Network Homes

Because good homes make everything possible

Sustainable Finance Framework
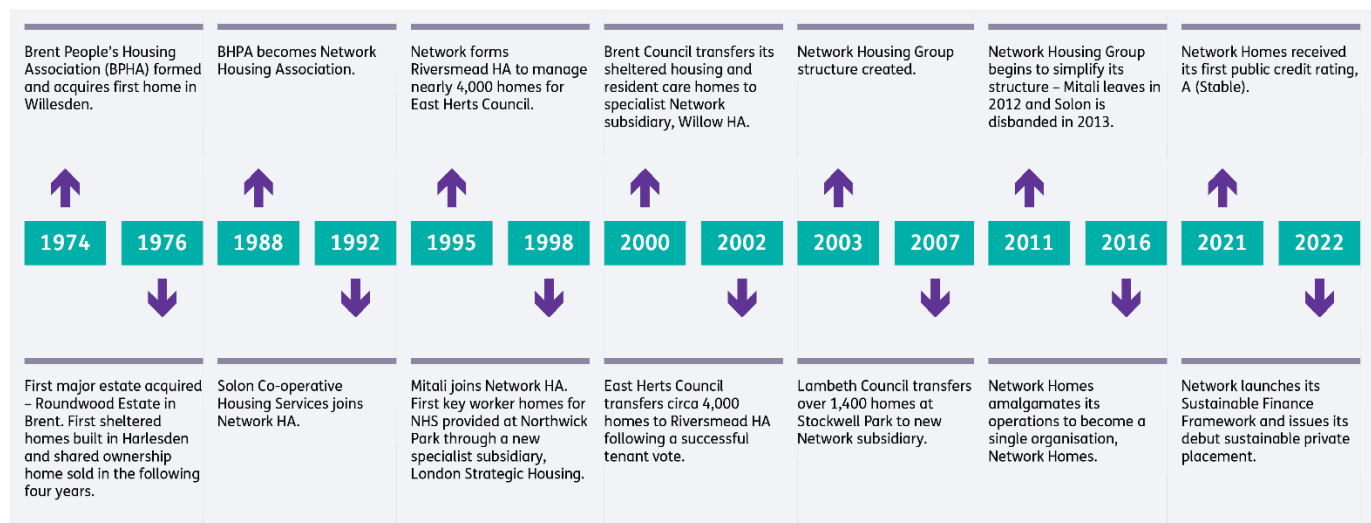
April 2022

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Introduction

About Network Homes

Network Homes exists to build and manage homes and we've been dedicated to providing affordable housing since we were formed in 1974. We now manage over 20,000 homes across London, Hertfordshire and the South East. We're a charitable housing association driven by social objectives and all profits are reinvested in providing new homes and services.

We believe good homes make everything possible.

1974	1976	1988	1992	1995	1998	2000	2002	2003	2007	2011	2016	2021	2022

Above each date (pointing down):

- **1974 / 1976**: Brent People's Housing Association (BPHA) formed and acquires first home in Willesden.
- **1988 / 1992**: BHPA becomes Network Housing Association.
- **1995 / 1998**: Network forms Riversmead HA to manage nearly 4,000 homes for East Herts Council.
- **2000 / 2002**: Brent Council transfers its sheltered housing and resident care homes to specialist Network subsidiary, Willow HA.
- **2003 / 2007**: Network Housing Group structure created.
- **2011 / 2016**: Network Housing Group begins to simplify its structure – Mitali leaves in 2012 and Solon is disbanded in 2013.
- **2021 / 2022**: Network Homes received its first public credit rating, A (Stable).

Below each date:

- **1974 / 1976**: First major estate acquired – Roundwood Estate in Brent. First sheltered homes built in Harlesden and shared ownership home sold in the following four years.
- **1988 / 1992**: Solon Co-operative Housing Services joins Network HA.
- **1995 / 1998**: Mitali joins Network HA. First key worker homes for NHS provided at Northwick Park through a new specialist subsidiary, London Strategic Housing.
- **2000 / 2002**: East Herts Council transfers circa 4,000 homes to Riversmead HA following a successful tenant vote.
- **2003 / 2007**: Lambeth Council transfers over 1,400 homes at Stockwell Park to new Network subsidiary.
- **2011 / 2016**: Network Homes amalgamates its operations to become a single organisation, Network Homes.
- **2021 / 2022**: Network launches its Sustainable Finance Framework and issues its debut sustainable private placement.

The timeline of our history from 1974 to 2022.

Strategic objectives

Our mission is to provide safe, secure and affordable homes for as many people as possible. To ensure we deliver on this we have five strategic objectives:

- Increasing the number of homes for people in housing need
- Delivering reliable resident services
- Increasing our financial resilience
- Building a great organisation
- Strengthening residents' trust in us.

Growth

Over the last five complete financial years we have invested over £1billion in new homes, with 2,450 homes completed, and we have a further 4,095 new homes in our development pipeline. We aim to start a minimum of 1,000 affordable homes by March 2023, with an ambition to do more if market conditions and grant funding allow. As a housing association, our priority remains provision of homes at below market levels. However, in the existing funding context we will also need to build more open market homes for rent and sale to deliver the profits that will continue to cross-subsidise affordable development. Financially, this means we need to be innovative in our arrangements. We have been actively exploring and pursuing different methods to create the capacity and manage the risks that achieving our ambition entails, including strategic deals and joint ventures with investors, private developers, local authorities and other housing associations. This may include mergers and/or acquisitions, and off-balance sheet vehicles if we believe the conditions are right.

Network Homes – more than a social landlord

Network Homes is proud of our resident engagement and continued investment in the communities in which we operate. It is a staple of our purpose. Some of the recent initiatives we have been involved in include:

Giving Something Locally

In 2022, we're running an initiative called Giving Something Locally (GSL) and the idea is for us to get out into our communities following the lockdowns throughout the pandemic. We have linked GSL to our sustainability agenda and we hope to complete a range of projects around residents' homes such as gardening, litter picking and clean ups. Residents can get involved in these projects too.

Go Sketch

We developed an involvement initiative for younger residents aged 13 to 19 and partnered with an organisation called Future Proof to deliver Go Sketch. This was an interactive 10-week course which encouraged young people to get active.

Future Proof provided 'train the trainer' training to members of the Resident Engagement team who delivered a series of sessions to the young people who registered. We held weekly sessions on Microsoft Teams where participants designed their own brand. The programme began on 26 August 2021 and culminated in a closing ceremony at Wembley Stadium on 15 January 2022, including a tour of the stadium for the young people and their parents/guardians.

The young people were due to hone their own football skills by taking part in training sessions with Queen's Park Rangers coaches in between the online sessions. These sessions had to be postponed due to the pandemic, but they are being lined up to take place soon.

Network Cares Charitable Fund

We have a dedicated project team for our charitable schemes called Network Cares which currently has six staff members (with two more joining) from across different teams.

Eligible residents who are experiencing financial difficulties can receive support through the Charitable Fund.

All colleagues can provide support to residents through the fund and have limits up to which they are allowed to spend in line with their roles with the fund regularly monitored.

The spend from April 2021 to the January 2022 was £45,200 and we have had 70 requests directly from residents since we launched the fund in April 2020.

We promoted the fund to residents in our December 2021 e-newsletter and had 17 requests shortly after that was issued. These come directly through to the Network Cares project team and are dealt with on a rota basis in consultation with front line teams who are knowledgeable about housing, lettings, income and welfare processes. Other colleagues across various teams have processed 34 requests which have come to them directly and have approved the issue of 54 food vouchers. All food vouchers are issued by the project team.

The support provided during the financial year 2021/22 covered a range of areas:

Type of support provided
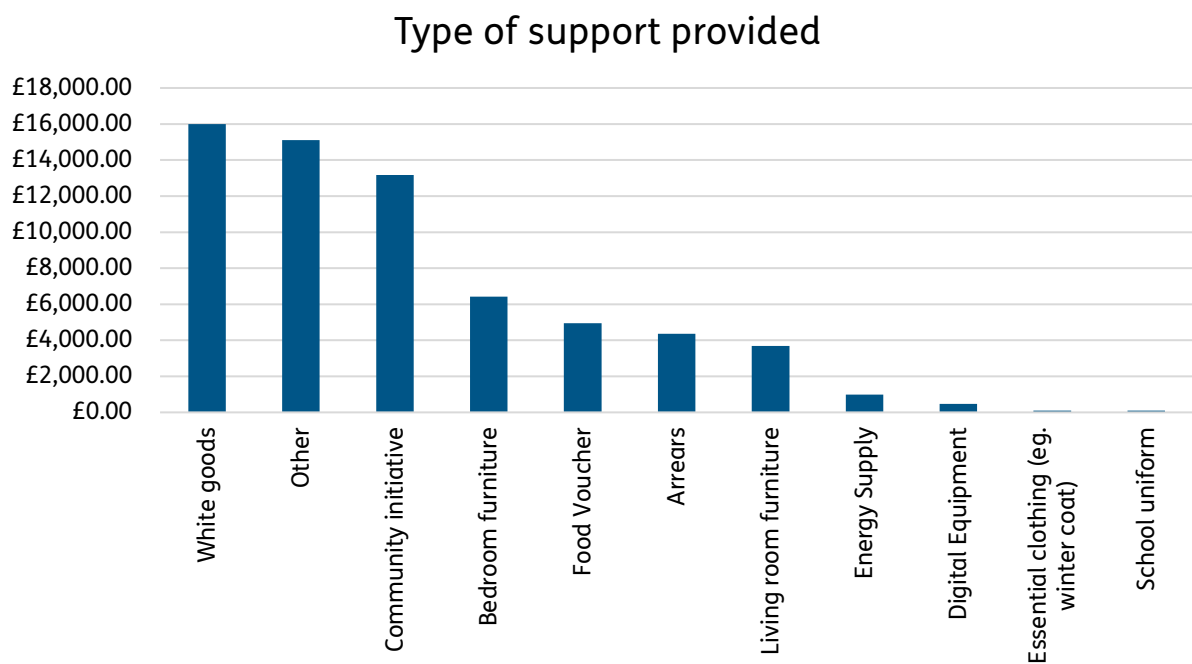
Approximately 50% of the spend allocated to "Other" is for large donations made to charities, partner organisations and local organisations. Much of the remainder of the "Other" category is for flooring provided to residents.

The amount of funding provided varied across the different tenure types we offer:

Spend by tenure
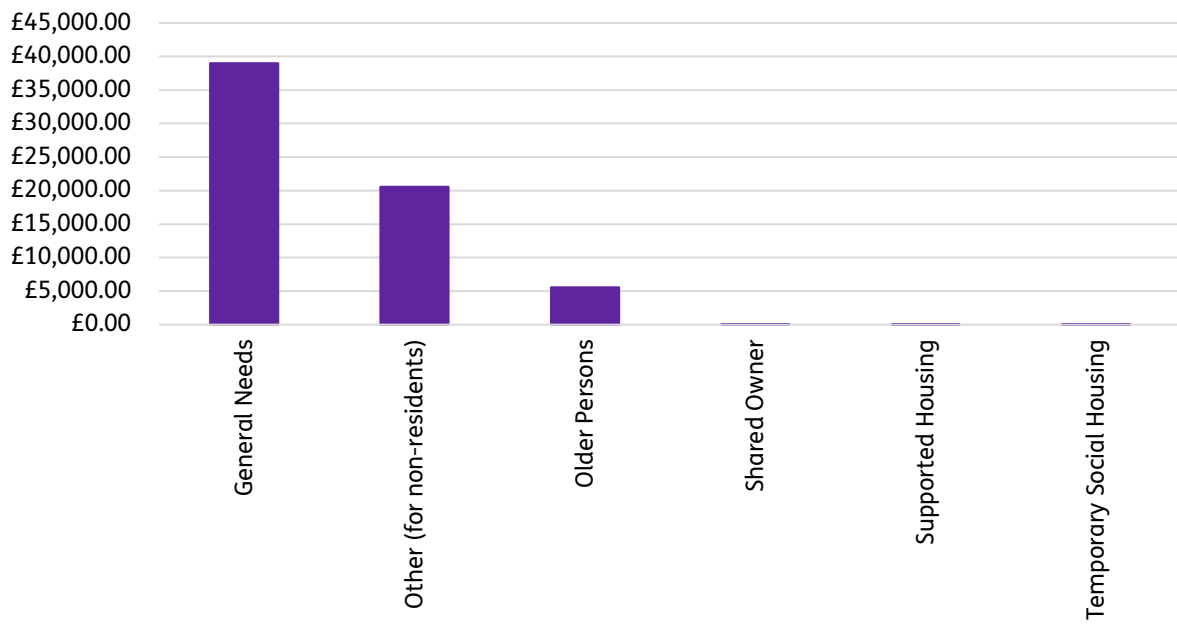
The spend per team was:

Donations per team
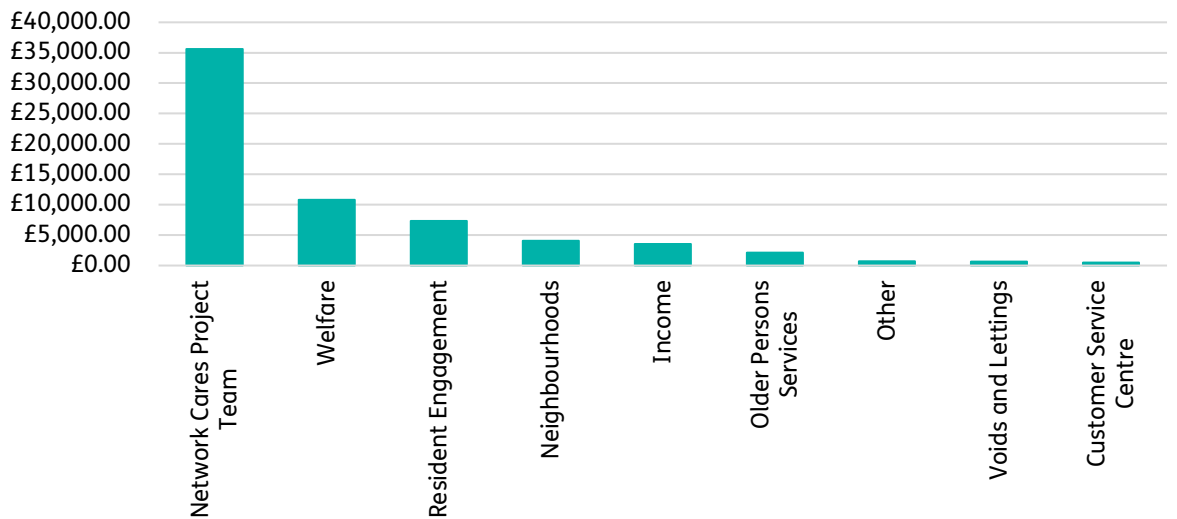
We send an online survey to all residents who have been supported through the fund to see what impact this support has had on:

- Their financial situation
- Their physical wellbeing
- Their mental wellbeing
- Their family life
- Making their house feel like a home.

Feedback from residents and colleagues so far

"Today one resident contacted me after receiving a fuel voucher and told me she had cried as it will really help her family out. Her husband has been furloughed yet again and she has Covid currently. She text me five times in total to express her thanks as she couldn't believe we would do that to help them."

"I heard from a resident who we provided with a laptop as they were home-schooling three children using one laptop, a tablet and a mobile phone. They said: 'My sincere appreciation and gratitude to you and your team for this donation. It means so much to each and will be used for years to come.'"

"One resident was in credit on her account in March 2020. Her husband, a self-employed Uber driver has seen his income all but disappear. He still has to pay for the car he bought to do the job and she is furloughed… she cried when I offered a supermarket voucher."

"A resident asked me did I realise what a lifeline these fuel top ups are when money is so tight, as she is working at home, using a lot more energy than she would normally be. Plus her son is off from school too."

"Words cannot express the gratitude I have for all you have done for me. With this one charitable act you have given me a lifeline back to my chosen profession. Thank you from the bottom of my heart".

Along with supporting residents, we also use the Charitable Fund to support community initiatives. Since the fund went live, we have provided the following community support:

- We paid £2,500 to Lambeth Council to support their digital inclusion initiative
- We made a payment of £1,000 to Stockwell Park Community Trust to support an open day they were holding on the estate
- We made a donation of £5,000 to Brentfield Primary School in Neasden for playground equipment to enable them to develop their outdoor play area
- We are working on a pilot with an organisation called Learn English at Home (LEAH) and will be awarding approximately £7,000 to run this pilot with some of our residents
- We made a donation of £250 to a local food bank in Brent.

Mental Health Liaison Team

In December 2021, we established a Mental Health Liaison team. They identify and work with residents suffering from mental ill health so that they can access the right support available to them. We adopt a person-centered, holistic approach, working collaboratively with other departments within Network Homes and relevant external agencies to increase independence, sustain tenancies and support in their recovery or management of mental health.

Big Winter Check In

In 2020 we initiated a mailout to all residents known as the Big Winter Check In. We used it as an opportunity to promote the Charitable Fund as well as an opportunity to signpost residents to organisations who can offer them relevent support. We were able to capture data through a resident engagement survey where we received a very good response rate with around 2,000 responses in total.

This was followed by our second Big Winter Check In during 2021 where we focused on recording data on how how digitally enabled residents are. Again, we had a good response rate with 1,323 responses with feedback being used to shape our Resident Choice strategy.

Resident Engagement activities

The Resident Engagement team offer opportunities for residents to work in partnership with us to improve the services we provide to them and improve their local communities.

There is a wide range of options to suit their interest, commitment and skillset.

The offers are:

Local Panels

We have two local resident panels (Hertford and London) who form part of our formal governance structure. They report into the Customer Services Committee (CSC) and the chairs of the Local Panels also sit on the CSC.

They operate at a strategic level providing feedback to the CSC on strategies, policies, procedures and high-level decisions the CSC will have to make.

Continuous Improvement Panel

The Continuous Improvement Panel (CIP) is our Scrutiny Panel.
The structure we have in place is that the CIP will commission scrutiny, oversee the groups who undertake the scrutiny and hold Network to account ensuring that any recommendations we've agreed to implement are complete within the timescales

Community Ambassadors

The purpose of this role is for residents to be involved at a local level. They provide us feedback on our services and we support them to launch activities to improve the local communities where they live.

Sustainability Ambassadors

We have a group of residents who are specifically trained as our environmental champions. They work with us to get residents engaged in our wider environmental sustainability strategy implementation.

Young Ambassadors

This role is for our young residents to give them a chance to get involved and have their say about Network Homes, our services and any activities or initiatives they'd like to see us support them with for younger residents.

Readers Group

This group have an agreed schedule of documents (such as template letters) that they will review to ensure the language/tone we use is suitably geared towards residents.

Digital Champions

This offer is for residents to give us feedback on our digital platforms.

Worksmart

The Resident Engagement team run a service called Worksmart. We have agreements with several external partners who we refer residents to if they are looking for work or are interested in training. Residents can self-refer themselves to the Resident Engagement team through our website or can be referred by any of our colleagues.

Equality, diversity and inclusion ('EDI')

Our Board adopted a 10 point Equality, diversity and inclusion (EDI) plan in June 2020. This details what actions we will take from 2020 to 2025 in order to increase equality, diversity, and inclusion at Network Homes. Some of the actions reflect commitments we have made as part of sector-wide equality programmes, such as Leadership 2025 – an initiative to increase ethnic diversity in housing leadership – and the HouseProud Pledge – a scheme designed to ensure LGBTQ+ residents can enjoy their homes without fear of discrimination.

In addition, we are aiming to qualify for the HouseProud Plus accreditation. To support this, we are setting up a resident LGBTQ+ group, where we give residents the opportunity to input on our wider LGBTQ+ action plan.

Our Equality and Diversity Engagement Group ('EDEG') are a committee within Network dedicated to moving the plan forward and is comprised of a number of executive and senior management staff, including the Chairs of the LGBTQ+ Equality Group, the Racial Equality Action Group and the Women's Equality Group.

EDEG monitors progress being made with our EDI 10-point plan. The different EDI networking groups, Resident Engagement, Marketing and Communications and People and Culture teams also regularly share ideas, collaborate and maintain energy and momentum on EDI issues.

This work contributed to Network signing up to be a Disability Confident employer. This is a government initiative which supports employers in making the most of the talents people with disabilities can bring to the workplace. Joining the scheme allows us to tap into a huge pool of talent to recruit, retain and develop talented people with the skills we need.

Other benefits include:

- Increasing our own understanding of disability
- Removing barriers that might be preventing people with disabilities and/ or long term health conditions from accessing employment with us
- Being able to play our part in ensuring people with disabilities have opportunities to fulfil their own potential and achieve their own aspirations.

We have also signed up to the G15 Chief Executives pledge to boost diversity at boardroom and senior management levels. The pledge on ethnic minority diversity commits each of its signatories to try to reflect the ethnic diversity of the communities they work in at their organisations - particularly at senior managerial, leadership and board levels. Each signatory has, or will have, a 'reverse mentor', who will help them to develop their own understanding of the disadvantages faced by minorities, and ultimately allow them to remove these disadvantages in their organisations.

We've also signed up to the Halo Code which champions the right of staff to embrace all hairstyles, acknowledging that Afro-textured hair is an important part of our Black employees' racial, ethnic, cultural, and religious identities, and requires specific styling for hair health and maintenance. We celebrate Afro-textured hair worn in all styles.

Springboard is an internal career development programme ring-fenced to ethnic minority staff who are either non-managers or junior managers to receive continued support with their development and confidence. Nine of the original 14 Springboard Cohort will be Mentors to ELT (Executive Leadership Team) and SMT (Senior Management Team) as part of the newly launched HEARTBeat+ Mentoring (circular mentoring) programme.

Similarly, Aspire is an internal career development scheme ring-fenced to female staff who are either non-managers or junior managers to receive continued support with their development and confidence in a safe environment.

Environmental, Social and Governance (ESG) reporting

In the face of the current climate emergency the case for improving our approach to sustainability has never been stronger. The cost of climate change over the course of the 21st century will be substantial and poses particular challenges for large landlords. The need for businesses to act responsibly will become a key part of strategy and operations. On top of this, energy costs are expected to grow ahead of wages and inflation. As a housing provider for households often on low incomes, we are well placed to help prepare for a low carbon future and mitigate fuel poverty, however, are also realistic about our current ability to address these challenges in the medium term.

The public is becoming more conscious about green issues, and this is likely to bring greater scrutiny of large organisations. Network wants to be a leader in responding to the climate emergency. If not now, we will soon be pushed to become more transparent about our activities and accountable to our stakeholders on sustainability.

We understand it's crucial to consider Environmental, Social and Governance (ESG) reporting on a harmonised basis and were an early adopter of the Good Economy's reporting standards.

This Framework is designed to align our future financing through capital market, syndicate and bilateral facilities to the UN's Sustainable Development Goals, as well as our own strategic objectives. In aligning the Framework 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 (GLP), we're committing to ongoing and transparent reporting of our sustainability journey.

Framework components

This Framework aligns to the Social Bond Principles – June 2021 (SBP), the Sustainability Bond Guidelines – June 2021 (SBG), the Green Bond Principles – June 2021 (GBP) and the Green Loan Principles – December 2021 (GLP) as published by the International Capital Markets Association (ICMA) and Loan Market Association (LMA) and uses the five core components of the principles as its basis, being:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Reviews.

The framework does not align currently to sustainability-linked bonds and loans, and therefore does not include Key Performance Indicators. As the sustainability strategy and action plan progresses, this framework may be update updated to incorporate this.

Sustainable Financing

Our mission is to provide safe, secure and affordable homes for as many people as possible. This requires us to become an energy efficient housing provider which tackles fuel poverty, and which both builds and maintains increasingly energy-efficient homes for our residents and communities. As we manage over 20,000 homes, this represents a significant financial, logistical and intellectual challenge – but one we are committed to tackle and overcome.

The legacies of Brexit and the Covid-19 Pandemic, yet to be fully realised, are likely to mean the UK will be living with political and economic uncertainty for some time to come. These situations serve to amplify the sense of upheaval that has followed the 2017 Grenfell Tower tragedy, and the implications of this seminal event continue to reverberate through the regulatory and political changes that the sector is now experiencing.

The publication of the Social Housing White Paper has been significant force in shaping the way housing associations operate moving forward, and Network Homes is no exception. In setting out what exactly a resident can expect of their landlord, this legislation is now a major driver of change in the evolution of the relationships that exist between tenants and their housing providers.

Further to this, the Planning for the Future White Paper will bring significant changes to the way in which we meet housing demand for the future, designating areas of land for growth, renewal or protection, and changing the system under which developers make contributions to affordable housebuilding. This adds further to the uncertainty currently being experienced by the sector, but with this may also present new opportunities.

Generally, housing associations are benefiting from a better and more collaborative relationship with the Government including positive changes in policy. Yet, overall, the operating environment feels more complex. In this context, dynamic and flexible strategic thinking is required more than ever. Underpinning this must be a Network Homes ethos, principles and values

which ensure our direction of travel is clear to our employees, customers and business partners, despite the range of challenges to be faced.

The UK became the first major economy to pass laws to end its contribution to global warming. This requires net zero-carbon emissions by 2050. A number of local authorities adopted targets to achieve these even earlier, by 2030. We support this vision and is taking tangible steps to improve the energy performance of its stock, including ensuring all our homes achieve a minimum Energy Performance Certificate (EPC) 'C' rating by 2030.

We have an ethos which is aligned to the Social Bond Principles and our development evaluation process embeds the standards contained with the Green Buildings item in the Green Bond Principles.

Considering the wider picture however, the demand for affordable housing in the UK continues to outstrip supply. We remain fully committed to utilise our financial resources and capacity to maximise the supply of affordable sustainable housing in our communities to yield the greatest social and environmental impact possible.

Use of Proceeds

We will allocate sustainable funding raised under the Framework to either finance or refinance:

- Eligible spending on our existing affordable housing portfolio, or
- Specific, eligible sustainable projects including:
  - Affordable new build homes
  - Green buildings
  - Sustainable estates, communities and public spaces.

We have approached the creation of our Sustainable Finance Framework with reference to Loan Market Association (LMA) and International Capital Market Association (ICMA) principles and guidelines. The Use of Proceeds component was constructed by matching this to our sustainability strategy and action plan. Relevant teams across the organisation were consulted to ensure transparency throughout this section. The qualification criteria for the various principles have been consulted and assessed against our existing and new sustainability projects to ensure they fit within this scope.

In the future, we would consider alignment to the impending UK Sustainable Finance Taxonomy. Whilst this is as yet unpublished, we understand this may align closely with the EU Sustainable Finance Taxonomy.[1] Therefore, we have considered the following environmental objectives taken from the EU's framework within our eligible projects:

- Climate change mitigation

- Climate change adaptation

- The sustainable use and protection of water and marine resources

- The transition to a circular economy

- Pollution prevention and control

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[1] EU taxonomy for sustainable activities | European Commission (europa.eu)

- The protection and restoration of biodiversity and ecosystems.

In order for a project to be EU taxonomy eligible, it must contribute substantially to at least one of the six objectives and provide no harm to any of the others, whilst respecting human rights and labour standards. Projects must also be compliant with robust science-based technical screening criteria, and compliant with minimum social and governance safeguards.

Eligible categories are then split into the enabling and transitional activities. Enabling activities allow other activities to make a substantial contribution to one or more of the six objectives. They should have a positive environmental impact over the activity's lifecycle. Whereas transitional activities, must contribute to climate change mitigation and keep in line with global warming commitments in the Paris Climate Change Agreement. They will only qualify as transitional activities where:

- There are no technologically or economically feasible low-carbon alternatives
- Green House Gas emission levels correspond to the best performance in the sector or industry, and
- The activity does not lead to carbon lock-in or hamper the development and deployment of low-carbon alternatives.

Disclosure of taxonomy under the EU framework must either follow the requirements in the EU's Non-Financial Reporting Directive or the Sustainable Finance Disclosure Regulation. Where possible we will align our projects to this criteria, in preparation for full alignment to the UK's Taxonomy Framework.

Taxonomies help to define which economic activities count as environmentally sustainable and therefore mitigate the risk of consumer harms such as greenwashing. Constructing our Sustainable Finance Framework in this way will allow us to help mitigate these risks early. The ICMA has been a key stakeholder in the construction of the EU Taxonomy framework and is continuing to follow developments on Taxonomies closely.[2]

We are aware of the scope for greenwashing under the EU's Taxonomy Framework. For example, it now deems projects related to fossil gas and nuclear power as eligible categories under some circumstances. We will therefore be cognisant of the potential for greenwashing under this framework, and the UK's framework if applicable, when published.

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[2] ICMA-Overview-and-Recommendations-for-Sustainable-Finance-Taxonomies -May-2021-180521.pdf (icmagroup.org)

The Green Bond Principles do not propose a taxonomy but do explicitly acknowledge national and international taxonomy initiatives and recommend that issuers reference their use. Some initial mapping of GBPs onto the EU's taxonomy document has been conducted, although the exact mapping of projects is to be determined. [3]

Relevant projects and activities include the following:

Affordable housing

Eligible project categories:

- Energy efficiency (GBP)
- Green buildings (GBP)
- Pollution prevention and control (GBP)
- Affordable basic infrastructure (SBP)
- Affordable housing (SBP)
- Climate change mitigation (EU Taxonomy)
- Climate change adaptation (EU Taxonomy).

Network Homes is a developer and provider of affordable housing, which is outlined as an eligible sustainable project under the UN Sustainable Development Goals. Affordable housing developed by us, in addition to modernisation and acquisition projects, aims to achieve positive social outcomes for our target populations and is solely for the benefit of people on lower incomes and / or in receipt of state benefits, including those who have household incomes eligible for shared ownership.

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[3] Green-Projects-Mapping-Document-100619.pdf (icmagroup.org)

Improving the energy efficiency of our homes to Energy Performance Certificate (EPC) 'C' or above, then net zero

Currently, 4,280 of our homes achieve an EPC rating of 'D' or lower. We commissioned Parity Projects to produce cost estimates for improving our stock to Band D and Band C. The investment required to achieve Band D is estimated to be £633,745, or £1,987 per unit. Improving our stock to Band C would generate a total of £1,316,756 in social value. According to Parity Projects' estimates, the investment required to achieve Band C is £21,077,664, or £5,120 per unit. However, this cost per unit seems rather optimistic compared to a sector-average cost of £10,000 per unit.

Our approach is a holistic 'whole house retrofit programme' which will focus on our worst performing stock and will develop a retrofit plan which will incorporate the planned maintenance and energy improvement measures required. This will minimise disruption, cost and time for the residents. We have therefore adopted four key principles to meet our net zero targets:

1. Adopt an energy demand-reduction strategy
2. Our primary focus must be on reducing fuel poverty then reducing emissions
3. Adopt a "Fabric First" approach with ventilation strategy incorporated
4. Establish a whole house improvement plan which identifies the route to net zero carbon.

Our energy efficiency improvement will be done under the following three phase retrofitting plan to meet the 2050 carbon emission targets:

Our net zero roadmap

Phase 1 (2022-2035):
Fabric First strategy with ventilation, achieving our EPC C for our poor performing stock. Tackling fuel poverty for residents identified as fuel poor.
Phase 2 (2025 -2040):
Improving building services and controls and introducing renewable technology. Retrofitting our heating network schemes. Bring all dwellings to "net zero carbon ready" status.
Phase 3 (2035-2050):
Roll out of clean energy: renewable technology introduced more widely to rest of our stock.
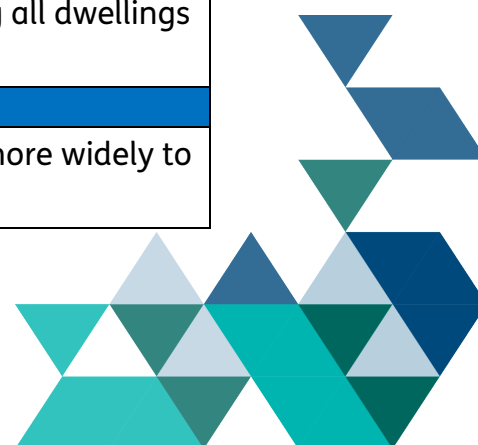
We have an ongoing and significant programme of investment to renew heating systems, upgrade insulation and install new windows and doors, all of which will contribute to improved energy efficiency performance and lower energy costs for our residents. By 2030, all of our homes will achieve at least an EPC 'C' rating in line with the national target. Our use of proceeds tracking and reporting will focus on investment in both existing and new homes.

In the long-term, the sustainability standard assessment and accreditation scheme for the social housing sector SHIFT have provided Network Homes with a net-zero carbon target of an average SAP score of 86. Once we have achieved improving all our existing homes to an EPC band C by 2030, we will then focus on improving the overall housing stock to include more properties in EPC bands B and A, which will contribute to meeting the target set by SHIFT. Although the target date for this is 2050, work to meet this goal is becoming increasingly pressing and we must now start to look at ways to help meet it.

Investing in renewable energy supply installations

Eligible project categories:

- Energy efficiency *(GBP)*
- Green buildings *(GBP)*
- Pollution prevention and control *(GBP)*
- Climate change mitigation *(EU Taxonomy)*
- Climate change adaptation *(EU Taxonomy)*
- The transition to a circular economy *(EU Taxonomy)*.

To contribute towards the national 2050 carbon neutral target, we will increase investment in renewable energy installations for both our new build homes and our existing stock, where feasible. This will comprise installation of air or ground source heat pumps, solar panels, and other renewable energy plant on our properties so that our carbon footprint is reduced and residents benefit from low energy costs. Our long-term financial plan already includes an initial £104m specifically ringfenced towards sustainability and achieving carbon neutral targets over the next 10 years, and we are continuing to explore new funding sources and solutions.

We have a solar panel initiative in place which will install solar panels in some of our properties which are best suited to maximise renewable energy output. We plan to extend this across a wider section of our portfolio pending

a successful outcome from the pilot initiative. We also intend to phase out the use of gas boilers in all our new schemes in favour of more sustainable heating systems such as heat pumps. By doing so, we will adapt our energy supply to new conditions, ensuring their longevity against climate change.

Incorporating sustainability into our wider estates planning

When developing and designing new build properties, we are focusing on a wide range of issues, which will have positive sustainable outcomes in both the short and long term. The following strategic aims are taken from our Development sustainability strategy.

Net Zero operational carbon

Eligible project categories:

- Energy efficiency *(GBP)*
- Environmentally sustainable management of living natural resources and land use *(GBP)*
- Green buildings *(GBP)*
- Circular economy adapted products, production technologies and processes *(GBP)*
- Climate change mitigation *(EU Taxonomy)*
- Climate change adaptation *(EU Taxonomy)*
- The transition to a circular economy *(EU Taxonomy)*.

We have set a target to reduce our operational carbon dioxide emissions to at least 75% before offsetting, then in increments, reduce our emissions to net zero by 2050. This will be measured by the amount of carbon dioxide produced because of the day-to-day operation of building the structure. To achieve our net zero operational carbon objective, we will ensure that our four principles are met by:

- Prioritise Fabric First principles for building form and envelope
- Having a ventilation strategy to tackle uncontrolled ventilation and to complement the super insulation achieved through Fabric First. This will improve indoor air quality; reduce mould, condensation and dampness, in an efficient manner, for example, MVHR (Mechanical Ventilation Heath Recovery Systems)
- Provide responsive local controls for internal environment, such as in heating and ventilation
- Specify for ultra-low energy appliances and IT
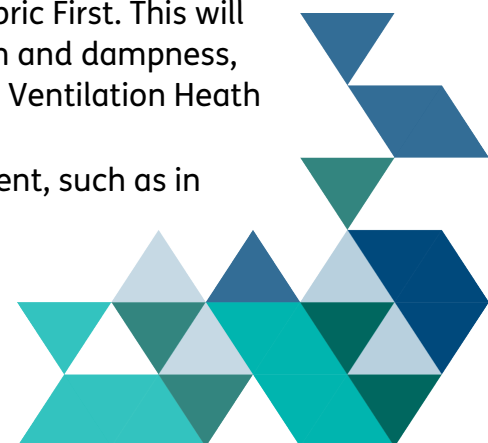
- Use optimum on-site renewables appropriate to context, for example, photovoltaics (PV) panels
- Offset remaining carbon through recognised schemes, such as Greater London Authority (GLA) carbon levy
- Procurement exercises from April 2021 include environmental / sustainability criteria, and suppliers will be measured on this basis. Where applicable, with procurements involving physical goods, we will consider the eco-efficiency of these products and assess whether they can be viewed as a circular product. To measure this, we will ask suppliers to produce relevant environmental metrics at their contract management review. By way of example, our recent implementation of the Innovative Ways of Working (iWOW) programme represents an eco-efficient approach to the way we work. For instance, all broken IT devices are recycled and other IT devices that are not used are repurposed.

Net Zero embodied carbon

Eligible project categories:

- Energy efficiency *(GBP)*
- Environmentally sustainable management of living natural resources and land use *(GBP)*
- Green buildings *(GBP)*
- Circular economy adapted products, production technologies and processes *(GBP)*
- Affordable basic infrastructure *(SBP)*
- Climate change mitigation *(EU Taxonomy)*
- Climate change adaptation *(EU Taxonomy)*
- The transition to a circular economy *(EU Taxonomy)*.

We plan to reduce embodied carbon by 50%-70% before offsite renewables offsetting. We then want to reduce embodied carbon further in increments by 2050. The carbon dioxide produced from the energy used in the extraction, fabrication and transportation of the materials used in the construction of our builds will become the main measure for this goal. Achieving net zero embodied carbon includes many facets, such as:

- Prioritise building reuse
- Carry out whole life carbon analysis of building elements
- Prioritise ethical and responsible sourcing of all materials
- Prioritise low embodied carbon and healthy materials
- Minimise materials with high embodied energy impacts
- Target zero construction waste devoted to infill
- Promote use of local natural materials
- Consider modular off-site manufacture
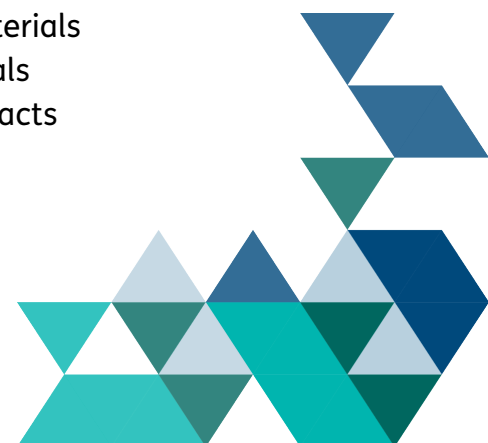
- Detailing to be long life and robust
- Design building for disassembly and circular economy
- Offset remaining carbon emissions through recognised schemes e.g. GLA Carbon levy.

Sustainable connectivity and transport

Eligible project categories:

- Clean transportation *(GBP)*
- Pollution prevention and control *(GBP)*
- Affordable basic infrastructure *(SBP)*
- Climate change adaptation *(EU Taxonomy)*
- The transition to a circular economy *(EU Taxonomy).*

In the connectivity and transport space, we hope to achieve net zero carbon emissions per person per day. In terms of measurement, we will use the resultant carbon impact of the travel conducted by residents and visitors from a site to a local transport hub or facilities. To action this objective, we will aim to:

- Create a comprehensive green transport plan, including digital connectivity
- Prioritise high quality digital connectivity to avoid need for unnecessary travel and encourage home working
- Prioritise site selection with good proximity to public transport
- Provide high quality pedestrian links to local amenities
- Provide infrastructure for electric vehicles supply car sharing spaces
- Provide suitable on-site personal storage.

Sustainable water cycle

Eligible project categories:

- Sustainable water and wastewater treatment *(GBP)*
- Climate change adaptation *(GBP)*
- Pollution prevention and control *(GBP)*
- Affordable basic infrastructure *(SBP)*
- The sustainable use and protection of water and marine resources *(EU Taxonomy)*
- Pollution prevention and control *(EU Taxonomy)*
- The protection and restoration of biodiversity and ecosystems *(EU Taxonomy).*

Our goal is to achieve a 40% reduction in portable water use per person per day. To measure this, we will calculate the amount of mains water used in the operation of any building, including the offset
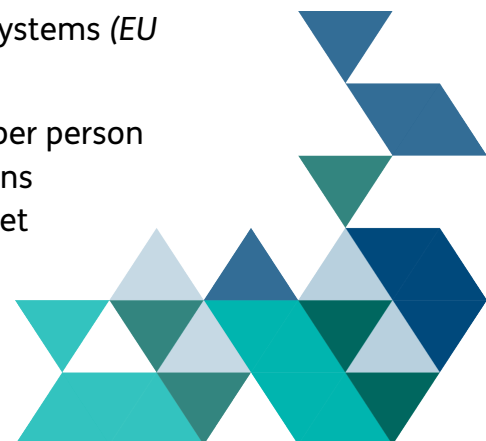
by use of greywater or recycled water to reduce mains water consumption. To help satisfy this aim, we will:

- Provide low flow fittings and appliances
- Provide waterless appliances where possible
- Provide leak detection
- Provide rainwater and grey water recycling and attenuation but consider operational implications of complex systems
- Provide onsite blackwater cleansing and recycling if viable
- Create sustainable urban drainage that supports natural aquatic habitats and human immunity verification
- Create sustainable urban drainage that supports natural aquatic habitats and human amenities. This system will also help prevent potential effects of climate change, such as increased rainfall and flooding.

Sustainable land use and ecology

Eligible project categories:

- Environmentally sustainable management of living natural resources and land use *(GBP)*
- Terrestrial and aquatic biodiversity conservation *(GBP)*
- Pollution prevention and control *(GBP)*
- Pollution prevention and control *(EU Taxonomy)*
- The protection and restoration of biodiversity and ecosystems *(EU Taxonomy)*.

Our aim for sustainable land use and ecology is to achieve a net positive species impact and a 0.3-0.4 urban green factor on all new sites. We are also exploring ways to enhance biodiversity in our new buildings. This will be measured by actions taken to protect and improve flora and fauna on site and potentially using Natural England's Biodiversity Metric 3.0. We are looking to take a biodiversity scoping paper to our Customer Service Committee for review and approval. To accomplish this, we will:

- Leave a site in better regenerative ecological condition than before development
- Prioritise building and site reuse
- Conduct a mapping exercise to create an audit of our green spaces with potential for biodiversity enhancement
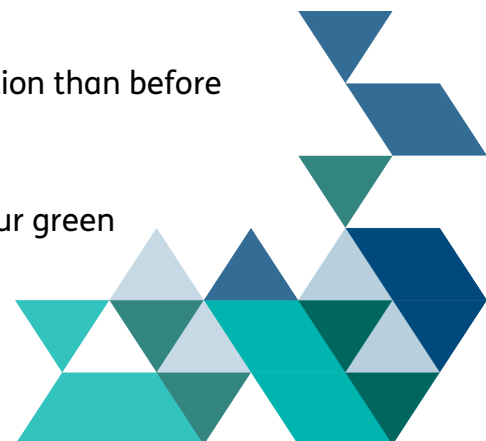
- Explore ways to achieve a 10% net gain in biodiversity on new build sites
- Prioritise brownfield site selection
- Conduct training for staff to become informed on the new biodiversity laws and Natural England's 3.0 Metric
- Create a biodiversity checklist for all our new build schemes to ensure they are meeting new biodiversity requirements
- Carry out sustainable remediation of site pollution
- Retain existing natural features
- Create mixed use development with density appropriate to local context
- Create a range of green spaces including green roofs, pocket parks etc
- Create habitats that enhance biodiversity
- Create productive landscapes for urban food production e.g., allotments
- Zero pollution from the development.

We will also be identifying our existing green spaces and, as part of regeneration or retrofitting projects, will be looking at how we can improve these sites to enhance biodiversity. Once we have progressed our biodiversity work, we hope to be able to measure our success. Across all schemes where we have attempted to enhance biodiversity, we will, using the Natural England's 3.0 Metric or another certified metric, quantify this biodiversity gain in as an average across our schemes. Year on year we hope to increase this figure by setting annual targets for the percentage of protected land or ratio of green spaces to our portfolio.

An example of a Network Homes biodiversity project is our current Miyawaki Partnership with Brent Council. The project aims to plant three to four pockets of 'tiny forests' across some of our Brent schemes. Using the Miyawaki Method, this helps to build dense native forests that are designed to encourage tree growth which is 100 times more biodiverse than those planted by conventional methods. The first site has now been selected and tree sourcing is underway. We hope to begin planting in November 2022, which is the recommended time for planting these types of trees. It is hoped similar schemes will be rolled out in the future following this pilot.
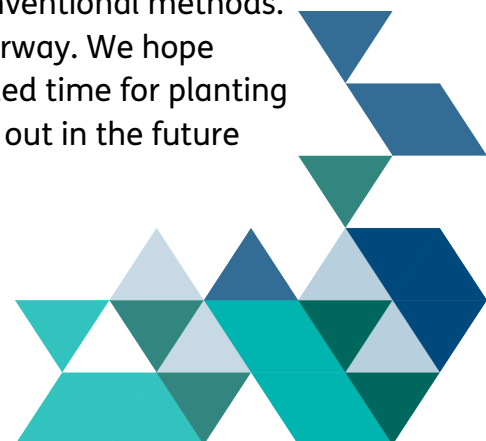
Sustainable communities and social value

Eligible project categories:

- Environmentally sustainable management of living natural resources and land use *(GBP)*
- Socioeconomic advancement and empowerment *(SBP).*

By improving our ESG rating we can help ensure we are creating sustainable communities and generate social value. Calculating the social return on investment, as defined in the *Guide to Social Return on investment 2015*, will allow us to measure this use of proceeds. Achieving this goal includes such work:

- Prioritise placemaking that expresses identity in territory
- Create secure places privacy
- Creates places for social interaction
- Create vibrant mixtures of places
- Provide high quality permeable links to social amenities
- Provide high quality pedestrian public realm
- Create inclusive places for community interaction
- Create secure places with overlooking views.
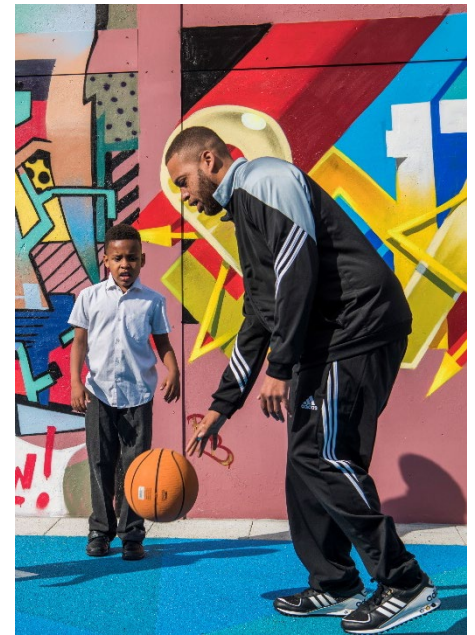
Sustainable life cycle cost

Eligible project categories:

- Energy efficiency *(GBP)*
- Green buildings *(GBP)*
- Climate change adaptation *(EU Taxonomy)*
- The transition to a circular economy *(EU Taxonomy).*

Balancing economic sustainability over life of a building will allow us to ensure our buildings remain sustainable after completion. Using the Government Soft Landings requirements for measuring operational costs we can measure this impact. The following will help us to achieve this aim:

- Carry out whole life cycle analysis of key building systems
- Carry out soft landings graduated to handover and aftercare
- Measure energy costs
- Measure overall running costs
- Measure added value of occupant health and well being
- Measure added value of sustainable outcomes of buildings.

Some sustainability goals for our new developments do relate to the aims we have for our existing homes, ensuring an overall consistent approach to our long-term sustainability action plan. However, we have ensured that these aims are tailored to the specific needs of existing stock.

Alignment of use of proceeds with the United Nations' Sustainable Development Goals (SDG's)

Network Homes has created a detailed and long-term sustainability strategy action plan for all our sustainability related projects. The plan is broken down into specific business areas, addressing their relevant sustainability aims. It outlines short-term and long-term goals. Eligible projects in this framework will link directly to actions from our sustainability action plan. The eligible projects have been mapped onto the United Nations' seventeen Sustainable Development Goals (SDGs)[4], which are:

No poverty

Zero hunger

Good health and well-being

Quality education

Gender equality

Clean water and sanitation

Affordable and clean energy

Decent work and economic growth

Industry, innovation and infrastructure

Reduced inequalities

Sustainable cities and communities

Responsible consumption and production

Climate action

Life below water

Life on land

Peace, justice and strong institutions

Partnerships for the goal

[4] The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States.

The alignment between our eligible projects and the United Nations' SDGs is outlined below. Please note that footnotes link these projects to our sustainability strategy action plan.

Eligible sustainable project categories	Use of proceeds	Example impact metrics	Relevant SDGs
Affordable Housing	Investing in the development of affordable housing, taking the form of newly built homes, or redevelopment of existing ones	Number of and spending on newly built homes which qualify as affordable housing Number of and spending on existing homes, making them newly qualify as affordable housing Number of residents living in affordable housing compared to entire portfolio	1 NO POVERTY 7 AFFORDABLE AND CLEAN ENERGY 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES
Green Buildings[5]	Financing the environmental development of existing homes to achieve SAP B rating Financing the development of newly built net zero carbon homes Investment in sustainable water	Number of existing homes improved to a minimum of SAP D by the end of 2023, SAP C by the end of 2030, and SAP B average by the end of 2050. The cost of this retrofitting should also be measured Number and cost of new homes built which incrementally become closer to net zero carbon homes Amount invested sustainable supplies of water and energy,	1 NO POVERTY 7 AFFORDABLE AND CLEAN ENERGY

[5] sustainability strategy action plan – 2.1 / 2.2

Eligible sustainable project categories	Use of proceeds	Example impact metrics	Relevant SDGs
	supply, energy sources, and waste facilities for all properties Investment in making infrastructure more resilient to impacts of climate change	as well as environmentally friendly waste facilities Reduction of carbon emissions resulting from investment in all aspects of green homes Number of homes in our portfolio with increased climate resilient energy sources Amount of sustainable urban drainage systems installed for our properties	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION
Clean transportation[6]	Financing establishment of electric vehicle charging points and cycle storage	Amount invested in clean transportation facilities Number of electric vehicle charging points installed and how much they are being used Percentage of sites that are car free	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION

Eligible sustainable project categories	Use of proceeds	Example impact metrics	Relevant SDGs
Energy Efficiency [7]	Financing the use of district heating (heat pumps) in new and existing buildings Identifying our "fuel poor households" and providing energy assessment and advice in reducing the cost of fuel	Amount invested in heat pumps in new and existing developments Impact this investment has on the energy efficiency rating of effected homes	1 NO POVERTY 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION
Eco-Efficient and/or Circular Economy Adapted Products [8]	Procurement of environmentally friendly products and services used for corporate and other business activities	Amount invested in eco-label or environmental certification products, resource-efficient packaging and distribution Impact that investment into these products is having on Network Homes' carbon footprint	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

[7] sustainability strategy action plan – 2.1
Please see the Use of Proceeds section of this framework and the Sustainable Land Use and Ecology sub-section on page 27.
[8] sustainability strategy action plan – 3.5 / 4

Eligible sustainable project categories	Use of proceeds	Example impact metrics	Relevant SDGs
Affordable Basic Infrastructure and Access to Essential Services[9]	Financing the creation of recreational areas, such as parks and public spaces, in aid of supporting the well-being of our communities	Amount invested in the creation of and/or improvement of parks and public spaces Number of residents who have access to the facilities	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES
Terrestrial and Aquatic Biodiversity Conservation [10]	Financing the biodiversity enhancement of existing green and open spaces	Percentage of biodiversity enhancement per area within our schemes	3 GOOD HEALTH AND WELL-BEING 13 CLIMATE ACTION 15 LIFE ON LAND

[9] sustainability strategy action plan – 2.5
[10] sustainability strategy action plan – 2.5

Process for project evaluation and selection

Projects will be evaluated and selected by our Environmental Sustainability Group, which will meet monthly to consider proposals. All projects submitted for approval will identify and quantify the expected outputs and outcomes, in line with the table in the section entitled 'Alignment of use of proceeds with the United Nations' Sustainable Development Goals (SDG's)' on page 30. New and existing projects which work towards implementing a net zero strategy and align to the goals of the Paris Agreement may also be considered.

The Environmental Sustainability Group will discuss and identify mitigants to known material risks arising from projects. The extent of this risk will be assessed in the first instance and monitored throughout where agreed. Exclusion of some environmental and social projects will be considered as part of this assessment.

As a provider of social housing, many of the eligible projects selected by the Environmental Sustainability Group will be inherently aligned to those of our wider strategic business objectives. Therefore the approach to identifying risks will therefore be broadly consistent with Network's corporate risk register. For example, a risk to the delivery of an affordable housing development scheme such as increased materials cost would impact both wider business objectives as well as projects identified under this framework. Using the context of the corporate risk register as a starting point, knowledge from members of the Environmental Sustainability Group will identify and assess further specific environmental and social risks in relation to eligible projects. Specific guidance may also be sought from green loan and bond principles, and in some cases, external specialist counsel.

Our current environmental sustainability objectives are applicable from January 2021 to January 2024. They outline the steps we intend to take on the path towards a more sustainable future. The key aims of this strategy are to:

- Identify how our business activities affect the environment
- Establish methods of improving our approach to sustainability
- Improve the environmental performance of our existing homes
- Outline new technologies and ways of working to reduce our carbon footprint, and
- Engage staff and residents with regards to green issues.

The strategy has been developed along with a supplementary sustainability action plan which will guide and support implementation. These objectives sit within the context of our 5-Year Strategy 2018-23.

The group meets on a monthly basis and will aim to discuss some eligible projects at each meeting. Members of the Environmental Sustainability Group are as follows:

- Executive Director of Finance (Chair)
- Director of Compliance and M&E
- Director of Corporate Finance
- Director of Technical Services
- Head of Neighbourhood Management
- Head of Sustainability & Strategic Asset Management
- Group Procurement Manager
- Design & Technical Manager
- Research & Policy Analyst
- Stock Investment Analyst
- BIM Officer
- Resident Engagement Manager
- Communications Officer
- Finance Graduate
- Facilities Manager

The Executive Director of Finance is also the sponsor of our sustainability strategy, and will periodically advise the group on progress towards delivery of strategy objectives.

Wider governance

Network Homes is a registered provider for social housing. As part of the Regulator for Social Housing (RSH) regulatory regime, it assesses compliance against the Governance and Financial Viability Standard. We were last reviewed following an In-Depth Assessment (IDA) in 2021, whereupon its existing rating of G1V2 was confirmed.

We adopted the NHF 2020 Code of Governance in April 2021.

The Environmental Sustainability Group will sit within existing corporate governance structures, and will not have delegated authority to approve expenditure. Instead, the group will as necessary discuss and advise expenditure incurred by Network, insofar as they relate to eligible projects considered under this framework. Spending will be approved per Network's broader Terms of Reference and Scheme of Delegations. The corporate governance of the Environmental Sustainability Group will be periodically reviewed.

Management of proceeds

We recognise the importance of separately managing and monitoring the proceeds issued under the framework. Eligible projects identified under the Use of Proceeds section on page 19 will be matched to proceeds issued under the Framework by the Panel.

We have 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 projects.

The portfolio of eligible projects will be reviewed by the Environmental Sustainability Group at least annually to ensure they fulfil the Use of Proceeds criteria. If they do not, they will be substituted accordingly.
Proceeds for eligible projects will be managed on a per issuance basis or an aggregated basis for multiple for issuances, where applicable.

Amounts equivalent to the net proceeds for eligible projects from sustainable finance issued under the Framework will be:

- Separately accounted for, reconciled and reported
- Reported through the Environmental Sustainability Group and the Investment Committee, a permanent sub-committee of the Board with responsibility for approving and monitoring our major investment programmes.

Unallocated proceeds issued under the framework will in the first instance, be re-invested or re-allocated to eligible projects. The best approach to take under such circumstances will be discussed with the Environmental Sustainability Group, who will help to decide where re-allocated funding is best used. If this is not possible, unallocated proceeds 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.

We will allocate an amount equivalent to the net proceeds of finance originated under the framework for eligible projects, either after receipt of funds or no more than 24 months prior to the receipt of funds (taking into account any retained bonds to be issued at a later date). We expect all proceeds to be allocated within 36 months from the date of the receipt of funds.

The GBP (Green Bond Principles) / GLP (Green Loan Principles) have encouraged, "a high level of transparency and recommend that an issuer's management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking method and the

allocation of funds from the Green Bond proceeds". We do not intend to engage a third party for such verification but remain keen in maintaining an open dialogue with our stakeholders, being open to scrutiny and challenges - and will report on this at least annually.

Reporting

We will annually, and until the maturity of any finance raised under the framework, provide investors with an annual ESG Report on its website. The report will include:

Allocation Reporting
- Net proceeds outstanding from sustainable financing
- The balance on the Sustainability Account (including any temporary investments or deposits and Sustainable Financing repayments)
- Share of proceeds used for financing/refinancing as well as share of proceeds used for categories in the Use of proceeds section on page 19
- Share of unallocated proceeds (if any)
- A complete list of eligible green and social assets financed by outstanding Sustainable financing

Impact reporting
- Case studies of key projects to illustrate investment outcomes
- Review of Network's broader social impact activities
- Confirmation of our performance against the Good Economy's Sustainability Reporting Standard metrics and in support of the UN SDG metrics, including:

Environmental	Social
- Number and proportion of homes utilising renewable energy sources - 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	- Number of affordable (sub-market) new homes built - Proportion of all new rented homes occupied by those in 'priority need' or given 'reasonable preference', as determined by the relevant local authority's nomination process - Proportion of all new homes which are an affordable housing product - Average rent on rented new build homes as a proportion of Local Housing Allowance

Transparency will be key throughout our reporting our strategies and commitments.

External review

S&P Global Ratings has been appointed to confirm the alignment of the Framework to the Social Bond Principles – June 2021, the Sustainability Bond Guidelines – June 2021 and the Green Bond Principles – June 2021 as published by the ICMA. S&P Global Ratings has provided a Second Party Opinion (SPO) on the Network's Sustainable Finance Framework.

A link to the Second Party Opinion is available here.