

# Sustainable Finance Framework

May 2026



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# Thoughts from our Chief Executive

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At Stonewater, we are guided by **our Vision**, which is parallel to our commitment to provide warm, safe and affordable homes that support sustainable principles.

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Our Customer Promise, launched in October 2020, drives Stonewater's relationship with our customers. It represents a strong customer-centric approach that can help maintain cohesion and ensure that both colleagues and customers have a consistent and positive experience. This promise reflects a deep commitment to putting the customer at the centre of all our actions and decisions, ensuring that their needs and concerns are a top priority.

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Since the introduction of our Sustainable Finance Framework (SFF) in 2021, we have continued to build more energy efficient homes and improve the efficiency of our existing homes, while actively supporting our customers. We have also taken wider action to address the environmental challenges that we face, by embedding sustainability into everything that we do; from installing water efficient products, planting more trees, shifting to green equipment, to sustainably managing our supply chain and impact.

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We have committed to meet the UK Government's proposed 2030 Minimum Energy Efficiency Standards for all of our homes and fully support, and align with, the UK Government's objective to transition to a net-zero carbon economy by 2050. The construction and operation of our new homes pose some of our most significant environmental impacts and we address this by ensuring all new build homes exceed the energy efficiency requirements under the UK Building Regulations. To further reduce the environmental impact of our homes we have implemented an energy performance hierarchy to incentivise and drive energy efficiency across our developments.

For Stonewater, environmental sustainability means supporting all customers to allow them to benefit from more energy-efficient homes. Our retrofit programme helps to ensure our customers enjoy a warm, affordable and more sustainable home.

Updating our SFF ensures that we can continue to financially support the development of these sustainable communities and the wellbeing of our customers. Our SFF allows our funding to be allocated to projects that have a positive social and environmental impact, aligning with Stonewater's sustainability strategy.



**Jonathan Layzell**  
Chief Executive

“ For Stonewater, environmental sustainability means supporting all customers.”



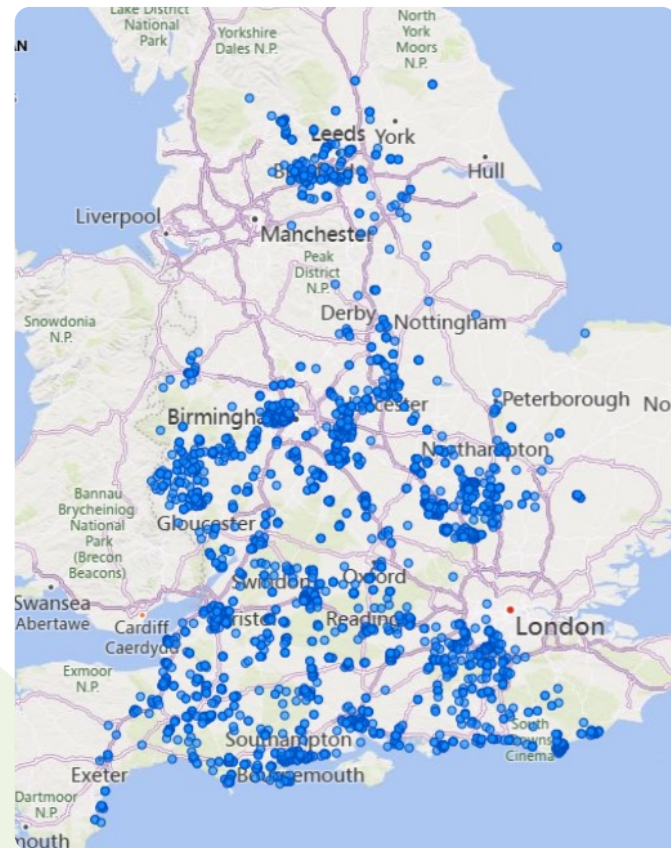
# Section 1: About Stonewater

## 1.1 What we do

Stonewater is one of the UK's largest social housing providers, providing safe, affordable housing to those that need them most. By providing homes to communities across the country, we continue to help address the national housing crisis.

We offer homes for rent, shared ownership and purchase. We provide affordable housing for people of all ages, backgrounds and needs. Our specialised services include retirement, supported living for vulnerable people as well as safe spaces for the LGBTQ+ community, domestic abuse refuges and young people's foyers.

Our approach is rooted in becoming a truly customer-driven organisation, building relationships founded on respect, honesty, transparency, and a commitment to equality, diversity, and inclusion.



To enable this, Stonewater's key strategic objectives are:



**Customer-centred services**  
Provide customer-centred services that are proactive and efficient, and that help us to retain and attract customers.



**Quality homes and neighbourhoods**  
Supply, manage and maintain homes and neighbourhoods that are safe, connected, efficient, affordable, and flexible.



**Maximising value**  
Maximise the value we provide to our customers and communities through decision-making and initiatives that support environmental and social sustainability.

Stonewater's governance is **G1** rated by the Regulator of Social Housing, with Stonewater meeting all governance requirements as set by the regulator. Stonewater's Board provides overall strategic direction and ensures that the organisation is meeting its aims and objectives. Our Board membership is shaped to reflect the diversity of our customers and the communities we serve, bringing together a range of skills and experience that supports our services, customers and the size and strength of the organisation.

Under our governance arrangements, our Board is responsible for ensuring that we maintain a risk and control framework. Through managing risk, we can identify their natures, probability and impact as they emerge, and take actions to remove, transfer or mitigate them. This includes environmental risk and opportunities, including net zero targets. Our sustainability strategy is monitored by Stonewater's Chief Officer Group (COG) with our Operational Director Group (ODG) functioning as the steering group for sustainability.

## 1.2 Sustainability at Stonewater

Sustainability is a core pillar at Stonewater. Embedding sustainability in our finance and funding products helps us to minimise our environmental impact. This framework helps us to align our financial strategy with our sustainable goals.

Our sustainability strategy compliments our core strategy and recognises the importance of reducing our environmental impact by continuing to focus on:

- Empowering customers to live sustainably
- Creating healthy, efficient and future-proof homes with reduced reliance on fossil fuels
- Working with nature to address climate change
- Reducing our carbon footprint and operating sustainability
- Developing a sustainable, transparent supply chain
- Driving collaboration and innovation.

Through these key areas, Stonewater can ensure our homes comply with Minimum Energy Efficiency Standards, remain on track for net zero by 2050 and involve our customers and communities in living sustainably and shaping their local environments.

*“ We are committed to reducing our operational greenhouse gas emissions related to the homes over which we have operational control, thereby helping customers to reduce their energy use and bills, while supporting our transition to net zero. ”*

We design our new homes so that they are net zero ready by adopting a fabric-first approach and the latest innovations in building technologies and design. Focusing on a range of energy efficiency measures, such as reduced thermal bridging, improved airtightness, electric heating solutions and renewable energy generation, ensures our homes are fit for the future.

### Star Ground

Star Ground is a 10-home affordable housing development in Holt, Wiltshire. The homes were built to Passivhaus standards, with triple glazing, solar panels and innovative smart-home heating technology. These measures work to maximise comfort and reduce customers' household bills as much as possible.

The homes achieved a significant reduction in operational greenhouse gas emissions, energy use and running costs, compared to a traditional build. The scheme also featured outdoor space and biodiversity enhancements, including gardens, new trees, wildlife habitats and public art, supporting not only the environment, but also customer wellbeing.

Star Ground demonstrates how high-quality, low-carbon homes can materially improve residents' wellbeing whilst ensuring we can maintain our net zero commitment.



Star Ground, Holt.

Our fabric-first approach does not just apply to our new homes. By retrofitting our existing stock with insulation, energy-efficient upgrades to heating, doors and windows, and installing solar photovoltaic (solar PV) systems, we improve our customers' lives by providing them with comfortable and safe homes, which are also affordable to run.

### Rabley Wood

Rabley Wood in Wiltshire is one of our largest retrofit schemes, with 108 homes benefitting from new energy efficiency upgrades. Improvements included loft insulation, replacement windows and doors and the installation of air-source heat pumps in houses, with high heat retention storage heaters fitted in flats.

Following the completion of the project, one customer who had an air-source heat pump fitted shared this 5-star review on Trustpilot:



*I recently received my follow up letter to recap on how to use the system. A Stonewater retrofit project manager spent time with me explaining the controls and heating system to make sure it was operational. A great finish to a very pleasing retrofit experience. The air-source heat pump has made a huge difference, really pleased.*



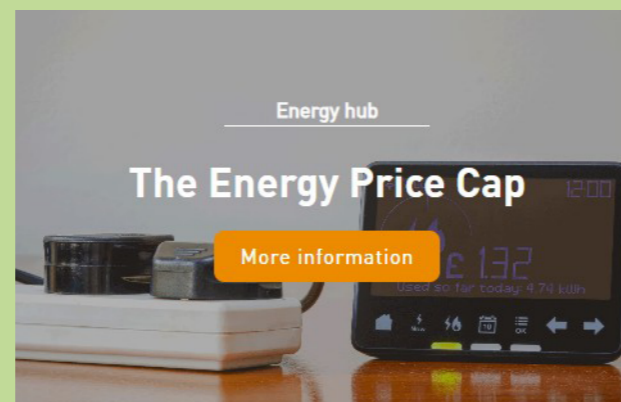
Airsource heat pump installation.

As a housing association, Stonewater has a strong social purpose reflected in our mission to offer quality homes and services to people whose needs are not always met by the open market. We also understand our role in offering supported services to our customers in varied ways, including providing energy advice.

### Energy hub

We recognise the role we can play in supporting the eradication of fuel poverty. Our Fuel Engagement strategy is in place to combat fuel poverty, ensuring our customers' homes are warm, comfortable and affordable.

Customers are signposted to our award-winning Energy hub, which features a wealth of advice on how to reduce energy bills and carbon emissions, how to run different heating systems efficiently and links to support from the Government and other agencies.



Our Energy hub website for customers.

Alongside our core social purpose, we recognise our broader responsibility to society and the environment. At Stonewater, we are committed to creating a culture where equality, diversity and inclusion (EDI) are not only embedded, but championed across the organisation. EDI is one of our strategic drivers and our EDI delivery board governs our approach across the organisation. This board, alongside our Social Housing Equality Framework, enables us to promote and integrate EDI into our policies, procedures and everyday ways of working.



Inclusive partnerships event.

## 1.3 Sustainability Reporting Standards

At Stonewater, we know that we will not achieve our ambitions without tracking our performance and communicating the results. We understand the priority to outline our performance and key achievements to both the business and our customers, which is why we consistently report, and provide information, on our performance and priorities.

We measure and monitor our sustainability performance by completing our annual Sustainable Homes Index for Tomorrow (SHIFT) assessment and publishing Stonewater's Environmental, Social and Governance (ESG) report. This also helps to ensure that we are continuously improving and limiting our impact on the environment. Aligning with several reporting standards provides a transparent and comparable assessment of our sustainability performance and helps us to identify, manage, and mitigate any current and future sustainability risks.

Stonewater reports against, and endorses, The Sustainability Reporting Standard for Social Housing<sup>1</sup> (SRS). The SRS aligns with our purpose to create positive social and environmental outcomes for our customers, colleagues and climate. It also provides a benchmarking standard to assess our progress against sustainability criteria and identify opportunities to improve our performance.

The SRS focuses on key sustainability topics, which are fully aligned with the United Nations' Sustainable Development Goals (UN SDGs), Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the International Capital Markets Association (ICMA), and Loan Markets Association (LMA) Principles.

Find out more about [our commitment to sustainability](#).



<sup>1</sup>ESG Social Housing - Building a sector standard approach to ESG reporting

# Section 2: Sustainable Finance Framework

Recognising the importance of the United Nation's Sustainable Development Goals, this SFF enables us to transparently align our debt instruments to those most relevant to our business and sphere of impact.

## 2.1 Framework rationale

Stonewater has been delivering new affordable housing for over a decade, and we remain committed to building and maintaining high-quality homes for the people and communities who need them most. We continue to enhance the sustainability of our existing homes through ongoing energy-efficiency improvements, ensuring our homes prioritise customer wellbeing and protection of the environment.

We aim to provide increasing transparency to our stakeholders on our progress against our sustainability commitments through our annual reporting. Since developing the first edition of this SFF in 2021, the underlying guiding principles and Stonewater's Sustainability Strategy have both evolved. Subsequently, we have updated our initial SFF to align accordingly.

This latest version of our SFF provides transparency on how we allocate our proceeds from applicable debt issuances to Eligible Projects, which deliver tangible environmental and social improvement in line with our long-term sustainability goals.

In 2021, Stonewater issued a £250m sustainability bond from our £1bn Euro Medium Term Note (EMTN) programme. In line with the 2021 SFF, this funding allowed us to build or refinance 2,152 homes across 84 schemes in 49 Local Authority areas in England. 40% of the new homes built were classified as "Green Buildings" and 60% as "Affordable Housing". Further details can be read in our 2021/22 ESG Report, published on our website.

This SFF update aligns with internationally recognised principles and outlines how Bonds, Loans and other financing instruments such as Private Placements will be entered into. Bonds issued under the framework will be aligned to the International Capital Markets Association (ICMA) Green Bond Principles 2025 (GBP) / ICMA Social

Bond Principles 2025 (SBP) / ICMA Sustainability Bond Guidelines 2021 (SBG) or as they may be subsequently amended. Loans issued under the framework will be aligned to the Loan Market Association (LMA) Green Loan Principles 2025 (GLP) and the LMA Social Loan Principles 2025 (SLP) or as they may be subsequently amended.





This SFF serves to demonstrate alignment with the four core components established under the above-mentioned industry standards (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting) as well as to provide an overview to stakeholders of Stonewater's Sustainability Strategy.





The SFF has been externally reviewed to confirm alignment to the ICMA and LMA principles detailed above.

## 2.2 Use of proceeds

Net proceeds raised in alignment with this SFF, will be utilised to invest in environmentally or socially impactful projects as defined in the table below. Should new finance be structured across multiple tranches, only the tranches meeting the eligibility criteria will be labelled as environmental or social.

Proceeds will be used to finance and/or refinance suitable projects subject to the ICMA and LMA principles mentioned above. Dependent on the nature of the project, the investment in the Eligible Projects can be measured through asset value, capital expenditure (CAPEX) or operating expenditure (OPEX). The net proceeds will only be utilised for suitable projects 36 months before, or 12 months after, the issuance date of the debt instruments, as well as re-financing of existing eligible assets.

Impact	ICMA & LMA Eligible Social Project Category	Project Description and Eligibility Criteria <sup>2</sup>	Reference financial line item	SRS Alignment	Target Population	UN SDG Alignment	Example Social Impact Metrics
A. Social	Affordable housing <sup>3</sup>	Construction of new Social and Affordable Housing in the UK	CAPEX	Affordability and Security	People in need of housing on the housing register for affordable / social homes who are unable to rent or purchase properties on the open market in their local area	 	<ul style="list-style-type: none"> <li>- Number and proportion (%) of new homes delivered that are deemed to be social and affordable housing</li> <li>- Ratio of average rent per affordable dwelling vs average market rent</li> </ul>
		Refinancing of existing social and affordable housing in the UK	Asset value				
	Access to Essential Services	Enhance residents' access to essential services through initiatives such as: <ul style="list-style-type: none"> <li>- Money and energy advice</li> <li>- Grants / vouchers for food and energy for households experiencing hardship</li> <li>- Initiatives to tackle food poverty</li> <li>- Mental health support</li> </ul>	OPEX	Resident Support	Low-income households	 	<ul style="list-style-type: none"> <li>- Number of residents provided with money and energy guidance</li> <li>- Number of fuel poverty initiatives</li> <li>- Social value created</li> <li>- Customer satisfaction</li> </ul>

Impact	ICMA & LMA Eligible Social Project Category	Project Description and Eligibility Criteria <sup>2</sup>	Reference financial line item	SRA Alignment	EU Taxonomy Mapping	UN SDG Alignment	Example Environmental Impact Metrics
B. Environmental	Green Buildings	Construction of new homes with an EPC rating of A or B <sup>4</sup>	CAPEX	Climate Change	Climate Mitigation		<ul style="list-style-type: none"> <li>- Number and cost of new homes built with EPC rating of B or above</li> <li>- Average SAP score (Standard Assessment Procedure) of new homes built</li> <li>- SHIFT scores</li> </ul>
		Refinancing of existing homes – subject to a minimum EPC rating of A or B. Target for all homes to meet the UK Government's 2030 Minimum Energy Efficiency Standards	Asset value				
	Energy Efficiency	Installation of fossil-fuel free or zero carbon technologies	CAPEX	Climate Change	Climate Mitigation		<ul style="list-style-type: none"> <li>- Number and proportion (%) of existing homes that are Minimum Energy Efficiency Standards compliant</li> </ul>
		Renovation of existing homes that improve unit EPC ratings by two notches. Target for all homes to meet the UK Government's 2030 Minimum Energy Efficiency Standards	CAPEX				<ul style="list-style-type: none"> <li>- Number of homes retrofitted</li> <li>- Number of fossil-fuel free or zero carbon technologies installed</li> <li>- Operational greenhouse gas emissions / home</li> <li>- Trees planted</li> </ul>

<sup>2</sup>A single asset can only fall in one category

<sup>3</sup>Inclusive of social rent, affordable rent and shared ownership

<sup>4</sup> For Stonewater's land and build schemes, we embed an energy performance hierarchy into our Employer's Requirements ranging from Bronze to Gold+. The purpose of the hierarchy is to guide developments towards achieving the highest possible EPC rating upon completion, allowing for wider project variables (e.g. budgetary and/or social outcomes).

The Bronze standard represents Stonewater's minimum accepted standard (target EPC B), which has been designed to exceed building efficiency regulations, and requires degasification as well as the installation of solar PV on all homes.

The Gold+ standard is designed to achieve net-zero operational emissions (target EPC A), where renewable energy systems are sized to the anticipated operational energy demand of the building. The standard takes a fabric first approach and is based upon performance outcomes rather than specific technology to encourage innovation and allow supply chain partners to secure best value. This approach also helps us to balance our net zero goals with cost efficiency and our desire to address the housing crisis in England.

With the progression from Bronze to Gold+, the prescribed level of airtightness increases, along with a requirement for a Mechanical Ventilation with Heat Recovery (MVHR) where airtightness falls below 3, and an increasing sizing of solar PV installations. The range of standards allows us to ensure that the specification of houses can best meet the financial limitations of our customers, but still ensure that even the minimum (Bronze) specification will result in a standard of housing which exceeds the minimum building specifications in terms of environmental performance and provides a better quality of life for our customers compared to building efficiency regulations.

## 2.3 Process for project evaluation and selection

Overall accountability for the SFF lies with Stonewater's Chief Officer Group (COG) who are responsible for the day-to-day running of Stonewater. COG is a senior cross-divisional team, headed by the Chief Executive, and it is responsible for overseeing many of Stonewater's internal policies and compliance procedures. Additional subject matter experts can be invited to attend COG meetings as and when required.

Specific accountability for the implementation and maintenance of policies and subsequent reporting related to the SFF rests with the Chief Financial Officer and the Chief Officer who has responsibility for sustainability (jointly (Responsible COG Members)), and who will jointly ensure compliance with all obligations of the SFF.

As part of their role in managing the SFF, Stonewater's Responsible COG Members will oversee the:

- Eligible Project portfolio, confirming its continued compliance with Stonewater's SFF
- Approval of the addition of Eligible Projects / expenditures
- Content review of Stonewater's SFF and ensure it is updated to reflect changes in market standards (such as relevant ICMA and LMA principles) and the organisation's strategy on a best-efforts basis

- Exclusion of projects or investments that no longer comply with the eligibility criteria or have been disposed of and their replacement on a best-efforts basis
- Facilitation of the allocation and impact report provision under the SFF.

Regarding sustainability more broadly, COG will also:

- Periodically review the content of the SFF and update as required for any changes in market standards and / or Stonewater's Sustainability Strategy
- Review project category alignment with appropriate Eligibility Criteria and/or national and international sustainability taxonomies and legislation
- Have oversight of any environmental and / or social risks associated with Eligible Projects and mitigate any such risks through the implementation of, or updates to; policy, frameworks and procedures, or through direct intervention where appropriate
- Explore innovations in sustainable financing.



Flax Court, South Petherton, Somerset.



Stonewater homes at Glenvale Park, Wellingborough.

## 2.4 Management of proceeds

Stonewater intends to allocate the proceeds from any sustainable financing transaction(s) to an Eligible Project portfolio, selected in accordance with the use of proceeds criteria and the evaluation and selection process presented above. Stonewater intends to complete the allocation of proceeds, of an amount equivalent to the net proceeds of any issuance, within 24 months of issuance.

Stonewater recognises the importance of managing and monitoring the proceeds issued under the SFF. COG will ensure that Eligible Projects financed exceed net proceeds raised under the SFF, for as long as the financing remains in place. Additional projects will be added to the issuer's Eligible Project portfolio to the extent required as a result of, for instance, divestments, thereby ensuring that an amount equal to the net proceeds from outstanding debt instruments is allocated to projects until the maturity of the debt instruments.

Stonewater has a structured process to determine how projects fit within the categories identified, and how the proceeds will be matched to, and monitored in relation to, specific Eligible Projects. Amounts equivalent to the net proceeds of any issuance issued under the SFF will be separately recorded, reconciled and reported and held internally by treasury team.

Pending the full allocation to the Eligible Project portfolio, Stonewater is permitted to use any unallocated funds for either debt repayment and/or its treasury liquidity portfolio – which can include, but is not limited to, deposits, money market funds and other similar products in accordance with our Treasury Management Policy. Stonewater's finance team will assume full responsibility for managing this process.

## 2.5 Reporting

Stonewater will report on the allocation of net proceeds and, wherever feasible, report on the impact of the projects within 24 months from the issuance of any Sustainable Debt Instrument, to be renewed annually until full allocation of the net proceeds. The impact report will disclose the progress against a selection of sustainability indicators, relevant to the social housing sector in the United Kingdom. Any material developments, such as, modification of the SFF or allocation portfolio, will be reported in a timely manner and included in Stonewater's annual ESG report.

### 2.5.1 Allocation reporting

The allocation report will include:

- I. The type of financing instruments used and respective outstanding amounts
- II. The total amount of proceeds allocated to each project with a clear reference to the type of financial expenditure (expenditure or asset value)
- III. The amount and/or percentage of new and existing projects (share of financing and refinancing)
- IV. The balance of unallocated proceeds.

### 2.5.2 Impact reporting

Impact reporting under this SFF will leverage metrics from the Sustainability Reporting Standard for Social Housing, as well as include additional metrics to monitor our performance on a best-efforts basis. Examples of these metrics are shown in the Use of Proceeds table in section 2.2 above.

For any debt instruments aligned to the Green and Social Bond Principles, Stonewater intends to align the reporting with the portfolio approach described in the ICMA Harmonised Framework for Impact Reporting on a best-efforts basis.

## 2.6 External review

### 2.6.1 Second Party Opinion (pre-issuance)

Stonewater's SFF has been reviewed and verified by S&P Global Ratings, who confirms that the SFF is aligned with the ICMA Green Bond Principles 2025, ICMA Social Bond Principles 2025, ICMA Sustainability Bond Guidelines 2021, LMA Green Loan Principles 2025 and the LMA Social Loan Principles 2025. The Second Party Opinion is available on [Stonewater.org](https://www.stonewater.org).

### 2.6.2 Verification and assurance (post-issuance)

Stonewater will engage an independent third-party assurer to provide assurance regarding allocated and unallocated portions of the net proceeds, along with any allocation reports issued whilst sustainable financing instruments are outstanding. The external verification will be made publicly available on Stonewater's website.



Affordable homes at Mendip View, Axbridge.



Sturt Farm, Haslemere, features public art.

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