

CREATING
COMMUNITIES
TOGETHER

**Allocation and
Impact Report**
September 2023



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Delivering our vision sustainably

At Southern Housing our vision is to create communities where everyone has a safe home in a place where they are proud to live.

To help us deliver these communities we have made use of the funds from our Sustainable Bond.

At a time when affordable housing is most needed we have delivered and continue to deliver housing to the most in need of society.

The alignment of our goals and values with sustainability is represented by a set of financial standards, our Sustainable Finance Framework (SFF) which we issued in September 2021. Through the establishment of a set of guidelines we can ensure that all green finances can be used to better serve our purpose.

In October 2021 we issued our first Sustainable Bond, a 15 year £300m bond with a fixed coupon of 2.375%.



OUR BOND

Issuer	Southern Housing
Currency	GBP
ISIN	XS239324826
Size	£300m
Net Proceeds	£279.4m
Issue Date	8 October 2021
Maturity Date	8 October 2036
Coupon	2.375%
Interim Allocation	£146.1m
Final Allocation	£133.3m
Total Allocated	£279.4m
Total Allocated %	100%











All proceeds from the Bond have been allocated to qualifying SFF spends as of June 2023.

Southern Housing's interim Sustainable Bond Allocation and Impact Report published in October 2022 provided details on the first tranche of allocated funds, this report will focus on the final allocation.

Allocation and Impact of Proceeds

At Southern Housing, we're dedicated to building lasting communities through the supply of affordable housing. The provision of homes for the most vulnerable is just one available use of sustainable funding open to us. Our SFF outlines eligible spends.

Our framework allows us to spend Sustainable Bond proceeds against a wide range of important social and environmental projects. They are:

Impact	Eligible ICMA/ LMA Prosd category	Project description and eligibility criteria	Reference Financial Line item	Alignment to our Corporate Plan	Alignment to UN SDG
Social	Affordable Housing	Construction and acquisition of new Social and Affordable Housing in the United Kingdom	Capex	Invest in our homes, strengthen our communities	
		Re-financing of existing Social and Affordable Housing in the United Kingdom	Asset value	Invest in our homes, strengthen our communities	
	Access to Essential Services	Construction and acquisition of new Supported housing, Care rooms, or Sheltered housing, for older people and/or people with support needs in the United Kingdom	Capex	Invest in our homes, strengthen our communities	
		Refinancing of existing Supported housing, Care rooms, or Sheltered housing, for older people and/or people with support needs in the United Kingdom	Opex	Invest in our homes, strengthen our communities	
	Socioeconomic advancement & empowerment	Support services aimed at customers and communities. Projects focused on equitable participation and integration into the market and society, including reduction of income inequality in the communities where we are based:	Opex	Invest in our homes, strengthen our communities	
		<ol style="list-style-type: none"> Explaining and enabling access to internet Training and development for employment purposes Support with mental and physical health issues Financial education 		Listen to our residents Build greater trust, transparency and accountability	  
Environmental	Green Buildings	Construction of new homes with an EPC (Energy Performance Certificate) Rating of B or above / SAP91 or above	Capex	Invest in our homes, strengthen our communities	
		Re-financing of existing homes - subject to a minimum EPC rating of B or above / SAP 81 or above	Asset value		
		Renovation of existing homes that improve unit EPC ratings by two notches or more subject to a minimum EPC rating of C / SAP 69	Opex Capex	Invest in our homes, strengthen our communities	

By aligning with the United Nations Sustainable Development Goals (UN SDG) we recognise our responsibility to make a positive impact on people and the planet.

We first issued our Sustainable Bond in October 2021 with our initial spend being on a mixture of affordable and green projects up to the end of March 2022. That spend was fully explored in our Interim Allocation and Impact report.

Within the Interim Allocation and Impact Report we detailed the allocation of £146.1m of bond proceeds. The spending was within two main categories from our eligible projects:

- ◆ Affordable Housing - the construction of new social and affordable housing and;
- ◆ Green Buildings - the construction of new homes with an EPC rating of B or above.

At the time of our Interim Allocation and Impact Report we had retained £50m of the £300m total bond issuance. We have since issued the retained element and have fully tapped the original bond.

A further £33.8m of bond proceeds have been drawn on since our first report bringing the total remaining proceeds to allocate to £133.3m. All of this spend has been allocated against Affordable Housing projects.

Our Sustainable Bond timeline:

February 2020	October 2021	October 2022	August 2023	October 2023
Drawing down of Revolving Credit Facilities	Issuance of Sustainable Bond	Publishing of the Interim Allocation and Impact Report	Issuance of retained Sustainable Bond funds	Publishing of Allocation and Impact Report



We have also measured the impact of our spending with the allocation of the final tranche of our Sustainable Bond funds. All spend has been on qualifying Affordable Housing projects engaged in after March 2022.

For our Affordable Housing spend we measured:

- ◆ The number of new Affordable Homes we have been able to provide and;
- ◆ the average affordable rents on affordable units delivered versus the local private rent market.

By investing according to our SFF, we can demonstrate we have made a positive change both to our residents and in creating more homes for those in need.



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ENVIRONMENTAL

Affordable Housing

As one of the UK's largest Housing Associations, providing affordable homes is one of our key objectives. At a time when the housing supply in the UK is at the forefront of a lot of people's concerns, we continue to deliver homes for those in most need.

We have an unwavering commitment to social purpose and creating safe, content and thriving communities. Our spend on Affordable Housing demonstrates this.

Houses are more than physical structures that provide shelter. Although that is an important part of the benefit they bring there are others as well. They are:



Community

In a post-Covid world we spend more time at home working and living than ever before. The provision of Affordable Housing is instrumental in bringing people together in homes they are happy to live in.

Once a community is established people feel safer and more able to flourish through a shared sense of connection.

Opportunities

With a stable community providing safety people are better able to concentrate on other important areas. A stable home can provide a platform for people to take risks, think longer-term and invest in themselves and their family.



Education and employment

A key way in which people can invest in themselves is through education and meaningful employment. Engaging in either has many benefits which include a sense of purpose, security, connection and general mental and physical wellbeing.

This is made much more achievable through Affordable Housing which allows people to turn their attention to engaging in education and employment.



Economy

At a time when households are struggling more and more with the cost of living the provision of Affordable Housing allows for greater levels of disposable income.



Health

An affordable home is a healthy home. Freeing up income means more can be spent on healthy food and healthy habits for a household. This in turn benefits public services as money spent on providing Affordable Housing is money saved for healthcare and crime prevention. In fact, every £1 we have invested delivers nearly £2 of benefit through costs avoided!¹

¹[How does housing influence our health? \(health.org.uk\)](https://www.health.org.uk/news/articles/press-releases/2019/09/10/how-does-housing-influence-our-health/)

Our spend on Affordable Housing has been over many different schemes which have a number of different social housing tenures. The spend per tenure from the final allocation has been:

HOUSING TENURE	Overall spend £m
Affordable Rent	31.3
Shared Ownership	80.1
Social Rent	17.2
London Affordable Rent	4.0
London Living Rent	0.7
Total	133.3

In spending £133.3m we have delivered over 500 affordable units using sustainable funding. The units are across many social housing schemes and comprise a mix of tenures that include:

- Affordable Rent;
- Shared Ownership and;
- Social Rent.

Please refer to Appendix 1 for definitions of the above tenures. Details of the tenures delivered are shown in the scheme breakdown below:

PROJECT	Location	Affordable Rent	Social Rent	Shared Ownership	Total Units Delivered
Hatcham Road	Central London	0	7	0	7
Barnhorn Road	Rother	1	0	6	7
Clapham Common Southside	Greater London	38	21	49	108
Crest Cranleigh	Cranleigh	0	0	10	10
Dace Road	Central London	0	0	92	92
The Downsman	Brighton	0	3	20	23
High Halden	Ashford	0	22	21	43
Kings House	Brighton	28	0	72	100
Langley Park	Greater London	24	0	12	36
Ockford Park	Waverley	15	0	8	23
Rosemead	East Sussex	0	0	4	4
Sussex Plants	East Sussex	0	0	2	2
The Crescent	Rushmoor	11	21	20	52
Total Units Delivered		117	74	316	507

To measure our affordability, we compared the average private rent that could be charged according to a professional third party valuation to the average rent of the units delivered above.

Not all units delivered above have available rental data as some units are not yet let out. All analysis was performed using the latest rental data available for the period as at the end of July 2023.

At an overall level using available rent data new affordable homes have rents set at 62% of the equivalent private market. In order to meet the criteria

of an affordable home rents must be set at 80% or less² of the private rent level that could be achieved in the local area according to a third party valuation. The absolute level of rent of course varies between the projects, tenures, and area the scheme is located.

In general, the more expensive the local area the lower our affordable rents are in comparison. Langley Park is in Greater London where residents are charged 58% of the local rent on average.

Please see below for rental levels per scheme.

PROJECT	Location	Affordable home rent vs private market
Clapham Common Southside	Greater London	60%
Barnorn Road	Rother	34%
Hatcham Road	Central London	67%
Langley Park	Greater London	58%
The Downsman	Brighton	37%
Ockford Park	Waverley	78%
The Crescent	Rushmoor	54%
Kings House	Brighton	71%
Overall Weighted Average Rent		62%

² 80% of private rental levels is in accordance with the National Planning Policy Framework.

Delivering homes now and for the future

Over our Affordable Housing spend we funded two types of capital projects. They were:

1. Spend on schemes in which we delivered units and;
2. spend on schemes in which progress was made in delivering units at a future date.

SPEND CATEGORY	Total £m
Delivered Units	19.7
Progressing Schemes	113.6
Total	133.3



Our Delivered Homes

We were able to utilise proceeds from our Sustainable Bond to help deliver affordable homes on a number of projects.

The Crescent

The Crescent in Farnborough comprises 55 houses and 33 flats, spread across three blocks.

In March 2020, Southern Home Ownership Limited (SHOL) and CALA Management Ltd (CML) entered into a development agreement that saw SHOL purchase CML's Section 106 provision requirement, 32 homes and an additional 56 homes at The Crescent.

Farnborough is well served by rail links, with three train stations nearby. The main station of Farnborough is less than two miles from The Crescent, providing direct services to London in under an hour, as well as routes to Basingstoke. Farnborough North Station serves Gatwick and Reading.



The Downsman

The Downsman is situated in the Hangleton area of Hove and was built on the site of the former Hangleton Arms Public House.

The development provides 10 two and three-bedroom houses, 23 one and two bed flats, available for shared ownership and social rent. One of the social rent flats is wheelchair adapted and there's also a community centre.

Southern Housing Construction Limited were the principal contractors on this scheme, which completed in March 2023, and all the dwellings are occupied.

Clapham Common Southside

Thornton Park is a new neighbourhood, a stone's throw away from Clapham Common in the London Borough of Lambeth.

The neighbourhood is set to deliver just under 300 new homes, an office space, gymnasium, and landscaped gardens. It will inspire a vibrant mixed community, delivered in partnership with London Realty.

Across the development, we own 108 homes, spread across two blocks. This comprises 59 general needs and 49 shared ownership homes.

As works on the wider estate near completion, our residents were able to move into their new homes in February 2023.



Our Future Homes

While funding was used to drive the delivery of new Affordable Housing stock a large portion was also allocated to projects where homes will be made available in the future.



Parkhouse Street

Parkhouse Street in Southwark, London, is due for practical completion in November 2024.

The development will provide 109 homes, comprising 17 rented and 92 shared ownership properties, in addition to a commercial space on the ground and first floors.

This exciting new development is the first to come forward on the

Parkhouse Street commercial area.

Residents will have car club membership and will be able to enjoy amenity spaces on the roof gardens of blocks A and B1.

Heat and hot water will be provided by an energy efficient NILAN heating/ventilation system.

Wings Nursery

Wings Nursery is located in the parish of Aldingbourne, West Sussex. The scheme comprises 71 homes, offering social and affordable rent, as well as shared ownership.

The first 20 homes were handed over in July 2023, with the development due for practical completion in November 2023.

The site's principal contractors are West Sussex based Thakeham Homes.

Southern Housing have been working closely with the Parish Council and Local Community Land Trust to provide much needed affordable housing to the area.



Glengall Road

Glengall Road is in Southwark, London and is due to complete in March 2025. The development is located on the former site of the R White's lemonade factory and will retain some of the front facade and industrial chimney.

It will comprise 170 homes, with a split of 109 shared ownership, 45 rent and 16 private sale properties. The site will have commercial space across the ground and first

floors, and a community room will be provided for the local Burgess Park Gardening Association.

The development will provide extensive landscaped amenity space, via the recently provided Latona Yard, as well as several rooftop gardens and courtyards.

Residents will have car club and bike club membership.

These are just some of the projects we have been developing utilising the funds raised under our inaugural Sustainable Bond.

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Appendix 1 Affordable Housing Tenures

The Government define affordable housing as social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.

Eligibility is determined by measures of local incomes and local house prices.

The tenures within the Affordable Housing spend described in the main report are:



Affordable Rent

Properties that are subject to rent controls that require a rent of no more than 80% of the local market rent.



Shared Ownership

A scheme that enables households to buy a share in a property (typically between 25% and 75% of the home's value). A subsidised rent is payable on the share not yet purchased by the homeowner.



Social Rent

Properties which are subject to the national rent regime. Rental levels are calculated taking into account the value of the property, the average earnings in the area and the number of bedrooms.

Appendix 2 External Assurance Report

The following 16 pages of this document include the full Southern Housing Sustainability Bond Report produced by Institutional Shareholder Services.



REPORT REVIEW

Southern Housing Sustainability Bond Report

Allocation and Impact Report Southern Housing

28 September 2023

VERIFICATION PARAMETERS

Type(s) of reporting	<ul style="list-style-type: none">Allocation and Impact Report
Relevant standard(s)	<ul style="list-style-type: none">Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB), as administered by ICMA (as of June 2022)Southern Housing's Allocation and Impact Report (as of September 6, 2023)
Scope of verification	<ul style="list-style-type: none">Southern Housing Group's Sustainable Finance Framework (as of September 2021)Bond(s) identification: XS239324826, bond maturity October 8, 2036, and bond issuance amount £300m.
Lifecycle	<ul style="list-style-type: none">Post-issuance verification
Validity	<ul style="list-style-type: none">As long as no changes are undertaken by the Issuer to its Allocation and Impact Report as of September 6, 2023

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SCOPE OF WORK

Southern Housing (“the Issuer”) commissioned ISS Corporate Solutions (ICS) to provide a Report Review¹ on its Allocation and Impact Report by assessing:

1. The alignment of the Southern Housing’s Allocation and Impact Report with the commitments set forth in Southern Housing Sustainable Finance Framework (as of September 28, 2023)².
2. Southern Housing’s Allocation and Impact Report- benchmarked against Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB), updated as of as June 2022.
3. The disclosure of proceeds allocation and soundness of reporting indicators– whether the impact metrics align with best market practices and are relevant to the Sustainable Bond issued.

¹ A limited or reasonable assurance is not provided on the information presented in Southern Housing’s Allocation and Impact Report. A review of the use of proceeds’ allocation and impact reporting is solely conducted against ICMA’s Standards ICMA Standards (Green Bond and Social Bond Principles, Sustainability Bond Guidelines) core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The Issuer is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

² The Framework was assessed as aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines as of September 20, 2022.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
Part 1. Alignment with the Issuer's commitments set forth in the Framework	<p>The Southern Housing's Allocation and Impact Report meets the Issuer's commitments set forth in the Sustainable Finance Framework. The proceeds have been used to finance Affordable Housing in accordance with the eligibility criteria defined in the Framework.</p>	Aligned
Part 2 Alignment with the HFIRSB	<p>The Allocation and Impact Report is in line with ICMA's Harmonised Framework for Impact Reporting for Social Bonds (HFIRSB). The Issuer follows core principles and where applicable key recommendations.</p> <p>The Issuer provides transparency on the level of reporting as well as on the frequency, scope, and duration. The Issuer reports within one year from issuance and illustrates the social impacts transparently. The Issuer discloses the total amount of proceeds allocated to eligible categories, per type of property and location.</p>	Aligned
Part 3 Disclosure of proceeds allocation and soundness of reporting indicators	<p>The allocation of the bond's proceeds has been disclosed, with a detailed breakdown of the eligible project category as proposed in the Framework³.</p> <p>The Southern Housing's Allocation and Impact Report has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies, and granularity reflecting best market practices.</p>	Positive



³ The assessment is based on the information provided in the Issuer's report. The Issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE SUSTAINABLE FINANCE FRAMEWORK

The following table evaluates the Allocation and Impact Report against the commitments set forth in Southern Housing's Framework, which are based on the core requirements of the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as well as best market practices.

SBP	OPINION	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds	<p>Southern Housing confirms to follow the Use of Proceeds' description provided by Southern Housing's Sustainable Finance Framework. The report is in line with the initial commitments set in the Southern Housing's Sustainable Finance Framework: to finance Eligible Projects in Affordable Housing.</p> <p>The Issuer's social category align with the project categories and are in accordance with the eligibility criteria set in the Southern Housing's Sustainable Finance Framework. Social benefits at either category level are described and quantified.</p> <p>The Issuer confirms that all projects financed are newly built.</p>	✓
2. Process for Project Evaluation and Selection	<p>Southern Housing confirms to follow the Process for Project Evaluation and Selection description provided by Southern Housing's Sustainable Finance Framework. The report is in line with the initial commitments set in Southern Housing's Sustainable Finance Framework: to engage with the Sustainable Finance Group (SF Group) during the evaluation and selection process.</p> <p>The projects selected were defined and structured in a congruous manner and ESG risks associated with the project categories are identified and managed through an appropriate process. The Issuer ensures compliance with the Eligibility Criteria.</p> <p>The Issuer confirms that various stakeholders were involved in the project evaluation and selection process, including internal and external expertise, in line with good market practices.</p>	✓

<p>3. Management of Proceeds</p>	<p>Southern Housing confirms to follow the Process for Management of Proceeds description provided by Southern Housing's Sustainable Finance Framework. The report is in line with the initial commitments set in the Southern Housing's Sustainable Finance Framework: to allocate an amount equal to the net proceeds of the Sustainability Bond to Eligible Projects and tracked using an internal tracking system.</p> <p>Southern Housing issued £245.6m of debt in 2021 and allocated £146.1m. In 2023, Southern Housing issued £33.8m, in addition to the remaining £103.9m, accounting for £133.3m net proceeds. The proceeds were fully allocated to eligible projects as of June 2023. The £279.4m proceeds collected are equal to the amount allocated to eligible projects, with no exceptions.</p>	
<p>4. Reporting</p>	<p>The Southern Housing Impact Report is coherent with the Reporting description provided by Southern Housing's Sustainable Finance Framework. The report is in line with the initial commitments set in Southern Housing's Sustainable Finance Framework: to publish an Allocation Report and an Impact Report at least every 12 months post-issuance ahead of full allocation.</p> <p>The sections "Allocation reporting" and "Impact Reporting" of the Allocation and Impact Report comply with the pre-issuance commitment expressed in the Framework. The report is intended to be publicly available.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	
<p>5. Verification</p>	<p>Southern Housing's Sustainable Finance Framework has received a Second Party Opinion (SPO) on September 27, 2021.</p>	

PART II: ASSESSMENT AGAINST THE ICMA HARMONISED FRAMEWORK FOR IMPACT REPORTING FOR SOCIAL BONDS

FOR SOCIAL BONDS

Reporting is a core component of the SBP, and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Sustainability bond Issuers are required to report on both the use of social bond proceeds, as well as the social impacts at least on an annual basis until full allocation. ICMA Harmonised Framework for Impact Reporting for Social Bonds has been chosen as a benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Southern Housing Allocation and Impact Report against ICMA Harmonised Framework for Impact Reporting for Social Bonds.

CORE PRINCIPLES		
ICMA HFIRSB	Allocation and Impact Report	ASSESSMENT
Reporting on an annual basis	Southern Housing has reported within one year from issuance and all the proceeds have been fully allocated. The report will be available on Southern Housing's website.	✓
Formal internal process to track proceeds	The Southern Housing confirms project selection and management of proceeds to be in line with the criteria set forth in the underlying Framework.	✓
Allocation of the proceeds to social project categories	In accordance with the criteria established within the Framework, and in compliance with the Social Bond Principles issued by the ICMA, Southern Housing has allocated the net proceeds of the bond issued under this Framework to new eligible assets within the Affordable Housing category, with tenures that include Affordable Rent, Shared Ownership, and Social Rent.	✓
Target Population(s) identified	The Issuer defined the targeted population for Affordable Housing by referring to local authorities' definition of income thresholds per area to assess eligibility purposes.	✓
Output, outcome, and/or impact of projects at project or portfolio level	The Issuer referred to existing indicator lists and catalogs from the Annex III of the HFIRSB: the number of delivered affordable housing units, allocation per social housing tenure, average rent level measured against the private market, and amount spend on schemes delivered and schemes in which progress is made.	✓

	A detailed analysis of impact indicators is available in Part III of this report.	
Illustrating of the social impacts	<p>The assessment and measurement of the impacts generated by Southern Housing Social Bonds covered the following areas:</p> <ul style="list-style-type: none"> Number of affordable units delivered: 507 units. Overall weighted average rent against the average of the local private market: 62% (with a maximum of 80%). 	✓
Pro-rated share of the overall impact results of the projects or portfolio of projects	The Issuer confirms that the Affordable Housing projects are 100% eligible.	✓

RECOMMENDATIONS

ICMA HFIRSB	Allocation and Impact Report	ASSESSMENT
Disclose the methodology and the assumptions used for the calculation of impact indicators	The Issuer reports on actual absolute output indicators and quantitative relative impact indicators. The Issuer confirms regularly tracking these indicators against targets using a tool known as a results measurement plan.	✓
When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach	The impact of Southern Housing's projects is reported separately per project and aggregated.	✓
Disclose the methodology used to determine the share of eligible project financing being applied to impact calculation	The Issuer determines the affordability of housing units by using assessments of the private rent levels of comparable properties conducted by professional third-party valuation and setting their own rent levels to be at a maximum of 80% ⁴ of those private rent levels.	✓
Collaborating with experts if reporting on the estimated	The Issuer confirms collaborating with experts for the valuation of schemes and to determine the combination of affordable tenures and private rent for sale.	✓

⁴ In accordance with the National Planning Policy Framework.

lifetime impacts and/or project economic life in years.

Assumptions and ex-post verification	The Issuer reports on actuals not using assumptions or projection estimates.	✓
Report Period	The Issuer reports transparently on added projects to the portfolio reporting on actuals as for the period between the issuance date of August 2023 and September 2023.	✓
Disbursement reporting	The proceeds from the social bond issuance were used to finance new projects in the Affordable Housing category. The Issuer reports on the amounts allocated in June 2023.	✓
Projects with partial eligibility	Some projects have partial eligibility but the Issuer confirms to only allocate proceeds to the portion of the total projects that is eligible within the report.	✓

OPINION

The Southern Housing follows the ICMA Harmonised Framework for Impact Reporting for Social Bonds' core principles and key recommendations. The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, aligned with best market practices. Southern Housing has reported within one year from issuance and illustrates the social impacts transparently. The Issuer has confirmed that all proceeds from the issuance have been allocated. Moreover, the Issuer discloses the total amount of proceeds allocated to eligible categories, per project and the average rent level measured against the private market.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds' categories. This report refers to the Sustainability Bond issued by Southern Housing Group in August 2023 for a net collected amount of £133.3m.

The Use of Proceeds' first allocation reporting occurred within one year from the issuance, in September 2022, after 59% allocation of the proceeds.

This is the second year of allocation reporting and 100% of the proceeds has been allocated in 2023. The Use of Proceeds allocation reporting occurred within the regular annual cycle from the issuance.

Proceeds allocated to eligible projects/assets

The proceeds allocation is broken down at the project category level. The report details the amount of proceeds allocated to new eligible projects delivered according to the Issuer's framework and the amount of proceeds allocated to future house units. The Issuer has provided details about the type of projects included in the portfolio.

It is noted that no projects were removed from the allocation register, however, some projects with partial eligibility have changed in terms of the mix of housing, leading to changes in proceeds allocated to each project to only finance the portion of the total project that is eligible.

The allocation report section of the Allocation and Impact Report of Southern Housing aligns with best-market practices by providing information on:

- The number of new Affordable Homes provided by the Issuer during the reporting period, broken down by individual project and type of housing scheme.
- The average affordable rent on affordable units delivered against the local private rent market, broken down by individual project.

Impact Reporting Indicators





The table below presents an independent assessment of the Issuer's report and disclosure on the output, outcome, and/or impact of projects/assets using impact indicators.

ELEMENT	ASSESSMENT
Relevance	<p>The impact indicators chosen by the Issuer are the following:</p> <ul style="list-style-type: none"> a) Number of new affordable houses b) Average affordable rent on affordable units delivered against the local private rent market, broken down by individual project. <p>These indicators are quantitative, and material to the Use of Proceeds categories financed through this bond and in line with the Suggested Impact Reporting metrics for Affordable Housing projects by the ICMA Harmonized Framework for Impact Reporting for Social Bonds. This aligns with best market practices.</p>
Data sourcing and methodologies of quantitative assessment	<p>For its impact indicator(s), the Issuer uses:</p> <ul style="list-style-type: none"> ▪ The number of new affordable houses. The data is sourced internally. ▪ The average affordable rent on affordable units delivered against the local private rent market, broken down by individual project. The data is sourced internally based on a third-party valuation that defines the local private rent market. <p>These indicators are in line with the core indicators proposed by the ICMA Harmonized Framework for Impact Reporting for Social Bonds.</p>
Baseline selection	<p>The impact data is determined by comparing the average local private rent as defined by a professional third-party valuation and the average rent of the units delivered under the Sustainability Bond.</p>
Scale and granularity	<p>The impact data is presented at the project level for the indicators.</p>

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer's Allocation and Impact Report, the impact indicator(s) adopted by Southern Housing for its Sustainability Bonds can be mapped to the following SDGs, according to the ICMA "A High -Level Mapping to the Sustainable Development Goals"⁵.

⁵ [ICMA's Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds](#)

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
Number of new affordable houses.	 
Average affordable rent on affordable units delivered against the local private rent market, broken down by individual project.	 

OPINION

The allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories/asset categories as proposed in the Framework, and the Southern Housing's Sustainable Finance Framework has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies, and granularity reflecting best market practices. Besides, the impact indicators used align with best market practices using ICMA's recommended metrics in the HFIRSB.

DISCLAIMER

1. Validity of the External Review ("External Review"): Valid as long as the cited Framework remains unchanged.
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ANNEX 1: Methodology

Review of the post-issuance Reports

The ISS ESG Report Review provides an assessment of labelled transactions reporting against international standards using ISS ESG proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Report-Reviews.pdf>

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social, and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to which the Issuers reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

Issuer's responsibility was to provide information and documentation on:

- Allocation and Impact Report
- Southern Housing's Sustainable Finance Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation.
- ESG Risk Management

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social, and governance (ESG) research, analysis, and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Report Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with Southern Housing took place in September 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this Report Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyzes companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyze the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent Report Review so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information on Report Review services, contact: SPOsales@isscorporatesolutions.com

Project team

Project lead

Claudia Muñoz Carmona
Associate
ESG Consultant

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of ISS ESG SPO Operations

