TWO SAINTS

Our environmental sustainability strategy

April 2024 - March 2027

Contents

1. Where we are now

1.1 Our vision, mission, and values

Our vision is:
To be a safety net for people in tough times and the springboard to a brighter future.

Our mission is:
To provide people with homes and specialist support so they feel more valued and secure, and ready to take the next steps.

Our values are:

- Everyone matters
- We know we're stronger together
- We do the right things, for the right reasons
- We never give up

1.2 Why we're considering environmental sustainability

In 2019 the government set a target to bring all greenhouse gas emissions to net zero-carbon (termed 'net zero') by 2050. This is to ensure that, as a nation, we meet our international obligations to limit global warming. In shaping the sector response, the National Housing Federation (NHF) has set out the overall challenge:

Our climate challenge in numbers

Domestic use of fossil fuels contributes 21% of England's carbon emissions, with social housing contributing 10% of this.

Around 74% of the UK's heating and hot water in buildings is met by natural gas, 10% from petroleum and smaller amounts for coal and biomass.

In England, our homes produce more cardon emissions every year than all our cars. Eliminating emissions in all housing associations homes would be the equivalent of taking 1.8 million cars (the equivalent of the cars in Manchester and Birmingham) off the road indefinitely.

Emissions from housing increased by 7% during the coronavirus pandemic.

18.4% of residents in social housing live in fuel poverty.

22% of the carbon reduction from home energy efficiency measures are predicted to come through changing resident (client) behaviour.

1.3 The context

The context in which we operate is shaped by government policies and, like others, we're already involving our people and we're acting.

The energy efficiency of homes is measured using energy performance certificates (EPCs) which give each home a rating band from A (the most efficient) to G (the least efficient). In its 2017 clean growth strategy, the government targets upgrading homes classified as 'fuel poor' to EPC band C (EPC-C) by 2030 and for as many homes as possible to be EPC-C by 2035. The office for national statistics notes that if a household's fuel costs are at least 10% of its income before housing costs, that household is classed as 'fuel poor'. The government's net zero and heat and buildings strategies were both published in 2021 and, collectively, these set out its approach to decarbonising the economy by 2050. But recent comments from the government make clear that all such targets should be regarded as evolving, for example previous proposals won't be enacted to force landlords to upgrade all homes to EPC-C by 2035. The government intends to further consult on energy efficiency standards in the social housing sector in England in 2024.

The government's net zero target nevertheless has far-reaching implications for organisations like us, who'll need to virtually eliminate the carbon emissions of our homes over the next 30 years, bringing benefits for clients, the economy and environment. The NHF notes that housing association homes are typically more energy efficient than others: 64.3% are at EPC-C or above (compared with 38.3% of privately rented homes and 35.6% of owner-occupied homes). Most housing association homes below EPC-C are EPC-D, and just 4.5% are EPC-E to EPC-G. Our position mirrors this sector picture, see para 2.1 below.

With recent increases in the cost of heating a home, and the impact this has on low-income households, the work necessary to bring homes up to EPC-C is regarded as vital to reduce fuel bills. Clients benefit from warmer, more affordable, healthier, and smarter homes but face the disruption of retrofit (retrofitting is the process of making improvements so that homes become more energy efficient with lower emissions).

Client willingness to learn about, adopt and champion new low-carbon technology will be a factor in making progress, as will our ability to invest in our homes. Our clients have emphasized their priorities to be: 'improving' our buildings (and the energy efficiency this enables); incentivizing recycling; educating them before they 'move on'; and 'celebrating progress'.

1.4 Our policy

Our environmental sustainability policy issued in 2012 made our commitment to the environment. Its next scheduled review is in February 2025. We note from the NHF that, typically, 95% of a housing association's environmental impact is property related.

This and other factors mean that our focus will be on our properties. While our biggest impact will be from work on them, it's important not to lose sight of other (non-property-related) issues including:

- minimising waste (and maximising recycling where waste is necessary).

- encouraging staff and clients to minimise their impact on the environment, both at work and at home, through changing behaviours.
- minimising travel and, where travel is necessary, travelling in ways that minimise our impact on the environment.

1.5 What sustainability means for us

We need to adapt as the world changes, including to environmental pressures and climate change. Our homes must meet the needs of our current and future clients, and remain affordable to live in. We intend to continue to deliver a range of support services. We recognise that we're stewards of long-term assets, so we take a long-term perspective of sustainability.

Environmental, climate and other sustainability challenges are already affecting the affordability of our homes and services. We take a client-focussed approach to sustainability, aiming to make our homes more affordable to live in, rather than simply approaching this as necessary to comply with government targets. We've evaluated our current position, are developing clear plans, and we've the organisational and financial capacity to act.

2. Our strategy 2024-2027 and our priorities

We see three core sustainability challenges over the coming decades, reflective of which we've built this initial three-year strategy around the three strategic priorities:

- Priority 1 - making our homes more energy efficient
- Priority 2 – moving towards becoming a zero-carbon organisation
- Priority 3 - being a sustainable partner

The following sections show how we will address each of these three priorities during the period 2024-2027 but, given the very nature of environmental sustainability, we know that we need to look beyond. So, at appendix 3, we outline how we envisage that each of our three priorities will be approached through to 2030.

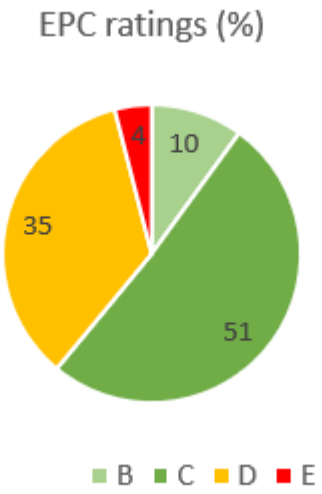
2.1. Priority 1 - Making our homes more energy efficient

Having energy efficient buildings will have the most significant positive impact on reducing our carbon footprint and therefore on our impact on the environment. Our homes are also where we can make the biggest difference to the cost of living for clients. Our homes will therefore be our priority.

Our stock comprises 69 properties: 31 owned by us and 38 leased or managed. In these we provide 850 bed spaces and deliver a range of services to our clients. We've now examined the current energy performance (i.e. EPCs) of all our owned properties ('our homes') and we're gathering information on those leased or managed.

As the table below shows, 61% of our owned homes are now in the EPC-B to EPC-C bands; this position reflects our efforts in recent years to incrementally deliver EPC-C.

The remaining 39% are at EPC-D and EPC-E and our focus will be on elevating these two ratings. The government regards homes with ratings in the EPC-E, EPC-F and EPC-G bands as being 'fuel poor'; we've five EPC-E rated reports in two buildings (Hope (including Yew) House in Portsmouth and the Day Centre in Southampton), but no EPC-F or EPC-G ratings. We'll be working increasingly closely with those from who we lease properties to ensure that these are similarly addressed.



Energy costs are rising and are, of course, affected by various factors, including household type and client behaviours, but there's a correlation between EPCs and energy costs. Sector data suggests that clients living in EPC-C homes pay roughly half as much for their energy compared to customers living in EPC-E homes.

We'll develop a programme to make our homes more energy efficient working towards the government target of EPC-C by 31 March 2030. To achieve this, we estimate needing to spend £1.2m by 31 March 2030. We anticipate delivering this via our existing planned maintenance programme and, where available, through seeking alternative funding sources such as those outlined below. See para 3.2 below.

Where it's viable, to make our homes as efficient as we can, we'll go further, so better than EPC-C. Conversely, if our homes can't realistically achieve EPC-C, we'd develop alternative plans that follow any guidance from the government and regulator. The government acknowledges that the sector needs time to transition.

To deliver change, we're developing a plan for each of our owned buildings using the Lloyds Bank Green Buildings Tool. The Tool will enable us to be clear, by building, what our plan is, and it provides an indication of what the cost will be. An example of the Tool output is at appendix 4. Indicative costs based on current prices simply provide an idea of the scale of expenditure that we need to cover in our financial plans (see para 3.2). There are five areas where we're advised that this wouldn't be cost effective (including in parts of Hope House, 210 Newtown Road (Newbury) and the Day Centre); these will be investigated further to decide on the best course of action.

We intend to achieve EPC-C by 31 March 2030; this will involve a 'fabric first' approach, see para 2.4 below. Improving the energy performance of our homes will make a substantial difference to our clients' energy costs and reduce our environmental impact. We'll continue to engage with our clients throughout.

By the end of this strategy, we will:

- Understand the energy performance of our homes, what can be done to improve it and share this with our clients
- Have worked with those who own our leased and managed properties to ascertain their energy performance and how best to achieve EPC-C in these properties
- Develop a comprehensive programme using the Lloyds Bank Green Buildings Tool to deliver EPC-C for our homes, through a 'fabric first' approach
- Revise our property standard to include energy efficiency
- Only adopt new leased properties that are already at (or can achieve) EPC-C, necessarily balancing this with the practicalities of delivering our contracts

2.2. Priority 2 - Moving towards becoming a net zero-carbon organisation

Accepting that the becoming a net zero-carbon organisation is a worthy aspiration but with an evolving context, we intend to do what we can to move towards become a net zero-carbon organisation. There's much we can do on this during this strategy period.

Our activities involve emissions, for example, from the energy used by our offices. We own a day centre in Southampton, an office in Gosport, and we lease offices in Fareham (central services) and on the Isle of Wight. At our hostel in Southampton, we've an enterprise site, where we sublet workshops to local businesses.

Changing the way that we buy energy for our offices and other buildings can make a difference. Electricity that's generated from renewable sources (green energy) and nuclear power (blue energy) is zero-carbon. These sources generally cost more but, given that recent volatility in energy markets has eroded the previous cost difference, it's becoming more affordable/viable to use such cleaner energy.

Our support activities involve business travel, and we could reduce emissions by encouraging/incentivising our staff to switch from petrol and diesel to electric vehicles for such travel. We will commit to less face-to-face and to more virtual meetings where we can, and to reducing our use of paper. We intend to communicate the benefits of switching vehicles.

We also produce landfill waste, which is responsible for unmeasured carbon dioxide emissions, so we will consider landfill within the scope of our strategy. We will also consider how best to reduce water consumption and costs in our housing and offices.

By the end of this strategy, we will:

- Buy green tariff energy, where it is financially viable to do so
- Commit to reducing travel by using technology (virtual meetings) where we can

2.3. Priority 3 - Being a more sustainable partner

We value our partnerships and other relationships, and we work with others to deliver our services. We aspire to be a catalyst to others being more sustainable. We work with many different suppliers and buy goods that come from across the world. We're anticipating that the UK's commitment to net zero will introduce new sustainability challenges for our suppliers and, as these become clearer, we'll work with our partners and suppliers and make sustainability a factor in our procurement decisions.

Some of our homes have gardens with trees and plants which can help to offset the greenhouse gas emissions generated by our other activities. We'll work with our clients to encourage biodiversity and to ensure that they're part of the solution to environmental challenges.

By the end of this strategy, we will:

- Include in our property standard a standard for our gardens that encourages biodiversity and, through planting regimes, carbon capture
- Refine our approach to procurement, to making it more ethical, and sustainability a factor in our purchasing decisions
- Engender a culture that champions environmental sustainability, for example through reducing our use of paper and using local suppliers

2.4. Our 'fabric first' approach to delivering Priority 1

Irrespective of evolving policy from the government, 'fabric first' energy efficiency measures are a vital precursor to clean heat installation. A decarbonised home is electrically heated and has 'enough' insulation. In principle, installing low-carbon (clean) heating systems by 2050 would ensure decarbonisation of all our homes. But, if not well thought through, this could lead to higher energy costs and colder homes for our clients.

This strategy will therefore focus on incrementally delivering 'fabric first', while simultaneously exploring and, where appropriate, trialling clean heating technologies.

Our 'fabric first' approach will enable our homes to reach EPC-C. It will focus first on insulation of walls, floors, and lofts, and secondly on lighting and heating systems. We'll conduct a full review of insulation for our homes and, where the energy ratings justify this, we'll address insulation improvements via our planned maintenance programme. Our approach requires an insulation and heating renewal programme. This will involve us retrofitting properties.

We'll replace our lighting with low-energy bulbs as rooms become empty and as part of ongoing electrical checks in communal areas. This will help us to improve energy ratings, increase replacement timescales and save money.

Our leased homes should be subject to the same scrutiny by their freeholders, and we'll be working with them to understand what actions they'll be taking and when, and to influence their decision-making.

There are various available electric heating systems including heat pumps, immersion boilers, electric fires, fan heaters and infra-red radiators. Of these, heat pumps are regarded as the most efficient, though an alternative in future could be hydrogen-powered boilers. Though it's not yet apparent that this will be viable for domestic roll-out in this strategy's timeframe, there are some blended options coming to market, which we'll monitor and explore where appropriate. The two key factors in heat demand are the external surface area of a building and how well it's insulated.

We are guided in our approach by the NHF, which regards a 'fabric first' approach as pivotal because, at a macro level:

- it tackles fuel poverty by bringing down bills for clients immediately and mitigating any potential future rise in costs when clean heat technologies are installed.
- it reduces carbon emissions, thus helping to meet national carbon reduction targets.
- it ensures that future clean heat technologies work at their best (technologies like heat pumps operate at lower temperatures than gas boilers and are most efficient in a well-insulated property).
- it lessens the strain on energy infrastructure making the UK more resilient to energy shocks and making it more viable to meet demand through renewables.
- more homes are successfully decarbonised, reducing the need for regeneration, and building new homes.

2.5. The timetable for delivering our three priorities

Delivering our three priorities – our actions	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27
Ongoing stock condition EPC data refreshes	x	x	x
Sharing with our clients the energy performance of their home and what can be done to improve it	x	x	x
Developing a comprehensive programme to deliver EPC-C for our homes	x		
Initiating and delivering a prioritised 'fabric first' approach/programme	x	x	x
Incrementally delivering our plan to ensure that all of our properties are at EPC-C by 2030	x	x	x
Developing an approach to achieving the government's net zero-carbon target by 2050			x
Revising our property standard to include energy efficiency	x		
Revising our property standard to include a standard for our gardens that encourages biodiversity and carbon capture		x	
Only buying green tariff energy (where viable)			x
Stop installing gas heating systems into any new properties by 2027			x

Delivering our three priorities – our actions	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27
Refining our approach to procurement to make sustainability a factor in our purchasing decisions		x	
Engender an enduring culture that champions environmental sustainability	x	x	x

3. How we're going to get there

3.1 Resources

We only have a small team with the technical skills to deliver our strategic priorities; where necessary, we'll use external consultants to give us adequate capacity and subject matter expertise to help us deliver of priorities. We'll undertake ongoing skills audits to ensure that we've the staff expertise and capacity necessary to deliver this strategy. We will continue to reach out to other housing associations, for example in sharing best practise, as we collectively develop as a sector.

3.2 Budget

Funding decarbonisation of our existing stock will be difficult, and we do need to manage expectations about what's affordable. Our current 30-year financial plan includes £2.4m for all planned maintenance in the three years covered by this strategy. This £2.4m includes £1.2m that is relevant to this strategy: £0.3m for energy measures and £0.9m for structure/roof works (insulation), heating systems and window replacements. We're confident that this £1.2m is sufficient to deliver this strategy, but we routinely stress-test the impact of potential increased costs and routine monitoring and oversight is important. We know that additional unbudgeted expenditure on our existing homes would have an adverse impact on our ability to meet our interest cover covenant so we will plan prudently and focus our effort on priority 1.

We will explore potential external funding sources as they emerge and evolve during this strategy period, see appendix 2, and we will look to make bids where they are available to us. We support the NHF as it urges the government to reaffirm its commitment to providing accessible grant funding to the sector.

3.3 Leading our strategy

Our executive team will be responsible for ensuring the delivery of our environmental sustainability strategy: for the 'fabric first' and property issues it will be the executive director of investment, assets and risk who will take the executive lead; for the behavioural aspects it will be our executive director of people and programmes.

3.4 Monitoring performance

Our performance team will be responsible for monitoring that progress with our strategy is maintained and delivered on time and within budget. Our performance will be shared with staff, clients, and the Board through our standard approach to reporting. We'll develop appropriate performance indicators annually to measure our performance, and these will be monitored monthly by our performance and executive teams and annually by

our Board. Appendix 5 provides an indication of how this will be approached, and the Board's annual performance management framework for 2024-25 (and thereafter) will contain specific reference.

3.5 Managing risk

The main risk areas we must mitigate include failure to meet our environmental sustainability obligations, and cost. Assurance measures that demonstrate we're controlling the risks relating to this strategy will be put in place. They will include internal audit. Where we lack in-house resource, we'll use external specialists and consultants.

3.6 Monitoring future regulations and what they will mean for us

We'll monitor the emergence of future regulations (and any further/evolving changes to the current) and what they mean for us. Reaching EPC-C is the first step on a journey to net zero and we are already working towards this, albeit that the government is considering softening previously floated deadlines for all social homes to reach EPC-C. EPC reform will also need to be monitored, for example, the introduction in 2025 of the standard assessment procedure (SAP1), the methodology used by the government to assess and compare the energy and environmental performance of dwellings, alongside the future homes standard also expected in 2025. Other future regulatory aspects which we'll keep abreast of include potential electricity pricing reform and heat network regulation.

We'll monitor what any change in government means for the approach and timelines currently adopted by the government and sector, and what this means for us. We'll continue to engage with the National Housing Federation on the support and funding that is available to help smaller housing associations on the road to net zero, as well as exploring experiences and learnings from smaller housing associations in meeting **the net zero challenge.**

3.7 Communication

We'll communicate how we work together with our clients and partners to foster our co-productive approach to objectives and to showcase our achievements. It's crucial we understand how our clients contribute to and perceive our initiatives.

We will use our existing forums to engage people and to continue to keep our conversations live, such as via our Client Engagement Team. Our progress will be communicated in various ways such as social media (including Two Saints in 10). We will take suitable opportunities to ask our partners to match our commitment to environmental sustainability and we are determined that those we work with rightly regard us as an organisation that's committed to environmental sustainability.

4. Review

This strategy will be reviewed in February 2027.

APPENDIX 1

Our timelines

Planning and Scoping (2023-2024)

- Assessment of current stock EPC data
- Internal skills and resource considerations
- Client engagement
- Develop strategy 2024-2027 to deliver EPC-C by 2030
- Establish monitoring procedures
- Consider costs in 30-year financial plans
- Explore collaboration with other providers

This Strategy (2024-2027)

- Deliver our three priorities:
  - making our properties more energy efficient
  - moving towards becoming a net zero-carbon organisation
  - becoming a more sustainable partner

Beyond this Strategy (2028-2030)

- Deliver prioritised plans for ongoing annual retrofits
- Consider plans to integrate energy efficiency improvements with regular maintenance and development activities
- Explore and trial clean heating technologies
- Ensure our homes are EPC-C or better

APPENDIX 2

External funding sources

We'll explore external funding sources as they emerge and evolve during this strategy period, for example:

- Social housing decarbonisation fund (SHDF), which aims to raise energy performance to EPC-C or above, take homes out of fuel poverty and deliver progress towards the 2050 net zero target. The government has allocated £6bn to improve energy efficiency of which £3.8Bn is to improve the energy performance of social rented homes. The 2023 wave allocated £778m to 107 projects (with a two-year delivery window). Registered providers could apply on their own or as part of a consortium, with a minimum bid of 100 homes. This involved a co-funding requirement of 50% of total eligible costs which could prove a barrier for smaller providers, a point we've made to the NHF. The government is being urged to an ongoing commitment to this funding and encouraged to reduce the barriers, noting that its previous regulatory roadmap looks set to be watered down.
- Energy company obligation (ECO), which is designed to tackle fuel poverty and help reduce carbon emissions. ECO is not a grant scheme, it's an obligation placed on energy companies, and they determine which projects to fund. We are currently on 'ECO4', which runs to 2026. Measures under ECO4 can be delivered to social housing with an EPC-D or less.
- Great British insulation scheme (ECO+), which is complementary to ECO4, aiming to improve energy efficiency and reduce energy bills. The scheme will provide grants to support those on the lowest incomes and living in the least energy efficient homes or the lower council tax bands to insulate their homes. It started in summer 2023 and runs to 2026. Its focus is low-cost insulation measures.
- Any future commitments. These will continue to evolve, and our approach is therefore necessarily flexible. We understand that the government may allocate an additional £6bn for energy efficiency from 2025-2028, but we will monitor this indication and such others as emerge from the Department for Energy Security and Net Zero (DESNZ) and the like. We'll listen out for what the labour party's 'green prosperity plan' heralds.

APPENDIX 3

Delivering on our strategic priorities – looking out to 2030

We set out above how we will deliver our three strategic priorities by the end of this three-year strategy. Looking beyond this three-year strategy, our intent is that by 2030 we will:

Priority 1 - Making our homes more energy efficient

- Ensure our homes are EPC-C or better
- In any case, improve our homes to the highest possible EPC band for that home
- Deliver improved support for customers living in 'fuel poor' homes and those with the highest energy bills
- Stop installing gas heating systems into our homes (the government's ambition remains to ban the sales of gas boilers by 2035)

Priority 2 – Moving towards becoming a net zero-carbon organisation

- Develop our approach to help achieve the government's net zero-carbon target by 2050

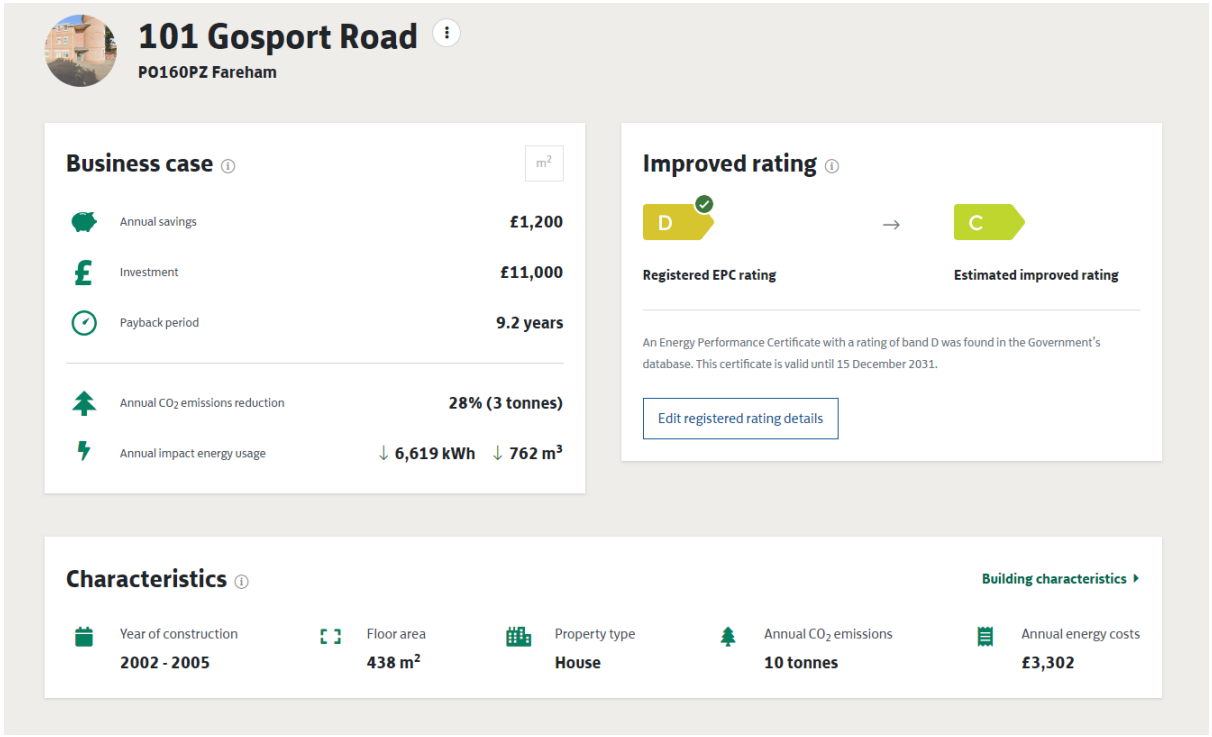
Priority 3 - Being a more sustainable partner

- Further engage with clients and staff to help them to live in a more sustainable way, for example by considering:
  - Providing electric car charging facilities (where we provide car parking)
  - Enabling cycling, for example by providing covered cycle storage
  - Incorporating environmental considerations into our strategy for electromobility (e.g., e-scooters, e-bikes, and mobility scooters)
  - Planting trees and growing food on our land
- Develop plans for the next phase of our sustainability journey

TWO SAINTS

APPENDIX 4

Lloyds Bank Green Buildings Tool example



101 Gosport Road

PO160PZ Fareham

Business case

Annual savings	£1,200
Investment	£11,000
Payback period	9.2 years
Annual CO_2 emissions reduction	28% (3 tonnes)
Annual impact energy usage	↓ 6,619 kWh ↓ 762 m³

Improved rating

D → C

Registered EPC rating — **Estimated improved rating**

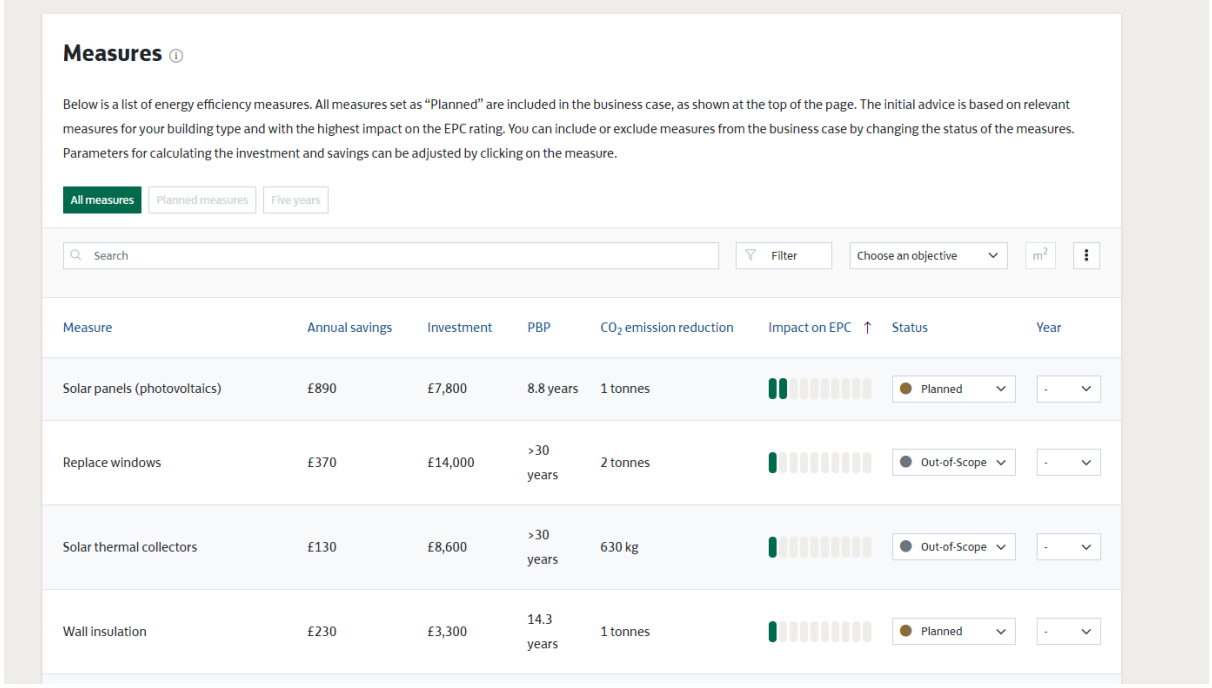
An Energy Performance Certificate with a rating of band D was found in the Government's database. This certificate is valid until 15 December 2031.

Edit registered rating details

Characteristics

Building characteristics

Year of construction	Floor area	Property type	Annual CO_2 emissions	Annual energy costs
2002 - 2005	438 m²	House	10 tonnes	£3,302



Measures

Below is a list of energy efficiency measures. All measures set as "Planned" are included in the business case, as shown at the top of the page. The initial advice is based on relevant measures for your building type and with the highest impact on the EPC rating. You can include or exclude measures from the business case by changing the status of the measures. Parameters for calculating the investment and savings can be adjusted by clicking on the measure.

All measures | Planned measures | Five years

Search | Filter | Choose an objective | m²

Measure	Annual savings	Investment	PBP	CO_2 emission reduction	Impact on EPC ↑	Status	Year
Solar panels (photovoltaics)	£890	£7,800	8.8 years	1 tonnes		Planned	-
Replace windows	£370	£14,000	>30 years	2 tonnes		Out-of-Scope	-
Solar thermal collectors	£130	£8,600	>30 years	630 kg		Out-of-Scope	-
Wall insulation	£230	£3,300	14.3 years	1 tonnes		Planned	-

APPENDIX 5

Measuring performance

This table provides an indication of how we intend to approach measuring performance:

Criteria	Measurement unit(s)	Notes	Rationale/how we will approach this
EPC-C ratings.	% of Homes rated EPC-C or better. This is a standard measure that is used across the housing sector.	Measuring our progress towards EPC-C or better ratings provides insight into the overall energy efficiency of our current stock and the improvements to it.	Target will be set annually in our performance management framework.
Our staff and services promote and develop environmentally sustainable programmes in services.	% of services signed up to take part. Qualitative impact.	Providing information to clients on sustainability matters will help show commitment to sustainability.	Three green group initiatives/activities are co-ordinated annually (our green group will in future include clients and involve co-production of initiatives).
Our clients and staff feel that we are committed to making a difference to the environment.	% of staff and clients who report that they agree with this statement.	How clients manage their homes has a significant influence on our environmental impact. Ensuring their commitment is an important way to influence and manage the overall impact of our assets.	Annual survey.
How is Environmental impact considered when procuring our goods and services.	100% of contractors have measures in place. All contracts that we procure ask contractors to demonstrate how they are minimising their impact on the environment.	Our supply chain has an environmental impact. This provides an opportunity for us to describe how we seek to reduce the negative environmental impact of our supply chain e.g., by requiring our contractors to reach certain sustainability standards.	Procurement scoring and contract monitoring.
Our finances support the creation of greener homes.	% of our budget linked to providing a fabric first approach.	To monitor the impact of this strategy on our financial performance.	Target to be set annually in line with our financial plans.