

# Sustainability Bonds

Allocation and Impact Report 2021/22

ASTER  
GROUP

Everyone  
has a home

# Introduction

**With a portfolio of over 35,000 homes spanning the South of England and a third of UK greenhouse gas emissions coming nationally from residential properties, it's clear that as a housing association, we have a part to play in helping the UK meet its climate change targets. Our corporate strategy is built around a shared set of objectives and goals that as a business we're working together to achieve.**

At a time when the cost of living is at an all-time high, we are acutely aware of the pressures our customers are under when it comes to rising costs. As a housing association with social purpose at our core, we are absolutely committed to providing safe, affordable homes via a mixture of tenures to people who need them.

All of this needs to be delivered in a way that protects the biodiversity of our communities and lowers our carbon footprint. It's with this focus that we make our long-term decisions, from reducing our corporate estate, to investing in our homes and achieving true diversity of thought.

We are fully committed to decarbonisation and reaching net-zero by 2050, something which will require unprecedented levels of investment from social housing providers. We know, from the extensive research we have conducted, that it will take time for much of the technology and materials needed to achieve our targets to become viable. We've also undertaken our own independent net zero assessment of our existing stock and invested £2.8m to carry out full stock condition surveys on almost 26,000 of our homes. Information from these studies alongside our investment priorities will help progress our energy efficiency and longer-term net zero roadmap to 2050.

While we're wholly committed to decarbonising our portfolio during the coming years, we must balance this with ensuring that the people who live in our homes aren't unduly affected and can continue to warm their homes responsibly and affordably. That's why we're committed to ensuring all our homes, where practicable, are rated at EPC C and above ahead of government targets and 85% of our stock meets this benchmark. We're also committed to delivering sustainable homes and expect all of the new homes we deliver to be EPC B or above.

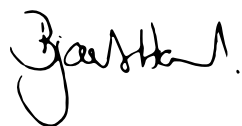
The Aster Foundation, which oversees our wider work in communities beyond building and managing homes, recently became a registered charity. The Foundation delivers impact programmes which enable better lives whilst also addressing root cause of social challenges through our innovative social incubator, **inc.** and our influencing programme.

Since before the pandemic, in 2018 we started reviewing our office portfolio to streamline our owned buildings to instead offer more flexible spaces outside of our network. This strategy is designed to deliver better customer service and give our colleagues the power of choice of where they work.

Since our first sustainable debt issuance in January 2021, we have remained committed to using those proceeds aligned to our Framework for Sustainable Finance. This report details the allocation of funds to eligible projects and the impact these projects have had.

But don't just take our word for it. We have commissioned two external independent reports with Sustainalytics to verify the allocation of proceeds and assess the Green Buildings impact.

We know this is the start of a long journey but it is one we are wholly committed to. We believe in evidence-based, data-lead intelligence to inform what solutions are deployed in the ESG space, to ensure investment is made in the right space. Ultimately, this is about providing our customers with the best homes that meet their individual needs, are futureproofed, and sustainable in every sense of the word.



**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

- Programme experience.
- Our approach to flexible working.
- Financial strength and sustainability.
- Business growth.

## Aster Foundation

We created the Aster Foundation in response to government welfare policy changes in 2016 and increasing inequalities across the UK and our 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 has positively impacted thousands of people.

Becoming a charitable entity in 2022 allows us to amplify our impact further, enabling the better lives of at least 40,000 people by 2030.

## Customer experience

Our customer experience strategy is constantly evolving and we're committed to ensuring customer voice sits at the heart of every strategic decision. We use invaluable feedback and survey data from our customers to shape and enhance the day-to-day delivery of our services. You can read more about this in our ESG report.

## United Nations Sustainable Development Goals

We continue to align our activities to the UN Sustainable Development Goals as set out in our Framework for Sustainable Finance.





## Sustainability Reporting Standard

We continue to be an early adopter of the Sustainability Reporting Standard for Social Housing (SRS). The SRS is a voluntary reporting framework, covering 48 criteria across ESG considerations such as zero carbon targets, affordability, safety and resident voice. This report should be read in conjunction with our ESG report which is available on our website.

## Sustainability progress

We are committed to reaching net zero in our homes by 2050 or before. Operationally, we are reviewing our impacts annually and working to establish a more ambitious decarbonisation target for all of our operational emissions in the first instance. Our focus is on making a real difference by reducing carbon, costs to run our homes and doing what we can to adapt to a constantly changing climate. Enhancing biodiversity in our communities and exploring how we work through an ethical lens will help transform how we work in the coming years. In the short-term, our annual plans and management systems continue to make huge improvements in how we work. We've reduced energy consumption in our offices and depots by **27% since 2019/20**, exceeded our waste targets and **achieved zero waste to landfill\***, with all of our waste recycled or recovered.

During 2022/23 our waste focus continues to centre on identifying opportunities to reduce the quantity of waste we produce and establish a new waste reduction target. Working with our supply chain and exploring our business operating model, we will also drive down waste generation and increase productivity in a joined up 'circular' approach that will see the continued transformation of the services our residents receive. In the financial year 2021/22 we saw a further 11.5% reduction in our fleet fuel use translating into a 13.9% reduction in carbon.

During 2021/22, for the whole organisation, our carbon footprint, was 8.2% less than it was pre-pandemic (2019/20). The amount of carbon we've saved is roughly the same as the carbon emitted by 400 cars (based on each covering 7,600 miles per year, which is the average for a car in the UK).

(\*except small amounts of asbestos waste)

## Sustainable commitments

### Green

Our sustainability plan will be formalised in 2022/23. It focuses on an approach which embeds objectives and targets into everything we do and integrates seamlessly with other initiatives across the Group.

**EPC C ahead of target**

**ISO14001**

**50% reduction in mileage by March 2023**

**Right spaces, right places (our approach to flexible working)**





## Social - Our priorities until 2030

The Aster Foundation delivers impact programmes which enable better lives whilst also addressing root cause of social challenges through our innovative social incubator, **inc.** and our influencing programme.

### Financial Wellbeing

We are helping people to have a healthier relationship with money through providing practical guidance and emergency support.

### Ageing Well (Age 55+)

We are making a difference to the lives of isolated older people through initiatives such as telephone befriending.

### Employment

We are helping those who are out of work to increase their confidence and skills and to connect them with their purpose.

### inc.ademy

We are helping to unlock our communities' potential through **inc.ademy** by developing the entrepreneurial capabilities of around 225 people per year.

### Mental wellness and resilience

We are working with businesses, colleagues and our communities to train and educate people on mental wellness and resilience.

### inc.

We are building businesses to change the world through our social incubator, **inc.**

### Homelessness

We are committed to helping those who are homeless to have and keep a home of their own.

### Influencing social change

We are listening to people across communities and giving them a voice to influence social change.

### Aster V.I.P.

We are connecting our communities with volunteers, so they have the skills and resources they need to thrive.



# Our Framework for Sustainable Finance

We made the decision to issue sustainable debt in January 2021, 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").
- 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



### 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
<b>Issuer Location</b>	Wiltshire, United Kingdom

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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.

[https://asterwebsite.blob.core.windows.net/asterwebsite/about\\_us/reports/Aster-Second-Party-Opinion-Framework-for-Sustainable-Finance.pdf](https://asterwebsite.blob.core.windows.net/asterwebsite/about_us/reports/Aster-Second-Party-Opinion-Framework-for-Sustainable-Finance.pdf)



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

<https://replug.link/Aster-Framework-Sustainable-Finance-21>

# Framework for Sustainable Finance

January 2021

ASTER  
GROUP

## Transaction overview

The Group, issuing via Aster Treasury Plc, made its inaugural issuance (Series 1) under the Framework in January 2021. This issuance is the first Sustainability Bond from the Group.

Details of the transaction are shown below:

### Key features

<b>Issuer</b>	Aster Treasury plc
<b>Currency</b>	GBP
<b>ISIN</b>	XS2290950562
<b>Series number</b>	Series 1
<b>Principal amount</b>	£250,000,000
<b>Retained notes principal amount</b>	£50,000,000
<b>Net proceeds</b>	£197,855,826
<b>Issue date</b>	27 January 2021
<b>Maturity</b>	27 January 2036
<b>Coupon</b>	1.405%
<b>Rating</b>	A+ (S&P)
<b>Allocated</b>	£197,855,826
<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.

The earliest date for eligible expenditure from the Series 1 issuance is therefore 27 January 2018.

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 2018 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 most recent financial year end, 31 March 2022.

£m Year	<sup>1</sup> Total social development expenditure	<sup>2</sup> Eligible development expenditure	<sup>3</sup> Net after deduction for receipts	Cumulative eligible expenditure	Sustainability bonds allocation	Remaining unallocated expenditure
2018/19	153.2	134.1	86.7	86.7	86.7	-
2019/20	188.3	183.4	124.2	210.9	197.9	13.0
2020/21	140.9	134.1	89.0	299.9	-	89.0
2021/22	164.4	159.7	105.3	405.2	-	105.3
			Total net expenditure: 405.2			

Based on the allocation approach discussed above, all proceeds of the Series 1 transaction have been allocated to expenditure within the 2018/19 and 2019/20 financial years. £13m of expenditure will be carried forward to future allocations. This represents the difference between the Series 1 nominal issuance amount net proceeds of £197.9m and the cumulative net expenditure in 2018/19 and 2019/20 of £210.9m.

A post-issuance Allocation Review of the allocation of proceeds to eligible green and social projects has been undertaken by Sustainalytics who concluded that "All the 60 projects reviewed complied with the Use of Proceeds criteria.", the full report can be found here.

<https://replug.link/Aster-Allocation-Report-Jun-22>

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 (GBP million)
Affordable Housing	60 affordable housing projects, with 1,546 units.	197.86
Green Buildings	All units, except two, also meet the green building criteria. Details as below: • 61 units meet EPC A level criteria • 1,483 units meet EPC B level • 2 units meet EPC C level	
Total Proceeds Allocated (GBP)	N/A	197.86

To confirm, there are no unallocated proceeds to report on from the Series 1 transaction. Once issued, the retained element of the Series 1 transaction will follow the same allocation process.

<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.

## Impact reporting

Proceeds from the Series 1 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 build affordable housing is in most cases eligible under both eligible project categories (Affordable Housing and Green Buildings). The below analysis shows the distribution of the proceeds between criteria and a breakdown of the allocation period.

ICMA Eligible Social and Green Projects	Project eligibility for Series 1 allocation – 2018/19	Project eligibility for Series 1 allocation – 2019/20
Affordable Housing	100%	100%
Green Buildings	99.72%	99.68%

ICMA Eligible Social and Green Projects	Series 1 allocation – 2018/19	Series 1 allocation – 2019/20	Total
Affordable Housing and Green Buildings*	£86.7m	£124.2m	<b>£210.9m</b>
<b>Total</b>	<b>£86.7m</b>	<b>£124.2m</b>	<b>£210.9m</b>

\*0.13% of units delivered in the two reporting periods fell below the Green Building eligibility criteria

The total expenditure allocated of £210.9m exceeds the net proceeds of the Series 1 issuance (£197.9m). This is due to additional capital invested in eligible projects that has not been proportionately decoupled for the purposes of this report. The difference of £13m will be carried forward to the next allocation report as eligible allocated proceeds.





## 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 1 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 proceeds from the Series 1 issuance.

Area	Average rent as proportion of average market rent <sup>4</sup>
Cornwall	52%
Devon	54%
Dorset	55%
Gloucestershire	50%
Hampshire	61%
Oxfordshire	49%
Somerset	66%
Surrey	49%
Wiltshire	60%

<sup>4</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/privaterentalmarketsummarystatisticsinengland>

### 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 30 June 2022, 2,094 customers lived in a home built using proceeds from the Series 1 issuance.

### Rental to low-income groups

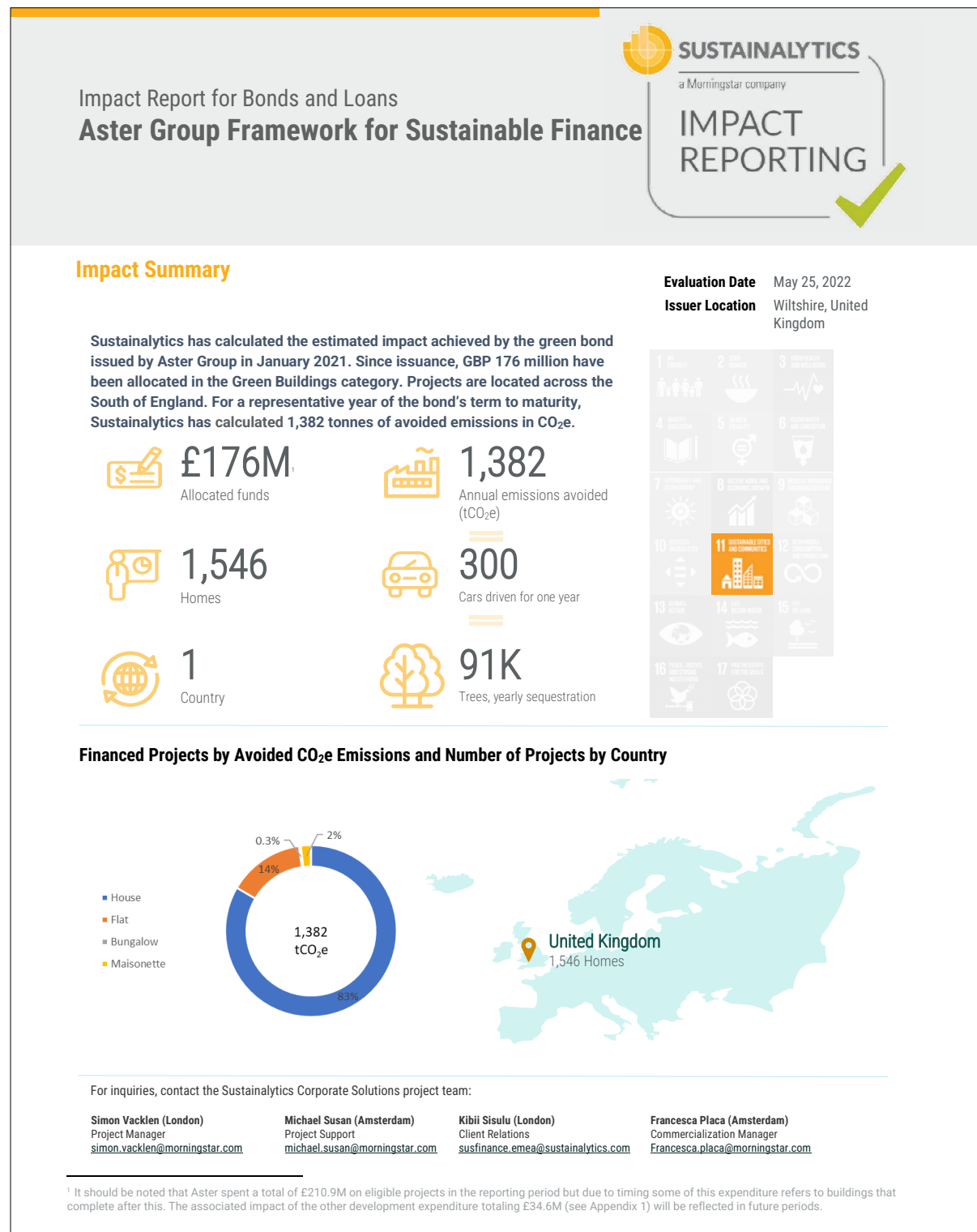
Our focus is on the provision of affordable housing and therefore it is critical that these homes are let to those who need it most. As at the 30 June 2022, 45% of active tenancies in a home built using proceeds from the Series 1 issuance were let to customers who receive Universal Credit or claim housing 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.

A Green Buildings Impact Report has been produced independently by Sustainalytics which has analysed the units delivered during the 2018/19 and 2019/20 financial years. The full report, which can be found on our website, concludes that 1,382 tonnes (t) of carbon dioxide (CO<sub>2</sub>) equivalent (e) have been avoided on an annual basis.

<https://replug.link/Aster-Bond-Impact-Report-May-22>





A summary table of impact of the Group's green building projects is shown below:

Gross Building Area	Allocated Amount	Average Project Lifetime	Financed Annual Emissions Avoided
<i>m2</i>	<i>GBP</i>	<i>Years</i>	<i>tCO2e</i>
<b>119,584</b>	<b>176,334,067<sup>5</sup></b>	<b>90</b>	<b>1,382</b>

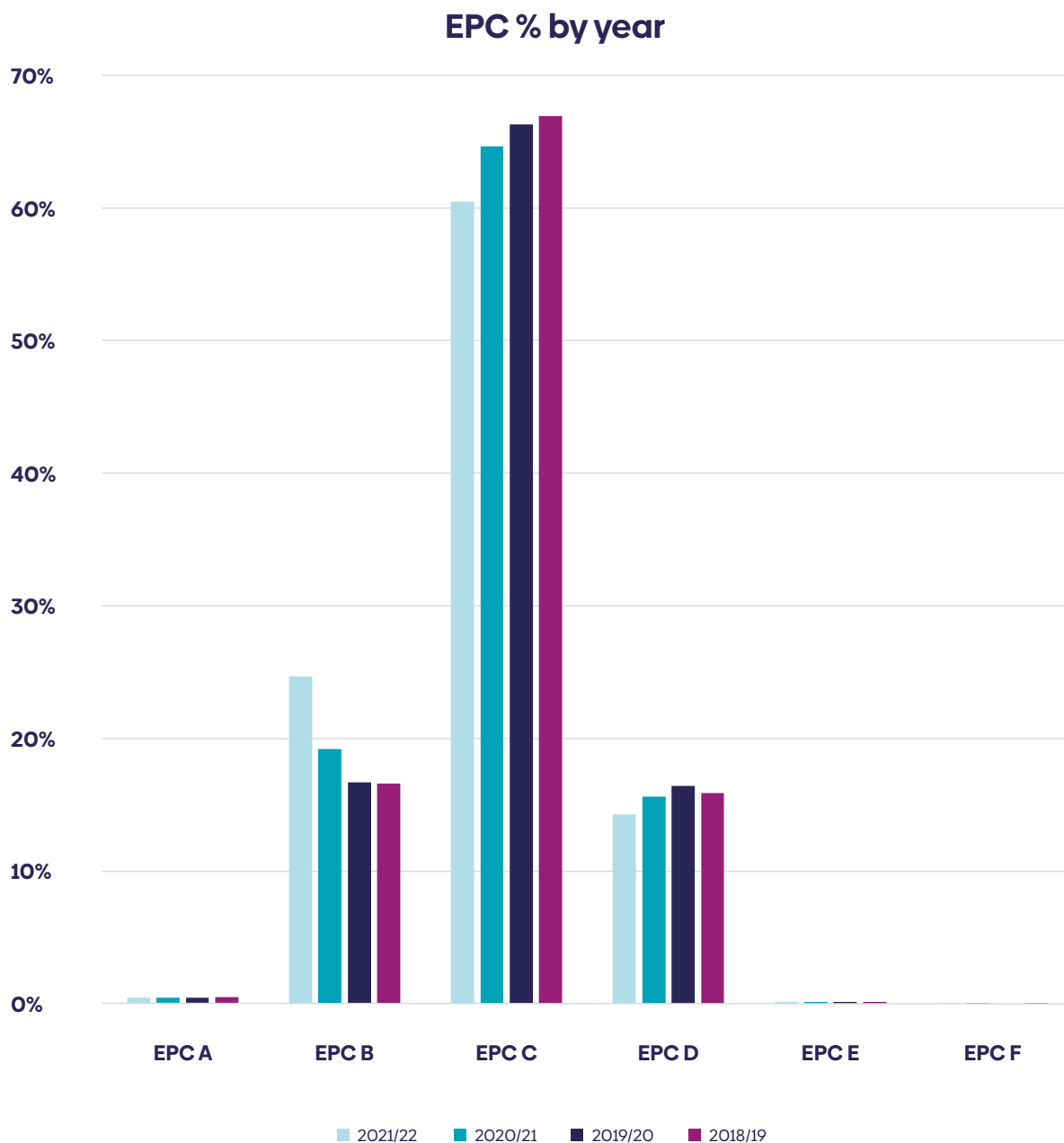
<sup>5</sup> In addition, the bond financed "Other Development expenditures" for GBP 34,610,265, bringing the total to GBP 210,944,332, but those expenditures refer to buildings completed after the reporting period and therefore the associated impact will be reflected in future periods.





This section details other measures that actively contribute to the environmental impact of the Series 1 issuance.

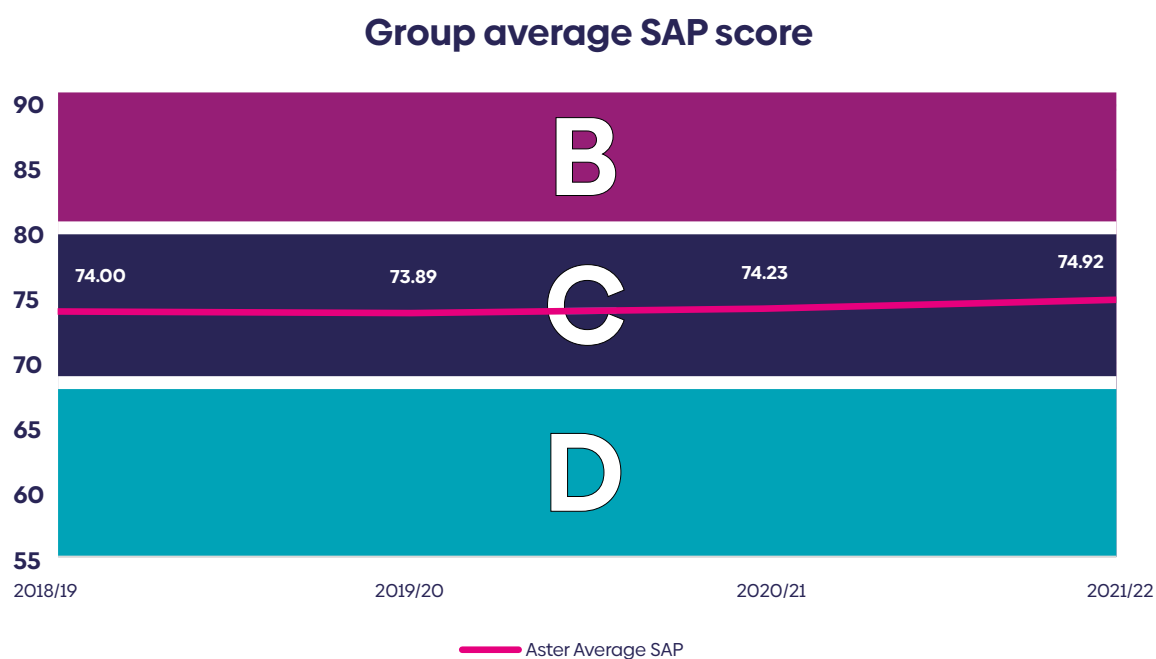
**Group EPC % by year** - with properties below EPC C sitting at 14.4% of total stock, we continue to make excellent progress toward all properties being EPC C or above. It is our ambition to achieve this ahead of Government targets.



NB: Graph excludes Central and Cecil Housing Trust properties. EPC E represents 0.11% of stock at 31 March 2022 and EPC F represents 0.01% of stock at 31 March 2022.

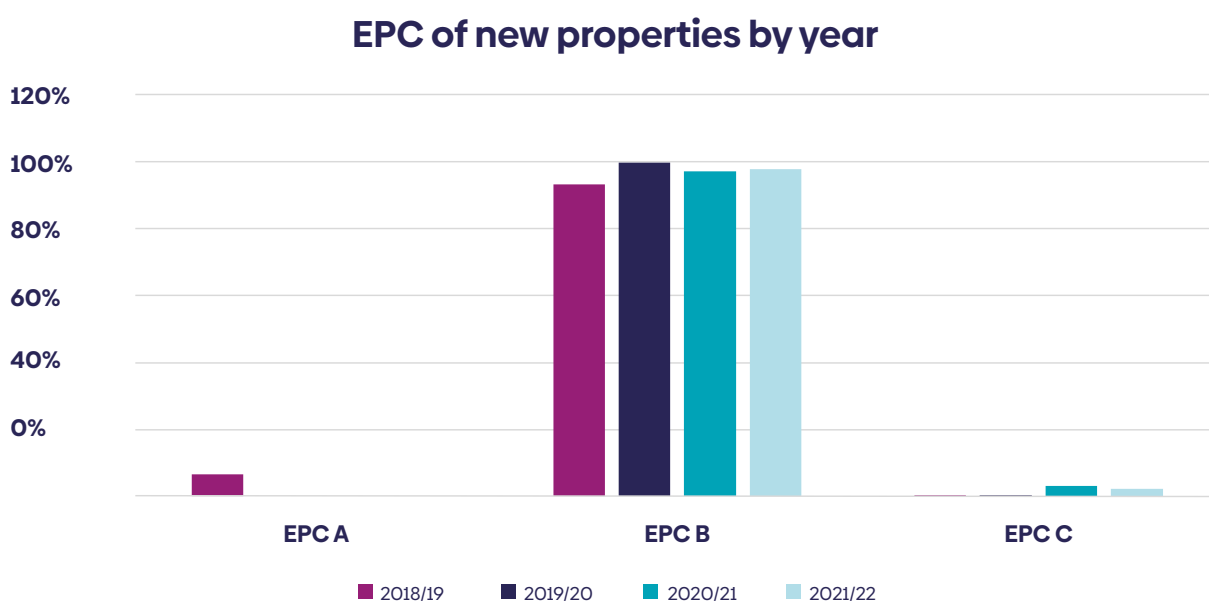


**Group average SAP score** - The Group's average SAP score is approaching 75 at the end of 2021/22, comfortably within the upper and lower EPC C levels. This position is improving all the time with the various initiatives in place across the business coupled with a high SAP rating for our new build properties.



NB: Graph excludes Central and Cecil Housing Trust properties.

**New build EPC % by year** - The EPC of new build homes is consistent at B from the Base Allocation Date to 31 March 2022.



# Case Study

## Bellacouch Meadows, Chagford



### Highlights

- The largest scheme to ever be approved in Dartmoor National Park and the first National Park development we have delivered.
- A scheme featuring 28 affordable homes (mix of one-bedroom flats and two- and three-bedroom houses) for local people.
- Includes six shared ownership homes, with the remaining 22 homes available for affordable rent.
- An exemplary model of collaboration between Aster as a housing association and Chagford Community Trust, the Parish Council, Dartmoor National Park Authority, West Devon Borough Council and the developer.
- All 28 units achieved EPC B.

“The development has had strong community involvement and support, and a clear range of benefits to Chagford delivered through a truly high-quality scheme. We are proud to have played such a key role in achieving a development which is good for Dartmoor and meets the housing, employment and community needs of Chagford.”

**Dan Janota**, Dartmoor National Park Authority's Head of Forward Planning and Economy

**Click here** to learn more about the CLT scheme in Chagford

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[www.aster.co.uk/corporate/about-us/investor-relations](http://www.aster.co.uk/corporate/about-us/investor-relations)

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