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# Sustainability Finance Framework



L&Q

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# Foreword

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We are pleased to publish our updated Sustainability Finance Framework.

L&Q is a leading provider of homes and services within the social housing sector, as well as an adopter of the Sustainability Reporting Standard.

By virtue of the scale and breadth of our operations, we have made a significant positive impact on the environment, creating homes and places, which people can enjoy, both now and in the future.

Housing associations have a key role to play in improving the energy efficiency of Britain's housing stock, leading to healthier and warmer homes for our residents, as well as reducing their energy costs. That's why we are bringing all our stock up to a minimum of Energy Performance Certificate C rating by 2030.

The economic outlook remains uncertain with significant cost inflation, high energy prices, a constrained labour market and disruption to supply chains and contractors.

Decarbonisation, building safety, and housing supply are some of the defining topics in the housing sector, and with reduced spending power, the sector faces many challenges in balancing delivery of them all.

Whilst these trends have forced us to weigh priorities carefully, our ambition to achieve net zero carbon by 2050 is undiminished.

We have adapted our business to respond to recent economic challenges. We will continue to invest to ensure our residents receive the quality homes and services they deserve. We are committed to supporting the L&Q Foundation, which transforms lives and creates social value.

Creating sustainable homes and meeting the future demands of the net zero transition will require collaboration with a range of partners. We want to work with organisations who share our views and aspirations and see this framework as an opportunity to demonstrate these credentials.



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**1**



**Sustainability  
Finance  
Framework**

# Sustainability Finance Framework

At L&Q we first developed a framework in 2021 under which to issue sustainability financing transactions including Green Loans, Social Loans, Green Bonds, Social Bonds, Sustainability Bonds, Sustainability Linked Loans and Sustainability Linked Bonds.

Since publishing our Sustainability Finance Framework in 2021, L&Q's newly created ESG Financing Panel has overseen the performance of our sustainability-linked KPIs. Progress has been reported annually in our Sustainability Report, with external assurance provided through published Independent Limited Assurance Reports.

Our focus on driving good practice in transparency and reporting has led to the adoption of the Sustainability Reporting Standard for Social Housing (SRS) in 2022, in which we consistently report against all categories. In 2023, we published our first Climate Risk report in line with the Taskforce for Climate-Related Financial Disclosures (TCFD).

In 2024 we commenced work on mapping out our pathways to Net Zero. These steps demonstrate our ongoing commitment to a green and fair transition and will support us to continue to evaluate and improve our performance. They will also help us to formulate plans and priorities that will feature in our next corporate strategy covering 2026-31.

## Updates to the Sustainability Finance Framework

We have made the difficult decision to pause our target for direct carbon emissions. Our primary strategy for meeting the greenhouse gas target was through renewable energy. However, widespread disruptions in the wholesale energy markets have caused considerable increases in renewable energy prices. Coupled with the cost-of-living crisis, we made some challenging budget decisions across the board, especially to avoid passing on costs to residents.

Although this is disappointing, we still achieved cumulative emissions reductions in the periods ending 31 March 2022 and 2023. We remain dedicated to making our homes more energy efficient, and have a sustainability programme which includes funding secured through the Social Housing Decarbonisation Fund.

Our ongoing commitment to achieving net zero remains strong, and future target setting for both this interim period and beyond will ensure that we focus on outcomes that maximise positive impacts for residents. We will use the opportunity of strategic planning for our new corporate strategy, published in April 2026, to consider medium and long-term targets.

In the meantime, we will continue to explore opportunities to reduce carbon emissions, such as installing insulation and other energy efficiency measures to homes and investing in our heat networks through optimisation projects.

We're committed to improving our Average Energy Efficiency rating (SAP) and delivering more affordable homes, as these are vital to our updated KPIs. Additionally, we've revamped targets to better reflect our strategic priorities, by shifting our focus from community investment to a new goal centred on financial inclusion.

With the cost of living affecting residents, we are seeing a rise in overall levels of need, particularly among the most disadvantaged. This change underscores our ongoing commitment to providing essential financial support for residents, especially during these challenging times.

In order to ensure our Framework remains up to date, amendments have been made to reflect the need to set new KPIs, to demonstrate our ongoing commitment to key sustainability outcomes, and ensure that our sustainability targets align with other core strategic objectives. We also continue to ensure that our sustainability targets deliver a clear and tangible benefit to residents.

An assessment of our Sustainability-Linked KPIs has been carried out, and new targets have been agreed for the financial years 2024-25 and 2025-26. These have been assured by a second party opinion provider.

## About this Framework

In this Framework, we refer to Green Loans, Social Loans, Green Bonds, Social Bonds and Sustainability Bonds collectively as "Use of Proceeds Instruments" and Sustainability Linked Loans and Sustainability Linked Bonds collectively as "Sustainability Linked Instruments".

The issuance of Use of Proceeds Instruments under this Framework will deliver positive environmental and social outcomes in support of L&Q's strategy and vision by earmarking the net proceeds to finance, or refinance, projects and expenditures that fall within the categories of "Eligible Green Categories" and "Eligible Social Categories" described in this Framework.

Use of Proceeds Instruments issued under this Framework will be aligned, as appropriate for the type of instrument issued, with the ICMA Green Bond Principles 2021<sup>1</sup>, the Social Bond Principles 2023<sup>2</sup> and the Sustainability Bond Guidelines 2021<sup>3</sup>, as published by the International Capital Market Association ("ICMA") as may be amended from time to time. This Framework also aligns with the Loan Market Association's ("LMA") Green Loan Principles<sup>4</sup> and Social Loan Principles<sup>5</sup> as may be amended from time to time.

## The Principles have four core components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

We will determine the classification of use of proceeds based on our primary objectives for the underlying projects.

Sustainability Linked Bonds issued under this Framework will be aligned with ICMA's Sustainability Linked Bond Principles 2024<sup>6</sup> as may be amended from time to time.

## The Principles above have five core components:

1. Selection of Key Performance Indicators ("KPIs")
2. Calibration of Sustainability Performance Targets ("SPTs")
3. Bond characteristics
4. Reporting
5. Verification

Sustainability Linked Loans issued under this Framework will be aligned with the four components of the LMA's Sustainability Linked Principles<sup>7</sup>, as may be amended from time to time.

The use of proceeds in relation to a Sustainability Linked Instrument is not a determinant in its categorisation and, in most instances, we will use the proceeds for general corporate purposes. By entering into a Sustainability Linked Instrument we will be incentivised to improve our sustainability profile. Structural characteristics will be aligned to our performance against predetermined Sustainability Performance Targets as set out on page 42.

It is our intention to follow, where possible, best practices in the market as the standards develop.

Under this Framework, L&Q will be able to issue various funding instruments including but not limited to Green, Social, Sustainability and Sustainability Linked Bonds, private placements, floating rate notes, commercial paper, bank facilities and leases.



**2**



**About L&Q**

## Our values



### People

We care about the happiness and well-being of our customers and employees



### Passion

We approach everything with energy, determination and enthusiasm



### Inclusion

We draw strength from our differences and work collaboratively



### Responsibility

We own problems and deliver effective lasting solutions



### Impact

We measure what we do by the difference we make

L&Q is a not-for-profit registered provider of social housing and one of the UK's leading housing associations and developers, housing around 250,000 people in more than 105,000 homes.

L&Q's principal activity is the management and development of social housing ("low cost rental accommodation"<sup>8</sup> and "low cost home ownership accommodation"<sup>9</sup> as defined by the Housing and Regeneration Act 2008)<sup>10</sup>. To deliver our principal activity, L&Q also develops and manages homes for market tenures, including for market rent and outright sales.

L&Q is regulated by the Regulator of Social Housing, which has awarded L&Q a G1 rating for governance and V2 for viability.

For more information about L&Q please visit: [www.lqgroup.org.uk](http://www.lqgroup.org.uk)

## Purpose and Vision

**At L&Q, our purpose is to provide homes and neighbourhoods everyone can be proud of. We will do this by delivering safe, high quality homes, services and support for every resident in support of our vision that everyone deserves a quality home that provides them with the opportunity to live a better life.**

We have always recognised the special responsibility we hold as one of UK's most successful independent social businesses. We have a duty to deliver wider benefits to society, above and beyond the provision of social housing, and those responsibilities are firmly embedded within L&Q's 'Future Shape', our five year corporate strategy 2021 to 2026.

Our strategy is shaped around five strategic pillars that form the framework for our strategic objectives; the services we provide, the homes we build, the people who are the L&Q team, our approach to governance and assurance; and the finance we manage and invest.

## Our strategic vision

From the start of the corporate strategy setting process, our intention has always been to set out a clear, unambiguous and cohesive direction of travel for the next five years, with strategic objectives that will guide all that we do as a business, and allow us and others to measure our progress and success.

To help achieve this, we have set out five strategic pillars that form the frame for our strategic objectives; the **services** we provide, the **homes** we build, the **people** who are the L&Q team, our approach to **governance and assurance**; and finally the **finance** we manage and invest.



### Service



### Homes



### People



### Governance and Assurance



### Finance

### Vision for Service

We will provide reliable, repeatable and consistent services, and tailored, intensive support to those customers who need us the most. We will work in partnership to enable the creation of sustainable communities.

### Vision for Homes

We will develop quality, sustainable homes and places where people want to live that enable firm foundations for successful lives, benefiting our customers, our communities and the environment for the long term.

### Vision for People

We will create a culture through our people that is driven by our values and behaviours. We will focus on our leadership capability to deliver high performance, and consistent ways of working, known as 'the L&Q way'. We will embrace diversity, and create the environment, working practices and opportunities for our people to thrive and reach their potential.

### Vision for Governance and Assurance

We will continue to take our regulatory, statutory and legislative responsibilities extremely seriously and embed compliance and assurance at the heart of our business through good governance arrangements. We will measure, monitor and report our performance, anticipating issues before they occur and take swift action to minimise their impact on our customers, our homes and our colleagues. We will adopt policies that allow us to act in an empathetic and socially responsible way.

### Vision for Finance

We will maximise our social impact through our financial strength. We will optimise financial assets and resources to build and maintain our financial resilience and maximise value creation for the long-term benefit of our customers.

# L&Q's Environmental, Social and Governance (“ESG”) Commitment

## Environment

### Our Impact on the Environment

We are committed to reducing the carbon footprint of our business. Our priorities are to improve the energy efficiency of our existing homes and to make sure that our new homes are built in line with best practice efficiency standards. This means we can play our part in tackling the climate crisis, while also reducing energy costs for our residents, boosting the economy and creating jobs.

We structure our environmental sustainability efforts into three areas:

**Climate Action** - decarbonising our homes and activities, while futureproofing our business, residents and communities against the impacts of climate change

**Resource Efficiency** - using resources more efficiently and minimising the amount of waste produced during the construction, refurbishment and day-to-day management of operational assets

**Healthy Places** - maximising shared value by creating places that are healthy for both people and planet.

### Our approach

#### Our Future Shape Strategy sets out our commitments:

- We will mitigate climate change by reducing our carbon emissions intensity, procuring purchased electricity from renewable sources, increasing the operational efficiency rate of communal heating systems, developing a long-term decarbonisation plan for our existing portfolio and establishing a roadmap for improving new build efficiency to near net zero.

- We will ensure climate resilience by conducting a climate risk review of L&Q
- We will better manage construction impacts by ensuring that energy, water and waste data is being captured for all construction sites
- We will support sustainable placemaking by establishing environmental design guidelines to be applied to all new developments
- We'll establish an environmental, social and governance (ESG) framework to enable us to meaningfully measure, monitor and improve our sustainability performance and position ourselves to take up relevant ESG related financing opportunities.

These priorities are embedded in our governance framework, with annual deliverables and responsible business leads developing business and financial plans to support them.

Our Decarbonisation Plan for Existing Homes includes a roadmap to improve efficiency of the homes we manage to EPC C by 2030 and Net Zero by 2050. We are investing in our lower efficiency homes through a mixture of internal and grant funding, allowing us to retrofit 3,401 homes in London, the South East and North West. This project will be carried out as part of our Major Works Investment Programme. Improvements will include better insulation in walls and lofts and triple glazing. Once complete, the works will help to cut fuel bills for residents as well as reduce carbon emissions and strengthen our pathway to achieving net zero by 2050.

Gas consumption from our heat networks form a core part of our Scope 1 emissions and make up an important part of our decarbonisation journey; at installation they are designed to be (efficient, use low carbon technology where feasible). We are upgrading and optimising existing heat networks to reduce overheating and heat losses.

Building new homes is a core part of our social mission, and we remain fully committed to tackling the housing crisis. We understand that the social need for more housing must be balanced with the environmental need to limit the impact of development and we operate firmly within the UK's National Planning Policy Framework, which is designed to achieve this and will include adoption of the Future Homes Standard.

## Social

Our residents, their homes and the communities they live in.

Everything we do begins with social purpose. All our resources are channelled towards providing better housing at a lower cost than can be provided in the private sector- and building more of it. We provide greater security of tenure and services people can rely on, and we are proud to invest in our residents' communities.

### The social impact we have on our residents and the communities where they live includes:

- Providing affordable and secure homes- building new homes and managing homes that are a mix of tenures, meet Decent Homes Standards and are gas and fire safe
- Community investment- distributing funding and other in-kind support to build the capacity of voluntary and community sector organisations that work with our residents and in the communities where they live
- Supporting residents – providing a range of services that help support our residents, as well as making sure we actively listen to their concerns and include them in our decision-making processes.

## L&Q Foundation

The L&Q Foundation has supported thousands of our vulnerable residents and awarded grants to good causes that promote aspiration, confidence and opportunity. It does this by:

- **Increasing employment opportunities and developing employability skills** – Our tenancy sustainment team offers a range of support by providing benefits and budgeting advice. They also offer small hardship grants for household essentials to improve vulnerable residents' ability to cope with everyday life
- **Supporting our residents to manage their finances** – Pound Advice, L&Q's financial advice and debt support service for our residents, offers face-to-face support across 35 boroughs and districts through Citizens Advice and telephone support through Money Advice Plus
- **Supporting our most vulnerable residents to manage their tenancies successfully** – Our tenancy sustainment team offers a range of support by providing benefits and budgeting advice. They also offer small hardship grants for household essentials to improve vulnerable residents' ability to cope with everyday life
- **Investing in our young people** – Working in partnership with secondary schools, we deliver curriculum enrichment activities that will improve educational attainment, focusing particularly on science, technology, engineering and mathematics (STEM) subjects
- **Nurturing strong local economies** – We support social and small/medium enterprises in our communities by investing in projects and partnerships aligned to our strategic outcomes. This is done through traditional grant making.

# L&Q's ESG Commitment (continued)

Since our Finance Framework was published in (2021) L&Q has invested £35m in L&Q Foundation activities to support the communities that our residents create. For more information about the L&Q Foundation, please visit: [www.lqgroup.org.uk/en/landq-foundation](http://www.lqgroup.org.uk/en/landq-foundation)

## L&Q Living

L&Q Living provides care and support services to people with a wide range of needs including older individuals, those with learning difficulties and mental health needs, and people affected by homelessness.

We understand that everyone has different needs and tailor our care and support services to each person. Our bespoke services offer choice, involvement and control to help build independence. This includes a mixture of care and support, housing management and agency-managed services:

- **Later Life Living** – This offer places the health and wellbeing of our older residents at the heart of what we do – including a stronger emphasis on reducing loneliness and isolation
- **Supported living** – Our supported living services help residents safely manage their daily activities – outlined within a detailed personalised care plan. They can be extremely flexible, ranging from short-term floating support to 24-hour support. We can provide housing related support to people living in shared or self-contained accommodation, as well as individuals who prefer to remain in the comfort of their own home.
- **Registered care homes** – Our registered care homes provide support for residents with varying care needs, ranging from an intensive 24-hour service to temporary short-term placements. They are independently regulated by Care Quality Commission (CQC) to make sure that our services are caring, safe, effective, responsive and well-led.

Our dedicated care and support service houses more than 10,000 people across London and the South East. For more information about L&Q Living please visit: [lqgroup.org.uk/en/your-home/landq-living](http://lqgroup.org.uk/en/your-home/landq-living)

## Representative Governance

At L&Q we take our regulatory<sup>11</sup> responsibilities seriously and enable representative decision-making through our governance arrangements. The 250,000 residents who make their homes with us are L&Q's priority.

L&Q's commitments are to "put residents at the heart of our decision making" and use all reasonable endeavours to comply with the National Housing Federation's Code of Governance 2020<sup>12</sup>. At the very highest level, we have a resident on our Group Board to ensure that we hear the voice and take into account the views of our residents when making decisions. You can visit our resident involvement and accountability page here: [www.lqgroup.org.uk/landq-community/resident-involvement](http://www.lqgroup.org.uk/landq-community/resident-involvement)

We are an ethical, inclusive and values-based organisation with a long-term vision. Our co-production approach to working with residents helps us deliver high quality homes, thriving neighbourhoods and empathetic, locally-responsive services. We are proud to serve diverse neighbourhoods across Britain. We aim to reflect our residents in our diverse and inclusive workforce and ensure that our residents' homes and services contribute to building communities that have equality at their heart.

## The positive impact we make

We aim to make our ESG agenda an indicator of quality management that is integral to L&Q's vision, purpose and the delivery of our corporate strategy. Our long-term targets are to:

- Enable sustainable economic and housing growth
- Be a net-zero carbon business by 2050
- Collaborate with others to achieve significant improvement in social impact and social value
- Safeguard the environment.

We want to demonstrate how we are contributing to wider societal goals by aligning our activities and the outcomes we deliver to the UN Sustainable Development Goals<sup>13</sup> ("SDGs").

Mapping to SDGs allows us to bring together existing activities, drive new action and progress, and enables us to measure, monitor and report on our ESG performance to residents, government, partners, employees and investors.



“

It is great! It goes a long way. Every little really does count.

”

“

This place is amazing. It's trying to help the community and it does help. Especially with the cost of living.

”

- L&Q Residents

## Case study: Supporting residents with the cost of living

The L&Q Foundation offers a range of services to support residents with cost-of-living pressures, including employment support, financial advice, fuel and foodbank vouchers, in-home energy advice and warm hubs in community spaces.



**244**

people helped into work across a range of industries



**£8.2m**

of additional income from 2,748 residents using Pound Advice



**1,500**

fuel vouchers to residents



**1,000**

food bank vouchers to residents

Last year, our Employment Support Service and in-house advisers helped 224 people get into work across a range of industries, including law, health, and finance.

We also provided residents with financial capability support and debt advice through our Pound Advice service, managed for us through We are Digital.

In 2022/23, over 2,700 residents used Pound Advice, gaining a total of £8.2m in additional income. After accessing Pound Advice, nearly 60% of respondents reported managing their finances better and over 62% feel like their debt is less of a burden.

Last year, we issued over 1500 fuel vouchers to residents, equating to over £74,000. Offering the vouchers digitally enables residents to use the vouchers quickly without having to print them. We also issued around 1,000 foodbank vouchers for residents who needed this emergency support.

In December we reopened the doors to our warm hubs for residents to socialise, relax, and access services during the winter. At one of our hubs, we partnered with a local food bank to offer healthy homecooked meals.

We know how important services like this are, so last December we teamed up with the Felix Project to deliver a special winter event bringing surplus food to Lewisham residents.

The event was run by volunteers and residents from the local community with L&Q colleagues. To bring the market to life, the Felix Project supplied the food and two of our Major Works programme partners, Wates and Axis, provided hygiene products and gifts for children.

The Felix Project collected food from local restaurants and supermarkets that couldn't otherwise be sold, including fresh fruit and vegetables, dried food, mince pies and frozen turkeys.



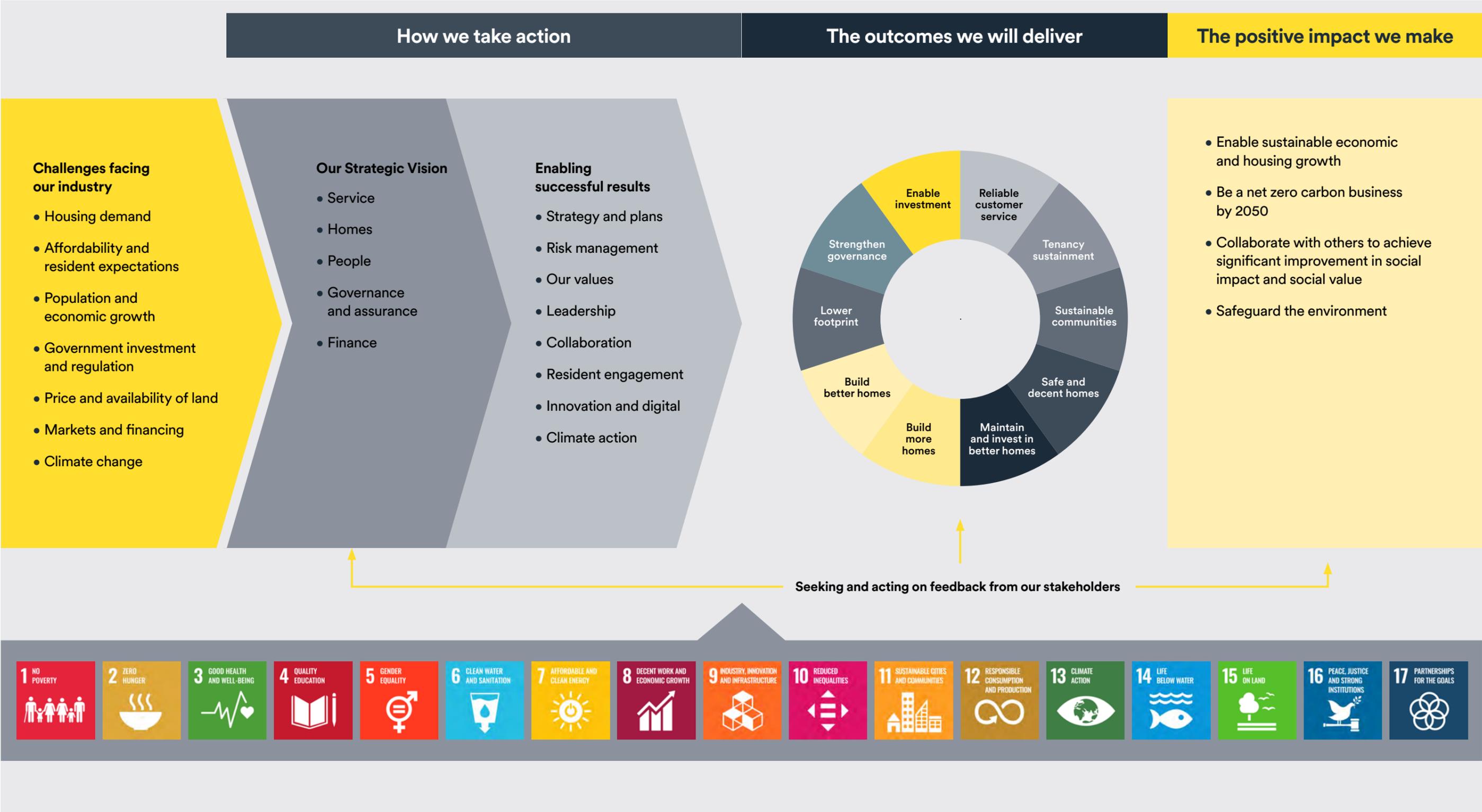
# L&Q's alignment with the United Nations Sustainable Development Goals

We are working to the spirit of all 17 goals, but have mapped our work to the 10 where we have the most material impact.



<p><b>Example target of material interest (mapped and summarised against the 169 targets under the 17 SDGs)</b></p>	<p>1.3 Achieve substantial coverage of the poor and the vulnerable</p>	<p>3.5 Strengthen the prevention and treatment of substance abuse</p>	<p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills for employment</p>	<p>7.2 By 2030, increase substantially the share of renewable energy</p>	<p>8.3 Encourage the growth of small and medium sized enterprises</p>	<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure</p> <p>9.4 Upgrade infrastructure to make them sustainable</p>	<p>10.2 By 2030, empower and promote the social, economic and political inclusion of all</p>	<p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing</p> <p>11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces</p>	<p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>	<p>13.2 Integrate climate change measures into policies, strategies and planning</p> <p>13.3 Improve education, awareness-raising on climate change mitigation and adaptation</p>
<p><b>How the SDG target aligns to our outcomes</b></p>	<p>Tenancy sustainment; Sustainable communities</p>	<p>Tenancy sustainment; Sustainable communities</p>	<p>Tenancy sustainment; Sustainable communities</p>	<p>Tenancy sustainment; Maintain and invest in better homes; Lower footprint</p>	<p>Enable investment</p>	<p>Maintain and invest in better homes; Build better homes</p>	<p>Sustainable communities; Strengthen governance</p>	<p>Safe and decent homes; Build more homes</p>	<p>Lower footprint</p>	<p>Lower footprint</p>

# Our business model





**3**



**Use of  
proceeds  
instruments**

# 1. Use of proceeds

The net proceeds of each Use of Proceeds Instrument drawn under this Framework must be exclusively applied to finance or refinance, in part or in full, new and/or existing Eligible Green Projects and/or Eligible Social Projects (“Eligible Projects”) that fall exclusively into Eligible Green Categories and/or Eligible Social Categories (“Eligible Categories”).

All designated Eligible Categories will provide clear and positive environmental and/or social benefits that contribute towards the ‘Environmental Objectives’ described in the EU Taxonomy Regulation<sup>14</sup> and/or the delivery of UN Sustainable Development Goals, which will be assessed, and where feasible, quantified, measured and reported by L&Q.

The look-back period for refinanced Eligible Projects will be 36 months from the date of issuance of any Use of Proceeds Instrument with financing being a minimum share of 70 per cent versus refinancing over the same period on an aggregate basis.

**The Eligible Categories summarised below are further described on pages 32 - 37 and linked to “The Sustainability Reporting Standard for Social Housing”<sup>15</sup>**

- Affordability and security
- Building safety and quality
- Resident voice
- Resident support
- Placemaking
- Climate Change
- Ecology
- Resource management

## Case study: CleanStart transforms lives and communities

CleanStart is a social enterprise that provides a range of services in our Trafford and North West neighbourhoods and homes.



Through the programme, we employ, train and nurture local people – some of whom may find it difficult to secure employment elsewhere. This includes ex-offenders, ex military personnel, care leavers, long-term unemployed and other individuals who may have support needs that other employers may not understand.

CleanStart began life in 2008 as a pilot project in two shipping containers when there was no similar model in the housing sector. Today, it employs over 90 staff to deliver grounds maintenance, cleaning and caretaking services across Trafford.

As well as a paid role, clients are given a work coach, offered therapy and are supported to improve their IT skills, housing situation, finances, and self-awareness through coaching and goal-setting sessions.

The ultimate goal is to secure permanent jobs for clients, whether within L&Q or with other employers. Clients are supported to overcome both personal and professional hurdles through guidance with job applications, CV writing, and interview preparation.

Of the 195 individuals who have joined, 150 have secured ongoing employment opportunities and of those with an offending history, 97% haven't re-offended.

As well as giving people an opportunity to change their lives, CleanStart plays a crucial role in reducing social issues such as homelessness. The services delivered so far have produced £11m of savings to the public purse and 96% satisfaction rates from residents.

“I found the CleanStart programme has not just helped me but shaped me as a man. I am hugely appreciative of the opportunity given to me when work was so hard to come by. CleanStart have supported me and so many others in many different ways. A great team with great values.” GQ, CleanStart Client.

Deborah Elgar, CleanStart's founder said: “Setting up CleanStart was one of the most challenging things I have done in my 30-year career. It took years to get all the cogs in the right place, working with the police, probation service and employers to support disadvantaged people to reach their full potential.

On the drive home from work one day, I heard a horn beep beside me. I looked to my left and saw an ex-CleanStart staff member driving a company vehicle. He wound down his window and shouted: “I'm here because of you”. He was one of our most challenging clients with a long history of re-offending. I smiled as I drove away, bursting with pride.”

# 2. Process for project evaluation and selection

L&Q's 'ESG Financing Panel' will be responsible for governance of this Framework including:

- The documentation of the evaluation and selection process in order to facilitate external verification (if required)
- The selection and approval of Eligible Projects
- The investment of net proceeds received from the issuance of Use of Proceeds Instruments
- The tracking and reporting of net proceeds.

The ESG Financing Panel will be chaired by an Executive Director or delegated to the Chair of SLG, and formed by senior members of the, Finance, Property Services, Strategy & Planning, L&Q Foundation and Development teams.

Where applicable, other parties may be nominated as subject matter experts. The ESG Financing Panel will, as a minimum, meet on a semi-annual basis.

The decision to approve Eligible Categories and Eligible Projects will consider the following parameters:

- Compliance with L&Q's strategic objectives
- The criteria of Eligible Categories as defined in this Framework
- Exclusion criteria as a method to identify and manage material environmental and social risks
- Compliance with any applicable environmental law, social standards and regulations (inclusive of those issued by the Regulator of Social Housing)
- Identification and management of potentially material ESG risks associated with projects, via the Group's risk management system
- Where feasible, the ability to quantify, measure and report on Eligible Projects.

L&Q's portfolio of Eligible Projects may be replenished as underlying loans are repaid, non-compliant projects are removed, and additional Eligible Projects are identified and reallocated.



## 3. Management of proceeds

An amount equivalent to the net proceeds from any Use of Proceeds Instrument will be managed by L&Q's Treasury team. To prevent double counting, net proceeds will be allocated to one or more Eligible Projects identified in L&Q's 'Sustainability Finance Projects Register' and monitored on a portfolio basis.

The Sustainability Financing Projects Register will contain key information and details of use of net proceeds and will be reviewed annually by the ESG Financing Panel to account for any re-allocation, repayments or drawings against Eligible Projects.

L&Q has in place appropriate internal accounting and financial management and information systems to track and report on Eligible Projects and to verify whether the net proceeds have been fully allocated.

We will provide information regarding the projects financed in the reporting (as set out on page 26) that, subject to confidentiality, will be published on our website together with relevant assurance and compliance reports.

L&Q has committed to allocating the net proceeds (or an amount equal to those net proceeds) to Eligible Projects within 24 months following receipt.

Pending application to Eligible Projects, the net proceeds (or an amount equal to these net proceeds, including tranches) will be credited to a dedicated sub-account in L&Q's accounting system with physical funds being segregated into a dedicated bank account.

This process is deemed to be an appropriate means of maintaining transparency and promoting the integrity of the product.

So long as Use of Proceeds Instruments are outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during that period.

Pending the full allocation of net proceeds, unallocated net proceeds will be invested and managed in accordance with the parameters of L&Q's Treasury Policy on a portfolio basis and will, on a best-endeavours basis, be invested on a short-term basis in green or sustainable assets or where counterparties demonstrate a transparent commitment to sustainable investments.

## 4. Reporting

**We are committed to transparency through annual reporting and where available, through a series of output and impact metrics.**

### Allocation reporting

Allocation reporting will be available annually through L&Q's 'Sustainability Finance Report' until the net proceeds have been fully allocated, or as necessary thereafter in the event of material developments. Each year's Sustainability Finance Report will be issued within 180 days of L&Q's financial year end (being 31 March) and will, subject to confidentiality, incorporate all Use of Proceeds Instruments issued to date. The report will detail:

- Insights into the total amount of the investments and expenditures in each Eligible Category including a description of Eligible Projects financed and material variations
- The balance of unallocated cash and/or cash equivalent
- The share of financing versus refinancing for each Eligible Category.

L&Q will obtain an external limited assurance report.

### Impact reporting

L&Q will publish annually an impact report in our annual Sustainability Report. Subject to the availability of data we will report on a range of measures of the environmental and social impacts of the investments and expenditures funded by Use of Proceeds Instruments.

The measures cover all aspects of our service and, on a best-efforts basis, align to the guidelines for impact reporting as described in (as may be amended from time to time) "The Sustainability Reporting Standard for Social Housing", "Green Bonds – Working Towards a Harmonized Framework for Impact Reporting"<sup>16</sup>; and/or "Social Bonds – Working Towards a Harmonized Framework for Impact Reporting"<sup>17</sup>.

The specific measures we may report on are indicatively shown on pages 32 to 37.

# Eligible Categories – Environmental

Before each Use of Proceeds Instrument is issued, more detail about the Eligible Project and specific measures will be provided, including details on how the measures will be benchmarked, calculated and externally verified.

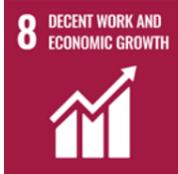
Eligible Category (aligned with the Sustainability Reporting Standard for Social Housing)	ICMA eligible Green Project category	Description	Specific measures we may report on	Material SDG Alignment	Linkage to 'Environmental Objectives' per the EU Taxonomy Regulation
Climate change: investments and/or expenditures that prevent and mitigate the risk of climate change.	Green buildings	Development of green residential buildings, which meet at least one of the following regional, national or internationally recognised standards or certifications: <ul style="list-style-type: none"> <li>Home Quality Mark of 3 stars or above</li> <li>BREEAM<sup>18</sup> certification of 'Very Good' or better</li> <li>Energy performance certificate (EPC)<sup>19</sup> rating in band B or above.</li> </ul>	<ul style="list-style-type: none"> <li>Number and proportion (%) of new developments with BREEAM certification or equivalent, including Home Quality Mark of 3 stars or above or New Construction certification of 'Very Good' or better</li> <li>Number and proportion (%) of new homes with an energy performance certificate (EPC) rating in band B or above (%).</li> </ul>	 	Climate change mitigation
	Renewable energy	Installation of renewable energy systems and procurement of energy from renewable sources operating at lifecycle emissions of less than 100gCO <sub>2</sub> /kWh.	<ul style="list-style-type: none"> <li>Total capacity of renewable energy installations (kW)</li> <li>Proportion of purchased energy from renewable energy sources (%).</li> </ul>	 	Climate change mitigation
	Energy efficiency	Installation of energy saving appliances, technologies and storage solutions in new and existing homes and improvement in energy efficiency of communal heating systems, that leads to: <ul style="list-style-type: none"> <li>At least a 30% improvement in energy efficiency</li> <li>Or an uplift in EPC rating by at least two bands.</li> <li>Delivery of energy savings assessments in residential homes and engagement with residents to reduce energy usage through behavioural change.</li> </ul>	<ul style="list-style-type: none"> <li>Number and proportion (%) of homes within each EPC band</li> <li>Number and proportion (%) of homes that are rated at EPC band C or above</li> <li>Operational plant efficiency of communal heating systems managed by L&amp;Q Energy (%)</li> <li>Number of homes visited to provide tailored energy savings assessments, energy-saving products and behaviour change advice.</li> </ul>	 	Climate change mitigation
	Clean transportation	Development and promotion of clean transportation access for employees and residents by using low emissions fleet vehicles with direct tailpipe emissions of below 50gCO <sub>2</sub> /km until 2025, and zero emissions thereafter, and installing electric vehicle charging points and cycling infrastructure.	<ul style="list-style-type: none"> <li>Number and proportion (%) of low emissions fleet vehicles</li> <li>Number of installed electric vehicle charging points</li> <li>Number of secure cycle parking spaces provided.</li> </ul>	 	Climate change mitigation

# Eligible Categories – Environmental (continued)

Eligible Category (aligned with the Sustainability Reporting Standard for Social Housing)	ICMA eligible Green Project category	Description	Specific measures we may report on	Material SDG Alignment	Linkage to 'Environmental Objectives' per the EU Taxonomy Regulation
Resource management: investments and/or expenditures that contribute to the sustainable management of natural resources.	Pollution prevention and control	Reduction of air, land and water pollution by reducing the amount of waste produced on our construction sites, at our offices and from our residents' homes, increasing the proportion of it that is recycled and reducing the proportion sent to landfill sites. This would include investment in technologies to capture and monitor data and equipment or infrastructure to reduce waste generated and improve recycling rates.	<ul style="list-style-type: none"> <li>Construction waste intensity (tonnes per 100 sq m completed or under construction)</li> <li>Construction waste recycling rate (%) and construction waste diverted from landfill (%)</li> <li>Office waste intensity (tonnes per average daily staff attendance)</li> <li>Office waste recycling rate (%) and office waste diverted from landfill (%)</li> </ul>	 	Pollution prevention and control
	Sustainable water and wastewater management	Reduction of water consumption on L&Q construction sites and in L&Q properties through water savings assessments, integration of water-saving technologies and engagement with residents to promote behavioural change.	<ul style="list-style-type: none"> <li>Construction site water intensity (cubic metres per 100 sq m completed or under construction)</li> <li>Number of homes visited to provide tailored water savings assessments, water-saving products and behaviour change advice.</li> </ul>		Sustainable use and protection of water and marine resources
	Eco-efficient and/or circular economy adapted products, production technologies and processes	Introduction of environmentally sustainable products, production technologies and processes to improve the efficiency of building new homes, e.g. investment in equipment or facilities to enable off-site manufacture of prefabricated and standardised components/modules.	<ul style="list-style-type: none"> <li>Average annual Modern Methods of Construction ("MMC") utilisation rate as specified in L&amp;Q's MMC roadmap<sup>20</sup>(%).</li> </ul>	 	Transition to a circular economy
Ecology: investments and/or expenditures that promote ecological sustainability.	Terrestrial and aquatic biodiversity conservation	Preservation and promotion of the environmental ecosystem surrounding L&Q properties by investing in public realm features that promote better air quality, healthy biodiversity and access to green spaces.	<ul style="list-style-type: none"> <li>Average % Biodiversity Net Gain achieved on new developments</li> <li>Number of biodiversity enhancement projects delivered to estates</li> <li>% outdoor space with enhanced biodiversity indicators.</li> </ul>	 	Protection and restoration of biodiversity and ecosystems

# Eligible Categories – Social

Before each Use of Proceeds Instrument is issued, more detail about the Eligible Project and specific measures will be provided, including details on how the measures will be benchmarked, calculated and externally verified.

Eligible Category (aligned with the Sustainability Reporting Standard for Social Housing)	ICAM eligible Social Project category	Description	Specific measures we may report on	Material SDG Alignment	Target Population
Affordability and security: investments and/or expenditures that increase the provision of affordable and secure housing.	Affordable housing	Construction or refurbishment of social and affordable housing (based on the definitions of “low cost rental accommodation” and “low cost home ownership accommodation” in the Housing and Regeneration Act 2008).	<ul style="list-style-type: none"> <li>Number of new homes under development and proportion (%) of these deemed to be affordable</li> <li>Ratio of average rent to average market rent by tenure.</li> </ul>	 	People who are unemployed, underserved, marginalised or living below the poverty line
Resident support: investments and/or expenditures that support residents and the local community.	Access to essential services	Enhancement of resident access to education, vocational training, health, wellbeing, and financial support services provided by the L&Q Foundation and L&Q Living, as referenced on pages 15-16.	<ul style="list-style-type: none"> <li>Number of residents accessing financial support services and the financial gains (£) generated for residents</li> <li>Number of residents supported with tenancy sustainment services</li> <li>Number of vulnerable residents participating in inclusion events or activities.</li> </ul>	 	Vulnerable groups, people who are unemployed or living below the poverty line, people with disabilities
Placemaking: investments and/or expenditures that support residents and the wider local community through placemaking.	Employment generation	Delivery of programmes designed to prevent and/or alleviate unemployment, through the provision of job brokerage services, training and one-to-one support with CV writing and interview preparation.	<ul style="list-style-type: none"> <li>Number of people supported into sustainable employment</li> <li>Number of traineeships or apprenticeships offered.</li> </ul>	 	Unemployed, underserved, undereducated, marginalised populations and vulnerable youth
	Socioeconomic advancement and empowerment	Supporting equitable access to and control over resources and opportunities and equitable participation and integration into market and society, including reduction of income equality. For example, development of internship and training programmes and procuring from and/or awarding grants to local groups, charities, SMEs woman-owned and/or minority-owned enterprises.	<ul style="list-style-type: none"> <li>Gender, ethnicity and disability pay gaps for L&amp;Q employees (%)</li> <li>Number and value (£) of procurement contracts offered to small and medium-sized, woman-owned and/or minority-owned enterprises, including through L&amp;Q’s Build London Partnership</li> <li>Number of community organisations supported and value (£) of investment.</li> </ul>	 	Excluded or marginalised communities, people who are underserved, people with disabilities, women and gender minorities



**4**



**Sustainability  
linked  
instruments**

# 1. Selection of Key Performance Indicators ("KPIs")

KPIs are material in the context of L&Q's Corporate Strategy, seeking to address relevant ESG challenges and risks that are within management's control. KPIs support the delivery of Sustainability Performance Targets ("SPTs") and will be reviewed at least annually by L&Q's ESG Financing Panel.

## These KPIs and SPTs are:

- Relevant, core and material to L&Q's overall business, and of high strategic significance to L&Q's current and/or future operations
- Defined inclusive of any applicable scope, perimeter and calculation methodology
- Measurable or quantifiable on a consistent methodological basis
- Whenever possible, benchmarkable using an external reference or include definitions to facilitate assessment against the ambition level shown by L&Q's SPTs
- Externally verifiable.

## Case study: Beam Park

With a newly-approved revised masterplan, Beam Park is the culmination of significant collaboration between L&Q, Countryside Partnerships (part of Vistry), the Mayor of London, Barking and Dagenham and Havering Councils. This partnership has recently been shortlisted for a Planning Award and has also allowed us to deliver real value for the local community.



This new masterplan allows for the delivery of approximately 4,000 homes, 50% affordable, across the 72-acre derelict site of a former Ford factory, while at the same time increasing the amount of open, green space being created.

Beam Park is one of only three schemes of over 3,000 homes in London, which are offering 50% affordable housing and it also offers L&Q's lowest starting prices in London.

Beam Park welcomed its first residents in 2020, who are now enjoying their high-quality homes. More than just delivering homes – Beam Park has a major social impact in an area that previously had extremely limited amenities.

Since 2019, as well as over 1,000 new homes, facilities as well as over 1,000 new homes, the area now features or will soon include, a nursery, multi-faith centre, primary school, sports facilities, outdoor spaces and a Sainsbury's Local. Creating a sense of community, a cabin hub is used for community activities during school holidays and public celebrations.

The new application has secured a brand-new 2.5-hectare public park on the western side of Beam Park, which includes a green square the size of the London Olympic velodrome. In total, the new application will deliver almost 60% open space on this previously inaccessible brownfield site, and by working to provide valuable habitats for local wildlife will result in a biodiversity net gain of over 350%.



**Nearly 4,000**

new homes,  
50% affordable



**60%**

open space on  
a previously  
inaccessible site



**New**

New parks and  
green spaces, with  
a biodiversity gain  
of over 350%



**Lowest**

L&Q's lowest  
starting prices  
in London



**Wide range**

of community  
facilities

# KPIs and SPTs

For all sustainability-linked instruments, L&Q will select one or several of the KPIs and SPTs outlined below but alternative KPIs and SPTs for Sustainability Linked Loans may be negotiated on a bi-lateral basis.

KPI	Material SDG Alignment	Description and KPI	Rationale	Baseline	SPT 1 - Short-term (2026)
KPI 1 (Energy efficiency)	 	Average energy rating for properties where L&Q has operational control, measured by the average of standard assessment procedures (SAP) ratings provided on EPCs	Carbon emissions from residents' energy usage is estimated to make up 43% of L&Q's total emissions (Scope 1, 2 and 3). Improving the energy efficiency of our homes is a priority for L&Q. Improving the energy efficiency of our homes will have positive financial implications for our residents, many of whom are living in fuel poverty.	Average calculated SAP score of 72.08 as at 31 March 2023	Average calculated SAP score of 72.8 (corresponds to low EPC band C rating)
KPI 2 (New Homes built)	 	Number of new homes built or acquired, with at least 50% of these provided as "affordable" housing (as defined by Housing & Regeneration Act)	L&Q is intent on playing its part in resolving the UK housing crisis and supporting the UK Government's target of building 300,000 new homes per year.	4047 homes built in 2022/23, of which 71% were for affordable housing	Cumulative 3898 New Homes built, of which 50% are affordable housing.
KPI 3 (Investment in Financial Support Services)	 	Funding invested in financial support services for residents (£)	L&Q is committed to providing residents with financial capability support and debt advice, helping them gain additional income.	£998k invested in 2022/23	Cumulative £800k investment in financial support services

## 2. Calibration of SPTs

L&Q's SPTs have been set in good faith and are deemed to be representative of the level of L&Q's sustainability ambitions in the context of L&Q's Corporate Strategy that will be reviewed at least annually by L&Q's ESG Financing Panel.

KPI	Method of Calculation	How is it ambitious?	Material factors that support the achievement of SPTs	Material factors that risk the achievement of SPTs
<p>1. Energy efficiency of residential homes (scope 3 impact)</p>	<p>SAP ratings indicate the theoretical energy performance of a building on a scale of 1 to 100. They are shown on EPC ratings and used to determine the letter rating of the EPC. SAP ratings will be averaged for all residential units where L&amp;Q has operational control for making improvements to provide an overall energy rating for the portfolio.</p> <p>Where EPCs are unknown or works have taken place, but the EPC has not yet been updated, appropriate modelling may be used to estimate the energy efficiency or improvement in energy efficiency. The methodology for this modelling is included in our KPI Definition Document<sup>22</sup>. Our baseline figure is based on data and modelling as at 31 March 2023.</p> <p>In setting our average SAP target for the years 2024/25 and 2025/26, we have modelled the likely uplift we can expect to see from new build handovers and upgrades to the EPC scores of existing homes through energy efficiency measures, via our retrofit programme (partly funded by the Social Housing Decarbonisation Fund (SHDF)).</p>	<p>Increases in average SAP in previous years have been driven a number of factors:</p> <ul style="list-style-type: none"> <li>- The delivery of a significant development pipeline, with over 96% of new homes achieving EPC B.</li> <li>- A high level of PAS assessments carried out in preparation for our retrofit programme. These assessments have improved the data we hold for our existing homes, leading to an increase in our average SAP.</li> <li>- Continued investment in gas boiler upgrades to A-rated systems, new doors and windows have also led to marginal improvements in average SAP.</li> </ul> <p>Both the number of new homes handed over, and the number of PAS assessments carried out over the next two years are set to reduce. This means that these factors will play a smaller role in driving up our average SAP.</p> <p>We will be scaling up our retrofit programme to deliver in line with our SHDF commitments. This investment in the decarbonisation of homes is expected to improve our average SAP, noting retrofitting existing homes presents a number of operational and financial challenges and therefore delivery is less certain.</p> <p>Our SAP targets for the next two years to 2026 reflect our continued commitment to make our residents homes more energy efficient. The targets also align to our aim to both bring all homes to EPC C by 2030 and achieve an average SAP rating by 2030 that corresponds to the midpoint of the EPC band C rating.</p>	<ul style="list-style-type: none"> <li>• Government investment aimed at improving the energy efficiency of UK housing stock eg. Social Housing Decarbonisation Fund (SHDF)</li> <li>• Emergence and widespread adoption of new and existing low carbon measures as proven technologies</li> <li>• Emergence of data systems that enable more effective monitoring and management of retrofit programmes</li> <li>• L&amp;Q's implementation of 15-year Major Works contracts supporting at-scale delivery of measures.</li> </ul>	<ul style="list-style-type: none"> <li>• Severe disruption to our capital expenditure programme due to events outside of our control</li> <li>• Lack of government policy, guidance and/or regulatory support</li> <li>• Delays to SHDF programme of works through technical challenges, low access rates and supply chain capacity</li> <li>• Green skills and knowledge gap within the UK workforce.</li> </ul>

## 2. Calibration of SPTs (continued)

L&Q's SPTs have been set in good faith and are deemed to be representative of the level of L&Q's sustainability ambitions in the context of L&Q's Corporate Strategy that will be reviewed at least annually by L&Q's ESG Financing Panel.

KPI	Method of Calculation	How is it ambitious?	Material factors that support the achievement of SPTs	Material factors that risk the achievement of SPTs
2. Affordable Housing	<p>The targets for total homes delivered, and the proportion of these that will be affordable, takes into account both our planned delivery and risks that may affect our ability to meet our targets.</p> <p>We have established our affordable homes target based on our risk tolerance; for new homes delivered this means considering our full year forecasts and the level at which we would drop below our performance tolerance. For 2024/25, our target for total homes delivered for this framework sits at 90% of planned delivery, with 2025/26 at 80%, reflecting the increasing delivery risk the further out we forecast.</p> <p>We retain the commitment within our Future Shape strategy that 50% the homes we build will be affordable, with the remainder available for private sale or rent.</p> <p>The calculation method is as published in L&amp;Q's audited financial statements and consists of:</p> <ul style="list-style-type: none"> <li>- New Homes handed over</li> <li>- % of Social Homes (as defined by the Housing &amp; Regeneration Act) 2008 built</li> </ul>	<p>The housing sector has faced significant economic and regulatory challenges over the past few years, including the 7% rent cap. We have adapted our business to respond to those challenges whilst continuing to deliver a significant number of new homes. We delivered 4,047 homes in 2023 and 2,955 in 2024.</p> <p>In 2021, we made a commitment to focus on our strategic priorities of health and safety, improving the quality of our existing homes and the services we provide to our residents. In making this commitment, we reduced investment in our development pipeline, focusing on our committed schemes. Despite the reduction in investment, the overall size of our development pipeline has allowed us to continue to deliver a significant amount of new homes over the period.</p> <p>However, we expect the number of new homes built or handed over to reduce by historic standards over the next few years due to the following factors:</p> <ul style="list-style-type: none"> <li>- A reducing investment in our development pipeline noting new home starts were 813 in 2024 compared to 2,760 in 2023</li> <li>- A continuation of material and labour cost pressures, which impact the profitability of some schemes and present the risk of supplier insolvency</li> <li>- Higher mortgage rates, which lower the affordability of market sales products</li> <li>- Our increased focus on build quality, which can delay handovers until issues are resolved.</li> </ul> <p>In the absence of a long term government plan for housing that delivers the funding our sector needs, L&amp;Q has had to make strategic choices. This is in common with other housing associations. A letter sent to Michael Gove in February 2024 by the G15<sup>23</sup> revealed that members were on track to start building just 1,769 homes in London in 2024, a fall of 76% compared with the 7,363 started in 2023.</p> <p>L&amp;Q's housing targets balances the aim to meet the significant need for new social housing, whilst also ensuring the safety, comfort and environmental performance of our existing homes.</p>	<ul style="list-style-type: none"> <li>• UK Government targets to enable the delivery of 300,000 homes a year by the mid-2020's and associated investment in housing</li> <li>• Population growth particularly in cities experiencing high rates of urbanisation</li> <li>• Low wage growth – average person could typically expect to spend around 7.8 times their income on purchasing a home in England</li> <li>• Over the last two decades, affordability has worsened the most in London where house prices are now 13.9 times the median disposable household income<sup>24</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued high inflationary environment leading to increased cost of delivery</li> <li>• Severe disruption to our capital expenditure programme due to events outside of our control</li> <li>• Reduced UK Government support through the provision of Social Housing Grant and housing benefit and/or Universal Credit</li> <li>• New Regulation is introduced outside the scope of our current expectations that requires a deviation of capital expenditure to operational expenditure</li> <li>• Price, availability and access to land which pushes up the cost of building new homes.</li> </ul>

# 2. Calibration of SPTs (continued)

L&Q's SPTs have been set in good faith and are deemed to be representative of the level of L&Q's sustainability ambitions in the context of L&Q's Corporate Strategy that will be reviewed at least annually by L&Q's ESG Financing Panel.

KPI	Method of Calculation	How is it ambitious?	Material factors that support the achievement of SPTs	Material factors that risk the achievement of SPTs
<p>3. Investment in Financial Inclusion</p>	<p>The Pound Advice service, provided by the L&amp;Q Foundation, funds trained experts to offer residents free and confidential advice to help with budgeting, debt, and benefits. The contract the L&amp;Q Foundation has in place with We are Digital, an external partner, offers both debt and mixed advice sessions, and financial capability sessions.</p> <p>The investment we are targeting in the Pound Advice service considers both our finalised budget for 2024/25 and the level of wider organisational risk that could impact on our ability to meet our targets.</p> <p>The investment set out in our framework is aligned to our Board approved investment for 2024/25 and includes both services for residents and the yearly management fee. This is in line with our risk tolerance, which considers wider operating environment challenges leading to possible reductions in budget in 2024/25 to balance our strategic priorities, and the impact this could also have on setting the 2025/26 budget.</p>	<p>The L&amp;Q Foundation aims to create positive, lasting change for residents, to help them live healthy, independent lives in thriving communities. One of two strategic outcomes is to support L&amp;Q residents to increase their incomes and financial resilience to help sustain their tenancies and maximise income. The Pound Advice Service helps the L&amp;Q Foundation meet this strategic aim.</p> <p>We recognise a significant number of our residents have accessed the Pound Advice service and it has produced tangible benefits for them. We also anticipate that, in a time of ongoing high living costs, there will be continued demand for the Pound Advice service. However, providing this service for our residents is not required for us to meet our regulatory requirements. It is therefore deemed a non-core service. With continued economic uncertainty, we may need to make tough budgetary decisions to provide our core services to our residents.</p> <p>Despite this, we are still targeting an investment of £800k. We estimate this investment will provide support to 1,155 residents per year, giving them estimated financial gains of £3.1m per year.</p>	<ul style="list-style-type: none"> <li>• Strong local accountability and resident representation at the heart of our governance</li> <li>• Continued investment in the L&amp;Q Foundation</li> <li>• Measurable benefits of supporting residents through existing financial inclusion initiatives</li> <li>• Social research knowledge and expertise to measure impact</li> <li>• Effective referrals process ensuring those most in need are identified and able to access support.</li> </ul>	<ul style="list-style-type: none"> <li>• Changes to regulatory framework impacting on financial inclusion activity</li> <li>• Low level of resident interest or engagement</li> <li>• Availability and accuracy of key data to drive targeted interventions</li> <li>• Disruption to available budgets due to events outside of our control</li> <li>• Ability of strategic partner(s) to deliver.</li> </ul>

## 3. Financial characteristics

The net proceeds from L&Q's Sustainability Linked Instruments will be used for general corporate purposes.

Sustainability Linked Instruments will include explicit structural incentives assessed against KPIs and/or SPTs that are non-binary where there are multiple targets.

On the 'Notification Date' (which will occur 15 days after the publication of the KPIs and no later than 90 days) L&Q's 'External Verifier' (see 4 below) will verify each KPI against each SPT.

Any structural incentive will be applied for any Interest Period commencing on or after the interest payment date immediately following the Notification Date.

**Where a structural incentive results in L&Q achieving an interest saving, that saving will be directly attributed to the L&Q Foundation over and above the budget allocated to the L&Q Foundation by L&Q.**

The variation of a Margin in any Sustainability Linked Loan will be documented in the appropriate loan agreement as may be amended or restated from time to time.

The details of any coupon variation or financial penalty payable to Noteholders in any Sustainability Linked Bond will be set out in the offering documentation provided at the point of the issuance of any Sustainability Linked Bond.

**These details will include:**

- Maturity date of instrument
- Sustainability KPIs and SPTs
- Sustainability target observation date(s)
- Financial incentive mechanism and quantum (for example a coupon step-up or down or payment of a premium at maturity)
- Where applicable appropriate fall-back mechanisms.

## 4. Reporting

All KPIs will be reported by L&Q on an annual basis as part of its annual report/non-financial statement or Sustainability Report, which will be verified by an external auditor or an appropriate, qualified and independent verification agent(s) or an independent rating agency (the "External Verifier") and made available on L&Q's website.

**Reporting may include:**

1. Up-to-date information on the performance of the selected KPI, including the baseline where relevant
2. A verification assurance report relative to the KPI outlining the performance against the SPT and the related impact, and timing of such impact, on a financial instrument performance
3. Any relevant information that enables the monitoring of progress of the KPI.

**Information may also include when feasible and possible:**

- Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the KPI or SPT on an annual basis
- Illustration of the positive sustainability impact of the performance improvement
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant.

## 5. Verification

### Post-issuance of any Sustainability Linked Instrument

L&Q's performance against each KPI according to each corresponding SPT at the relevant reference or observation date will be verified by the External Verifier who will issue a 'Verification Statement'.

In addition there will be an annual verification published in L&Q's annual Sustainability Report.

L&Q will make publicly available the Verification Statement, or an appropriate summary, on our website and in the case of any Sustainability Linked Bond, notify in writing to the Principal Paying Agent and the Noteholders.



## Case study: How we're improving our homes

As part of our Major Works Investment Programme, we're investing around £3bn over 15 years to improve the safety, comfort and environmental performance of residents' homes.

The programme will make sure our homes are maintained to the Decent Homes Standard – a technical standard set by the government for social housing.

The programme will cover all L&Q rented homes and communal areas in buildings with leasehold and shared ownership homes.

We'll be carrying out mechanical and engineering works, estate and environmental works, scheduled decorations, fire safety works, works to specialist L&Q Living homes, and we'll be working towards Energy Performance Certificate (EPC) C status across all homes. This includes works such as new kitchens, bathrooms, boilers, and insulation.

In total, we'll install around 48,000 new kitchens and 42,000 new bathrooms through the programme, alongside a range of other improvements.

As well as making sure residents have modern bathrooms and kitchens that meet their needs, the work will also help tackle rising energy costs by increasing the efficiency of homes.

We're in the second year of our programme, and are pleased to see the positive impact it is having on residents' homes and lives.



Colette Thomas, Stockwell – had new windows installed

"It's impacted my daily life. Before, in the winter I would basically live in my bedroom because it was the warmest room. My living room was really cold.

"I wouldn't even bother turning the radiator on as it wouldn't do anything.

"Last winter I was able to stay in the living room because it stays warm now. The windows have made such a difference. It's cosy now.

"You've got to feel like you can trust workers in your house, and I could. The amount of communication I received was brilliant. They were onsite all day and that presence made it feel as though they weren't contractors. It felt like they were just part of L&Q."



Ian Ricketts, Camberwell – had new kitchen and bathroom installed

"They lowered it, which is just amazing. It's so much better. It's much easier to wash up and it's far less dangerous to cook.

"I've always cooked before, but I had to use a perching stool, which made it awkward.

"It's much easier now. I made spaghetti bolognese the other day and was able to chop up all the vegetables and it was so much better.

"The workmen were really good. They were done within a week and they did a great job."



**5**



**External  
review**

# External review

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## Second Party Opinion

The L&Q Sustainability Finance Framework has been reviewed by DNV Assurance Services Limited which has issued a Second Party Opinion. The second party opinion provider has reviewed the Sustainability Finance Framework and certified its alignment with ICMA's Green Bond Principles 2021, Social Bond Principles 2023, Sustainability Bond Guidelines 2021 and Sustainability-Linked Bond Principles 2023 and LMA's Green Loan Principles 2023, Social Loan Principles 2023 and Sustainability Linked Loan Principles 2023.

A link to the Second Party Opinion is available here: [lqgroup.org.uk/en/investors/investor-information](https://lqgroup.org.uk/en/investors/investor-information).

## Amendments to the Framework

This Framework is subject to internal review by L&Q's ESG Financing Panel at least annually and may be subsequently updated and amended to reflect material changes to regulation, L&Q's strategic objectives and ICMA and LMA guidelines. Where material changes are made to this Framework, L&Q will obtain a refreshed Second Party Opinion.





**6**



**Footnotes**

# Footnotes

Footnote	Definition
1	<a href="https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/">https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/</a>
2	<a href="https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/">https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/</a>
3	<a href="https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg">https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg</a>
4	<a href="https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf">https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf</a>
5	<a href="https://www.lma.eu.com/application/files/1816/1829/9975/Social_Loan_Principles.pdf">https://www.lma.eu.com/application/files/1816/1829/9975/Social_Loan_Principles.pdf</a>
6	<a href="https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp">https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp</a>
7	<a href="https://www.lma.eu.com/application/files/8915/9799/8238/SSLP_Guidance_V05_pages1.pdf">https://www.lma.eu.com/application/files/8915/9799/8238/SSLP_Guidance_V05_pages1.pdf</a>
8	<a href="http://www.legislation.gov.uk/ukpga/2008/17/section/69">http://www.legislation.gov.uk/ukpga/2008/17/section/69</a>
9	<a href="http://www.legislation.gov.uk/ukpga/2008/17/section/70">http://www.legislation.gov.uk/ukpga/2008/17/section/70</a>
10	<a href="http://www.legislation.gov.uk/ukpga/2008/17/contents">http://www.legislation.gov.uk/ukpga/2008/17/contents</a>
11	<a href="https://www.gov.uk/government/publications/regulatory-judgements-and-regulatory-notices">https://www.gov.uk/government/publications/regulatory-judgements-and-regulatory-notices</a>
12	<a href="https://www.housing.org.uk/nhf_catalog/publications/code-of-governance-2020/">https://www.housing.org.uk/nhf_catalog/publications/code-of-governance-2020/</a>
13	<a href="https://www.un.org/sustainabledevelopment/sustainable-development-goals/">https://www.un.org/sustainabledevelopment/sustainable-development-goals/</a>
14	<a href="https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852_en">https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852_en</a>

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15	<a href="https://sustainabilityforhousing.org.uk/latest-srs-criteria/">https://sustainabilityforhousing.org.uk/latest-srs-criteria/</a>
16	<a href="https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf">https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf</a>
17	<a href="https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf">https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Harmonised-framework-for-impact-reporting-for-social-bonds-June-2023-220623.pdf</a>
18	<a href="https://www.breeam.com/">https://www.breeam.com/</a>
19	An Energy Performance Certificates (EPC) is a rating used to express the theoretical energy performance of a building.
20	<a href="https://www.lqgroup.org.uk/media-centre/news/162">https://www.lqgroup.org.uk/media-centre/news/162</a>
21	<a href="https://www.housing.org.uk/resources/the-housing-crisis-what-will-happen-if-we-dont-act/">https://www.housing.org.uk/resources/the-housing-crisis-what-will-happen-if-we-dont-act/</a>
22	<a href="https://www.lqgroup.org.uk/-/media/files/corporate/landq-sustainability-kpi-definition-document-2023">https://www.lqgroup.org.uk/-/media/files/corporate/landq-sustainability-kpi-definition-document-2023</a>
23	<a href="https://g15.london/news/open-letter-to-the-rt-hon-michael-gove-on-londons-housing-crisis">https://g15.london/news/open-letter-to-the-rt-hon-michael-gove-on-londons-housing-crisis</a>
24	<a href="https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingpurchaseaffordabilitygreatbritain/2022">https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingpurchaseaffordabilitygreatbritain/2022</a>



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