Aggregate amount of proceeds of UoPT allocated to Eligible Green Projects and/or Eligible Social Projects
- The remaining balance of unallocated proceeds.

c) Impact Reporting – for each UoPT:

Paradigm’s impact reporting for each UoPT will form part of our Annual Report and/or our annual reporting pursuant to our adoption of the Sustainability Reporting Standard for Social Housing.

It is anticipated that all housing assets owned and operated by Paradigm will qualify as Eligible Social Projects, and that a proportion of those assets will also qualify as Eligible Green Projects. Consequently, Paradigm’s annual reporting will address all of our housing assets not just those earmarked to specific UoPTs in accordance with this Framework.

We expect to include statements in our annual reporting outlining:

- the multiple by which the aggregate value of our pool(s) of Eligible Green Projects and Eligible Social Projects (without double counting) exceeds the aggregate value of our relevant UoPTs; and
- the proportion of our total housing assets which are Eligible Green Projects.

5. External review

We have committed to appoint an external review provider to confirm the alignment of this Framework and each UoPT issued under this Framework with the SBG, GBP, SBP, SLP and the GLP. Sustainability Bonds are aligned with the four core components of both the GBP and SBP with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

We have engaged DNV GL Business Assurance Australia Pty Ltd (DNV) to provide an external review in the form of a Second Party Opinion on this Framework, and confirm alignment with the SBG, GBP, SBP, SLP and GLP.

DNV GL has confirmed the alignment of this Framework and the underlying assets and/or procedures with the SBG, GBP, SBP, SLP and GLP.

The Second Party Opinion will be made publicly available on our website.

We will engage DNV or another appropriate external review provider, to provide an annual review and assurance that each UoPT remains in compliance with this Framework at least once a year until all proceeds are allocated. Each such annual review will be made publicly available on our website.

D. Behaviour Based Transactions – Sustainability Linked Loans

1. Relationship to our corporate social responsibility strategy

Our achievement of our sustainability ambitions will be incentivised through the terms of our SLLs, complementing the delivery of our Corporate Plan. At Paradigm, we have an ambitious plan to improve our services, build more homes and make the ones that we have

more energy efficient.

Our sustainability performance targets will support our goal to deliver safe, high quality, affordable homes and are consistent with what we have to achieve in order to become a sustainable zero carbon business.

2. Target setting – measuring our sustainability

Our sustainability performance targets (SPTs) may include metrics relating to:

- Number of new homes
- Energy efficiency of homes
- Delivery of support services
- Customer satisfaction
- Employee engagement

We will agree ambitious yet achievable sustainability performance targets (SPTs) that are meaningful to our business and tied to a sustainability improvement in relation to a relevant performance target benchmark (including Paradigm's historical performance). The SPTs will apply over the life of the loan.

DNV will confirm the appropriateness of the SPTs.

3. Reporting

We will clearly specify the timing and content of our expected reporting in the transaction documentation relating to each of our SLLs.

We will commit to at least annual performance reporting for each SLL to relevant funders. This may be consolidated within our Annual Report or our annual reporting pursuant to our adoption of the Sustainability Reporting Standard for Social Housing.

Measurement of performance with respect to selected targets for any SLL will be undertaken periodically as relevant for the selected targets. At a minimum, measurement will be annual, and may be more frequent if relevant for the selected SPT. Where possible, our annual reporting pursuant to our adoption of the Sustainability Reporting Standard for Social Housing will provide qualitative and/or quantitative reporting of the environmental and social impacts (where relevant) resulting from the projects undertaken to meet our SPTs.

4. Review

The annual performance reporting for each SLL will be subject to review by our independent auditors or a Second Party Opinion provider as part of the annual funder compliance review.

E. Appendices

1. References

- a) ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines
<https://www.icmagroup.org/green-social-and-sustainability-bonds/>
- b) LMA/APLMA/LSTA Green Loan Principles
<https://www.lsta.org/content/green-loan-principles/>
- c) LMA/APLMA/LSTA Social Loan Principles
https://www.lma.eu.com/application/files/1816/1829/9975/Social_Loan_Principles.pdf
- d) LMA/APLMA/LSTA Sustainability Linked Loan Principles
<https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>
- e) United Nations Sustainable Development Goals
 - United Nations Sustainable Development Goals (SDGs)
<http://www.un.org/sustainabledevelopment/sustainable-development-goals/>
 - Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals
<https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainabledevelopment-goals/>