



HEXAGON HOUSING ASSOCIATION  
SUSTAINABLE FINANCE IMPACT AND ALLOCATION  
REPORT 2024

## A SUSTAINABLE FUTURE

Hexagon Housing Association is a medium sized association with around 4,500 homes in South-East London. As one of the leading social housing providers in South London, Hexagon is committed to providing safe, warm and energy efficient homes for all residents. We want to ensure we contribute positively to the global sustainability agenda by meeting our targets in our local operational areas.

We are committed to achieving sustainability in all that we do and have adopted a holistic approach to sustainability that balances the achievement of social, environmental, and economic benefits for all our stakeholders. This approach to sustainability is externally acknowledged by the Gold SHIFT (Sustainable Homes Index for Tomorrow) awards that we have been receiving since 2014. We believe that having the right environmental, social and governance strategy and framework is linked to higher value creation.

In April 2022 Hexagon issued its first £250m Sustainable Bond with a fixed coupon of 3.625 per cent.

<b>Our Bond</b>	
Issuer	Hexagon Housing Association Limited
Currency	GBP
ISIN	XS2455788732
Size	£250m
Net proceeds	£247.3m
Issue date	22 April 2022
Maturity date	22 April 2048
Coupon	3.625%
Allocated sum	£247.3m <sup>1</sup>
Allocated percentage	100%




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<sup>1</sup> Hexagon has identified a £544.2m total portfolio of qualifying assets, which comply with Hexagon's Sustainable Finance Framework – a portion of this has been allocated to the bond. For the financing assets, the type of financial expenditure considered was expenditure. For the re-financing eligible assets, bond proceeds have been used to refinance these assets, using asset values as the financial expenditure considered

## ALLOCATION AND IMPACT OF PROCEEDS

Our Sustainable Finance Framework was issued in April 2022. It outlines how Hexagon intends to enter into Sustainable Financing Transactions (SFTs) to finance and/or refinance projects that have a positive environmental and/or social impact while supporting our business strategy.

### Eligible Projects

Use of Proceeds	Eligible projects	Reference financial line item	Alignment to UN SDG
<b>Green Buildings</b> Contributing to climate change mitigation by reducing greenhouse	Construction or acquisition of new homes with an EPC (Energy Performance Certificate) Rating B (SAP 81) or above	Capex	 7.3
	Renovation of existing homes that improve unit EPC Ratings by at least two notches or improve energy efficiency by at least 30%	Capex Opex	
	Re-financing of existing homes with an EPC Rating of B (SAP 81) or above	Asset value	
<b>Affordable Housing</b> Reducing social inequality by increasing access to affordable housing	Construction or acquisition of new Social and Affordable Housing in the United Kingdom	Capex	 1.4  11.1
	Necessary improvements and/or refurbishments required for the continued use of the social housing, not covered under energy efficiency improvements category	Capex	
	Re-financing of existing Social and Affordable Housing in the United Kingdom	Asset Value	

In March 2023 we revised our business strategy to refresh our vision, mission, and objectives. Built on the premise that everyone deserves a decent home, our mission is to provide decent, affordable homes for lower income households in South London. Our objectives are focussed on:

- Good landlord services that meet our customers' needs
- Safe, decent, and efficient homes
- Residents supported and making a positive difference
- A dynamic workforce that delivers our goals
- A growing, sustainable, efficient, and viable business

Our corporate strategy is aligned to the United Nations Sustainable Development Goals (UN SDG) to tackle climate change, to eliminate poverty, and to contribute to sustainable communities.

## Allocation

Within the £544.2m portfolio, the bond proceeds have been allocated as follows. For the financing assets, the type of financial expenditure considered was expenditure. For the re-financing eligible assets, bond proceeds have been used to refinance these assets, using asset values as the financial expenditure considered.

<b>Table 1: Allocation of Net Proceeds</b>	<b>Total</b>	<b>% in each category</b>
Refinancing	£182.4m	74%
Financing	£64.9m	26%
<b>Total</b>	<b>£247.3m</b>	<b>100%</b>

Of the Financing component, we have allocated £64.9m of initial spending into two eligible project categories.

- **Green Buildings** – for the construction of new homes with an EPC Rating of A or B, and refinancing of existing buildings with an EPC rating of B or above
- **Affordable Housing** – for necessary improvements and/or refurbishments required for the continued use of the social housing, and re-financing of existing Social and Affordable Housing

<b>Table 2: Eligible Project Categories</b>				
<b>Eligible Project Category</b>	<b>Refinancing £m</b>	<b>Financing £m</b>	<b>Total Spend £m</b>	<b>% in each category</b>
Green Buildings	£82.1	£45.7	£127.8	52%
Affordable Housing	£100.3	£19.2	£119.5	48%
<b>Total</b>	<b>£182.4</b>	<b>£64.9</b>	<b>£247.3</b>	<b>100%</b>
<i>% refinancing vs financing</i>	74%	26%	100%	

The bond has been fully allocated.

## Green buildings

We allocated £82.2m to refinance 619 existing homes with an Energy Performance Certificate (EPC) B rating. A further £45.7m was allocated to finance 303 new homes with an EPC B rating. By March 2023, 20 new homes were completed, and 283 homes were under construction.

<b>Scheme</b>	<b>Completed</b>	<b>Under construction</b>	<b>Mar-20</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Total £m</b>
Pond House	20		1.2	1.2	1.2	1.0	4.6
Boulevard Point		10	0.0	0.0	0.0	0.1	0.1
Bellingham Mews		4	0.0	0.0	0.0	0.1	0.1
John Russell House		13	0.5	1.4	0.8	0.2	2.9
Thomas Moore		16	1.7	1.5	1.2	0.2	4.5
White Post St		20	4.6	1.1	0.9	0.3	6.9
Derick Avenue		37	0.4	0.2	2.2	2.4	5.3
Alers Rd		11	0.0	0.0	2.1	0.2	2.2
Blackwall Lane		27	3.6	0.1	0.1	0.2	4.1
Willet Rd		30	2.0	0.3	0.5	0.9	3.7
Old Kent Rd		46	0.8	0.3	0.3	0.4	1.8
Cricketers (Furlong Close)		18	0.5	0.0	0.0	0.0	0.5
Watling (Pankhurst Court)		16	1.1	0.7	0.0	0.0	1.7
Sumner Road (170 Sumner Road)		5	1.4	0.0	0.0	0.0	1.4
Rye Lane (190 Rye Lane)		22	2.9	1.1	0.0	0.1	4.1
Peckham Road (95 Peckham Road)		8	2.0	0.0	0.0	0.0	2.0
<b>Total</b>	<b>20</b>	<b>283</b>	<b>22.6</b>	<b>7.9</b>	<b>9.3</b>	<b>5.9</b>	<b>45.7</b>

## Affordable housing

We have allocated £100.3m to refinance existing social and affordable homes.

Hexagon's average social rents are currently 35% and affordable rents 63% of private market rents in the London boroughs where Hexagon operates.

Accom Type	Private market rent £ (monthly)						Hexagon average £ (monthly)			Hexagon average rent as % of market rent
	Bexley	Croydon	Greenwich	Lewisham	Southwark	Average	SR	AR	Average	
Room	-	600	600	750	745	669	-	-	-	-
Studio	900	850	900	995	1112	951	382	-	382	40%
1 Bed	995	990	1200	1150	1500	1167	440	803	622	53%
2 Bed	1250	1250	1450	1450	1850	1450	513	978	746	51%
3 Bed	1500	1500	1700	1800	2300	1760	578	977	777	44%
4 Bed +	1600	2000	2100	2379	3275	2271	656	1081	868	38%
Weighted Average	1300	1200	1450	1350	1800	1420	503	901	703	50%

\*SR-Social Rent. AR-Affordable Rent

Some £13.6m was allocated to make necessary building safety improvements to 2,024 homes.

Scheme	No. of homes made safe	Mar-20	Mar-21	Mar-22	Mar-23	Total £m
Cladding Remediation(Parkspring & Atrium Court )	106	0.0	0.2	2.5	4.2	6.9
Balcony and Fire Safety works	1,843	0.0	0.9	2.7	3.2	6.7
<b>Total</b>	1949	0.0	1.0	5.2	7.4	13.6

A further allocation of £5.6m was made to carry out necessary improvements to social housing.

Programmes	No. of homes improved	Mar-20	Mar-21	Mar-22	Mar-23	Total £m
Boilers	730	0.5	0.3	0.6	0.5	2.0
Roofs	116	0.5	0.3	0.2	0.3	1.3
Windows	395	0.5	0.4	0.5	0.5	1.9
Electric Rewires	41	0.0	0.0	0.0	0.4	0.4
<b>Total</b>	1,282	1.6	1.1	1.3	1.6	5.6

## Appendix – Total Portfolio

ICMA Category	Refinancing / Financing?	Project Description	Financial Line Item	Sustainability Metric	Total Qualifying Assets	Data Source
Green Buildings	Refinancing	Existing buildings used for social housing	Asset value	EPC	£178.5m	2022/23 Insurance Valuation
Green Buildings	Financing	New buildings used for social housing	Capital expenditure	EPC	£45.6m	Audited financial statements
Affordable Housing	Refinancing	Existing buildings used for social housing	Asset value	Affordability	£301.0	2022/23 Bond security valuation
Affordable Housing	Financing	New buildings used for social housing	Capital expenditure	Affordability	£19.1m	Audited financial statements
<b>Total</b>					<b>£544.2m</b>	



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Date: 27 March 2024

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Dear Board Members

***Review of the information reported in the Sustainable Finance Impact and Allocation Report***

This report letter is provided pursuant to, and must be read in conjunction with, our engagement letter dated 31 January 2024 and is subject to the terms and limitations set out therein.

**Purpose of this Agreed-Upon Procedures Report**

Our report is solely for the purpose of assisting Hexagon Housing Association Limited in determining whether information reported in Hexagon Housing Association Limited's Sustainable Finance Impact and Allocation Report agrees to other supporting documentation and may not be suitable for another purpose. This report is intended solely for Hexagon Housing Association Limited, and should not be used by, or distributed to, any other parties. To the fullest extent permitted by law, we do not assume responsibility to anyone other than Hexagon Housing Association Limited for this report.

**Responsibilities of the Engaging Party**

Hexagon Housing Association Limited has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Hexagon Housing Association Limited is responsible for the subject matter on which the agreed-upon procedures are performed.

**Partners**

Helen Armstrong  
Ann Bibby

Helen Binns  
Mark Bradley  
Will Campbell  
Lee Cartwright  
Maria Hallows

Stephen Harding  
Sue Hutchinson  
John Jones  
Suzanne Lomax  
Andrew McLaren  
Caroline Monk  
Shelini Rahman  
Iain Round

Narinder Sandher



Michael Tourville  
Richard Williams

Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.



### **Practitioner's Responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed upon procedures engagement involves our performing the procedures that have been agreed with Hexagon Housing Association Limited, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

### **Professional Ethics and Quality Control**

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the independence requirements in Part 4A of the IESBA Code.

Our firm applies International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Procedures and Findings**

We have performed the procedures described below, which were agreed upon with Hexagon Housing Association Limited, on the information reported in the Hexagon Housing Association Limited's Sustainable Finance Impact and Allocation Report.

The procedures performed were as follows:

1. Reviewed Hexagon's bond information on page 1 of the Sustainable Finance Impact and Allocation Report and confirmed that it agrees to publicly available bond information, and that the value of the portfolio of qualifying assets agreed to the 2022/23 insurance valuation, the audited 2022/23 financial statements, and the 2022/23 bond security valuation
2. Reviewed the information in Table 1: Allocation of Net Proceeds and confirmed it agreed to the repayment of debt under the refinancing, and to the total proceeds of the bond.

3. Reviewed the information in Table 2: Eligible Project Categories and agreed the refinancing amounts to the loans that were repaid, and the financing amounts relating to Green Buildings and Affordable Housing against Tables 3, 5, and 6, which we have reviewed separately.
4. Reviewed the information in Table 3: New EPC B Homes and agreed the unit numbers for each scheme against information provided by the development team, and agreed the expenditure for each scheme against expenditure per the finance system.
5. Reviewed the information in Table 4: Average rents charged relative to private sector rents and agreed the rent amounts against information on average private rents provided by the Office for National Statistics and agreed Hexagon Housing Association Limited's average rents for each tenure and property size against the 2023 Statistical Data Return.
6. Reviewed the information in Table 5: Building Safety Works and agreed the expenditure for cladding remediation and for balcony and fire safety works against expenditure per the finance system.
7. Reviewed the information in Table 6: Stock improvement works and agreed the expenditure for each component type against expenditure per the finance system.

Our work in relation to points 1 to 7 above noted no exceptions to report to you.

Yours faithfully,

*Beever and Struthers*

**Beever and Struthers**