



Sustainability

# Bonds

Allocation and Impact Report 2024

ASTER  
GROUP

# Introduction

Welcome to our second Sustainability Bonds – Allocation and Impact Report. As you'll see, the report details how the proceeds from our second Sustainability Bond issuance in June 2023 have been allocated and the associated environmental and social benefits.



**Bjorn Howard**, Group Chief Executive Officer



Like our last update in 2022, we've commissioned leading independent ESG and corporate governance research, ratings and analytics firm Sustainalytics to produce two reports for us. The first of these assesses whether the bond proceeds have been allocated according to the criteria set out in our Framework for Sustainable Finance for Green Buildings and Affordable Homes. The second, provides assessment of the associated environmental impact of the new Green Buildings developed utilising the proceeds from the issuance, through the positive contribution made in avoidance or reduction of greenhouse gas emissions.

The full report has concluded that 2,570 tonnes of carbon dioxide equivalent have been avoided on an annual basis.

With over 37,000 properties across the south of England and London, we know we have a part to play in helping the UK meet its climate change targets. Since our last update, we've maintained our G1/V1 governance and viability ratings following an in-depth assessment by the Regulator for Social Housing (RSH) and disability charity, Enham Trust joined our Group in October 2022. Together, we are working in alignment with our corporate strategy and objectives which are built around our vision that 'Everyone has a home'. We're committed to providing as many safe, affordable homes as possible through a mixture of tenures that are also sustainable in every sense of the word.

Our sector operates in a challenging market. With the added complexities of future political uncertainty and a shifting in the Government's climate change targets, we remain absolutely committed to decarbonisation. Currently 85.1% of our stock is rated EPC C or above. We're committed through our own long-term sustainability roadmap to ensuring the remainder of our homes, where practicable, are this efficient or better and we reach net zero by 2050 – all in line with Government's current targets. We also expect all of the new homes we deliver to be EPC and EIR B or above.

We're using data and technology to inform all our investments so we can guarantee we're targeting the right homes at the right time. This long-term approach to investment means we can make our homes as sustainable as possible by embracing technologies that add genuine value for our customers. Since our last report, we've commissioned and completed a full stock condition survey which has helped us better

understand our homes and the technology and materials needed to achieve our targets. This also helps us to tackle damp and mould more proactively and efficiently and we're pleased to be launching phase two of a 'Home Health Check' pilot, which is focused on improving identification and remedial / preventative works around damp and mould in our customers' homes.

We extend our sustainable approach to the contractors and suppliers we work with, so our procurement process attracts and collaborates with high calibre, environmentally friendly partners to benefit our customers.

In April 2023, our bid for £500,000 of Wave 2 of the Social Housing Decarbonisation Fund (SHDF) was successful. We've matched this funding to form a £1.1m programme and rolled out an innovative technology pilot, in some of our least economical homes to test how these solutions work and the real results in practice. This will help inform where we invest next.

We've also been continuing to review owned corporate buildings to offer flexible spaces across our network. This strategy is designed to deliver better customer service and give our colleagues the choice of where they work in the way that suits them best. The redevelopment proposals for our Testway House office in Andover is an example where we're keen to redevelop that space for much needed affordable homes.

The Aster Foundation continues to do great work in our communities beyond building and managing homes by delivering bespoke impact programmes which combat the causes and effects of poverty. The Foundation also attempts to address the root cause of social challenges through an influencing programme and its innovative social incubator, **inc.**

Our report shares two case studies which illustrate how the proceeds of the Bond issuance have unlocked new affordable housing in Poundbury, Dorset and Frome, Somerset. These tangible examples show the value that this funding can provide, and the difference it can make in communities across the country. We know there is still much for us to do as a sector – and a journey we are wholly committed to. Ultimately, this is about providing our customers with the best homes that meet their individual needs, are futureproofed, and sustainable for the long term.



**Bjorn Howard**  
Group Chief Executive Officer

# Our Purpose

What we do enables better lives. We provide safety and security through a range of housing and services. We will continue to grow so we can maximise our impact. Our strengths are our people and our culture.

## Corporate Strategy - Strategic themes

- Providing safe, well-maintained homes and modern, reliable customer services
- Building as many homes as we can, offering a range of housing options
- Empowering our colleagues, customers and communities to thrive

## Corporate Strategy - Enablers

- Data, technology and transformation
- Financial strength and business health
- People and culture

## Aster Foundation

The Aster Foundation was created by Aster Group in response to government welfare policy changes in 2016 and increasing inequalities across the UK and Aster communities; also as a way to highlight the additional work carried out by the Group to create social impact in the places which needed it the most. The Foundation operated as a department within Aster for nearly three years and within this time, positively impacted thousands of people.

Aster Foundation became a charity in March 2022 with the hope of reaching more people to combat the causes and effects of poverty.

## Customer Experience

We're balancing a dedicated customer service modernisation programme with delivering much needed new homes across the south of England and London and we are doing all we can to ensure that the most vulnerable in our communities have somewhere safe and secure to call home. Customer voice is critical in shaping and enhancing the day-to-day delivery of our services. You can read more about this in our ESG report.

## United Nations Sustainable Development Goals

The Group continues to align its activities to the UN Sustainable Development Goals as set out in our Framework for Sustainable Finance.



## Sustainability Reporting Standard

We were an early adopter and continue to actively support the Sustainability Reporting Standard (SRS) for Social Housing aligning our ESG report to it. The SRS is a voluntary reporting framework, covering 48 criteria across ESG considerations such as zero carbon targets, affordability, safety and resident voice.

## Sustainability Progress

We remain fully committed to becoming an even more sustainable business, building on our achievements and progress made to date.

We have progressed the development of our plans to ensure our customers' homes are net zero by 2050 and are a minimum of EPC C by 2030. Our successful Social Housing Decarbonisation Fund Wave 2 project has exceeded delivery targets this year enabling us to add more homes to the project and secure the additional funding for their delivery. Using the insight gained from the full stock condition survey, we have modelled measure-level options for achieving EPC C and net zero which has been used to inform our financial plans.

Recognising the benefits that enhancing biodiversity in our communities could bring, we have now completed a biodiversity net gain baselining exercise that will be used to develop our approach as part of our emerging new sustainability strategic plan during 2024/25.

Our continuing focus on reducing business miles has resulted in 1,000,000 fewer miles on average being driven annually by colleagues compared to pre-COVID. Looking ahead, we are finding ways to promote necessary miles becoming cleaner through action such as a salary sacrifice EV and hybrid vehicle leasing scheme to be available to colleagues.

We continue to divert as much of our waste as possible from disposal by landfill and to maximise recycling. During 2023/24, 78% of our operational waste was recycled, and 99.6% was diverted from landfill. Going forward, we will be looking to further increase recycling rates as well as reduce the quantities of waste we produce, for example through how we specify, procure and use the materials used to maintain our properties.

In terms of our offices, we remain focused on making sure we're efficiently utilising our workspaces. This includes ensuring our energy consumption and carbon emissions are minimised. During the past year we reduced our office footprint by 29% (2,200 m2). In 2024/25 we plan to cut our office space by a further 13%.



## Sustainable Commitments

### Green

During 2024/25 we will be developing a new sustainability strategic plan for the Group. This will build on our current commitments, which include:

- ensuring all our homes achieve a minimum EPC rating of C by 2030, accelerating progress where we can by utilising the government's Social Housing Decarbonisation Fund;
- continuing to rationalise our workspaces to ensure they remain fit for the future, at the same time minimising their energy use and carbon emissions. To help achieve this we will be reducing our office space by a further 1,000 m2 during the current financial year; and,
- greening our vehicle fleet, through our new five-year fleet strategy.





# Social - Our priorities until 2030

## Aster Foundation

### Mission:

To enable better lives through our work to combat poverty.

### We work with people in three ways:

- through initiatives in the community which focus on the three biggest causes and effects of poverty: lack of mental wellness and social connections, unemployment, and financial exclusion;
- the social incubator, **inc.** works with those who want to tackle the root cause of poverty in creative, proactive and innovative ways; and,
- social research gives a voice to those experiencing poverty - so the Foundation knows what to do, where and how to do it.

### Aster Foundation 2023/24 Impact:

People positively impacted  
by the Aster Foundation:

4,921

People positively impacted  
by our mental health and  
social connectivity work:

2,223

#### Includes:

- Workplace training, coaching and support;
- Training mental health champion; and,
- Improving customers' outside spaces.

People supported to be more  
financially included:

2,457

#### Includes:

- Customer referrals to the financial wellbeing team;
- Support for grant applications; and,
- Aster Group hardship fund.

People supported to move into  
meaningful employment:

241

#### Includes:

- Into Work Office;
- **inc.** social incubator; and,
- Digital College.

# Our Framework for Sustainable Finance remains unchanged

We made the decision to issue a second tranche of sustainable debt in June 2023, pledging a use of proceeds aligned to our Framework for Sustainable Finance.

## The framework is aligned to:

- the Social Bond Principles - June 2020 ("SBP");
  - the Sustainability Bond Guidelines - June 2018 ("SBG");
  - the Green Bond Principles - June 2018 ("GBP"); and,
  - the Green Loan Principles - December 2018 ("GLP").
- as published by the International Capital Markets Association ("ICMA") and Loan Market Association ("LMA").

## Second-Party Opinion Aster Group Framework for Sustainable Finance

The Framework for Sustainable Finance has a second-party opinion from Sustainalytics. The second party opinion, which can be viewed on our website, confirmed alignment to the SBP, SBG, GBP and GLP stating that framework was credible and impactful.

### Aster Group Framework for Sustainable Finance



#### Evaluation Summary

Sustainalytics is of the opinion that the Aster Group Framework for Sustainable Finance is credible and impactful and aligns with the Green Bond Principles 2018 (GBP), Social Bond Principles 2020 (SBP), Sustainability Bond Guidelines 2018 (SBG) and Green Loan Principles 2020 (GLP). This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Affordable Housing and Green Buildings – are aligned with those recognized by the GBP, SBP and GLP. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 9 and 11.



**PROJECT EVALUATION / SELECTION** Aster Group Limited intends to rely on its internal Group Asset and Investment Panel for project evaluation and selection. Sustainalytics notes that the composition of this panel includes senior management representatives from different departments and considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Aster Group Limited intends to maintain a separate record for proceeds raised from financings under this Framework. Net proceeds are intended to be allocated towards refinancing of existing projects with a lookback period of three years or financing new projects within two years from date of issuance with unallocated proceeds managed in accordance with the Company's treasury management policy. This is in line with market practice.



**REPORTING** Aster Group Limited intends to report on the allocation of proceeds on an annual basis until full allocation. In addition, Aster Group Limited is committed to reporting on relevant impact metrics. Sustainalytics views Aster Group Limited's allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	December 18, 2020
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<b>Issuer Location</b>	Wiltshire, United Kingdom
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For the full report,

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Framework for  
**Sustainable  
Finance**

January 2021

**Our Framework  
for Sustainable  
Finance**  
can be viewed  
on our website.

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## Transaction overview

The Group, issuing via Aster Treasury Plc, made its second issuance (Series 2) under the Framework in June 2023.

Details of the transaction are shown below:

### Key features

<b>Issuer</b>	Aster Treasury Plc
<b>Currency</b>	GBP
<b>ISIN</b>	XS2636439098
<b>Series number</b>	Series 2
<b>Principle amount</b>	£250,000,000
<b>Retained notes principle amount</b>	£100,000,000
<b>Net proceeds</b>	£248,583,257
<b>Issue date</b>	20 June 2023
<b>Maturity</b>	20 December 2032
<b>Coupon</b>	5.412%
<b>Rating</b>	A+ (S&P)
<b>Allocated</b>	£248,583,257
<b>Allocated %</b>	100%

## Allocation overview

Under the Framework, we intend to allocate an amount equivalent to the net proceeds of a given Sustainability Bond issuance to eligible Social and Green Projects originated no more than three years prior to the issuance. The proceeds will be allocated within two years from the date of issuance.

We intend to align our allocation and impact reporting to financial years and as such all information in this report relates to expenditure that has been incurred from 1 April 2020 onwards referred to as the Base Allocation Date.

We have adopted an allocation approach to eligible projects which is in chronological order from the Base Allocation Date.







## Allocation of proceeds

In the below table, detail is provided on the total eligible expenditure from the Base Allocation Date to the end of the Allocation Period, 31 March 2023.

Year	Series	<sup>1</sup> Total social development expenditure (£m)	<sup>2</sup> Eligible development expenditure (£m)	<sup>3</sup> Net after deduction for receipts (£m)	Cumulative eligible expenditure (£m)	Sustainability bonds allocation (£m)	Remaining unallocated expenditure (£m)
2018/19	Series 1	153.2	134.1	86.7	86.7	86.7	-
2019/20	Series 1	188.3	183.4	124.2	210.9	197.9	13.0
2020/21	Series 2	140.9	133.7	92.1	92.1	92.1	-
2021/22	Series 2	164.4	153.6	105.5	197.6	197.6	-
2022/23	Series 2	209.1	198.9	125.2	322.8	248.6	74.2

<sup>1</sup> The total social development expenditure is the total expenditure in each financial year on the acquisition and construction of social housing properties.

<sup>2</sup> The eligible development expenditure is after deductions for schemes which were specifically funded via another funding route.

<sup>3</sup> The net after deduction for receipts is the eligible development expenditure for allocation after the deduction of social housing grants and first tranche shared ownership sales receipts.

Based on the allocation approach discussed above, all proceeds of the Series 2 transaction have been allocated to the expenditure within the 2020/21, 2021/22 and 2022/23 financial years. £74.2m of expenditure will be carried forward to future allocations. This represents the difference between the Series 2 nominal issuance amount net proceeds of £248.6m and the cumulative eligible net expenditure in 2020/21, 2021/22 and 2022/23 of £322.8m. The £13m of eligible expenditure unallocated from financial years 2018/19 and 2019/20 has not been allocated to the Series 2 transaction as it falls outside the allocation period.

A post-issuance Allocation Review of the allocation of proceeds to eligible green and social projects has again been undertaken by Sustainalytics who concluded that "All of the projects reviewed complied with the Use of Proceeds criteria."

A table summarising the allocation of proceeds extracted from the Sustainalytics report is shown below:

Use of Proceeds Category	Eligibility Criteria	Net Bond Proceeds Allocation (£m)
Affordable Housing	2,578 units meet the Affordable Housing criteria, of which a proportion also meet the criteria for Green Buildings: 2,498 units meet the criteria of minimum EPC B and minimum EIR B.	248.6
Green Buildings		
Total Proceeds Allocated (GBP)	N/A	248.6

To confirm, there are no unallocated proceeds to report on from the Series 2 transaction. Once issued, the retained element of the Series 2 transaction will follow the same process.

For the  
full report,

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## Impact reporting

Proceeds from the Series 2 issuance have had a measurable impact on our customers in the communities in which we operate. This section of the report outlines the social and environmental impact the eligible projects have made.

It should be noted that the construction of new building Affordable Housing is in most cases eligible under both eligible project categories (Affordable Housing and Green Buildings). The below analysis shows the distribution of proceeds between criteria and a breakdown of the allocation period.

ICMA Eligible Social and Green projects	Project eligibility for Series 2 transaction – 2020/21	Project eligibility for Series 2 transaction – 2021/22	Project eligibility for Series 2 transaction – 2022/23
<b>Affordable Housing</b>	100%	100%	100%
<b>Green Buildings</b>	96.8%	95.5%	98.1%

ICMA Eligible Social and Green projects	Series 2 allocation – 2020/21	Series 2 allocation – 2021/22	Series 2 allocation – 2022/23	Total
<b>Affordable Housing and Green Buildings*</b>	£92.1m	£105.5m	£125.2m	<b>£322.7m</b>
<b>Total</b>	<b>£92.1m</b>	<b>£105.5m</b>	<b>£125.2m</b>	<b>£322.7m</b>

\*3.1% of units delivered in the three reporting periods fall below the Green Building eligibility criteria.



## Affordable Housing

As a housing association, our focus is on the provision of affordable housing. The investment we have made in eligible projects from the Base Allocation Date has had a pronounced impact in the communities we serve. This section details some of the social impact of the Series 2 issuance.

### Average rent to market rent

The extent to which our new build homes are affordable is a key impact metric. The average rental value of Aster properties compared to the average market rent is shown for each county where we developed new homes using the proceeds from the Series 2 issuance.

Area	Average rent as proportion of average market rent <sup>4</sup>	Area	Average rent as proportion of average market rent <sup>4</sup>
Cornwall	51.3%	Somerset	58.9%
Devon	55.9%	Surrey	46.0%
Dorset	54.6%	Swindon	59.0%
Gloucestershire	55.9%	West Berkshire	64.1%
Hampshire	57.8%	West Sussex	54.1%
Oxfordshire	44.7%	Wiltshire	57.1%

<sup>4</sup> For reference the above comparison excludes shared ownership properties and those that were unoccupied as at 31 March 2023.

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### Total number of customers

The extent to which the construction of new build homes reaches the people in the communities we operate is a key part of our vision, everyone has a home.

As at the 31 March 2024, 3,407 customers lived in a home built using the proceeds from the Series 2 issuance.

### Rental to low-income groups

Our focus is on the provision of affordable housing and therefore it is critical that these homes are let to those who need it most.

As at 31 March 2024, 54% of active tenancies in a home built using the proceeds from the Series 2 issuance were let to customers who received Universal Credit or claim housing benefit.

# Green Buildings

The overwhelming majority of our development projects are also eligible as Green Buildings making a positive contribution to tackling climate change and avoiding greenhouse gas emissions.

As mentioned above, and similar to the Series 1 issuance, A Green Buildings Impact Report has been produced independently by Sustainalytics which has analysed the units delivered during the 2020/21, 2021/22 and 2022/23 financial years. The full report, which can be found on our website, concludes that **2,570 tonnes (t)** of carbon dioxide (CO<sub>2</sub>) equivalent (e) have been avoided on an annual basis.



For the  
full report,

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A summary table of the impact of the Group's Green Building projects is shown below:

Gross Building Area	Allocated Amount	Average Project Lifetime	Financed Annual Emissions Avoided
m2	GBP	Years	tCO2e
<b>186,175</b>	<sup>5</sup> <b>238,218,808</b>	<b>90</b>	<b>2,570</b>

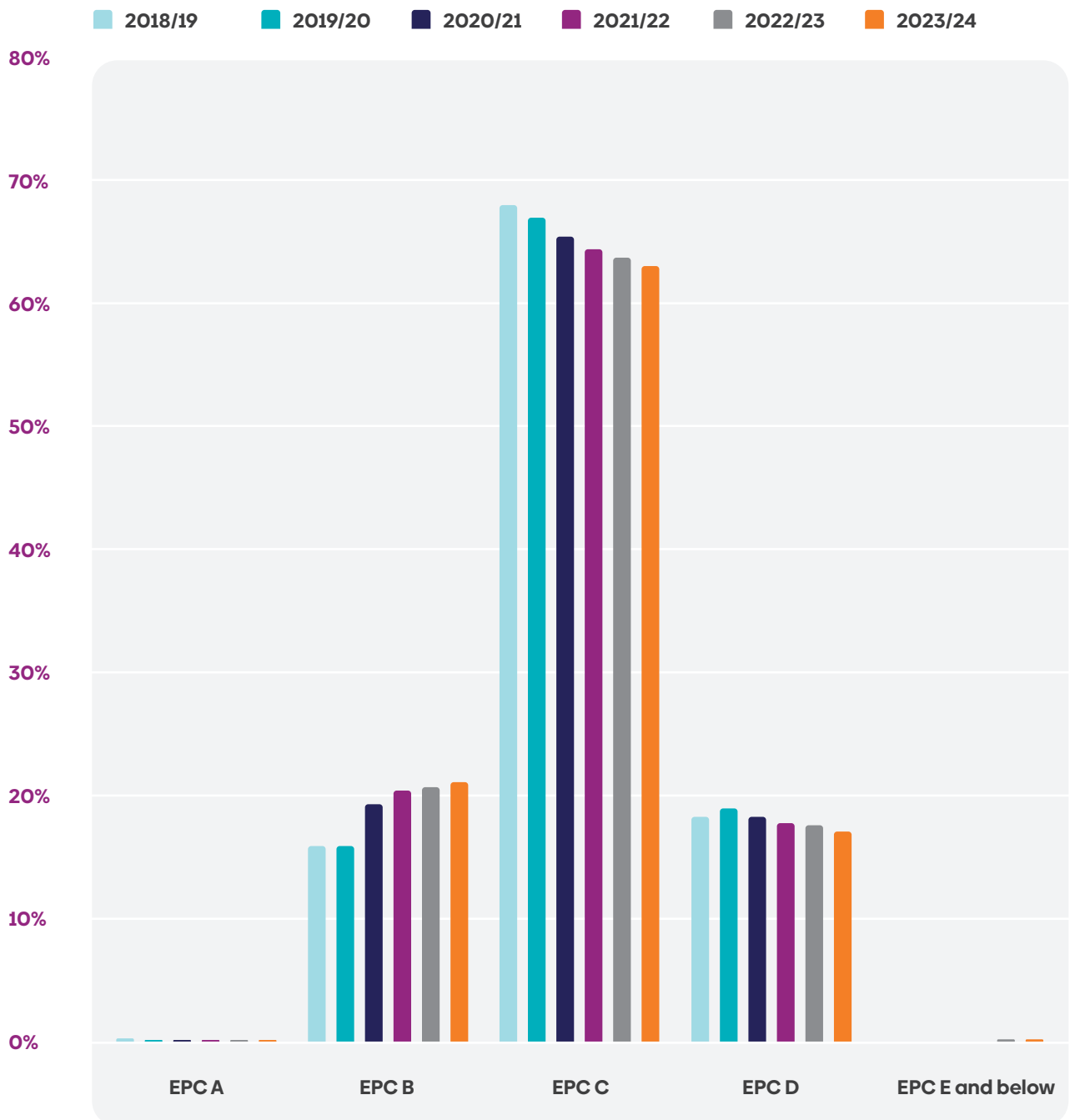
<sup>5</sup> "Other Development expenditures" totalling GBP 2,933,807 are included in the Allocated Amount. These expenditures refer to buildings completed after the reporting period and therefore the associated impact will be reflected in future periods.



## EPC % by year

We aim for all of our properties to achieve a minimum of **EPC** rating of **C** by 2030. Currently 85.1% of our stock meets this requirement. The chart below shows the annual distribution of our **EPC** ratings since 2018/19.

### EPC band distribution by year



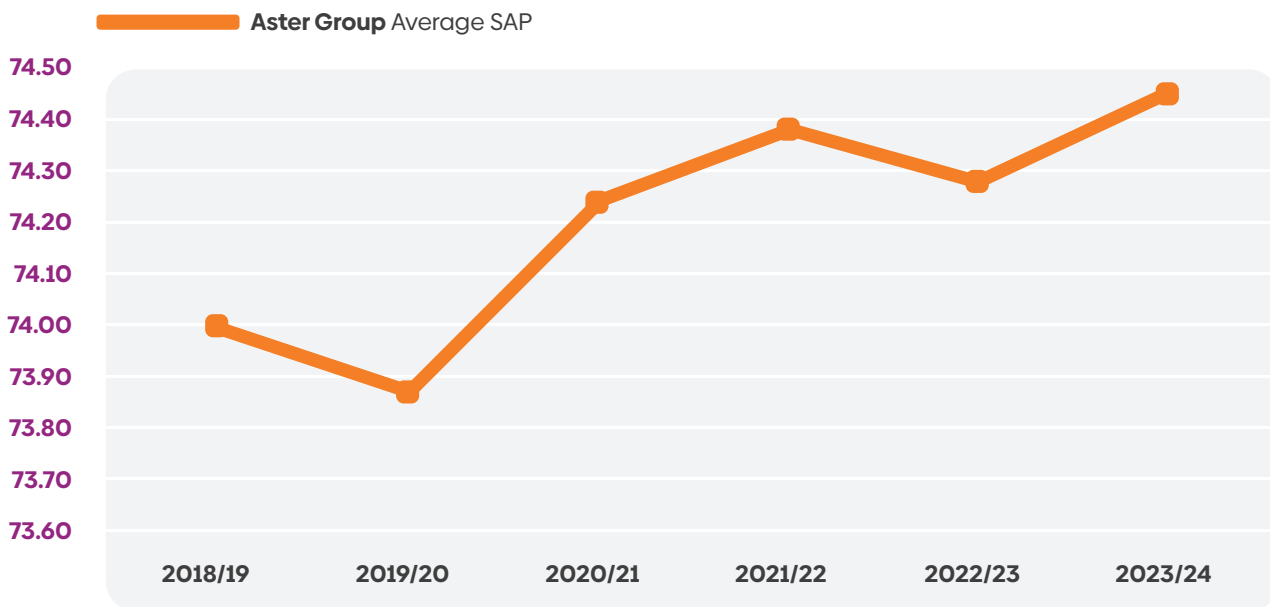
**Note:**

Data excludes Enham Trust properties. Properties rated at **EPC E and below** represent 0.49% of the total for 2023/24.

## Group average SAP score

The average SAP score of our properties as at 31 March 2024 was 74.44 (data excludes Enham Trust properties). As the graph below shows, there is a general upward trend since 2019/20, but with a small dip seen for 2022/23 following Central and Cecil Housing Trust (C&C) joining the Group. This is because C&C's stock is generally less energy efficient than stock elsewhere in the Group.

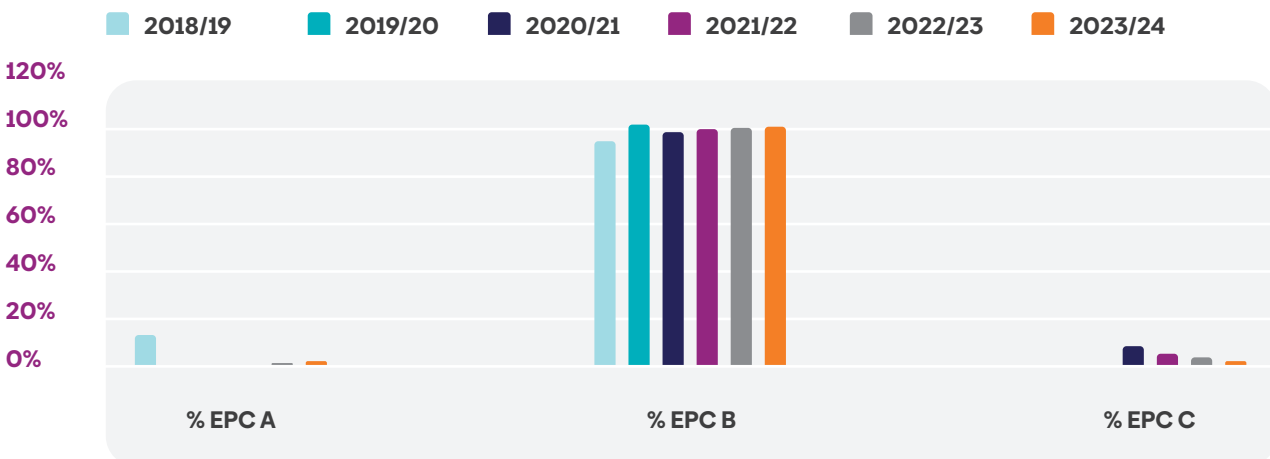
### Average SAP score



## EPC of new properties by year

As the chart below shows, the **EPC** of our new-build homes is consistent at **B** from the base allocation date to 31 March 2024.

### EPC band distribution by year



In terms of the Environmental Impact Rating (EIR), all homes constructed in 2023/24 achieved **B** or better.





# Case Study: Poundbury, Dorset

- Poundbury is an urban extension to Dorchester, founded in 1993. It is built on land owned by the Duchy of Cornwall and was designed to create a 'walkable community' by having commercial buildings, residential areas, shops and leisure facilities mixed together.
- By the autumn we will have delivered 90 affordable homes which have all been secured through a section 106 agreement and consist of:
  - 36 one and two-bedroom flats for affordable rent
  - Five two-bedroom flats for purchase using shared ownership
  - 49 two and three-bedroom houses for purchase using shared ownership.
- Poundbury's unique design includes high quality, natural materials, built with traditional construction methods to reflect design often found in the historic towns and villages of the country.
- HRH King Charles set out a vision of integration to create dynamic, vibrant, sustainable community alongside the existing town of Dorchester. The area has a community code which ensures high standards are maintained and the vision does not diminish.
- All homes delivered to EPC B and EIR B.

To learn more about  
**Poundbury, Dorset**

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# Case Study: Frome, Somerset

- Having been named as one of the best places to live in Britain, Frome's rental and home ownership markets command high prices.
- Cherry Grove is the redevelopment of an existing housing site which replaced poor performing pre-cast reinforced concrete homes. The 21 new affordable homes, comprised of a mix of one and two-bedroom flats, and two and three-bedroom houses.
- Five of the homes were available for affordable rent and 16 for purchase through shared ownership.
- In keeping with Frome's rich history, Aster refurbished two distinctive Cockey Lamps, listed for architectural importance, to incorporate into the new lighting scheme.
- All homes delivered to EPC B and EIR B.

**Nina Richards,**  
Mendip District Council Principle  
Housing Enabling Officer said:

"The completion of new affordable homes at Cherry Grove, is part of the Council's Housing Strategy to address housing market pressures, create better choices for people and deliver good quality homes.

It also aligns with the Council's approach to partnership working and focusing on building new homes that meet current and future local housing.

We believe that the development will bring many benefits to the families and individuals in the area and look forward to seeing this new community thriving in the coming years."

To learn more about  
**Frome, Somerset**

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