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London & Quadrant Housing Trust
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London & Quadrant Housing Trust provides update on progress against targets in relation to £300 million Sustainability Linked Bond

In January 2022, L&Q became the first housing association in the UK to issue a Sustainability Linked Bond (SLB) under its Sustainability Finance Framework published in September 2021. The £300m SLB will mature on 31st March 2032 and was priced at Gilts + 87 bps, giving a coupon of 2.00%.

The sustainability linked component was structured against three highly ambitious sustainability performance targets around reducing operational carbon emissions, improving the energy efficiency of residents' homes, and delivering new affordable homes.

The SLB requires L&Q to achieve the following Key Performance Indicators (KPIs) by 31st March 2024:

- KPI 1: Reduce scope 1 and 2 greenhouse gas emissions by 20% against a baseline of 31 March 2020.
- KPI 2: Achieve an average calculated Standard Assessment Procedure (SAP) score of 72 or above (low Energy Performance Certificate - or EPC - band C).
- KPI 3: Build 8,000 new homes, of which 50% are affordable.

In today's update, L&Q confirms that it is on track to meet KPIs 2 and 3, relating to building new homes and improving energy efficiency of existing homes. However, KPI 1 is likely to be missed, largely due to wider macro-economic factors. All KPI results will be confirmed in our 2024 Sustainability Report, to be published in September 2024. Missing the KPI 1 would trigger a 'Step Up Event', with the coupon rate on the issued notes increasing from 2.00% to 2.125% from 30th September 2024 until maturity.

Waqar Ahmed, Group Director of Finance at L&Q, said: "In issuing the sector's first SLB, we were determined to set very ambitious targets that would challenge us to maximise our social and environmental impact over a number of years.

"Despite a number of challenges, we have continued to improve the energy efficiency of our residents' homes as part of our wider Major Works Investment Programme. This programme will see L&Q invest a record amount in existing homes over the coming years to improve safety, quality, and sustainability."

"This investment meant we took the strategic decision to reduce our development programme in the short-term, but our commitment to tackling Britain's housing crisis remains. We have continued to develop thousands of new homes, with at least 50% of these affordable. Our new build homes have to meet EPC B, so focusing on existing homes that are below EPC C is critically important, both in terms of our environmental ambitions and to the lives of our residents.

Mr Ahmed added: "One of the primary ways we were planning to meet the greenhouse gas target was through the use of renewable energy. However, widespread disruption to the wholesale energy markets caused the price of renewable energy to soar."

"This coincided with the cost-of-living crisis and therefore we had to make tough decisions on budgets everywhere, especially where there may have been an impact around costs passed on to residents."

"While this is disappointing, we still saw cumulative emissions reductions to the periods ending 31st March 2022 and 2023. We remain committed to making our homes more energy efficient, and have a £68m sustainability programme that includes £27m that we secured through the Social Housing Decarbonisation Fund."

Our ongoing commitment to contribute to achieving net-zero remains strong, demonstrated by the fact our financial plan has dedicated £169m through to the 31st March 2030 to improving our Standard Average Procedure (SAP) rating, with the ambition of achieving a rating of 74.5 by this time."

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