

## bLEND converts £75m deal to sustainable as it launches new bond framework

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bLEND is converting an existing bond into a sustainable issue in what marks a first for the UK housing sector.

Following this week's publication of a group Sustainable Bond Framework by its parent, The Housing Finance Corporation (THFC), bLEND is converting its £75m 2061 series to be formally listed as a sustainability bond.

The £75m series was issued in June 2021 with all proceeds going to GreenSquareAccord housing association.

While the pricing of the £75m is already fixed, the conversion makes it possible to tap future issuance as a sustainability bond and for borrowers to benefit from the estimated 2-5 basis point discount generally associated with such bond wrappers.

A sustainability bond is one where proceeds are allocated to both 'green' and 'social' projects. As housing associations are considered 'pure players' in the social category, it requires the allocation of green projects. GreenSquareAccord have identified £25m of capex, a third of their total loan nominal, to developments of new build properties at an EPC rating of B or higher. 46% of the 153 new units are expected to have an EPC of A.

Piers Williamson, CEO of bLEND, said: "Sustainable investment is now a major issue in the capital markets, and social housing is particularly well suited given its combination of a strong regulator, core social business model and the challenges of decarbonising stock."

Existing bonds are not typically eligible for conversion to sustainable, but this transaction demonstrates bLEND's ability to respond to the needs of borrowers. A bond can only be converted if the use of its proceeds was always compliant with the terms of the subsequent Sustainable Bond Framework. At the time of issuance, one third of the proceeds were allocated to green projects, but as the framework had not yet received a Second Party Opinion (SPO), it was not possible to issue the new series as a sustainability bond. The conversion was also more achievable as the entire issuance of the 2061 series went to one borrower.

The ability to tap bonds and grow them is also central to bLEND's business model as an aggregator, but as social and sustainability bonds are not fungible, a new bond series was needed.

THFC's Sustainable Bond Framework is group-wide and enables issuance of green or sustainability bonds. Eligible green projects include new build units at EPC B or higher, retrofit (whole house based on EPC improvements, or measures-based retrofit works), and renewable energy installation.

The framework is aligned with the International Capital Markets Association's Sustainable Bond Principles, and was given a SPO by Vigeo Eiris, who previously did the SPO for THFC's Social Bond Framework. Vigeo Eiris assessed the framework's expected contribution to sustainability as 'advanced', its highest category.

Mr Williamson added: "THFC pioneered green loans back in 2012 in partnership with the European Investment Bank, but this framework will allow us to issue public sustainability bonds to ensure that

the work our borrowers are doing in retrofit and developing eco homes can be reflected in the pricing of their loans.”

Almost half of the homes being delivered by GreenSquareAccord will be on Oakfield Campus, a development of high-quality eco homes in Swindon. The remainder will be built in Gloucestershire, Oxfordshire and Northamptonshire. 69% of the 153 homes will be allocated to Affordable rent, with the remaining 31% for low cost home ownership.

**Note to editors:**

About THFC: The Housing Finance Corporation (THFC) is the UK’s leading affordable housing aggregator, with £7.5bn of lending to around 160 housing associations in England, Wales, Northern Ireland and Scotland. THFC was set up in 1987 in partnership with the National Housing Federation and what was the Housing Corporation. It now also operates through its subsidiary company, bLEND, which was established in 2018. As a not-for-profit, the group’s surpluses are retained and reinvested to ensure THFC can continue to provide competitively priced funding for HAs long into the future. THFC’s track record of innovation includes some of the earliest green finance products for retrofit and sustainable developments.

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