



Sustainability strategy

2022 - 25



1. Introduction

The world is changing. Continued use of fossil fuels for energy is warming the planet and leading to increasingly extreme weather events. Moreover, poor waste management is polluting water courses and seas, while aggressive farming techniques and the use of chemicals are reducing biodiversity and contributing to species loss.

Acknowledging these global events, in 2019 the UK became the first nation to declare a climate and environmental emergency. It also became the first country to legally commit to reaching net carbon zero emissions by 2050.

Improving the built environment and the country's housing stock will be fundamental to achieving this commitment. Radical changes in how we build, heat, and maintain our homes will be required, alongside transformational changes to transport, industry, energy production and restoring the natural environment.

While the scale of the challenge is substantial,

striving to operate sustainably is already at the heart of what Futures Housing Group does. Forming one of the four key tenets of our Corporate Plan 2020-23, through our sustainability objective we have already pledged to find greener ways of working, improve our energy performance, and make our homes more affordable for customers.

This strategy builds on these commitments. Taking a holistic view of sustainability, it sets out not only how we plan to reduce the carbon emissions of our homes and operations, but how we will support our customers to thrive. It also gives a commitment to engage with organisations in our supply chain to aid their own transition to new low-carbon ways of working and to ensure that they add social value when delivering services to us.

This strategy adheres to all current government milestones on the journey to net zero.



2. National context

The UK has less than 30 years to completely decarbonise the economy. The Government's 10 Point Plan for a Green Revolution identified the role of clean energy, transport, buildings, innovation, and nature in the journey to net zero. The Net Zero Strategy: Build Back Greener, Heat & Building Strategy and Hydrogen Strategy provide the framework for delivering this plan.

Some of the key commitments in these strategies that will have an impact on and influence how we work are:

Homes and public buildings: The Government aims to make people's homes greener, warmer, and more comfortable by 2035. It also aims to accelerate heat pump installations to 600,000 units every year by 2028 making it a key technology. The installation of gas boilers in new build homes will end from 2025 and the replacement of gas boilers in existing homes will end in 2035.

Electric vehicles: The Government has set a target to end the sale of new petrol and diesel cars and vans by 2030 and hybrid vehicles by 2035. This will require significant upgrading of the national vehicle charging infrastructure and will see us move away from fossil fueled fleet and private transport.

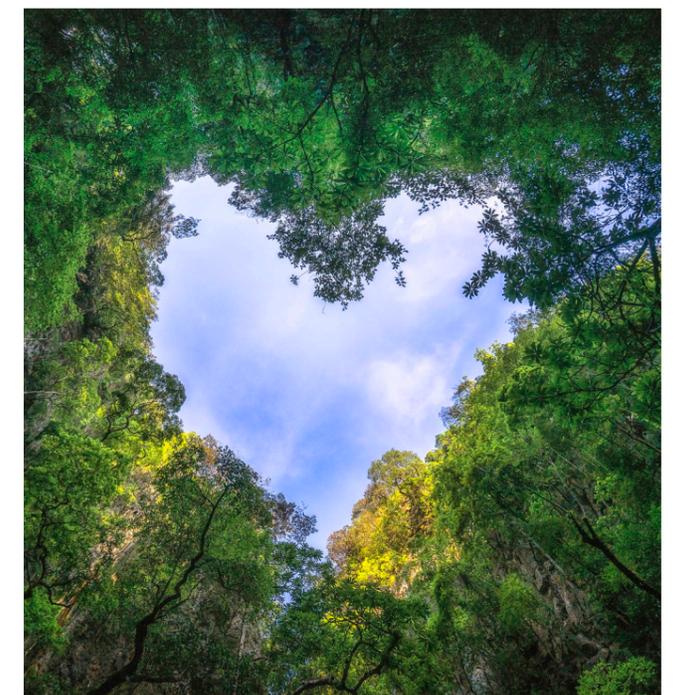
Hydrogen: The Government aims to make strategic decisions on the role of hydrogen in home heating by 2026. Hydrogen boilers could rival heat pumps as an alternate low-carbon heating system and be less invasive and costly to retrofit if sufficiently developed.

In all possible current policy scenarios projected by the Climate Change Committee, the UK will breach the international Paris Agreement treaty of keeping global warming below 1.5°C compared to pre-industrial levels. As such, there is potential for current government targets and timelines to escalate further in the future.

3. Local context

Following the national precedent, around 300 local authorities have also declared a climate emergency. This includes Amber Valley and Broxtowe Borough Councils and North West Leicester District Council. Moreover, some of our strategic partners have also set ambitious climate targets, including Amber Valley which is committed to become carbon neutral by 2030.

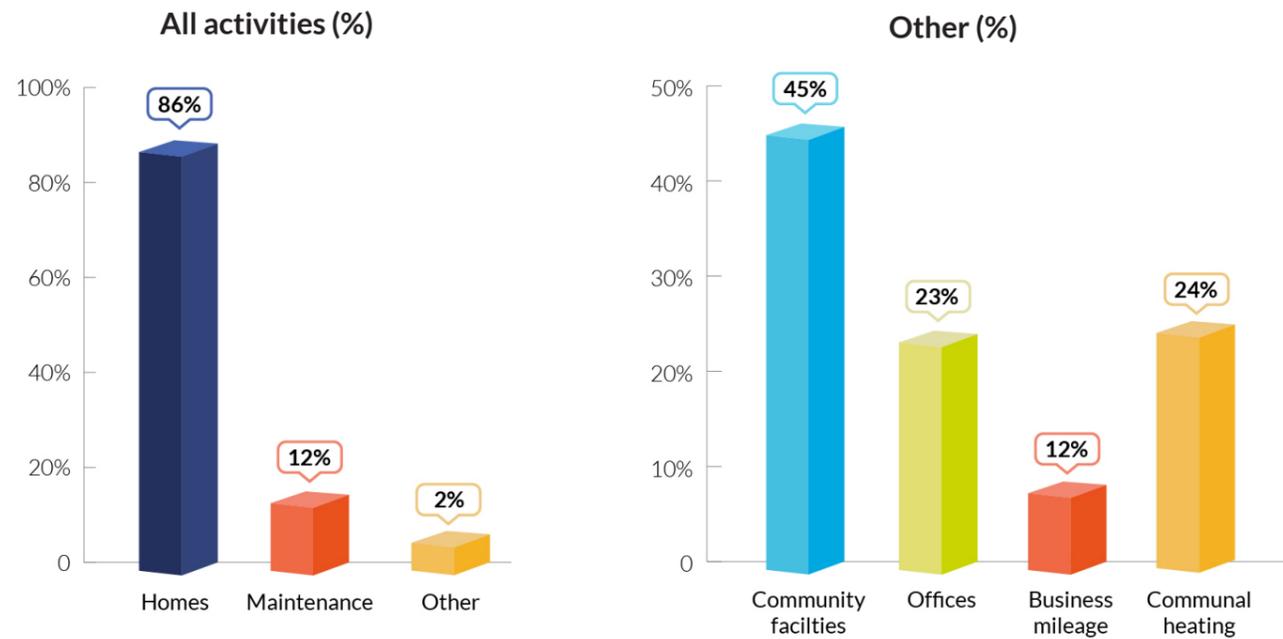
While this does not legally require Futures to align to local targets, it does highlight the aspirations of our partners and we can expect to see potential changes in local policy-making and planning obligations. We will collaborate with our partners and our customers to respond to these local challenges. By working together, we can develop effective strategies to support local housing needs, respond to the local environment, unlock funding, and promote sustainable development.



4. Present position

Our largest environmental impact comes from operating and maintaining our homes. Figure 1 shows a breakdown of our carbon footprint by key activities and includes Scope 1,2 and 3 emissions. Around half of our existing, older housing stock is at EPC C or above. All our recent new build homes achieve EPC B. A breakdown of our EPC performance is attached at appendix 3.

Figure 1 – Futures’ carbon footprint



5. Strategic vision

Futures is an ambitious organisation, rooted in the communities we support across the East Midlands. We know that many people and families need the homes, services and support we provide. In 2020 we launched our new Corporate Plan which provides a clear vision focused on delivering:



With our customers at the heart of everything we do, the Corporate Plan also set out four key objectives of:



These objectives provide a structure for how we work and are delivered through our existing strategies of:

- Customer experience
- Homes
- Growth
- Digital technology
- Business change
- Value for money

This Sustainability Strategy will complement our existing strategies and support the delivery of our objectives. The collaboration of the Sustainability Strategy Steering Group and Transformation Team will help to monitor our progress, use our resources and focus on what matters to us – creating a sustainable future.

Sustainability can be summarised as meeting the needs of the present without compromising the ability of future generations to meet their own needs. At Futures, sustainability means that we will continue to respect the environment, find smarter ways of working and be a stable business with a strong future.



Our approach to sustainability will be:

Holistic – an integrated approach to sustainability, which complements our existing strategies, represents our communities, and embodies our culture and operations.

Affordable – we cannot place people in poverty for environmental outcomes or jeopardise our business plan. A sustainable future is one that supports, people, planet, and prosperity.

Collaborative – given the scale of the challenge, we will engage with our customers, the sector and government to develop our sustainability journey.

Data driven – we will improve the quality of our data to shape our decision-making. We will work with industry experts to improve our own knowledge and refine our approach.

Continuous – we will embrace new technologies and ways of working. We will refresh and update the standards for our new and existing homes and continually seek to improve on our environmental impact.

We are already committed to:

- making our homes more affordable for our customers
- improving our public and greenspaces
- improving the energy performance of our customers' homes and our organisation
- supporting the local economy.

6. Strategic plan

Our sustainability strategy is built around four key principles of:

- our customers
- our assets
- our culture, and
- our governance.

Specific activity will be delivered through dedicated working groups and overseen by the Sustainability Strategy Steering Group.



Our customers

Our customers are at the heart of everything we do. We will engage and involve them on the journey to net carbon zero and support them with the transition to low-carbon heating. We will help customers to manage and reduce debt and gain skills to return to work through our money advice and employability services.

Our assets

Our new and existing homes and greenspaces are key to creating sustainable communities and to enable individuals and families to flourish. We will aim to eradicate fuel poverty and create warm, affordable and energy efficient homes that help our customers to live sustainably. We will improve the biodiversity of our greenspaces and create a clean and attractive public realm.

Our culture

We will continue to develop and promote a culture of sustainability to help shape our operations and find greener, cleaner ways of working. We will provide carbon literacy training to support our employees on the journey to net carbon zero and enable them to help our customers where necessary. We will proactively engage with our existing supply chain to help these partners understand and reduce their carbon emissions. We will also ensure that the delivering of social value is a requirement of all our major contracts.

Our governance

Our governance structures will ensure that we use accurate and reliable data to inform our decision-making, manage risk and ensure that Futures remains financially sustainable as we progress towards net carbon zero. We will use effective reporting tools to capture progress in reducing our carbon footprint and divest from assets that no longer meet our customers' energy and social needs.

Key timelines setting out key short-, medium- and long-term milestones on our journey to net carbon zero are shown in appendices 1 and 2. We will deliver this strategic plan within our existing financial capacity and in line with our wider corporate objectives.

6.1 Our customers

In line with our customer experience strategy, we'll take time to listen to, engage and empower our customers on our sustainability journey. The voices of our customers were heard in the development of this strategy and we will continue to engage them as we move forward with implementation.

Affordable warmth and fuel poverty reduction

Our priority is to ensure that reducing fuel poverty remains the key driver for energy efficiency and decarbonisation measures in our homes. To reduce fuel poverty, we will:

- Prioritise energy efficiency measures in our poorest energy performing homes and provide energy advice to customers at risk of fuel poverty.
- Engage with our customers before, during and after retrofit work to support them to use new technologies and manage their home heating effectively.
- Use our customer intelligence to identify those at risk of fuel poverty and offer support to households to maximise their income and offer home heating advice.
- Support and train our staff to be able to deliver energy efficiency advice and reduce fuel bills.

Supporting our customers to reduce their environmental impact

As an organisation rooted in its communities, we will also support our customers to live more sustainably. To help our customers to reduce their environmental impact, we will:

- Use our digital services and communication platforms including our website, social media and new HelpHub to provide information on energy, water, recycling, transport, sustainable purchasing, gardening, and nature.
- Investigate ways to integrate energy advice into our key customer engagement opportunities, including new tenancy sign-ups, gas safety checks, heating upgrades and refurbishments.
- Explore training and education opportunities related to green jobs. This will help to reduce our customers' environmental impact and could help kickstart the shift in skill set required for the journey to net zero.

Engage with our customers

We know that a net zero future is not possible without our customers. Behaviour change will be essential to decarbonising our existing homes, supporting our customers in our new homes with alternative technologies and improving our green spaces. To engage with our customers on the sustainability journey, we will:

- Develop home user guides when we trial new technologies in our net zero schemes. These will also be key for our customers in our existing homes once they begin the transition to low carbon heating and renewable energy technologies.
- Collaborate with our community groups to improve our local public and green spaces through our public realm works.
- Consider a biodiversity fund for customers to do wildlife planting and place-shaping activities.
- Share our strategy with our Insight Committee, to ensure that our customer voice is heard throughout the sustainability journey.

6.2 Our assets: existing homes

Our largest impact on the environment comes from the homes we own. As such we have a significant opportunity to both reduce our carbon footprint and have a positive impact on our customers' energy bills and thermal comfort.

We will take a two-stage approach to transitioning to net zero.

Phase one will be for all our stock to achieve EPC C no later than 2030 and with a stretch target of achieving this by 2028.

This will principally be achieved by improving the thermal comfort of our homes through building fabric upgrades. We will adopt a 'worst first, lowest regrets' methodology to ensure that we prioritise our least energy efficient properties and that the chosen interventions demonstrate an effective, best use of our resources.



Phase one: all homes to EPC C by 2030

Between 2022 and 2030 we will commit to achieving the following targets:

- Our market rent properties will achieve EPC C for all new lettings by 2025.
- All our market rent properties will achieve EPC C by 2028.
- All our social and affordable rent properties will achieve EPC D by 2025.
- Strive for our social and affordable rent properties to achieve EPC C by 2028 but no later than 2030.

To achieve these targets, we will:

- Improve the information and data we hold about our assets to ensure that we deliver appropriate and cost-effective retrofit solutions.
- Update our voids process to include low cost but impactful interventions such as installing low energy lighting, draft proofing and thermostatic radiator valves.
- Focus on improving the thermal efficiency of our homes through external wall, cavity fill, floor, and loft insulation. We will only consider internal wall insulation where essential.
- Resist installing low carbon heating systems such as air source heat pumps until fabric measures have been completed to ensure that clean heat technologies are both efficient and affordable for our customers.
- Consider disposing of properties with poor energy performance if they cannot achieve an EPC C or if investing in these properties will deliver poor value for money.
- Only invest in renewable energy such as solar PV (photovoltaic) panels when it is necessary under an EPC assessment and once all other lower cost energy interventions have been implemented.

Phase two will be for all our stock to achieve net zero by 2050. Although there is currently no government definition or energy performance target for net zero for retrofit programmes, we will follow the PAS2035 framework for domestic retrofit projects and ensure that our approach aligns with net zero requirements as they emerge.

The journey to net zero will see us move away from fossil fuel heating and hot water appliances and towards low-carbon, green alternatives. This transition will occur as components reach the end of their lifecycle or where grant funding enables this process to be accelerated. We anticipate that new technologies will emerge during this time, and these will be embraced where they demonstrate that they provide financial benefits to our customers and are cost effective to install.



Phase two: all homes to net zero by 2050

Between 2030 and 2050 we will:

-  Replace off-grid fossil fuel heating and solid fuel systems as part of cyclical component replacement programmes or on void turnover.
-  Stop replacing gas boilers no later than 2035 and transition to low-carbon heating systems for all homes from this point onwards.
-  Upgrade cyclical component replacement programmes to include higher energy performing alternatives where appropriate. For example, this may include replacing double-glazed windows with triple glazed units or external wooden doors with composite equivalents.
-  Roll out solar photovoltaic installations as part of roof replacements where appropriate or where heat pumps are also being fitted.

We will update our standards for our new and existing homes to reduce our impact on waste, water, and biodiversity. We will consider sustainability measures such as internal recycling bins, cycle storage and low water consumption bathroom components.



6.3 Our assets: new homes

To ensure that our new homes are fit for the future and benefit both our customers and the environment, we will seek to develop properties that are highly energy efficient and that reduce or remove the need for retrospective investment to achieve net zero in the future.

For our new homes, we will:

-  Be early adopters of the Future Homes Standard 2025 and stop installing gas boilers for all our new land-led developments. These homes will have high thermal efficiency and will be fitted with low-carbon heating technology such as air-source heat pumps, reducing both carbon emissions and costs to customers.
-  Work with our development partners wherever possible to procure homes that meet the Future Homes Standard 2025 for thermal efficiency and airtightness and to install low-carbon heating where viable.
-  Seek to make a positive contribution to the natural environment by increasing biodiversity on our development sites, for example by using bat or swift boxes and planting wildflowers and trees to support biodiversity in communal spaces.
-  Develop our understanding of and approach to modern methods of construction to reduce our embodied carbon usage.
-  Develop a finishing specification for new homes that reduces customer water consumption and improves opportunities for recycling.
-  Only procure Section 106 properties that achieve at least 85% of the Nationally Described Space Standard (NDSS) for space provision and storage to ensure that they can accommodate low-carbon heating technology in the future. All other homes will achieve at least 90% of the NDSS requirements for space provision and storage.

6.4 Our assets: public and green spaces

Our public and green spaces support the physical environment by regulating temperatures, alleviating flood risk, and improving air, water, and soil quality. They also support our customers' physical health, mental wellbeing, and sense of community. To maximise our land and green space for nature and our customers, we will:

-  Improve our biodiversity and land ownership data. This will help to assess the quality of our green spaces, identify areas for development and help to quantify unofficial carbon offsets.
-  Investigate what 10% biodiversity net gain means for our future developments.
-  Explore opportunities to transform redundant sites into multipurpose green spaces that support biodiversity and public well-being. We will look to identify more sites that could transform into wildflower meadows with community engagement.

6.5 Our culture

We will develop a culture that supports the transition to a low-carbon way of operating and puts greener ways of working and respect for the environment at the centre of our decision-making.

To reduce our operational carbon footprint and improve our environmental impact we will undertake the following activities:



Fleet

-  Understand the learnings from our current electric vehicle pilot and start transitioning to an all-electric vehicle fleet from 2028 onwards.
-  Promote fuel-efficient driver training and reduce unnecessary journeys through effective repairs scheduling.
-  Explore opportunities to disperse materials storage to reduce fuel consumption and time lost travelling to central depots.

Operations

-  Continue to deliver high waste diversion rates and use best practice from our previous ISO 14001 accreditation.
-  Continue to trial electric machinery for our housing and grounds maintenance activities as an alternative to petrol powered devices.

Workspaces

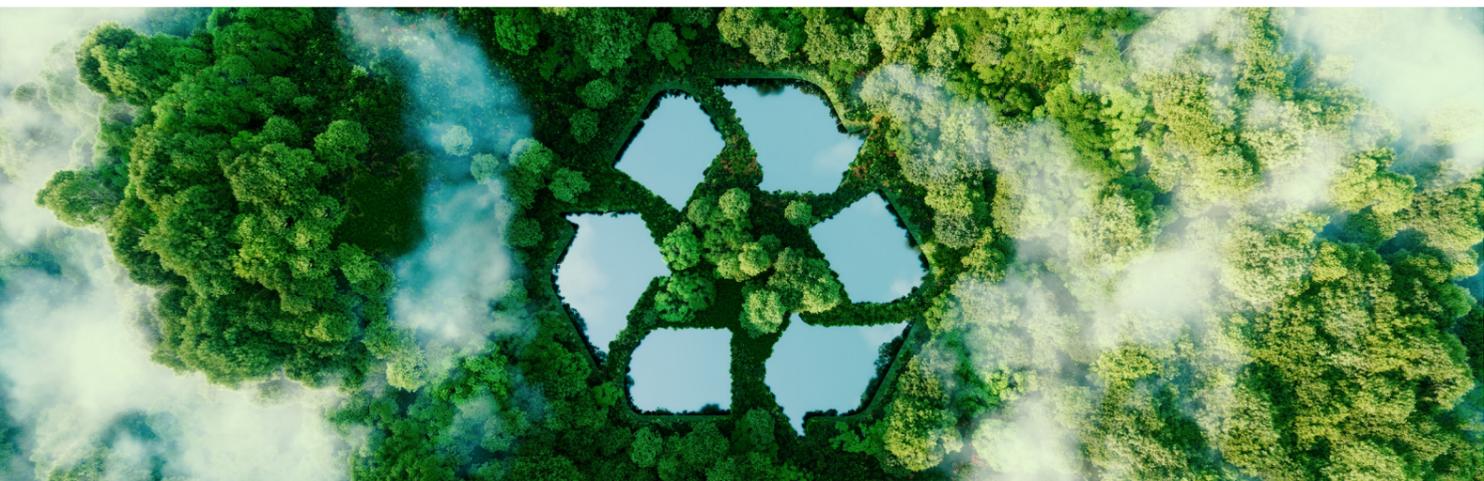
- Transition all our offices to renewable electricity sources and phase out the use of gas heating from 2035.
- Aim to provide electric vehicle charging infrastructure at all our office spaces to support a move to green vehicles.
- Ensure that all our workspaces achieve EPC B by 2030.
- Continue to work in a hybrid way that empowers our staff to find workspaces that meet their needs and reduce unnecessary commuting to our main office.

How we work

- Deliver carbon literacy training for our staff to encourage environmental stewardship and to engage our people on the sustainability journey.
- Develop a cohort of sustainability champions representing teams across the organisation to co-ordinate and develop local sustainability initiatives and promote greener ways of working.

Supply chain

- We will engage with and support partners in our current supply chain to understand and reduce their own environmental impact through improved emissions monitoring and sharing of waste management and circular economy best practices.
- We will continue to work with SMEs to ensure that we support the local economy and communities we serve.
- We will procure responsibly sourced, environmentally friendly, and recycled materials wherever viable.
- We will make sustainable practices and added social value key requirements of future tender opportunities and expect suppliers delivering large contracts to provide data on their carbon footprint and how they plan to reduce their impact.



7. Funding

We will seek to maximise all grant funding opportunities to improve the energy efficiency of our homes and to expedite the transition towards net carbon zero.

Over the lifetime of this strategy, we will principally focus on securing funds through the following national funding routes.

- The Green Homes Grant Local Authority Delivery (LAD) scheme
- The Social Housing De-Carbonisation Fund (SHDF)
- The Energy Company Obligation schemes.

We will consider actively pursuing the disposal of properties that cannot achieve satisfactory energy performance standards through retrofitting, or where the cost of retrofitting

does not represent value for money for Futures or its customers.

Receipts from disposals will be re-invested into improving the thermal performance of existing properties.

Our business plan will be stress tested to understand the financial impact of decarbonising our assets and operations and to ensure that we have sufficient funds to deliver this strategy without compromising our financial covenants.

We will work to develop and leverage a strong ESG position to secure competitive borrowing rates from the capital markets when necessary.

We will also endeavour to pursue smaller funding opportunities that support community initiatives to improve the public realm or provide social benefits to our customers.

8. Governance

The Executive Team will be responsible for the delivering of the goals contained within this strategy. They will also ensure that all activity is undertaken in accordance with the Group's value for money strategy and risk management and assurance framework in order for Futures to remain a financially strong and sustainable organisation.

The Sustainability Strategy Steering Group will oversee all operational projects and workstreams aligned to delivering such goals. It will report progress to the Executive Team and Co-Terminus Board at least every six months.

We will engage with and update our Insight Committee to ensure that this strategy meets our customers' aspirations.

9. Monitoring and reporting

In spring 2021, our environmental baseline data was captured by our SHIFT assessment. We will consider adopting the SHIFT assessment to evaluate our environmental performance and sustainability strategy in the future.

To report on our environmental, social and governance (ESG) performance we will partner with Sonnet Impact. This partnership will not only provide a report for our ESG performance and value of a social tenancy, but it will give us the tools to do this internally in the future. We will also explore opportunities to incorporate the UN Sustainable Development Goals (UNSDG)

and the new Sustainability Reporting Standard into our ESG reporting.

We will continue to report our carbon emissions through the Streamline Energy and Carbon Reporting (SECR) standard. This provides comparable data of our Scope 1 and 2 emissions, which we can use to set carbon reduction targets.

The delivery of this strategy will be monitored by SMART targets and the collaboration of the Sustainability Strategy Steering Group, Working Groups and Transformation Team.

Glossary

Energy Company Obligations (ECO)

ECO is a government energy efficiency scheme that aims to reduce carbon emissions and tackle fuel poverty. ECO requires energy companies to support low income households to access domestic energy saving measures.

Energy Performance Certificate (EPC)

The energy efficiency performance of a building is currently assessed by an EPC. These are graded on a scale of A (most efficient) to G (least efficient), and have two metrics: a fuel cost-based energy performance rating and a rating relating to CO₂ emissions.

Environmental, Social & Governance (ESG)

An organisation's commitment to deliver positive environmental and social outcomes and to conduct themselves responsibly. ESG credentials are becoming increasingly important for securing funding from investors.

Fuel poverty

A household is fuel poor if it has a residual income below the poverty line (after accounting for required fuel costs) and lives in a home that has an energy efficiency rating below EPC Band C.

Green Homes Grant Local Authority Delivery (GHG LAD)

LAD funding supports energy efficiency improvements for low incomes households. Social landlords can access a maximum £5,000 grant per property for one single intervention.

Net zero

Net zero refers to the balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere. Net zero is the internationally agreed upon goal for mitigating global warming in the second half of the century.

Scope 1, 2 and 3 emissions

The greenhouse gas protocol organises greenhouse emissions into Scope 1, 2 and 3. Scope 1 (direct) emissions are released directly into the atmosphere by activities controlled by an organisation (eg from our fleet). Scope 2 (energy indirect) emissions are associated with the consumption of electricity, heating and cooling which occur from sources that an organisation does not control (eg office electricity emissions). Scope 3 (other indirect) emissions include all emissions not classed in Scope 1 or 2, (eg our housing stock, employee commuting and supply chain).

Social Housing Decarbonisation Fund (SHDF)

In 2019, the government allocated £3.8 bn to decarbonise social housing. This funding will last for ten years through several waves. Wave 1 of the SHDF launched in August 2021 and will close in March 2023.

Sustainable Housing Index for Tomorrow (SHIFT)

SHIFT provides a sustainability assessment unique to the social housing sector, reporting on 21 environmental criteria.

Sustainability Reporting Standard (SRS)

The SRS is a new framework designed to support the social housing sector to report on its ESG performance. The voluntary framework includes 48 criteria across ESG themes.



Appendix 1: Our 2022-2023 objectives

April - Sept 2022

- ▶ Transition offices to 100% renewable electricity.
- ▶ Develop a customer engagement strategy around sustainability.
- ▶ Develop staff carbon literacy training and sustainability champions.
- ▶ Develop a new build specification to reduce domestic energy and water consumption and to support sustainable living.
- ▶ Pursue retrofit grant funding opportunities and prepare for Social Housing Decarbonisation Fund Wave 2 in spring 2022.
- ▶ Identify properties that cannot meet the required energy performance targets and develop a plan for disposal when void.
- ▶ Explore and develop our MMC offer.

Oct - March 2023

- ▶ Develop a retrofit plan to achieve EPC D across existing homes by 2025; identify non-performing assets for disposal and refresh VOID process to introduce quick win, low cost interventions into properties to move properties towards EPC C or above before re-let.
- ▶ Develop an understanding of the environmental impact within our existing supply chain and explore ways to engage suppliers on the decarbonisation journey.
- ▶ Map current green space ownership and explore options to increase biodiversity and social value on the land we own.
- ▶ Explore options to increase biodiversity net gain by at least 10% on new developments (BNG likely to become mandatory in 2023).

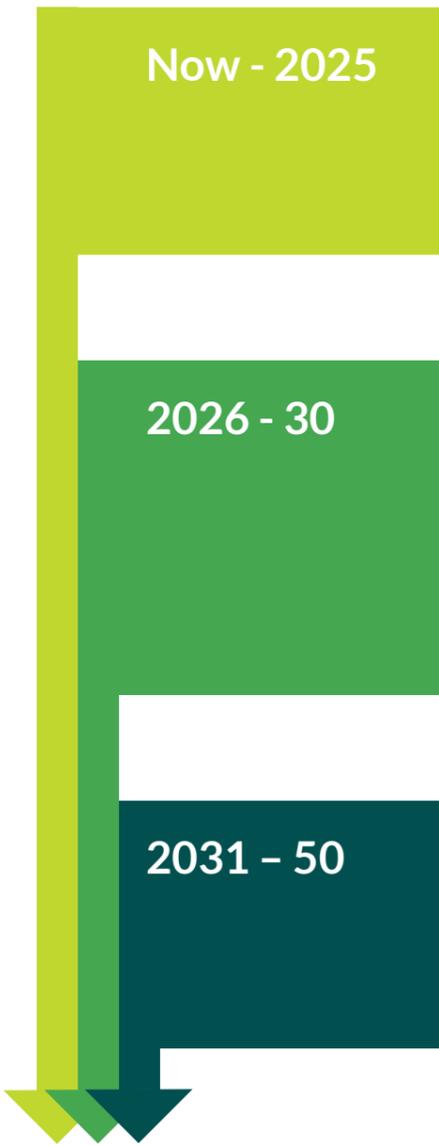
April - Sept 2023

- ▶ Develop our approach to measuring and reducing embodied carbon in our development activities.
- ▶ Develop our approach to measuring and improving climate resilience (risk of flooding and overheating) to our organisation.
- ▶ Ensure all new developments have at least 10% biodiversity net gain.

Oct - March 2024

- ▶ Develop energy management plans for our communally heated properties and communal spaces.
- ▶ Develop decarbonisation plans and explore renewable energy generation opportunities for all our workspaces.
- ▶ Explore electric vehicle charging points for all our workspaces.

Appendix 2: our roadmap to net zero 2050

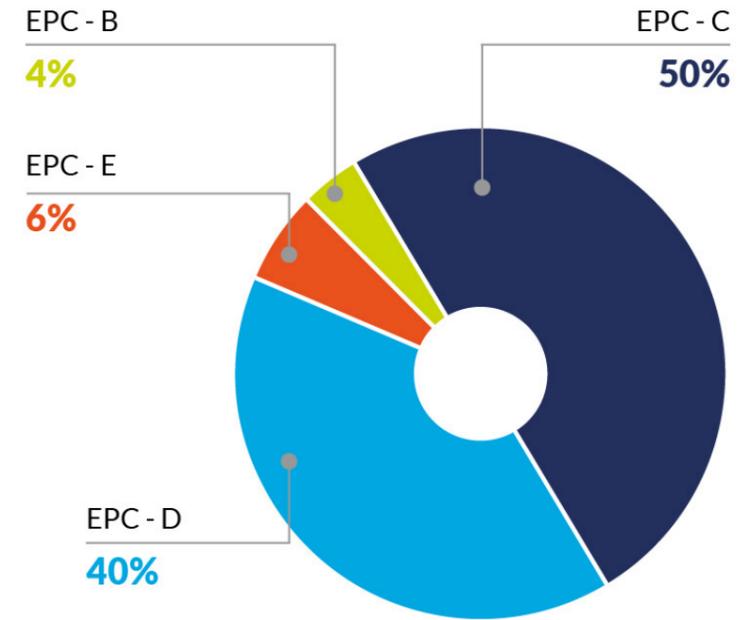


- ▶ Sustainability Strategy approved and delivery plans developed.
 - ▶ All social homes to meet EPC D or above by 2025.
 - ▶ All market rent new lets are in properties at EPC C.
 - ▶ Specification for new homes and existing asset replacements amended to include low cost sustainability measures such as low water consumption fittings and occupier recycling facilities.
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- ▶ Start transition to electric vehicle fleet in 2028.
 - ▶ All homes meet EPC C or above by 2030, preferably by 2028, following a fabric first approach.
 - ▶ All market rent properties to EPC C by 2028.
 - ▶ Improve the energy efficiency of our offices to meet EPC B by 2030.
 - ▶ From 2025, all new homes are built to the Future Homes Standard, achieving 75-80% lower carbon emissions.
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- ▶ End gas boiler replacements from 2035 at the latest.
 - ▶ All homes transition to low carbon heating and meet operational net zero by 2050.
 - ▶ Phase out high carbon activities and replace with low-carbon alternatives.
 - ▶ We becomes a net zero organisation by 2050.

Appendix 3: current energy performance of our homes

Information in the following tables has been extracted from our environmental benchmarking exercise (SHIFT assessment).

Futures Housing Group - EPC banding of existing stock



Futures Housing Group - EPC banding of new supply

