



Sustainable Finance Framework





Sustainable Finance Framework

Contents

Section 1: Introduction	1
1.1 About Notting Hill Genesis	1
1.2 Our Vision and Mission	1
1.3 Strategic Priorities	1
1.4 Environmental, Social and Governance (ESG)	2
1.4.1 Our Social Impact	2
1.4.2 Our Environmental Impact	2
1.4.3 Our Governance	3
1.5 Regulatory Framework for Affordable Housing	3
1.6 Rationale for Sustainable Financing	4
Section 2: Sustainable Finance Framework	5
2.1. Use of Proceeds	5
2.2 Process for Project Evaluation and Selection	6
2.3. Management of Proceeds	7
2.4. Reporting	7
2.5. External Review	8
Appendix: Case Studies	9
Aylesbury Estate, South East London	9
Grahame Park Estate, North West London	10
Disclaimer	12

Section 1: Introduction

1.1 About Notting Hill Genesis

Created in 2018 from two well-established housing associations, we are now one of the largest housing associations working across London and the South East, owning and managing more than 66,000 homes and employing around 2,000 staff. We provide homes across a range of tenures and are committed to delivering housing that is affordable for all. More than half of our homes are general needs properties charged at social or affordable rent levels and we also offer extra care and supported accommodation for older people, as well as temporary housing, shared ownership, market rent and commercial properties.

Providing more genuinely affordable housing is more challenging, urgent and necessary than ever. We are well equipped to rise to this challenge and completed a total of 1,962 (2019: 2,111) new homes in 2019/20. Our 2020-2025 Corporate Strategy outlines our aim to acquire, start and hand over 1,400 homes each year and we will continue to work alongside government, local authorities and private developers to build around 7,000 new homes over this period.

1.2 Our Vision and Mission

Our primary purpose is to build and maintain quality affordable homes, creating diverse and thriving communities¹. Everything else supports that.

Our focus is our residents. We put their needs at the heart of our structures, processes and systems and they drive our decisions each and every day. We want them to have a safe and comfortable home from where they can build lives, communities and futures.

We have first-hand experience of how critical a safe, stable, comfortable home is to people's economic and social wellbeing. A secure home promotes independence and enables people to plan and build their lives. Access to a secure home where people can establish a life and realise their potential should be available to all.

Our staff are motivated to provide a caring, compassionate, personal and localised service. All of us, from the board to the frontline, spend time in our communities, working with and listening to residents, elected representatives and other colleagues. We are pragmatic about the need for commercial effectiveness, but always balance that with providing compassionate, resident-focused services and creating and maintaining diverse communities.



1.3 Strategic Priorities

We have identified five strategic objectives that we will prioritise over the next five years to deliver our vision and mission. Our culture and values will drive our behaviours and ways of working across the organisation.

1 <https://www.nhg.org.uk/media/19301/nhg-corporate-strategy-2020-2025.pdf>

Our strategic objectives have been arranged into the following core strands:

- Residents
- Homes
- New Homes
- People
- Finances

1.4 Environmental, Social and Governance (ESG)

A robust ESG framework within our organisation is very important to us and we embed ESG principles across our entire business. To ensure we are able to report on our ESG performance in a transparent, consistent and comparable way, we will adopt the newly created Sustainability Reporting Standard for Social Housing. The standard covers 12 core themes and has 48 criteria. These are qualitative and quantitative and are identified as the core requirements to demonstrate strong ESG performance. They also align with standards in the United Nations' Sustainable Development Goals. Making our ESG performance information more accessible will demonstrate to our residents and other stakeholders the positive impact that we are making against these goals. In particular, it will demonstrate that by investing in our organisation, stakeholders are contributing to positive social and environmental impacts.

1.4.1 Our Social Impact

When we formed Notting Hill Genesis ("NHG"), we launched our resident promise, a pledge that those living in our homes would be at the heart of shaping services. Our social purpose remains at the heart of all the work we do, just as it has ever since our parent organisations were launched in the 1960s. We still have the desire and commitment we always had, but now we have the resources and scale to do more. We have a fundamental role to play in tackling the housing crisis.

Two years on, we have introduced lifetime tenancies for those who had five-year fixed term tenancies, giving our residents the greater security they asked for. We have improved our repairs and maintenance service via a new asset management strategy, with residents now helping us in creating a new NHG homes standard. We have also made it easier to contact us and control repairs, through our new housing operating model and enhanced digital services.

As an organisation we aim to do more than just create homes – we create thriving communities. This desire is at its most acute at our major regeneration projects of Aylesbury Estate and Grahame Park. Further details of these projects can be found in the Appendix.

1.4.2 Our Environmental Impact

Protecting the environment is an integral part of a high-performing, successful organisation. We are fully committed to supporting the UK in achieving its net zero carbon emissions target by 2050, by ensuring we improve the energy efficiency of homes and reduce CO2 emissions. Our development programme and asset strategy have been formulated to ensure our environmental impact is at the forefront of this strategy.

All of our new build homes will have at least an Energy Performance Certificate (EPC) of B or above and we have a comprehensive asset management strategy to ensure by 2030 that all of our properties are at least EPC C or above.

SAP / EPC ratings of our portfolio (as at 21 March 2021)

SAP/EPC Band	SAP score	% of stock
A	92-100	0.0
B	81-91	7.5
C	69-80	65.0
D	55-68	25.0
< E	< 39-54	2.5

Current estimates show that around 28% of our existing properties will require investment to achieve these targets, with major spend being primarily required for insulation, boilers and heating systems and making use of renewable technologies. We have committed to £30m of reinvestment work over the next 10 years to support this. NHG intends to reduce its net carbon emissions to zero by 2050 and is undertaking a strategic review of its business practices to achieve this, from better understanding the ESG credentials of our suppliers, to considering the environmental impact of the benefits we provide to our staff. As at 2019-20, the organisation's net emissions were equivalent to 10,455 tCO₂e.

1.4.3 Our Governance

Our board is responsible for implementing a robust governance framework throughout our organisation. The NHG Board has nine non-executive members plus two executives, comprising 45% females and 55% males. Our board members, have diverse career backgrounds and bring a breadth of experience to our organisation.

The Board delegates some of its responsibilities to committees, each of which has a group-wide remit. Each of these committees has clear terms of reference and delegated authority. They report back to the Board after each meeting, where their recommendations are considered and approved where appropriate.

NHG has subscribed to the National Housing Federation's Code of Governance 2015 (Code) as its code of governance and has been awarded a G1 governance grading by the Regulator of Social Housing.

Ensuring equality and diversity for our employees is of extreme importance to us, and alongside the rest of the G15 housing associations, we signed a pledge to work hard to address and close the Black and Minority Ethnic (BAME) gap, particularly at senior managerial, leadership and board roles. We will do this by committing to be more visibly diverse at all levels of the organisation, collaborating with our partners to invest in and support BAME talent and celebrate BAME successes and achievements. We have also published our gender pay gap, which looks at the difference in average pay of male and female employees, and our ethnicity pay gap, which does the same for ethnicity. Our staff diversity groups, Beehive women's network, Eric, our LGBT+ network and Cultural Energie, our BAME network, continue to go from strength to strength.



1.5 Regulatory Framework for Affordable Housing

Registered providers of social housing must comply with a regulatory framework established by the UK Government. The 2015 regulatory framework² for social housing in England is comprised of:

Regulatory requirements – obligations on registered providers, including the 'rent standard' for social and affordable housing and 'consumer standards' for the provision of the housing service;

Codes of practice – assists registered providers in understanding how compliance might be achieved; and,

Regulatory guidance – this provides further explanatory information on the regulatory requirements and includes information on how the regulator will carry out its role.

The standards are classified as either 'economic' or 'consumer' and serve to ensure social housing providers comply with specific expectations in relation to home and tenancy management – particularly through the Economics standards³, Home Standard⁴ and Tenancy Standard⁵. There are three economic standards and four consumer standards as below:

² [Regulatory framework - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/regulatory-framework-for-social-housing-in-england)

³ <https://www.gov.uk/guidance/regulatory-standards>

⁴ <https://www.gov.uk/government/publications/home-standard/home-standard-2015>

⁵ <https://www.gov.uk/government/publications/tenancy-standard/tenancy-standard-2015>

Economic Standards:

- Governance and Financial Viability Standard
- Value for Money Standard
- Rent Standard

Consumer Standards:

- Home Standard
- Tenancy Standard
- Neighbourhood and Community Standard
- Tenant Involvement and Empowerment Standard

1.6 Rationale for Sustainable Financing

The establishment of this Sustainable Finance Framework (“the Framework”) aligns our strategic sustainability objectives with our funding and financial strategy. NHG has selected eligible areas which are fundamental elements of our business model and deliver the most positive societal and environmental impacts.

We aim to develop new affordable and sustainable housing, as well as improving the sustainability of our existing housing stock. Through our strategic objectives we will carry out our mission to “build and maintain quality affordable homes, creating diverse and thriving communities.” Customers are at the core of everything we do.

We seek to attract investors who are supportive of these objectives and wish to focus on enlarging our sustainably focused investor base. These stakeholders will be valuable supporters to enable us to achieve our mission.

Our strategic priorities address a number of the challenges identified in the UN SDGs and we consider it important that projects which deliver measurable contributions to these goals are financed through sustainable debt instruments.

This Framework will be used to govern all forms of green, social and sustainable finance including, but not limited to, Public Bonds, Private Placements, Revolving Credit Facilities and Bank Loans (together known as “Sustainable Financing Instruments”).

Section 2: Sustainable Finance Framework

The Framework aligns to the Social Bond Principles – June 2020⁶ (“SBP”), the Sustainability Bond Guidelines – June 2018⁷ (“SBG”), the Green Bond Principles – June 2018⁸ (“GBP”) and the Green Loan Principles – February 2021⁹ (“GLP”) as published by the International Capital Markets Association (“ICMA”) and Loan Market Association (LMA”) and will enable NHG to issue Sustainable Financing Instruments. The Framework uses the four core components of the aforementioned principles as its basis, being:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

2.1. Use of Proceeds

Our identified Eligible Assets, in line with ICMA and LMA principles, will comprise of Affordable Housing and Green Buildings.

1) Affordable Housing

As a registered social housing provider and developer of affordable housing, our activities are defined as being eligible social projects under the Social Bond Principles. Our target population under the affordable housing project category includes tenants living in social and general needs properties, shared ownership properties or supported housing, as defined below.

Social and Affordable General Needs

Social / affordable target populations and housing requirements are established by local planning authorities under the guidance of the National Planning Policy Framework, which directs the Local Authorities to identify the needs of housing markets and determine where and what quantity of affordable housing should be provided. NHG provides homes exclusively to target populations earning a low income or in receipt of state benefits. Affordable housing criteria may vary between Local Authorities but NHG aims to reduce homelessness, prevent overcrowding of shelters, or mitigate medical conditions made worse by sub-standard housing arrangements.

Shared Ownership

Our social housing tenants comprise of individuals or households who are unable to feasibly purchase properties in the open market due to affordability. Purchasers buy a share of the property and pay rent on the remaining value. Eligibility criteria for shared ownership is determined by the government and is based on an annual housing income cap in London of £90,000.

Supported Housing

Our Supported housing services help older people maximise their independence and reduce, delay or prevent the need for residential care, as well as support younger people with disabilities.

Our extra care housing provides residents with tailored care and support, so they can live as independently as possible. This includes short term care for those leaving hospital. We also offer on-site facilities and flexible care packages to help customers continue to live in their own homes, even as their needs change.

2) Green Buildings

New affordable housing developed with an EPC of at least B, or investments by the Group in existing affordable housing to reduce its environmental impact, are considered eligible projects under the Green Bond and Loan Principles.

6 [Social-Bond-Principles-June-2020-090620.pdf \(icmagroup.org\)](#)







7 [Sustainability-Bonds-Guidelines-June-2018-270520.pdf \(icmagroup.org\)](#)

8 [Green-Bonds-Principles-June-2018-270520.pdf \(icmagroup.org\)](#)

9 [Green_Loan_Principles_Feb2021_V04.pdf \(lma.eu.com\)](#)

An amount equal to the net proceeds raised under this Sustainable Finance Framework will be used to finance, or refinance, new or existing Eligible Assets subject to the ICMA and LMA principles. Where the net proceeds are utilised for the construction or renovation of Eligible Assets, these will be originated within 24 months prior to, or 24 months after, the specific debt instrument proceeds are received.

Relevant projects and activities are outlined in the following table.

Eligible Project Category	Description ¹⁰	Reference financial line item	UN SDG ¹¹ alignment
Affordable Housing	Construction of new Social Rent, Affordable Rent, Shared Ownership and Supported Housing in the United Kingdom Our target population spans all ten examples referenced in the SBP ¹² , with a particular focus on: <ul style="list-style-type: none"> Unemployed Aging populations and vulnerable youth 	Capex	
	Re-financing of existing Social Rent, Affordable Rent, Shared Ownership and Supported Housing in the United Kingdom Our target population spans all ten examples referenced in the SBP, with a particular focus on: <ul style="list-style-type: none"> Unemployed Aging populations and vulnerable youth 	Asset value	
Green Buildings	Construction of new homes with a minimum EPC Rating of B	Capex	
	Re-financing of existing homes, subject to a minimum EPC rating of B	Asset value	
	Renovation of existing homes that improve unit EPC ratings by at least two notches (to EPC C or above)	Opex Capex	 

2.2 Process for Project Evaluation and Selection

NHG has a process in place whereby smaller capital projects (<£25m spend) are approved by the Project Appraisal Group, larger projects (£25-100m spend) are approved by a sub-committee of the Board (the Development and Sales Committee) and very large projects (£100m+ spend) are approved by the full Group Board. Potential Eligible Projects will be recommended to the NHG Sustainability Group, which meets every two months, who will evaluate the project and confirm whether it meets the criteria for the Use of the Proceeds under the Framework. If it does, the project will be selected and monitored by the NHG Sustainability Group. All projects submitted for approval will include identified and quantified expected outputs and outcomes, in line with the table in section 2.1 of the Framework.

¹⁰ A single asset can only fall in one category

¹¹ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

¹² Page 4 of [Social-Bond-PrinciplesJune-2020-090620.pdf \(icmagroup.org\)](#)

Members of the Sustainability Group are currently as follows, and may be amended from time to time:

- Group Director of Assets
- Financial Services Director
- Deputy Company Secretary
- Deputy Director of Central Services
- Director of Procurement
- Deputy Director of Housing
- Head of Design Technical & Sustainability
- Head of Social and Economic Investment
- Assistant Director of HR
- Director of Building Safety
- Head of Assets – Planning and Data
- Head of Assets – Energy Provision
- Head of Customer Experience and Policy

2.3. Management of Proceeds

We recognise the importance of separately managing and monitoring the proceeds issued under the Framework. Eligible projects will be matched to proceeds issued under the Framework by the Group.

The Group has a documented and structured process to determine how projects fit within the categories identified, and how the proceeds will be matched to, and monitored in relation to, specific Eligible Spending or Projects.

Amounts equivalent to the net proceeds from sustainable financing instruments issued under the Framework will be:

- Separately accounted for, reconciled and reported
- Reported through the Sustainability Group and Group Treasury Committee

Unallocated proceeds issued under the Framework will be held as cash deposits or in sterling denominated money market funds in line with our treasury management policy, or used for short-term repayment of other debt facilities before allocation to eligible projects.

In alignment with ICMA and LMA principles, our Sustainability Group will ensure that Eligible Assets financed, at all times exceed net proceeds raised under this Sustainable Finance Framework, for as long as the financing remains in place. If an asset is no longer eligible under the criteria included in section 2.1, it will be removed from the Eligible Asset portfolio. In such a scenario, we will strive to replace the asset with another Eligible Asset as soon as reasonably practicable.

We expect all proceeds to be allocated within 24 months from the date of receipt of funds.

2.4. Reporting

We will annually, until full allocation of the Sustainable Financing instrument, publish an allocation and impact report within our annual ESG Report, which will be aligned to the Sustainability Reporting Standards and will be made available on our website www.nhg.org.uk/sustainability. Within this report we will also publish updated information on our broader sustainable activities and include case study examples of eligible projects developed or invested in.

The report will include:

Allocation Reporting

- A description of outstanding Sustainable Financing instruments
- Net proceeds outstanding from the Sustainable Financing instruments
- Amount of proceeds allocated to Eligible Projects
- Amount of unallocated proceeds (if any)
- A complete list of Eligible Green and Social Projects financed by outstanding Sustainable Financing instruments

Impact reporting

Included within our annual ESG report, where feasible, we will publish metrics demonstrating the ongoing environmental and social impact of the Group including:

Eligible Project Category	Description	Indicative impact metrics
Affordable Housing	Construction of new Social Rent, Affordable Rent and Shared Ownership homes in the United Kingdom	<ul style="list-style-type: none">• Number of new social, affordable and shared ownership homes built by tenure• Number of people housed from local authority waiting lists
	Re-financing of eligible existing Social Rent, Affordable Rent and Shared Ownership homes in the United Kingdom	<ul style="list-style-type: none">• Existing number of social, affordable and shared ownership homes by tenure• Average weekly NHG rent charged relative to average private sector rent
Green Buildings	Construction of new homes with a minimum EPC rating of B	<ul style="list-style-type: none">• Number and % of new homes with an EPC rating of A or B
	Renovation of existing homes that improve unit EPC ratings by at least two bands (to EPC C or above)	<ul style="list-style-type: none">• Change in distribution of EPC ratings of existing homes since prior year
	Re-financing of existing homes – subject to a minimum EPC rating of B	<ul style="list-style-type: none">• Number of existing homes with an EPC rating of A or B

2.5. External Review

DNV has been appointed to confirm the alignment of the Framework to the Social Bond Principles – June 2020, the Sustainability Bond Guidelines – June 2018, the Green Bond Principles – June 2018 and the Green Loan Principles – February 2021, as published by ICMA and the LMA. DNV has provided a Second Party Opinion (SPO) on the Group's Framework for Sustainable Finance.

A link to the Second Party Opinion is available at www.nhg.org.uk/sustainability.

Appendix: Case Studies

Aylesbury Estate, South East London

Notting Hill Genesis and Southwark Council are working in partnership on the regeneration of the Aylesbury Estate, South East London. Together we are committed to delivering a masterplan for 3,500 new homes, 50% of which will be affordable. 75% of the affordable homes will be social rented homes and 25% will be shared ownership or shared equity. At least 30 % of these homes across all tenures will have three bedrooms or more to support growing families.



The regeneration is about more than new homes, community facilities and improved open spaces. The partnership is committed to ensuring local people experience the social and economic benefits of regeneration, such as employment, education and training in health and well-being. Our training and employment team support residents across Southwark to access jobs, traineeships, apprenticeships and training.

To ensure money is kept within the community, we endeavour to use local companies where possible. In 2019-20, £749,574 went directly to Southwark businesses.

	2020-19	2019-18	2018-17
Residents remained in their jobs for six months or longer	28	40	36
Training places awarded	11	19	-
Apprentices or traineeships	18	13	10

Our youth programme comprises a wide-range of activities, ensuring young people are put at the heart of our community investment in the Aylesbury regeneration.

One of the many strengths of the Aylesbury neighbourhood is its mixed community. We aim to nurture this by holding events for all ages where the young, old and everyone in-between can join together to take part in shared activities.



	2020-19	2019-18	2018-17
Residents received 1-to-1 support	22	22	23
Resident attendances in our summer programme	822	654	638

NHG makes up to £15,000 available to community groups every year through the Aylesbury Community Grant (ACG) scheme. Its aim is to help improve the lives of people in and around the Aylesbury neighbourhood and encourage community cohesion.

	2020-19	2019-18	2018-17
Percentage benefitting from grants from the Aylesbury Neighbourhood	75%	75%	75%
Aylesbury Community Grants awarded	9	9	10
Residents benefitted from involvement in Aylesbury Community Grants projects	540	433	590

Construction of the new homes started in 2019 and the entire regeneration project is expected to finish in 2046.



Grahame Park Estate, North West London

Grahame Park is a local authority owned housing estate in the London Borough of Barnet, constructed in the 1960s and 1970s, which has been allocated for comprehensive regeneration by both regional and local planning policy. Following a successful ballot of residents, the applicant (then Genesis Housing Association) was appointed by the London Borough of Barnet to redevelop the estate in phases.

Following the delivery of 685 new homes plus commercial uses in stage A of the regeneration programme in 2018, our master plan for Stage B to deliver 2,088 homes was given the green light by the London Borough of Barnet, and formally approved by the Greater London Authority in April 2020. 50% of the homes will be affordable housing (with no net loss of social rented housing), while plans include £41m investment in a community centre, day nursery, improvements to sustainable travel and a new high street.

The new scheme will be highly sustainable and meets the GLA's and the Council's environmental objectives. In addition, we have made £120,000 per annum available for social and economic regeneration projects on the estate to ensure that local residents are involved in and benefit from regeneration and that we create sustainable legacy of community-led organisations. In 2019-20 we made a total contribution of £164,850 across the follow Projects.



Project	Project Objective	Target Group
Capacity Building		
Colindale Community Trust	A community-led voluntary organisation that works to improve the lives of local people through a range of activities and projects.	Local residents
Volunteering Programme	A volunteering programme focussed on increasing volunteers to support the programmes currently being delivered in the estate.	Local residents
The Old Library – Enterprise, Employment & Community Hub	This is part of a long-term aim of creating a permanent hub integrated into the wider Colindale area, bringing new and existing residents and communities together	All
Digital and Financial Inclusion	A digital and financial inclusion offering IT skills courses for groups aged 55+, intermediate IT courses for groups aged 18-60, in-home financial inclusion support including Universal Credit and in-home digital inclusion support including earning and saving online.	18+
Arts & Culture	Working in collaboration with various partners to improve confidence and creative expression through celebrating the history of the estate and the diversity of the existing community.	All
Enterprise Programme	The aim is to bring like-minded residents together to explore business ideas, dreams and ambitions.	All
Health and Wellbeing		
Health and Wellbeing Programme	The aim of improving the creation of and access to health and wellbeing initiatives on the estate.	All
Young People		
Universal Youth Offer	The universal youth offer is a partnership approach that represents the forward-thinking collaboration that has come out of the Neighbourhood Change work on the estate.	Young People
Young Careers		
Tutors Utd	Tutoring sessions provided to Year 5 and 6 pupils to improve English and Maths attainment for those moving to secondary school.	Young People

Project	Project Objective	Target Group
Neighbourhood Change		
Neighbourhood Change (ToC)	A neighbourhood theory of change (ToC) was developed with 22 local community organisations that led to a model with shared neighbourhood outcomes and drivers for change.	All
Grant Funding		
Wellbeing Foundation	Grants supporting projects that will deliver and contribute towards employment skills.	

Disclaimer

This document is intended to provide non-exhaustive, general information. This document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Notting Hill Genesis. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Notting Hill Genesis as to the fairness, accuracy, reasonableness or completeness of the information in this document.

This document may contain statements about future events, projections, expectations, prospects and estimates that are forward looking statements (together, "forward looking statements"). None of the forward looking statements in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such forward looking statements have been prepared are correct or exhaustive or fully stated in the document. Notting Hill Genesis undertakes no obligation to update, modify or amend this document, to reflect actual changes in assumptions or changes in factors affecting forward looking statements or to otherwise notify any addressee if any forward looking statement set forth herein changes or subsequently becomes inaccurate.

This document is not intended to be and should not be construed as providing legal or financial advice. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities. Nothing contained herein shall form the basis of any contract or commitment whatsoever. This document has not been approved by any security regulatory authority.

The distribution of this document may be subject of legal restrictions in some countries. Persons who might come into possession of it must inquire as to the existence of such restrictions and comply with them.

The information in this document has not been independently verified.

The addressee is solely liable for any use of the information contained in this document and Notting Hill Genesis shall have no responsibility for any damages, direct, indirect or otherwise, arising from the use of this document by the addressee.