

SUSTAINABLE FINANCE DISCLOSURE REGULATION ("SFDR") FOR FUNDING AFFORDABLE HOMES SICAV SIF S.A. (FAH)

1. SUMMARY

The Fund has sustainable investment as its objective. Its stated social mission is to support the affordable housing sector in the UK, to increase the number of affordable homes, deliver positive social value by funding high-quality, sustainable developments.

The Fund is committed to being a social impact fund and, as such, all of its investments contribute to a sustainable investment objective by contributing to social objectives such as inequality, social integration, supporting socially disadvantaged communities as well as considering environment objectives such as clean energy. The investments made by the Fund do not harm sustainable objectives as the Fund's approach to investment ensures that environmental assessments are also considered as an integral part of the investment process. In addition, the independent Impact Report commissioned by the Fund, in conjunction with leading social impact advisory firm The Good Economy ("TGE"), identifies where there are potential risks and areas of improvement.

The Fund currently measures the attainment of its sustainable investment objective through the Fund's proprietary Social Performance Assessment Framework (the "Social Framework") with measurable indicators that are used in the evaluation of all projects including, for example:

- ▶ Social need;
- ▶ Additionality;
- ▶ Affordability;
- ▶ Quality of Management; and
- ▶ Environmental sustainability of developments.

These metrics have been specifically developed for the purposes of the Fund and provide detailed information to investors on Fund specific sustainability indicators, providing a transparent way for investors to understand how the Fund's social objectives have been achieved and its overall sustainability impact.

The Fund also has the objective of ensuring that all of its investments deliver tangible and measurable social benefits. The Fund's latest independent Impact Report, prepared by TGE, can be found [here](#).

Social performance is assessed at all stages of the investment process – from initial investment opportunity screening, through to due diligence, investment decision and structuring, governance and management, performance monitoring and reporting and exit/refinancing. It is central to the selection, assessment and underwriting of opportunities.

As the Fund's stated mission is to support the affordable housing sector in the UK, to increase the number of affordable homes, and to deliver positive social value, all elements of the strategy for selecting investments to attain this objective are binding.

The Fund works with TGE to review the Social Framework and the measurements of the sustainability indicators relevant to the Fund on an ongoing basis and continuously seeks to improve the way in which

sustainability measures are applied and measured. However, in order to ensure that any limitations do not affect the attainment of the social objective of the Fund, the Fund arranges for a social audit of all projects on at least an annual basis to ensure projects remain within the criteria.

2. ARTICLE 9 DISCLOSURE

The Fund has sustainable investment as its objective.

The Fund has not designated a benchmark for the purpose of attaining the social objectives of the Fund. There is currently no appropriate benchmark available which can be used by real estate funds to adequately measure the attainment of social or environmental objectives. As such, the Fund currently uses its own Social Framework, developed by an expert third party as well as providing detailed qualitative and quantitative reporting to investors on a regular basis. The impact report, produced annually, is available publicly.

3. NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

The Fund has sustainable investment as its objective. Its stated social mission is to support the affordable housing sector in the UK, to increase the number of affordable homes, deliver positive social value and fund high quality sustainable developments.

The investments made by the Fund do not harm sustainable objectives as the Fund's approach to investment ensures that environmental considerations are an integral part of the investment process as demonstrated by the variety of sustainability indicators used by the Fund as set out in the section above. In addition, the independent Impact Report commissioned by the Fund identifies where there are potential risks and areas of improvement. Its sustainability delivery is independently assessed by an expert third party, TGE, on a project-by-project basis in an annual report.

Through its investment strategy the Fund also considers the UN Sustainable Development Goals ("SDGs"). It makes a direct contribution to SDG 11 (Sustainable Cities and Communities) and also contributes to SDG 1 (No Poverty), SDG 3 (Good Health and Wellbeing), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 12 Responsible Consumption and Production) and SDG 13 (Climate Action) as demonstrated in the Fund's Impact Report.

The detailed metrics and indicators for adverse impacts as set out in Regulatory Technical Standards ("RTS") will be taken into account and reported on, where relevant to the Fund, in compliance with the timing requirements of SFDR and the RTS and this disclosure will be updated accordingly.

The Fund identifies and considers the principal adverse impacts on sustainability factors. The mandatory adverse indicators identified for real estate under SFDR are:

- ▶ Exposure to fossil fuels; and
- ▶ Exposure to energy inefficient real assets.

The Fund also reports against the following optional adverse indicators:

- ▶ Share or real estate asset not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract; and
- ▶ Carbon emissions in kgCO₂ per sqm per year.

Given the investment strategy of the Fund, the Fund is not exposed to the mandatory principal indicators of harm, nor does it invest in fossil gas and/or nuclear energy related activities under the EU Taxonomy.

4. SUSTAINABLE INVESTMENT OBJECTIVE OF THE FUND

The Fund's sustainable investment objective is to support the affordable housing sector in the UK, to increase the number of affordable homes, deliver positive social value and fund high quality sustainable developments, while providing attractive, stable and progressive returns to investors.

The Fund also has the objective of ensuring that all of its investments deliver tangible and measurable social benefits. The Fund's latest independent Impact Report, prepared by TGE, and in two forms can be accessed from the links below:

- ▶ Full report: [click here](#)
- ▶ Four page summary: [click here](#)

The sustainability indicators used by the Fund to measure the attainment of its sustainable investment objective are included within the Fund's proprietary Social Framework, as explained in more detail below. The Social Framework has a social score category weighting assessment, with measurable indicators that are used in the evaluation of all projects, as listed below:

Social need – the provision of housing to support those with a social need. The Fund will consider:

- ▶ Total number of homes provided
- ▶ The percentage of homes provided in the most deprived Local Authorities
- ▶ Potential number of people housed

Additionality – the Fund will seek to fund homes that would not have been built otherwise. The Fund will consider:

- ▶ The percentage of schemes with a TGE Additionality Rating of “High”

Affordability – the Fund will seek to maximise affordability for residents and will consider:

- ▶ Average rental discount to market rent
- ▶ Average rental discount to market rent
- ▶ Percentage of homes at or below Local Housing Allowance

Quality of Management (including tenant engagement) – the Fund will work with partners to provide a high quality of management of properties. It will measure:

- ▶ Percentage of partner RPs compliant with RSH's Governance and viability standards

- ▶ Percentage of health and safety compliance measures meeting target at year end
- ▶ Percentage of residents in receipt of support alongside their accommodation

Fund High-quality, Sustainable Developments – the Fund will seek developments which are high-quality, environmentally sustainable and socially fit-for-purpose. The Fund will measure:

- ▶ The percentage of homes with EPC rating of A or B
- ▶ Percentage of homes meeting National Space Standards
- ▶ Percentage of homes meeting Decent Homes Standard
- ▶ Total capacity of renewable energy production

The metrics currently used by the Fund to measure attainment of the social objective, as set out in the Social Framework, have been specifically developed for the purposes of the Fund and provide detailed information to investors on Fund specific sustainability indicators, providing a transparent way for investors to understand how the Fund’s social objectives have been achieved and its overall sustainability impact.

5. INVESTMENT STRATEGY

The investment strategy of the Fund is set out in full in its Private Placement Memorandum (“PPM”) together with full details on the Fund’s stated social objectives.

The Fund invests in affordable homes, being homes for rent or part sale where the rent or purchase costs are below full market value.

The Fund acquires its interests in affordable homes through one of three main mechanisms:

- ▶ Forward Funding: where the Fund funds the development of new build Affordable Homes with the intention of owning the homes;
- ▶ Forward Purchase: where the Fund pays a deposit, typically around 10%, for the right to acquire the homes when they are completed; and
- ▶ Acquisition of Existing Properties: where the Fund acquires properties that are already in existence and typically have been for several years.

The Fund is committed to being a social impact fund and, as such, all of its investments contribute to a sustainable investment objective by contributing to social objectives such as inequality, social integration, supporting socially disadvantaged communities as well as considering environment objectives such as clean energy.

The Fund’s investment approach in respect of its social objective is to maximise social impact while delivering sustainable financial returns to investors by investing in affordable homes, meaning homes for shared ownership or rent where the rents or purchase costs are below full market value. Examples include Social Rented; Affordable Rented; Shared Ownership; Extra Care; and Homeless Housing, each as defined in the PPM.

Social performance is assessed at all stages of the investment process – screening, due diligence, investment decision and structuring, governance and management, performance monitoring and reporting and exit/refinancing.

As the Fund's stated mission is to support the affordable housing sector in the UK, to increase the number of affordable homes, and to deliver positive social value, all elements of the strategy for selecting investments to attain this objective are binding; they are intrinsic to the operation and management of the Fund on a day to day basis and to ensuring that the Fund fulfils its societal objectives.

Each of the Fund's investment opportunities is assessed by TGE (or an appropriately qualified individual/organisation) to ensure it meets the criteria required by the Social Framework. The Fund may only invest in an opportunity that does not meet such criteria with the recommendation of the Advisory Committee.

Additionally, the Fund commissions an annual Impact Report to examine the social performance and impact of its investments over time.

As part of the Fund's wider approach to sustainability issues, it also takes into account good governance practices. The majority of the Fund's projects are overseen by the Regulator of Social Housing. Among other things, the Fund also adheres to governance and compliance processes through the Real Estate Advisor, Edmond de Rothschild ("EdR") and engages in regular and proactive monitoring to ensure a quality service is provided to residents.

6. PROPORTION OF INVESTMENTS

The Fund's strategy means that its invested portfolio (being at least 90% of the value of the portfolio) will consist fully of real assets used to attain the social objective of the Fund. All remaining assets of the Fund (being no more than 10% of the value of the portfolio) will be used for the purposes of liquidity management. All of the Fund's invested portfolio is subject to the sustainability criteria set out in the investment strategy on a binding and continuous basis.

As the Fund has a social objective, it does not commit to investing in sustainable investments with an environmental objective aligned with the EU Taxonomy. As this measure is not aligned with the Fund's socially sustainable investment objective, the minimum extent to which sustainable investments with an environmental objective are aligned with the EU Taxonomy is therefore 0%.

The Fund does however ensure that minimum environmental standards are maintained as explained above, for the benefit of residents, tenant counterparties and the environment.

The Fund's strategy means that its invested portfolio will consist fully of assets used to attain the social objective of the Fund. All remaining assets of the Fund will be used for the purposes of liquidity management.

7. MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVE

As noted above, the social characteristics of the Fund are considered at each stage of the investment cycle: screening, due diligence, investment decision and structuring, governance and management, performance monitoring and reporting and exit/refinancing.

The results of the external due diligence will form the basis on which the Fund and TGE determine quantifiable targets for the core housing-related metrics as well as agree the extent to which secondary outcomes will be delivered and methods to evaluate these.

Social performance monitoring is carried out through:

- ▶ Investee Reporting: Local housing service providers are required to report to the Fund in accordance with their leases, including agreed Key Performance Indicators (“KPIs”). In some cases, the housing service partner will be able to provide in-depth impact monitoring information, for example, organisations that provide accommodation for the homeless and use tools to track the changes in their residents’ lives.
- ▶ Collecting Outcomes Data: The Fund is committed to collecting annual outcomes data from a set of tenants in the properties that it owns. The approach is designed and carried out in collaboration with the housing providers/partner organisations. This outcome gathering process is important to understand and track the extent to which the Fund is meeting its final goal of helping to improve residents’ lives.

Outcomes data is collected on an annual basis to assess the degree to which tenants are experiencing positive changes in their lives related to the key outcome areas. TGE work with the Fund and the partnering Housing Associations to design an approach to collect the following type of information:

- ▶ The situation of families before moving into the relevant property;
- ▶ Affordability;
- ▶ Improvements in secondary outcomes; and
- ▶ Well-being.

8. METHODOLOGIES

The methodologies employed for the attainment of the social investment objective of the Fund are demonstrated throughout the investment process and the Fund’s approach to the assessment and ongoing monitoring of investments.

In particular, the Fund commissions an annual independent Impact Report to provide a detailed qualitative and quantitative assessment of how the Fund has performed against its stated social objectives. The latest Impact Report can be found in two forms and can be accessed from the links below:

- ▶ Full report: [click here](#).
- ▶ Four page summary: [click here](#).

9. DATA SOURCES AND PROCESSING

The Fund uses a combination of internal and external data sources, including the Social Framework and the independent audit of TGE.

10. LIMITATIONS TO METHODOLOGIES AND DATA

Sustainability data relevant to the Fund's social objectives is not widely available. The Fund works with TGE to review the Social Framework and the measurements of the sustainability indicators relevant to the Fund on an ongoing basis and continuously seeks to improve the way in which sustainability measures are applied and measured. However, in order to ensure that any limitations do not affect the attainment of the social objective of the Fund, the Fund arranges for a social audit of all projects on at least an annual basis to ensure projects remain within the criteria.

11. DUE DILIGENCE

The Fund's investment team considers the potential for social impact creation during an initial screening of investment opportunities to assess the eligibility of the project for Fund investment from a social perspective. All funding applications will be screened against five criteria, each of which is then rated against a scorecard which is integral to the Fund's decision making. The five criteria are: social need, additionality, affordability, potential to deliver secondary societal outcomes and quality of management. In order to progress beyond the initial screening phase, a threshold combined score must be attained.

To independently inform Investment Committee decisions, the Fund will contract out the detailed social due diligence to TGE (or an appropriately qualified individual/organisation). TGE will confirm the project's eligibility against the screening criteria and will focus on gaining a more in-depth understanding of the nature of the impact to be created and agreeing output and outcome measures (social KPIs) with the Fund and a process to measure and report on those KPIs.

The external due diligence will include site visits, resident interviews and interviews with other stakeholders where relevant e.g. with support organisations, Local Authorities and service providers. An independent external due diligence report will be written on each investment.

12. ENGAGEMENT POLICIES

As a real estate investor, the Fund does not have engagement policies as anticipated by SFDR. However, the Fund undertakes ongoing engagement with service providers and carries out regular and proactive monitoring to ensure that a quality service is provided to residents.

13. ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

The Fund has not designated a benchmark for the purpose of attaining the social objectives of the Fund. There is currently no appropriate benchmark available which can be used by real estate funds to adequately measure the attainment of social or environmental objectives. As such, the Fund currently uses its own social impact framework as well as providing detailed qualitative and quantitative reporting to investors on a regular basis.