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Gresham House
Specialist asset management

UK Housing
Sustainable Investment Policy

Meeting our Sustainable Investment commitments within our UK Housing strategy

Gresham House has a clear commitment to sustainable investment as an integral part of its business mission. The purpose of this document is to set out the manner in which the commitments we have made at a Group level to integrate ESG considerations throughout our business will be implemented within our UK Housing investment strategy.

The UK has a well-documented shortage of affordable housing caused by a combination of demographic trends and historic undersupply, with only around 50,000 affordable homes being delivered annually - a third of the 145,000 affordable homes estimated by the National Housing Federation to be needed each year. We offer long-term equity investments into housing in the UK, through listed and unlisted housing investment vehicles, each focused on addressing different areas of the affordable housing challenge.

Each fund aims to deliver stable and secure inflation-linked returns whilst providing social and environmental benefits to our residents, the local community and the wider economy. Our investment focus includes shared ownership, affordable private rented accommodation, retirement, temporary accommodation and social housing.

Our definition of sustainable housing is:

Housing that provides residents with affordable homes that are high-quality, safe and energy efficient whilst ensuring a long-term stability of tenure.

A summary of our core areas of investment:

- *Shared Ownership* provides an affordable route to home ownership for people on lower and middle incomes where market failures have led to traditional home ownership being out of reach. It is a part-buy, part-rent model with subsidised rents and low deposit requirements which allows access to the housing ladder and helps to build thriving and inclusive communities. Customers may eventually own their homes outright, but in times of unforeseen hardship they may reduce their ownership ratio to maintain their tenure.
- *Independent Retirement Rental* provides fit for purpose homes for retired people, allowing them to maintain their independence for longer, whilst freeing up larger homes for families. The housing is accessible (e.g. without steep staircases) and easy to manage, whilst also fostering a sense of community by offering shared spaces such as a residents' lounge and communal gardens. Residents can rent a retirement property through an assured tenancy, providing lifetime security of tenure without the burdens of home ownership.
- *Build-to-Rent (BtR)* has become a key part of the housing tenure mix in the UK, driven by both lifestyle choices and the increasing affordability challenges associated with home ownership. Affordable BtR provides high-quality and fairly-priced homes that are affordable for those on lower and middle incomes, whilst bringing forward more new homes by working in partnership with builders and developers. The delivery of new homes supports the UK construction industry, and supports wider economic growth by making it easier for people to move homes to enhance their career.
- *Local Authority Housing* encompasses homes for lease to local authorities to enable them to house people otherwise homeless in their area. Provides cost-effective, high-quality and safe housing for public bodies needing to home people at risk of homelessness, particularly in comparison to other alternatives in the market, such as bed and breakfast accommodation.

Our funds in Shared Ownership are invested through our two Registered Providers of Social Housing, which are required to hold regulated affordable housing assets, ensuring they are managed with the highest standards of governance, financial viability and resident welfare.

Our group level commitments are implemented by our UK Housing team as follows:

- We take steps to consult and understand the views, concerns and ambitions of our stakeholders in seeking sustainable outcomes from the investments we are involved in.
  - Our UK Housing investment strategy aligns with Sustainable Development Goals at local, national and international level by improving access to fit-for-purpose, affordable, quality housing for people who need it but may otherwise have barriers to accessing it.
  - We place emphasis on understanding the needs, ambitions and concerns of relevant stakeholders to each asset, ranging from aspiring homeowners, the elderly population and those otherwise homeless, to housing managers and the wider community.
- We integrate Environmental, Governance, Social and Economic benefit considerations into our selection, evaluation, governance and management processes across the lifecycle of each investment.
  - We have an outcome-focused approach to the review and analysis of the potential environmental, social and local economic aspects and impact of an asset. This includes the positive outcomes it is capable of delivering as well as any potential ESG risks and avoidable negative outcomes to be managed over its lifetime. This analysis forms part of our Investment Committee decision making alongside other due diligence reports.
  - We are committed to raising standards of ESG integration and management within our industry through leading by example and demonstrating the value creation and protection of stakeholder interests delivered by this approach. We have environmental goals for all our properties, as appropriate for their tenure, age and type, and formalised commitments to our residents within our Shared Ownership portfolio.
- We drive rigour and consistency by applying our sustainable investment framework and system, including clearly defined processes and expert tools and methods.
  - We take steps to develop a clear understanding of the opportunities, issues and sensitivities to be managed across the housing investments in our portfolio, using clearly defined processes to profile, prioritise and record these at the stages of the investment lifecycle where they are most relevant.
  - We screen all prospective investments using our proprietary ESG Decision Tool to ensure ESG considerations - both risks and opportunities - are fully assessed prior to investment. The outcomes shape the due diligence process and provide material ESG factors to be tracked, monitored, and managed over time.
  - We place particular emphasis on ensuring that we understand the social and socio-economic outcomes from our portfolio management in a comparative and replicable way and that our learning from this helps to inform future strategy.



  - Our funds invest in Shared Ownership and Affordable Housing through wholly-owned Registered Providers of Social Housing, benefitting from the robust governance and financial viability standards required by the Regulator of Social Housing.

We ensure our team understands the imperative for effective ESG management and is empowered and equipped to carry this out through management support and training.

- Our team has extensive expertise across the investment cycle in each of our strategy tenure models, from origination to due diligence and the long-term management phase, including:
  - understanding local and national drivers and demands for different tenure types;
  - applicable ESG issues and their relative materiality;
  - engagement with our internal and external housing management teams; and
  - managing regulation, legislation and policy change.
- We will also continue to invest in developing our understanding, expertise and good practice in delivering long-term sustainable and affordable outcomes associated with our asset selection and management.
  - We choose partners, management teams and contractors, where applicable, who share our commitment to delivering positive outcomes in our housing portfolio.
  - The Boards of our funds' Registered Providers include Non-Executive Directors who are able to overrule a majority of Executive Directors on any matter that impacts welfare and compliance with regulatory standards, ensuring that residents' interests and the wider sustainability of the scheme is protected.

- We conduct regular monitoring of ESG risks, opportunities and performance in our investments and over time will prepare comparative data analysis for reporting to our investors.
  - We actively monitor and evaluate relevant data relating to the impact and wider sustainability performance of the housing assets under our management, assessing if they are fulfilling their positive outcome potential, particularly in social value, and that we are effectively managing the environmental impacts of housing.
  - We analyse and report our contribution to sustainable development of cities and communities, social value delivery and relevant Sustainable Development Goals.
  - We will re-assess our ESG risk, opportunity and performance profiling periodically to ensure that it is still effective in the current context and will report this to the Sustainablity Executive Committee for analysis and action as necessary.
  - Regular auditing will be carried out by the Sustainable Investment Team to ensure ESG processes applied by investment teams meet those laid out in this document and remain appropriate.
- We conduct our business activities in line with the UN-supported Principles for Responsible Investment (PRI), including an annual report of our progress towards implementation
  - As signatories to the PRI since early 2018 we will continue to participate in its comprehensive annual reporting framework and use this process to guide internal assessment of our performance to help drive our results upwards.
  - We will continue to provide a housing strategy to investors wishing to positively contribute in an identifiable way to sustainable communities and local economies.

Sustainable Investment Framework application

Our thematic framework is used to structure analysis, monitoring and reporting of ESG issues and opportunities within the lifecycle of our UK housing investments as an aid to more consistent integration. We use expert tools to profile our prospective investments to identify the most material themes within the broader framework and where we believe we should be directing our focus towards more sustainable outcomes:

Environmental

Climate change and pollution	Natural capital	Waste management
Energy-efficient housing; renewable energy where possible; access to public transport where available	Water-saving measures where possible; regeneration of brownfield sites	Where feasible, sustainable management of waste arising from refurbishment, maintenance and management of the portfolio

Social

Employment, health, safety and well-being	Marketplace responsibility	Supply chain sustainability	Community care and engagement
Safety and well-being of residents is a priority; application of best practice standards; quality employment	Affordability and quality in all tenure types; widening access to home ownership; proactive protection of residents' interests and customer charters	Sourcing policy ensures management teams have required knowledge of local areas and meet regulatory requirements	Contributing to community stability and environmental quality; housing that is accessible to jobs and amenities

Governance

Governance and ethics	Risk and compliance	Commitment to sustainability
Good practice governance; strong business ethics management and culture	Robust risk and compliance management; monitoring of regulatory and policy change	Clear objectives for positive social and/or environmental outcome delivery alongside robust financial returns

UN Sustainable Development Goals (SDG)

We believe our UK Housing strategy helps to support the following UN Sustainable Development Goals by providing easier, more affordable access to safe, healthy, quality and energy-efficient homes that contribute to local sustainable communities and support their occupants to enjoy economic and social inclusion.

Core SDG



Secondary SDGs









Group Management commitment

Our senior management team, including the Housing Management Committee, the Boards of our funds' Registered Providers and that of Residential Secure Income PLC, as well as the Board and Group Management Committee of Gresham House plc, are committed to the implementation of this policy and to making appropriate resources and support available to our team to do so. We will conduct a regular review of our approach and how well we are meeting our commitments and will update this policy accordingly.





About Gresham House

Gresham House is a quoted specialist asset manager providing funds, direct investments and tailored investment solutions, including co-investment, across a range of differentiated alternative investment strategies.

Our expertise includes forestry, renewable energy, real estate, sustainable infrastructure, strategic public and private equity. The Group aims to deliver sustainable financial returns and is committed to building long-term partnerships with clients (institutions, family offices, high-net-worth individuals, charities and endowments) to help them achieve their financial goals.

As a signatory to the UN-supported Principles for Responsible Investment, Gresham House is committed to operating responsibly and sustainably and believes that taking the long view in delivering sustainable investment solutions will continue to be a growing factor in the strength of our market positioning.

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