



Metropolitan  
Thames Valley

# Sustainable Financing Framework

2021

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# 1. Introduction

## 1a. MTVH

MTVH (the trading name for the Thames Valley Housing Group, the 'Group') was formed by the coming together of Thames Valley Housing Association ('TVHA') and Metropolitan Housing Trust ('MHT') in October 2018, creating a group now owning and managing more than 58,000 homes. A member of the G15, MTVH has significant property holdings in London and the South-East, as well as in East Anglia around Cambridge, and the East-Midlands around Nottingham and Derby.

The key property owning entities within the Group are both Community Benefit Societies, regulated by the Regulator of Social Housing. Profits are reinvested in the delivery of new homes, the upkeep of the existing portfolio, as well as delivering care and support services for some of the most vulnerable groups in society.

The Group is committed to supporting positive ESG ('Environmental, Social, and Governance') outcomes, not only for the homes and residents who live in them, but for the wider community as well. We work not only to provide homes, but to also deliver cares services, community spaces and centres, jobs, as well as providing money support and advice whilst seeking to sustain tenancies wherever possible. In June 2020, MTVH completed its first Value for Money assessment using a model developed by Sonnet Advisory (formerly part of Bates Wells) and Hyde Housing, that calculated the economic impact of an MTVH tenancy on society.

**It is estimated that MTVH social tenancies contribute £713m a year to the UK economy – £11,261 per home, and for every £1 invested in MTVH, £1.53 is returned to society.**

Since the group came together in 2018, we have delivered nearly 2,400 new homes for both rent and shared ownership, out of a total development programme of nearly 3,000 new homes at a cost of c £792m. The board strategy is to develop 5,000 new homes in the next five years with 80% targeted as affordable rent or shared ownership.

As we look ahead, supporting the UK government and United Nations initiatives on climate change and CO2 emissions reductions, the publication of a Sustainable Finance Framework is a clear statement of MTVH's intent for all our current and future customers, as well as for our key stakeholders, of what we can do to play our part. This is a key cultural driver for MTVH, and is embedded in everything that we do.

## 1b. The Corporate 5Yr Plan

In April 2021 MTVH published its new 5 Year Corporate Plan 'Serving People Better Every Day' (<https://www.mtvh.co.uk/wp-content/uploads/2021/04/MTVH-Strategy-21-26-and-Corporate-Plan-21.pdf>)<sup>1</sup>

- **Delivery**

Improve the quality of the environment people live in, and develop an expected 5,000 new homes – investing in our properties and infrastructure, and helping to address the housing shortage. We will always maintain the highest standards of safety for our residents and colleagues.

- **Community Investment**

Help tackle the barriers faced by our residents to living well – working directly with our communities and residents to empower futures, meet the challenges people face, tackle the root causes of inequality and make the case for change where it is needed.

- **EDI**

Become a more diverse organisation from top to bottom and in all respects, reflecting the communities we serve.

- **ESG Reporting**

A clear route to becoming a sustainable organisation which contributes to the country's net zero carbon targets



Fairbourne Road, Clapham Park.

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<sup>1</sup> <https://www.mtvh.co.uk/wp-content/uploads/2021/04/MTVH-Strategy-21-26-and-Corporate-Plan-21.pdf>

MTVH can, by virtue of its scale and breadth of operations, make a significant positive impact on the environment in which we work, and in order to demonstrate our current and future achievements, we have aligned the measurement and reporting of our activities to global standards. This report brings together key metrics to inform investors' assessments and fulfil the requirements of our Sustainable Housing Finance Framework and the Certified Sustainable Housing Label.

MTVH, as a leading provider of homes and services within the Social Housing Sector, is proud to be an early adopter of the Sustainable Reporting Standards ('SRS'), developed by the sector in conjunction with the Good Economy. This set of criteria sets the base position for MTVH in terms of measurement, and provides the opportunity to demonstrate our successes in improving our position in terms of delivery. These criteria are though just the start for MTVH, and we intend as an organisation to develop additional criteria to set ourselves apart from the remainder of the sector.

The SRS will be reported on for the first time in 2021, and the key themes are already embedded in the work of the organisation. There is a strong requirement from the Board down, to deliver annual improvements to the results, and this commitment is enshrined in the Sustainability Strategy and Action Plan.

In addition to the SRS, MTVH has also engaged with Ritterwald (the pan-European Sustainability Consultancy) to gain the Certified Sustainable Housing Label with imug rating providing the Second Party Opinion ('SPO'). The award of the label is based on comparison to the UN Sustainable Goals (UN SDGs) and demonstrates how central sustainability is to the whole of MTVH. The reporting of performance against sustainability targets is deemed critical to attracting ethical and green investors.

The creation of the Sustainable Financing Framework (the 'Framework') is the logical extension of the SRS and Ritterwald accreditation, and will support the raising of additional funding whether it be in the form of bank loans, private placements or the issuance of public bonds. The Framework is linked to the International Capital Market Association (ICMA) Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP), Sustainability Bond Guidelines 2021 (SBG) and the Loan Market Association Green Loan Principles 2021.

imug rating has been appointed by MTVH to confirm the alignment of the Framework to these Guidelines and Principles and this SPO is available on our website.

MTVH recognises the importance of Sustainability to its future funding strategy. The Framework supports the social purpose of the organisation alongside the delivery of new homes, enhancing the quality of the existing housing portfolio the building of strong, vibrant local communities. MTVH wishes to work with partners and stakeholders who share these views and aspirations, and the framework is seen as an opportunity to demonstrate these credentials.

## 1c. Sustainability Strategy

The MTVH Board approved the Sustainability Strategy and Action Plan at the start of 2021, based on six key themes:

- **Value and care for our colleagues** is about looking after our colleagues and helping them to fulfil their potential.
- **Empowering our residents and communities** is about doing what we can to provide our residents and communities with the tools that will allow them to grow and live their best lives.
- **Creating efficient and thriving environments** focuses on the environmental impact of our corporate operations and how we use our resources most efficiently.
- **Creating our Net-Zero legacy** focuses on de-carbonisation across our existing housing stock and ensuring that we design and build low-carbon homes, and by 2026 have clear roadmap as to how this will be achieved.
- **Everyone should have a home and the chance to live well** is at the heart of everything we do.
- **Effective financial management and governance** focuses on remaining a financially strong and stable organisation, allowing us to continue to build new homes.

**Affordable Homes** – MTVH is a leading developer of new homes across its geographical footprint, whether they be for social or Affordable Rent, Intermediate rental types, or Shared Ownership. All homes are focused on the economically disadvantaged (typically those on Local Authority Waiting Lists) or those on lower incomes and /or benefits.<sup>2</sup>



<sup>2</sup> <https://researchbriefings.files.parliament.uk/documents/SN07096/SN07096.pdf>

### **Existing EPC Ratings and the aim to improve ratings to EPC 'C' or above**

The MTVH portfolio has over 55% of its properties built prior to 2000, with 27% built prior to 1980, reflecting the origins of both legacy organisations in the early 1960s. The founders reacted to the Windrush generation arriving in the UK and finding suitable accommodation in short supply coupled, with prejudice and in-human conditions, initially purchasing Victorian street properties. These properties, whilst located in centrally in towns and cities, are energy inefficient and often lead to fuel poverty.

MTVH has a significant asset programme to improve the energy efficiency through the replacement of roofs, windows and doors, and boilers, as well as upgrading insulation to modern standards. The government has set a target date of 2030 for all social housing to be a minimum EPC 'C' rating, and MTVH is committed to delivering on this goal.

**Sustainable Procurement and Development** – MTVH will deliver on its corporate sustainability objectives, and will require the same of its contractors and suppliers. The contractors and supply chain for new developments, asset maintenance contractors and suppliers and all other stakeholders will be required to prove their ESG credentials as part of tender exercises – decisions to award contracts will not only be on price and experience, but take into account CO2 emissions, location and source of raw materials, travel plans for operatives and the environmental impact of the construction phase or works programme.

**Energy Efficiency** – MTVH will work to minimise fuel poverty and CO2 emissions using Communal Power and Heat ('CPH') systems on larger sites, as well as investing in sources of renewable energy where cost effective. Solar panels and wind turbines deliver huge benefits at scale, but the technology is not yet proven in densely populated areas; ground source and air source heat pumps are also new technology, that can have a positive impact on reducing CO2. The pace of change is such that installations can quickly become obsolescent.

MTVH will investigate the most appropriate solutions, and linked with other initiatives such as insulation and new doors and windows, seek to implement cost effective and user friendly solutions. Our Business Plan already includes general provisions for estimated costs, and the business remains focused on understanding and quantifying the details of the works required to individual properties.

In addition to these initiatives in relation to our housing stock, MTVH has also committed to, with a view to environmental improvements:

- the installation of EV charging points,
- to ensure the maximum possible recycling is supported,
- that wider improvements are made to the local infrastructure (eg green spaces and parks, encouraging local retailers, and
- improvement to the cycling, walking and road networks.



## 2. Sustainable Financing Framework

The Framework is based on the International Capital and Markets Association ('ICMA') and Loan Market Association ('LMA') guidelines in relation to transparency and disclosure, in order to produce a standard approach to the issuance of Green, Social and Sustainability Bonds. The Framework is also aligned to the International Capital Market Association (ICMA) Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP), and Sustainability Bond Guidelines 2021 (SBG), and Loan Market Association Green Loan Principles 2021.

### **The Framework has four key components:**

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting.

Adherence to the core principles of the ICMA and LMA documentation will allow MTVH, and any of its subsidiaries including MHT (hereafter "MTVH"), to issue Green, Social and Sustainability Bonds (hereafter "Sustainable Bonds") as well as other Sustainable Debt Instruments, such as bank loans and private placements.

### **2a. Use of Proceeds**





















The funds raised under the Framework will be used to finance or to refinance (in whole or in part), according to the Eligibility Criteria presented in the table below:

- 1) The existing social housing portfolio
- 2) The construction of new social and affordable housing
- 3) Renovation of existing homes
- 4) The Regeneration of existing estates and developments to deliver 'warm, safe, dry homes'
- 5) The creation of sustainable estates, communities and public spaces



Hackney Corner.



Primary benefit	Eligible Project (ICMA Category) <sup>1</sup>	Use of Proceeds Eligibility Criteria	Reference Financial	Applicable SDGs	Potential Impact Metrics
Social	Affordable Housing <sup>2</sup>	<p>Construction of new social and Affordable Housing in the UK</p> <p>Acquisition of Affordable Housing in the UK</p> <p>Modernisation of existing Affordable Housing in the UK</p> <p>Refinancing of any monies borrowed in the past 3 years to fund the above</p> <p>Target population: low income households</p>	Capex	    	<p>New homes delivered</p> <p>Number of existing Affordable Homes benefiting from retro fitting</p> <p>Numbers of customers positively impacted by the delivery of new homes</p> <p>Lower average rents charged relative to private sector rents</p>
Social	Affordable Infrastructure and Services	<p>Leading on wider improvements to the local infrastructure, including green spaces and parks, encouraging local retailers, ensuring accessibility for all</p> <p>Target population: low income households</p>	Opex Capex	  	Qualitative description of projects/initiative financed/launched
Green	Green Buildings	<p>Construction of new homes with an EPC (Energy Performance Certificate) Rating of B or above</p> <p>Re-financing of existing homes – subject to a minimum EPC rating of B or above</p>	Capex  Asset value	    	<p>Numbers of new homes meeting targets</p> <p>Avoided CO2 emissions</p>
Green	Energy Efficiency	Renovation of existing homes to bring them up to a minimum EPC rating of C or above	Opex Capex	   	Number of homes meeting targets
Green	Clean Transportation	Support for the use of public transport, limits on car parking spaces and the establishment of EV charging points	Opex Capex	  	Qualitative description of projects; number of EV charging points financed/installed

<sup>1</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

<sup>2</sup> Affordable Housing as defined by the (below market) rents charged in accordance with the relevant regulated rent standards and the regulated consumer standards of housing service.

## 2b. Process for Project Evaluation and Selection

The Eligible Projects outlined in this Framework have clear social and environmental benefits to MTVH and the wider community. The projects are aligned to the Sustainability Strategy, as well as all laws and regulations. The organisation will determine how each project fits into the strategy and the ICMA categories, and we will monitor the utilisation of these funds.

Overall accountability rests with the Board of MTVH, however in line with MTVH's governance structure, the Treasury and Development Committees will be responsible for:

- Selecting and approving Eligible Green and Social projects under the Sustainable Finance Framework
- Verifying and providing timely reporting on the allocation and impact of net proceeds raised using this framework
- Ensuring the projects remain closely aligned with MTVH's wider sustainability strategy
- Where relevant, align projects with applicable national and international taxonomies
- Ensure oversight of the environmental and social risks that could arise from the projects (in conjunction with relevant operational teams)
- Monitoring the on-going evolution in regulation and market practices to ensure ongoing compliance
- and that MTVH's activities and this Framework are in-line with best practices

## 2c. Management of Proceeds

An amount equal to the net proceeds of the Sustainable Financing under the Framework will be managed and overseen by MTVH's Treasury team. Furthermore, the net proceeds will be wholly allocated to finance and/or refinance Eligible Projects as outlined in the Use of Proceeds section of this Framework. The Treasury team will also ensure, on a best efforts basis, that the portfolio of Eligible Projects exceeds, or at least is equal to, the Sustainable proceeds raised under this Framework. Eligible Projects will be reviewed on an annual basis to ensure continued eligibility, and projects might require substitution if they no longer meet the Use of Proceeds criteria, or have been disposed of in the normal course of business.

Where proceeds raised under the Framework are allocated to refinancing existing projects and expenditures, a lookback period of 36 months will be applied. For MTVH's inaugural Sustainability Bond, it is expected that an amount equal to the net proceeds will be fully allocated to new projects within 24 months following the bond issuance.

Where funds are unallocated, they will be either held as cash or placed on deposit (whilst ensuring compliance at all time with the MTVH Treasury Policy) or utilised to ensure an optimal overall debt position, (including the repayment of other debt) pending the allocation to Eligible Projects.

## 2d. Reporting

MTVH will publish annually, an Allocation and Impact Report on the Investors – Sustainability section of the corporate website.

**Allocation Reporting** – the annually updated report will show the allocation of funds against Eligible Projects, for the full life of the bond(s) and will provide investors:

- Details of all the new Eligible Projects in terms of amount/costs, location etc
- Details of all the Eligible Projects in terms of amount/costs, location etc, refinanced by the bond
- Details of any unallocated cash and where it is held

**Impact Reporting** – subject to suitable information and data, the positive impact delivered by the funds raised, (via a series of KPIs and targets, and analysis) will be disclosed. These impact reports will cover not only the Environmental impact, but also the Social and Governance achievements of MTVH. Potential impact metrics for the Sustainable Bonds can be found in the table in the section 'Use of Proceeds'. In addition, MTVH will publish impact metrics on its overall activity in its sustainability report covering:

- Affordable Housing – Number of new Affordable properties by category and average rents charged relative to private sector rents, and the number of people provided with this housing
- The Number and proportion of all homes achieving EPC 'C' rating or better
- Number and proportion of homes built in the year achieving EPC 'B' rating or better
- Board member demographics – comparison to the demographics of MTVH residents and customers

Eligible Project ICMA Category	Use of Proceeds Eligibility Criteria	Potential Impact Metrics	Sustainable Reporting Standards (SRS)
Affordable Housing <sup>1</sup>	<p>Construction of new social and Affordable Housing in the UK</p> <p>Acquisition of Affordable Housing in the UK</p> <p>Modernisation of existing Affordable Housing in the UK</p> <p>Refinancing of any monies borrowed in the past 3 years to fund the above</p> <p>Target population: low income households</p>	<p>New homes delivered</p> <p>Number of existing Affordable Homes benefiting from retro fitting</p> <p>Numbers of customers positively impacted by the delivery of new homes</p> <p>Lower average rents charged relative to private sector rents</p>	<p>Theme 1 – Affordability and Security</p> <p>Core criteria – Demonstrating the split of existing homes owned and managed by tenure type, as well as changes to stock holding</p> <p>Theme 4 – Resident Support</p> <p>Demonstrating support provided to sustain tenancies</p>
Affordable Infrastructure and Services	<p>Leading on wider improvements to the local infrastructure, including green spaces and parks, encouraging local retailers, ensuring accessibility for all</p> <p>Target population: low income households</p>	<p>Qualitative description of projects/initiative financed/launched</p>	<p>Theme 5 – Placemaking</p> <p>Core criteria – Demonstrating placemaking or placeshaping activities</p>
Green Buildings	<p>Construction of new homes with an EPC (Energy Performance Certificate) Rating of B or above</p> <p>Re-financing of existing homes – subject to a minimum EPC rating of B or above</p>	<p>Numbers of new homes meeting targets</p> <p>Avoided CO2 emissions</p>	<p>Theme 6 – Climate Change</p> <p>Core Criteria – EPC Ratings for existing and new homes</p>
Energy Efficiency	<p>Renovation of existing homes to bring them up to a minimum EPC rating of C or above</p>	<p>Number of homes meeting targets</p>	<p>Theme 1 - Affordability and 6 – Climate Change</p> <p>Core Criteria – EPC Ratings for existing and new homes – Attempts to reduce fuel poverty</p>
Clean Transportation	<p>Support for the use of public transport, limits on car parking spaces and the establishment of EV charging points</p>	<p>Qualitative description of projects; number of EV charging points financed/installed</p>	<p>Theme 5 – Placemaking</p> <p>Core criteria – Demonstrating placemaking or placeshaping activities</p>

<sup>1</sup> Affordable Housing as defined by the (below market) rents charged in accordance with the relevant regulated rent standards and the regulated consumer standards of housing service.

## 2e & f. External Review

MTVH has been awarded the Ritterwald Certified Sustainable Housing Label, as a result of the information provided in early 2021, with a **Second Party Opinion (SPO)** provided by imug rating<sup>4</sup>.

We appointed imug rating to confirm that this Framework aligns with ICMA Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021 and LMA Green Loan Principles 2021 and Social Loan Principles 2021.

imug rating provided a Second Party Opinion (SPO) on the Framework and a link to the SPO is available on our website. A suitable external auditor will be appointed to provide limited assurance on the annual Allocation Report to ensure net proceeds having been allocated in accordance with the Sustainable Financing Framework. The auditor's certification review will be published within the annual Sustainability Report.



Brampton.

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<sup>4</sup> Available

### 3. Disclaimer

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