



## Sustainable Financing Framework 2022

Investing for  
impact







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# Who we are

**We're VIVID Housing Ltd (VIVID), a leading housing association in the south of England with 33,000 homes and 72,000 customers.**

Our activities focus on four neighbouring counties: Hampshire, Berkshire, Surrey and West Sussex. This gives us local knowledge and strong relationships with key strategic partners, such as local authorities and contractors.

**We believe a home is more than just a roof over your head. It's a springboard to enable everyone to achieve their ambitions and provides the foundation for people's wellbeing.**

We want to make sure living in a VIVID home gives our customers a good quality of life. To reflect this, our vision is 'More homes, bright futures' and our mission is to give customers a safe and secure home and provide the foundations for their wellbeing.



Our charitable arm, VIVID Plus, provides additional support to customers and communities.

Click [here](#) to find out more.





# Our impact

## Having a place to call home is vital to everyone's wellbeing and chances in life.

Our environmental, social and governance (ESG) report identifies our 12 impact objectives (the 'Objectives') designed to maximise our impact and which were developed in consultation with our customers. The report includes a number of case studies of key ESG projects.

The report follows the Sustainability Reporting Standard for Social Housing (SRS) 2020, which provides a framework for housing providers to report on their environmental, social and governance performance, transparently and consistently. This facilitates the assessment of the ESG performance of housing providers by lenders and investors and therefore enhances our ability to access finance. It enables us to identify ESG risks and opportunities where positive social and environmental outcomes can be achieved. Alignment to the SRS enables us to tell our story in a way that is comparable to the rest of the social housing sector.

You can view the report [here](#).

Through our adoption, we can clearly show we are part of the housing sector's wider contribution to sustainability.








## Our 12 impact objectives encapsulate our approach to ESG and align with nine of the United Nation's Sustainable Development Goals (UN SDGs)


You can view the SRS [here](#).





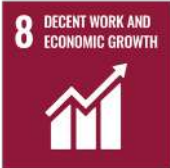

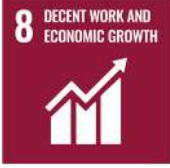
## Our 12 impact objectives

Criteria	Objectives	SRS theme	UN SDG
Social	<p><b>1: Offer rented homes people can really afford</b></p> <p>Our rented homes are making a real impact during the cost-of-living crisis. We measure the amount of household income spent on rent and use <b>35%</b> as our definition of affordable.</p> <p>Through our partnership with Homes England, we're building more homes for social rent than any other strategic partner, at <b>1,670</b> to date.</p>	Affordability and security	 
	<p><b>2: Target our development activity in areas where the market isn't providing homes people need</b></p> <p>The housing crisis is particularly acute in our patch in the South-East of England so we're targeting our investment in the areas where housing need is greatest.</p> <p>We take a customer-led approach and we are committed to building the types of homes our communities really need. We work with our local authority partners to identify housing gaps and tailor our plans to meet demand and the varying needs.</p>		
	<p><b>3: Reduce levels of rough sleeping in our communities</b></p> <p>We've secured <b>£1.7m of funding</b> through the Government's Rough Sleeping Accommodation Programme (RSAP) to house people who were homeless and temporarily housed during the pandemic to help them on the road to independence. We deliver this support through our partnership with homelessness support charity Two Saints.</p>		
	<p><b>4. Help customers thrive in their homes and communities</b></p> <p>VIVID Plus was set up to help customers and communities thrive. It launched in February 2021 with two core themes; provide customers with tailored, individual tenancy sustainment support, and tackle community-led priorities to ensure people feel proud of where they live. We plan to invest <b>£21m</b> over 5 years to make this happen. In 2021/22 we invested <b>£2m</b>.</p> <p>We work with a range of partners to:</p> <ul style="list-style-type: none"> <li>• provide positive alternatives to crime and anti-social behaviour (ASB), promoting life skills and sport</li> <li>• bridge the gap between health and housing for our customers</li> <li>• support our customers with poor mental health by helping them to engage with wellbeing services, so that they can continue to live independently</li> <li>• help customers struggling with the skills and confidence in using computers or the internet, so they aren't left behind in an increasingly digital age</li> <li>• provide access to affordable, nutritious food</li> </ul>	Resident support/ Placeshaping	   

Criteria	Objectives	SRS theme	UN SDG
<p><b>Environment</b></p>	<p><b>1: Make our homes more energy efficient</b></p> <p>Our homes are where we can make the biggest difference to the cost of living for our customers and our impact on the environment. We've estimated that our customers spend around <b>£9.2m</b> on energy each year, and our homes are responsible for around <b>170,000 tonnes</b> of CO<sub>2</sub> emissions.</p>	<p>Climate change / Resource management</p>	
	<p><b>2: Become a zero-carbon business</b></p> <p>Our business activities are responsible for around <b>7,000 tonnes</b> of CO<sub>2</sub> emissions each year, which result mainly from our business travel and the energy consumed by our offices.</p> <p>We can eliminate <b>70%</b> of our emissions by changing the fuels we use for business travel – switching from petrol and diesel to electric vehicles. Changing the way we buy our energy can also make a big difference. That's why we're also procuring electricity that's generated from more sustainable sources.</p>		
	<p><b>3: Be a sustainable business partner</b></p> <p>We're all about partnerships – we work with <b>over 3,000</b> different suppliers and buy goods from all over the world to deliver our services. Whole communities (not just our customers) live and work on our estates. We're making sustainability a factor in our procurement decisions and are working with our suppliers to be part of the solution.</p>		
	<p><b>4. Share our work and learn from others</b></p> <p>There's still quite limited information about how more sustainable activities – everything from construction to vehicles – will impact on people's lifestyles, wellbeing and the affordability of our homes. We have always carried out research into issues that affect our business and shared the findings. We'll take the same approach as we implement our sustainability plans.</p>		





Criteria	Objectives	SRS theme	UN SDG
Governance	<p><b>1: Be completely transparent and open about how we work</b></p> <p>We publish a comprehensive range of information to help customers understand our policies and governance processes, their rights, our financial performance and board decisions to make it accessible to all those interested in, or affected by, our work.</p>	Structure and governance	
	<p><b>2: Involve our customers so that we can deliver great homes and services for them</b></p> <p>We have a diverse group of <b>1,300</b> involved customers across our operating area who work with us in a variety of ways. The roles played by these individuals range from being board members for VIVID Plus to neighbourhood volunteers, resident groups to digital mentors.</p>	Customer voice	
	<p><b>3: Foster a company culture that is inclusive and supportive for all</b></p> <p>To be a truly successful organisation we need an inclusive culture that allows everyone to give their best, and a diverse workforce that reflects the demographics of our region. Our employee Diversity &amp; Inclusion group shapes our approach so everyone is empowered to be themselves and succeed.</p>	Staff wellbeing	
	<p><b>4. Build a high performing organisation</b></p> <p>We put a strong emphasis on helping our staff develop and aim to create a stimulating environment in which they can learn. Our 'good to great' programme for our management teams focusses on building a 'growth mindset' and becoming a high performing organisation. Our 'Optimise' initiative provides a tailored programme to support first time or aspiring managers to reach their goals.</p>		





# Rationale for Framework

**We're a strong, financially robust business. We provide 33,000 affordable homes to people who need them and a range of support services to help people through life's challenges.**

**We're one of the country's biggest developers of affordable housing. In 2021-22 we built 1,401 new homes making us the UK's 4th largest builder of affordable homes.**

**We're also a long-term business, building homes that will last for over 100 years.**

During that time a lot can happen, so our business needs to adapt as the world changes.

We need to make sure our homes meet the needs of our current and future customers, remain affordable to live in, and that we can continue to deliver a full range of support services.

Environmental pressures and climate change are among the biggest changes our business needs to adapt to.

Underpinning all of this is strong governance – leadership that recognises the long-term challenges we face.

**To meet these challenges we will be raising funds through debt capital markets, having established a £2bn EMTN programme. This Framework sets out our approach and the sustainability standards we apply in our work.**





# Regulatory Framework for Affordable Housing

**Affordable housing\* in the UK is regulated under a framework established by the UK Government<sup>1</sup>.**

All providers of affordable housing in England must register with the Regulator of Social Housing (RSH). The Regulator's objectives include the protection of social housing assets and maintaining the confidence of investors and lenders.

Registered providers must comply with 7 Regulatory Standards – obligations on registered providers set by the RSH, including:

## 3 Economic Standards:

- 1 Governance and Financial Viability Standard
- 2 Value for Money Standard
- 3 Rent Standard

## 4 Consumer Standards:

- 1 Home Standard
- 2 Tenancy Standard
- 3 Neighbourhood and Community Standard
- 4 Tenant Involvement and Empowerment Standard

\*Affordable housing is defined in the Housing and Regeneration Act 2008 as 'low-cost rental accommodation' and 'low-cost home ownership accommodation.'

<sup>1</sup> Regulatory framework - GOV.UK ([www.gov.uk/guidance/regulatory-standards](http://www.gov.uk/guidance/regulatory-standards))  
[assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/781746/Policy\\_Statement.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf)





**The standards are supported by Codes of Practice and regulatory guidance to help providers understand how compliance can be achieved.**

**For the Governance and Viability Standard, each registered provider receives a Viability grade and a Governance grade from the RSH indicating their level of compliance.**

**We currently have G1/V1 grades – the highest level possible.**



The RSH takes a co-regulatory approach, expecting the board of a Registered Provider to ensure the organisation meets the standards, and to be open with the Regulator about any potential non-compliance.

**It supplements this by:**

- Gathering financial and performance information quarterly and using this to update its gradings
- Carrying out In-Depth Assessments (IDAs) – on-site visits to gather additional assurance that providers are meeting the Economic Standards

New legislation being introduced in 2022-23 will give the RSH additional powers to regulate the Consumer Standards more rigorously in the future.

**It is mandatory for all registered providers to be members of the Housing Ombudsman Scheme<sup>2</sup>. The Ombudsman sets standards for providers' complaint-handling and will directly consider complaints from tenants that cannot be resolved by providers.**

<sup>2</sup> <https://www.housing-ombudsman.org.uk/about-us/what-we-do/>





# Framework overview

This Sustainable Financing Framework (the ‘Framework’) aligns with the principles and guidelines (referenced as the ‘Principles’) published by the International Capital Markets Association (ICMA) and Loan Market Association (LMA) for sustainable finance debt instruments.

- The Green Bond Principles – June 2021 (GBP)<sup>3</sup>
- The Green Loan Principles – February 2021 (GLP)<sup>4</sup>
- The Social Bond Principles – June 2021 (SBP)<sup>5</sup>
- The Social Loan Principles – April 2021 (SLP)<sup>6</sup>
- The Sustainability Bond Guidelines – June 2021 (SBG) (together, the ‘Principles’)<sup>7</sup>

We intend to issue sustainable debt instruments (including but not limited to, loans, public bonds, private placements and revolving credit facilities) with a purpose and structure aligned to the Principles together know as ‘Sustainable Financing Instruments’. We’ll use the proceeds to finance (or refinance) eligible Social Projects or Green Projects as defined by the Principles (‘Eligible Projects’).

Our Framework applies the 4 core components of the Principles:

- 1 Use of Proceeds
- 2 Process for Project Evaluation and Selection
- 3 Management of Proceeds
- 4 Reporting

<sup>3</sup> [Green-Bond-Principles-June-2021-140621.pdf](#) (icmagroup.org)

<sup>4</sup> [Green\\_Loan\\_Principles\\_Feb2021\\_V04.pdf](#) (lma.eu.com)

<sup>5</sup> [Social-Bond-Principles-June-2021-140621.pdf](#) (icmagroup.org)

<sup>6</sup> [Social\\_Loan\\_Principles.pdf](#) (lma.eu.com)



<sup>7</sup> [Sustainability-Bond-Guidelines-June-2021-140621.pdf](#) (icmagroup.org)












# 1 Use of proceeds

Our impact objectives align with 5 Eligible Project categories within the Principles:

ESG theme	ICMA/LMA Eligible Project categories	Description	Reference financial line item	Impact metrics	Indicative alignment to the UN SDGs
Social	Affordable Housing	<p>Expenditure relating to the construction, refurbishment modernisation and acquisition of affordable housing (including 'shared ownership')</p> <p>Refinancing of existing social and affordable housing (including 'shared ownership')</p> <p>Expenditure relating to the prevention of homelessness</p>	Capex Asset Value	<p>Number and cost of homes built or acquired which comply with the Government definition of affordable housing</p> <p>Number of homeless people, or people from local authority waiting lists that have been provided with newly built affordable housing</p>	
	Access to Essential Services	<p>Expenditure relating to providing access to essential services, including health, education and vocational training, mentoring, healthcare, financing and financial services</p>	Opex	<p>Number of people gaining access to food bank services / number of jobs starts from training provision / specialist addition or mental health support via our charity, VIVID Plus / number of people at risk of homelessness helped through mentoring / amount of additional income secured for our customers through benefit advice</p>	



ESG theme	ICMA/LMA Eligible Project categories	Description	Reference financial line item	Impact metrics	Indicative alignment to the UN SDGs
Environmental	Green Buildings	<p>Financing the development of buildings which achieve an EPC rating of 'B' or 'A'</p> <p>Refinancing of existing buildings with an EPC rating of 'B' or 'A'</p>	Capex Asset Value	<p>Number and cost of new homes built which achieve an EPC rating of 'B' or 'A'</p> <p>Number and cost of existing homes refinanced with an EPC rating of 'B' or 'A'</p>	  
	Energy Efficiency	<p>Investing in the retrofit of existing homes in order to improve the EPC ratings by at least 2 EPC bands, or to uplift the Energy Efficiency score (or reducing consumption) of a building by at least 30%, or result in an expected minimum rating of EPC B</p>	Capex Opex	<p>Number and expenditure of uplifting the EPC rating of a building by at least 2 bands</p> <p>Number and expenditure of uplifting the (SAP/Energy Efficiency) score of a building by at least 30%</p> <p>Number of new homes delivered using modern methods of construction (e.g. modular housing)</p>	  
	Clean Transportation	<p>Financing the procurement or deployment of clean transportation</p> <p>Financing the construction, extension and/or improvement to core sustainable transport infrastructure</p>	Capex Opex	<p>Number and proportion of low-emission vehicles procured for employees or customers</p> <p>Number of electric charging ports installed</p> <p>% of our fleet that is electric/zero-emission</p>	



# Description of Eligible Project categories:

## 1. Affordable housing

We created VIVID in 2017 with an ambition to build 17,000 new homes in our first ten years. We're aiming for 83% of the homes we build to be Affordable, comprising: social rent (25%), affordable rent (35%) and shared ownership (23%) – all of which classify as Affordable Housing in accordance with the Principles.

To support this we have been awarded **£291m** of Homes England Strategic Partnership funding.

We also provide homes for people who were homeless and temporarily housed during the pandemic to help them on the road to independence. So far, we've secured 20 properties across Southampton, Test Valley and Basingstoke and Deane, supporting the Government's Rough Sleeping Accommodation Programme (RSAP).





Our expenditure on the delivery and improvement of affordable housing as described on [page 14](#) results in positive social outcomes for our target populations. These target populations are as follows:

Target population (as defined by the Principles)	VIVID alignment
Excluded and/or marginalised populations and/or communities	Those on local authority housing waiting lists Homeless or at risk of homelessness
People with disabilities	Those eligible for disability benefit
Migrants and/or displaced persons	Migrants housed as part of government resettlement programmes
Undereducated	Those supported by our employment and training team
Underserved, owing to a lack of quality access to essential goods and services	Those on local authority housing waiting lists Customers supported by our tenancy support/welfare fund
Unemployed	Customers supported by employment and training team Customers supported by our money, advice and benefits team Those helped into employment through VIVID apprenticeships, graduate opportunities or our 'Kickstart programme' for youth unemployed
Women and/or sexual and gender minorities	Those supported by our partnership with the Domestic Abuse Housing Alliance
Ageing populations and vulnerable youth	Those supported by the Independent Living team within tenancy support
Other vulnerable groups, including as a result of natural disasters	Those on local authority housing waiting lists or who are homeless





## 2. Access to essential services

### VIVID Plus is our charitable arm, set up to help customers and communities thrive.

It launched in February 2021 with two core themes; to provide customers with tailored, individual tenancy sustainment support, and tackle community-led priorities to ensure people feel proud of where they live.

**We plan to invest £21m over 5 years to make this happen. In 2021/22 we invested £2m.**



- We want our customers and the communities in which they live to be safe and secure. We work with a range of partners to provide positive alternatives to crime and anti-social behaviour (ASB) promoting life skills and sport. We've partnered with Eastleigh Borough Council's Changing Direction for Future Success project to fund new skills training courses for **46 young people** who weren't in education or employment and were involved in anti-social behaviour. These courses helped **13 young people** enrol in full time education or employment in 2021/22.
- VIVID Plus and Hampshire Cricket Board have partnered to deliver free, accessible, weekly sport sessions to 12-25-year olds in deprived areas across Hampshire. The project aims to engage young people in regular sport and physical activity, to act as an early intervention tactic to help reduce youth crime and provide positive alternatives to ASB. The project has received funding from Hampshire Police in their drive to reduce ASB.
- Our wellbeing service's partnership with Solent NHS helps to bridge the gap between health and housing for our customers. We support our customers with poor mental health by helping them to engage with wellbeing services, so that they can continue living independently.
- We work with our partners to offer digital skills training, helping customers struggling with these skills to gain confidence in using computers or the internet, so they aren't left behind in an increasingly digital world. In 2021/22 we supported over **589 customers** to access the internet.
- We're working in partnership with homelessness support charity Two Saints, which provides specialist support services such as employment and training advice, mental health support and help with substance abuse. So far, we've secured **20 homes** across Southampton, Test Valley and Basingstoke and Deane.
- We support Basingstoke Foodbank, and helped them provide **94 tonnes** of food to feed over **7,600 people** during the pandemic. In addition to donations we have been able to provide them with a more permanent base. We have also worked with local partners to provide a pantry service.





# 3. Green Buildings

To make our homes truly affordable, we build to extremely high energy efficiency standards.

Our new homes always exceed current UK requirements, achieving at least EPC level B and we commit to ensuring they can reach a potential EPC level A.

We intend to use modern methods of construction for **25%** of the **17,000 homes** that we've committed to build. This will consume less energy and generate less waste.

Working with BoKlok UK, a modular home company, we have begun an innovative joint venture to deliver sustainable, high quality modular homes.

Our first BoKlok site will be completed in Autumn 2022 providing **72 new apartments** at our attractive lakeside development at Fulbeck Avenue in Worthing.





# 4. Energy Efficiency

At the start of 2022, 70% of our homes were already between EPC Bands A to C while over 600 homes qualified as officially ‘fuel poor’ in the EPC Bands E, F and G.

EPC	Quantity of homes 2021-22	% of total homes 2021-22
A	79	0.3%
B	6,845	26.3%
C	11,898	45.7%
D	6,046	23.2%
E	411	1.6%
F	20	0.1%
G	4	0%
No EPC	741	2.8%
<b>Total</b>	<b>26,044</b>	

We’ve estimated that our customers spent around **£9.2m** on energy in 2021-22 and our homes are responsible for around **170,000 tonnes** of CO<sub>2</sub> emissions. We expect to have improved all our EPC F and G homes to EPC C or better by December 2022, and our EPC E homes by April 2024. We’ll spend **£90m** to meet the government’s target for all homes to be EPC C by 2030, but we’ll also go further by making our homes as efficient as we can.





# 5. Clean Transportation

**Our business activities are responsible for around 7,000 tonnes of CO<sub>2</sub> emissions each year.**

These emissions are mainly from our business travel and the energy consumed by our offices. We can eliminate **70%** of our emissions by changing the fuels we use for business travel – switching from petrol and diesel to electric vehicles. This applies to our fleet of **400 vans** but also the personal cars our staff use for business travel. We'll switch all of our fleet vehicles to electric by 2025.

**We have salary sacrifice schemes for our staff to encourage the transition to cleaner forms of transport, including 'cycle to work' and electric cars.**





# 2 Process for project evaluation and selection

Eligible Projects are appraised and approved by boards/committees that comprise executive and non-executive directors.

ICMA/LMA Eligible Project category	Committee evaluating projects
Affordable Housing	Project Approvals Committee
Energy Efficiency	
Green Buildings	
Clean Transportation	
Access to Essential Services	VIVID Plus Board

The **Project Approvals Committee (PAC)** is responsible for approving expenditure on major projects which support our Development Strategy, Corporate Plan and planned improvements programme. The committee includes the CEO, Chief Financial Officer (CFO) and a non-executive director as members. A range of representatives from Development, Asset management, Sales, Sustainability and Treasury are also in attendance. PAC meets monthly (except when breaking for major holiday seasons), in 2021/22 the committee met 11 times.

The **VIVID Plus Board** helps shape our community investment strategy ensuring we're meeting our objectives, we're investing in placemaking activity that meets our criteria and monitoring our tenancy support services. Board members include our CFO, Chief Operating Officer (COO), a non-executive director and 2 VIVID customers. The Board meets at least quarterly and in 2021/22 met 5 times.

Both PAC and the VIVID Plus Board report to the Group Board for VIVID Housing Ltd. The Group manages potentially material ESG risks, via the Group's risk management system.





# 3 Management of proceeds

In order to ensure that proceeds relating to Eligible Projects (in part or in full) will be matched and tracked to debt provided under this Framework, we will have identifiable cost centres and an internal register.

For each Eligible Project we will track:

- a brief description of the project
- the amount allocated to the project
- the expected impact of the project





# Treasury committee

The Treasury Committee is responsible for overseeing our treasury strategy and providing assurance on funding decisions.

It includes members with a breadth of financial and banking backgrounds, including expertise in ESG finance. It is best placed to oversee the eligibility and allocation of proceeds into eligible ICMA categories. The committee meets at least quarterly and met 5 times in 2021/22.

**Project Approval Committee approve projects**

(Categories: Affordable Housing, Energy Efficiency, Green Buildings, Clean Transport)

**VIVID Plus Board approve projects**

(Category: Access to Essential Services)

## Treasury Committee

Oversee allocation/ eligibility/ impact of proceeds for ICMA and LMA Eligible Project Categories





## Our Treasury Committee is responsible for:

- **Overseeing the allocation of expenditure to Eligible Project categories, ensuring we appropriately utilise all the proceeds of any Sustainable Financing Instruments.**
- **Overseeing external verification of eligible expenditure where required.**
- **Publishing an annual impact report or ESG report showing eligible expenditure and project outcomes.**
- **Reviewing and updating the Framework to reflect changes in our business, developments in market standards and investor expectations.**

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 they are allocated.

For capex and opex spends, proceeds may be applied using a 'look back' period of up to 36 months, i.e. the Sustainable Financing Instruments provided under this Framework can be matched to expenditure relating to Eligible Projects up to 36 months prior to the receipt of the debt. We commit to allocating the net proceeds (or an amount equivalent to those net proceeds) to Eligible Projects within 24 months following receipt.

If an asset is no longer eligible under the criteria included in the proceeds table on [pages 12-13](#), it will be removed from the Eligible Project portfolio with the aim of replacing the asset with another Eligible Project as soon as reasonably practicable.

Properties with an EPC rating of C or below are not eligible under the Green buildings category and those developed for open market sale, or rent at market rates are not eligible under the Social project categories.





# 4 Reporting

When we issue Sustainable Finance Instruments, we will publish an allocation and impact statement as part of our annual ESG report. This will cover, amongst other things:

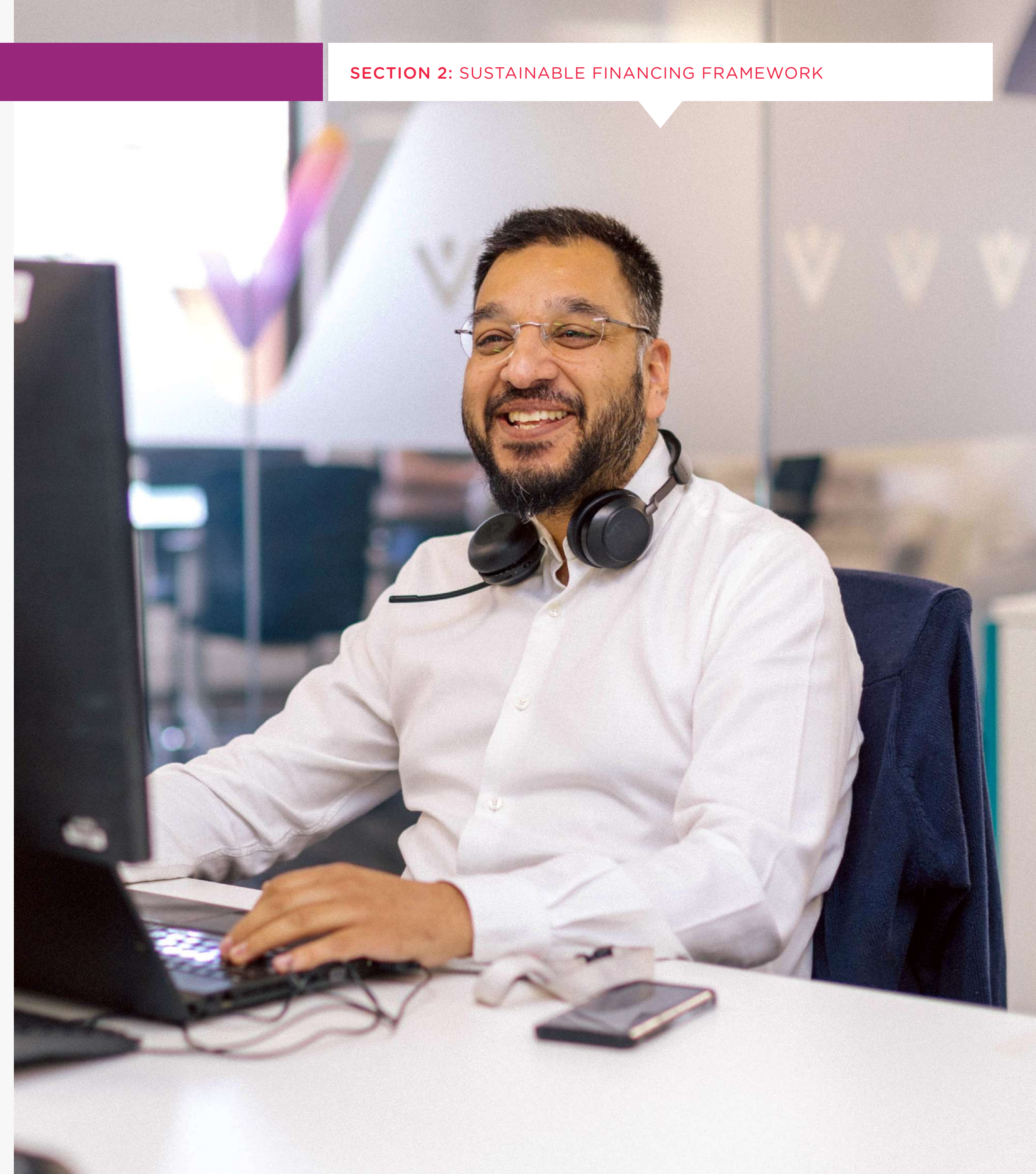
## Allocation reporting

- Net proceeds outstanding from the Sustainable Financing Instruments
- Amount of proceeds allocated to Eligible Projects
- Split between Social and Green allocation
- Amount of unallocated proceeds (if any)
- A complete list of Eligible Projects financed
- A description of the outstanding Sustainable Financing debt Instruments

## Impact reporting

In addition to reporting on our broader initiatives and the delivery of our Objectives, particularly through VIVID Plus, in our annual ESG report, we'll publish metrics (in line with those referenced in the Eligible Projects proceeds table on [page 12-13](#)).

**We will publish allocation and impact reporting annually until all proceeds have been allocated.**





# External review

**DNV has been appointed to confirm the alignment of the Framework to the Principles.**

DNV has provided a Second Party Opinion on this Framework.

A link to the Second Party Opinion is available [here](#).







Stay in touch

