

**NWB Bank (Nederlandse  
Waterschapsbank N.V.)  
SDG Housing Bond Framework**



## INTRODUCTION

### *The Dutch Social Housing market and NWB's approach to Affordable Housing*

According to the Dutch Housing Act of 2015 the purpose of the social housing organisations is to “develop, maintain, rent out and sell social dwellings below a certain rent level to persons who, due to their income or other circumstances, have difficulties in finding suitable housing“. To secure the delivery of these services for the general interest, Social Housing Organisations (SHO), are required to have an administrative and/or legal separation between these core services – representing around 95% of their assets - and the rest of their housing services, which are not eligible for state aid.

Additionally, the governmental regulatory authority ensures a supervisory function to, among other things, supervise on governance and integrity of each registered SHO's and the sector in general. The Dutch system for social housing provides affordable housing to the lower income part of the Dutch population, defined at a maximum household income of EUR 36,798 (2018) per annum. A minimum 80% of the SHO's new lettings of social dwellings have to be allocated to this group per year. Another 10% of allocations can be used up to a ceiling of EUR 41,056.

Besides these income ceilings, additional criteria exist for those people who endure other constraints, such as physical or mental disabilities or specific urgencies (the “Special Needs Programme”). The maximum social rent is set by law at EUR 710.68 per month for 2018.

The average social housing rent for a dwelling is EUR 516 per month<sup>1</sup> and capped at EUR 710.68. 95% of all social housing is below EUR 575.87 per month. As a comparison the average rent in the private market in the Amsterdam metropole is EUR 709 per month.<sup>2</sup>

Affordable housing is about the development of sufficient low-cost dwellings and rents that are adapted to income levels. However, other areas like sustainable communities, diversity, integration, energy performance and living quality are equally important for long term value creation and satisfied residents.

In the Netherlands there has been successful implementation of social integration through a well-established infrastructure of large stocks of social housing for different income groups, providing affordable and adequate living environments for lower income households and other vulnerable groups in society.

When housing is classified in accordance to the social housing definition a guarantee can be applied from the Government guaranteed Social House-building Guarantee Fund (WSW). WSW provides guarantees to lenders granting loans to housing associations for social housing projects and other buildings with a social or public function.

NWB, as a public lending institute, is an important lender to the Dutch social housing providers social housing assets. With an ambition to raise further awareness around the

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<sup>1</sup> In 2018. Source: Aedes Benchmark

<sup>2</sup> In 2018:

[www.waarstaatjegemeente.nl/jive?cat\\_open\\_code=cgd9tgfemtMX&presel\\_code=rap\\_lmw3\\_1p&geolevel=Gemeente&geoittem=gemeente344\\_363&period=2020](http://www.waarstaatjegemeente.nl/jive?cat_open_code=cgd9tgfemtMX&presel_code=rap_lmw3_1p&geolevel=Gemeente&geoittem=gemeente344_363&period=2020)

Dutch social housing system and initiate further investor interest for social housing in general, NWB will issue an SDG Housing Bond to finance lending to Social housing. The Dutch system, apart from securing housing for disadvantaged groups in need, also targets a larger group of tenants, like youth and older people, who are facing challenges to find affordable homes. By ensuring good quality housing, the Dutch housing system aims to ensure secure a smooth integration of populations.

NWB will reassess the eligibility criteria for lending to affordable housing, and have a new assessment done, if any material changes are made to the legislation.

### **NWB and the UN Sustainable Development Goals (SDG's)**

NWB Bank's core activities, CSR policy and CSR objectives have an impact on a number of the SDG's. The CSR policy ([link](#)), supplemented by NWB's GRI table ([link](#)) provide an overview of the 'mapping' of goals, targets, indicators and the relevance to NWB.

To assess the SDG Housing Bond's contribution to the UN SDG's, 36 indicators have been selected and divided into seven categories, which are the main drivers in social housing activities that generate impact.

Based on this selection, NWB's model divides the set of social housing output and outcome indicators into seven Impact Drivers: Vulnerable groups, Housing affordability, Availability and stability, Good quality, Liveable communities, Environment & energy and Responsible local partner. Then, each Impact Driver can be matched with one or more corresponding UN SDG's, described below in the Eligible Project section<sup>3</sup>.

Based on this assessment, NWB has selected eight specific SDG's which are associated with the financing of SHO's and their Impact Drivers. The SDG's listed below, accompanied by an example of how NWB believes it can make a meaningful contribution towards achieving each objective over the next few years:

**SDG 1: No poverty:** Providing access to adequate housing to vulnerable groups. The core task of SHO's is to provide affordable and adequate housing for those who need it, especially those in vulnerable positions and those at risk-of-poverty. The sources of this vulnerability are often linked to households with low incomes and overburdened by housing costs. Affordable housing costs protects the purchasing power of low income families and also provides good quality and healthy homes.

**SDG3: Good health and wellbeing:** Ensure healthy lives and promote well-being for all at all ages. To ensure optimal living standards, the SHO's stick to strict building codes, they improve the energy performance and care about environmental indoor quality levels to protect the tenant's health while guaranteeing the safety and comfort of their dwelling. SHO's are also involved at a community level, taking an active role in visiting tenants so as to ensure more vulnerable groups are integrated into the community.

**SDG 5: Gender equality:** Make it possible, for instance, for single mothers and their children, which is a group with higher risks of vulnerability, to live by themselves in affordable

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<sup>3</sup> See [GREEN AND SOCIAL BONDS: A HIGH-LEVEL MAPPING TO THE SUSTAINABLE DEVELOPMENT GOALS](#), International Capital Market Association, 2018

and adequate dwellings. Furthermore, SHO's are also working towards a better gender balance within their organizations, including in their boards.

**SDG 7: Affordable, reliable, sustainable and modern energy for all:** NWB Bank finances the ambitious energy transition measures of SHO's that aim to improve the energy performance of their buildings, the use of renewable energy and energy efficient behaviour among tenants. This contributes to lower housing and energy costs, less energy poverty and reductions in CO2 emissions. Gradually more elements of a circular economy, as part of the life-cycle of buildings and by residents are being introduced by SHO's.

**SDG 8: Decent Work and Economic Growth:** SHO's work to ensure the provision of affordable housing that gives tenants proximity to the work place and other community infrastructure, thereby contributing to increased profitability and wellbeing.

**SDG 10: Reduced Inequality:** The SHO's mandate also ensures the access to thriving areas and cities for all, including lower incomes. It prevents segregation between communities and groups, leading to the inclusion of more vulnerable groups in society and the ability to thrive irrespective of one's neighbourhood and origins. Social housing also lowers the differences in disposable income after housing costs and creates a more equal access to other facilities and services.

**SDG 11: Sustainable Cities and Communities.** Make cities and human settlements inclusive, safe, resilient and sustainable. Social housing plays an essential role in making cities and communities places where everyone can reach its full potential. Investments in SHO's contribute to those needs by reducing inequalities and social exclusion by integrating people in diversified society. The provision of adequate housing solutions goes often hand in hand with the mobilisation of a range of services to better integrate low-income and vulnerable population groups in cities (i.e. social support, care, health, sports, culture) to avoid segregation, inequalities and disturbances within cities.

**SDG 16: Peace, Justice and Strong Institutions.** Promote peaceful and inclusive societies for sustainable development and build effective, accountable and inclusive institutions at all levels. Through different institutional settings - local performance agreements with municipalities, stakeholders involvement, cooperation frameworks with local partners - SHO's are able to provide support to a wide group of vulnerable groups with urgent housing needs, such as homeless people, refugees, divorced people, mental health patients, ex-offenders, current and former substance users, victims of domestic abuse; people with care indications and elderly people

## **ELIGIBLE ASSETS**

"**Eligible Assets**" means a selected pool of loans funded, in whole or in part, by NWB that promote the Social housing system in The Netherlands as determined by The Guarantee Fund (WSW), and that promote any of the selected UN SDG's as outlined in this Framework. Proceeds from the SDG Housing Bonds will exclusively fund NWB's lending to The Housing Associations, and only, if such a loan has been approved and Guaranteed by the Social House-building Guarantee Fund WSW.

Eligible Assets

- Maximum of 80% of loans provided to Social Housing Providers (only loans approved and guaranteed by the Social House-building Guarantee Fund (WSW))
  1. 80% of the Social Housing Lettings must be given to households with a maximum income of EUR 36,798 (2018) per annum
  2. Rents are capped at EUR 710.68 per month
  3. A maximum of 10% of the yearly social lettings may be allocated freely up to € 42,436 or to specific priority groups<sup>4</sup>.

### UN SDG Alignment

UN SDG	Corresponding NWB Impact Drivers	ICMA SBP Category
	<ul style="list-style-type: none"> <li>• Deliver Adequate Dwellings</li> <li>• Housing Vulnerable Groups</li> <li>• Manage Affordable Housing</li> <li>• Environment and Energy</li> <li>• Liveable Communities</li> <li>• Local Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable Housing</li> <li>• Socioeconomic Advancement and Empowerment</li> <li>• Access to Essential Services</li> </ul>
	<ul style="list-style-type: none"> <li>• Housing Vulnerable Groups</li> <li>• Manage Affordable Housing</li> <li>• Deliver Adequate Dwellings</li> <li>• Quality of Adequate Housing</li> <li>• Liveable Communities</li> <li>• Environment and Energy</li> <li>• Local Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Access to Essential Services</li> <li>• Affordable Basic Infrastructure</li> </ul>
	<ul style="list-style-type: none"> <li>• Housing Vulnerable Groups</li> <li>• Local Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Socioeconomic Advancement and Empowerment</li> <li>• Access to Essential Services</li> <li>•</li> </ul>
	<ul style="list-style-type: none"> <li>• Environment &amp; Energy</li> <li>• Manage Affordable Housing</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable Basic Infrastructure</li> </ul>
	<ul style="list-style-type: none"> <li>• Manage Affordable Housing</li> <li>• Liveable Communities</li> <li>• Environment &amp; Energy</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable Housing</li> <li>• Socioeconomic Advancement and Empowerment</li> <li>• Access to Essential Services</li> <li>• Employment Generation</li> </ul>

<sup>4</sup> Groups of households determined by the municipality; households with health problems; people in situations of insecurity, enduring problems with social factors, force majeure or calamities; house exchanges; and co-tenants that become tenant. Since these groups are considered the most vulnerable in a social context, this 10% is not part of the calculation of the 20% above the maximum threshold in point (1).

	<ul style="list-style-type: none"> <li>• Manage Affordable Housing</li> <li>• Housing Vulnerable Groups</li> <li>• Deliver Adequate Dwellings</li> <li>• Quality of Adequate Housing</li> <li>• Liveable Communities Environment and Energy</li> </ul>	<ul style="list-style-type: none"> <li>• Socioeconomic Advancement and Empowerment</li> <li>• Access to Essential Services</li> </ul>
	<ul style="list-style-type: none"> <li>• Manage Affordable Housing</li> <li>• Deliver Adequate Dwellings</li> <li>• Housing Vulnerable Groups</li> <li>• Quality of Adequate Housing</li> <li>• Liveable Communities</li> <li>• Environment and Energy</li> <li>• Local Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable Housing</li> <li>• Affordable Basic Infrastructure</li> <li>• Socioeconomic Advancement and Empowerment</li> </ul>
	<ul style="list-style-type: none"> <li>• Deliver Adequate Dwellings</li> <li>• Liveable Communities</li> <li>• Local Partnership</li> </ul>	

								
Deliver Adequate Dwellings	✓	✓			✓	✓	✓	✓
Manage Affordable Housing	✓	✓		✓		✓	✓	
Housing Vulnerable Groups	✓	✓	✓			✓	✓	
Quality of Adequate Housing		✓				✓	✓	
Liveable Communities	✓	✓			✓	✓	✓	✓
Environment & Energy	✓	✓		✓	✓	✓	✓	
Local Partnerships	✓	✓	✓				✓	✓

### SELECTION OF ELIGIBLE ASSETS

The Eligible Assets are loans to the Dutch Housing Associations with a guarantee from the Social House-building Guarantee Fund (WSW) and will be selected by the Lending Department. The Housing Associations will use the funds to finance and refinance social housing projects according to the Dutch law. All eligible loans need an approval in accordance with the process described in the introduction. NWB treasury will qualify lending

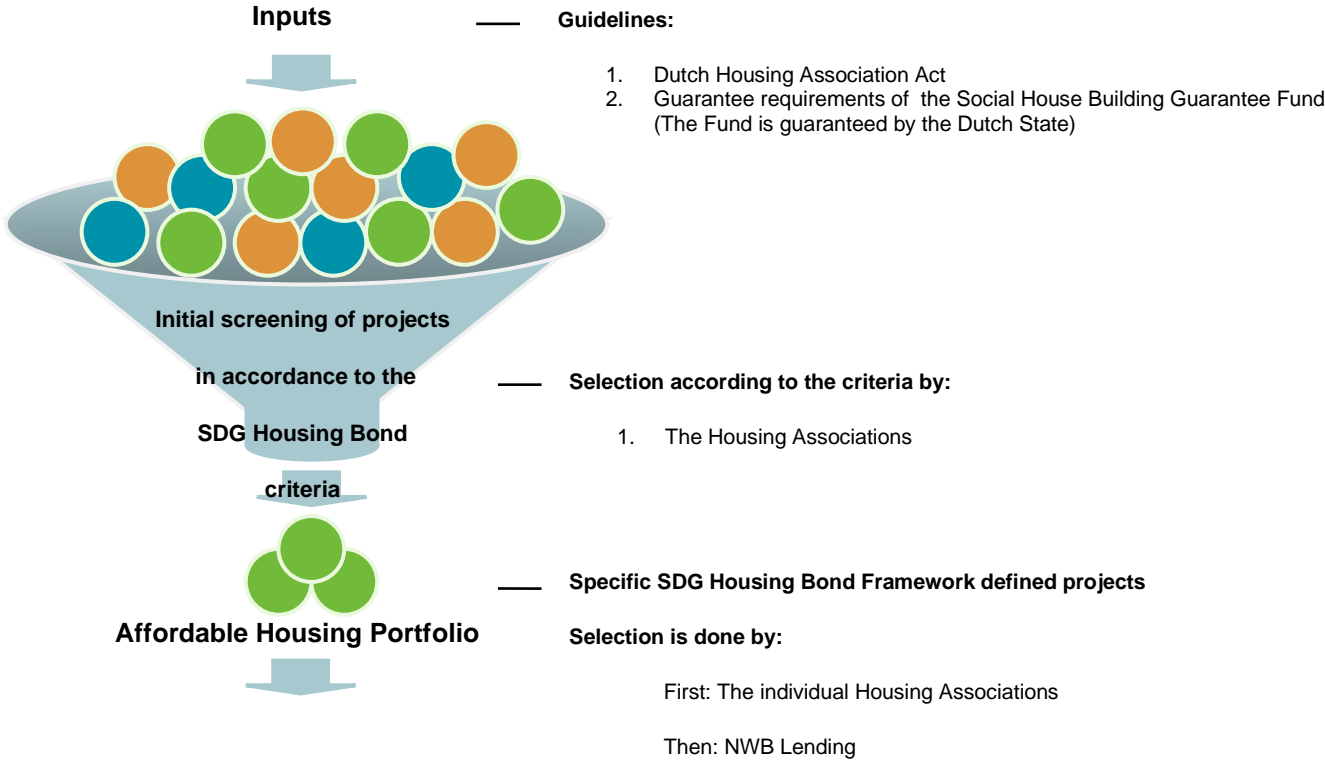
inside a given calendar year as eligible assets for a given issuance of a SDG Bond in the same calendar year unless a potential divergence is clearly defined in connection with the offering.

**MANAGEMENT OF PROCEEDS**

NWB will maintain and monitor a register of Eligible Assets attributable to the proceeds of any SDG Bond issuance. If, at the end of every fiscal quarter, the total amount of proceeds from SDG Bonds exceeds the total value of Eligible Assets, the excess liquidity will be managed in accordance with NWB’s liquidity management policy.

Despite that 100% of the lending is done to SHO’s social housing stock, NWB will not qualify more than 80% of their lending to the SHO’s social housing stock as eligible assets, since some of the tenants might improve their living standards but continue living in the social housing stock.<sup>5</sup>

**SDG Housing Bond Project Selection Process flowchart**



**TRANSPARENCY**

To enable investors to follow the development and provide insight to prioritised areas, NWB will provide an annual investor letter to investors through its homepage, including, where relevant and accessible:

<sup>5</sup> In 2016 roughly 15% of the residents had an income above the EUR 35,739 threshold

1) Assessment of impact through NWB's Impact Drivers and associated Key Performance Indicators, examples of which are detailed below:

<b>Impact Driver</b>	<b>Outcome KPI Examples</b>	<b>Output KPI Examples</b>
1: Deliver Adequate Dwellings	<ul style="list-style-type: none"> <li>• Individual attributions of social dwellings</li> <li>• Percentage of social dwellings covering general target group and priority target groups</li> </ul>	<ul style="list-style-type: none"> <li>• Number of social dwellings owned and managed</li> <li>• Amount invested in construction and purchase of social dwellings</li> <li>•</li> </ul>
2: Manage Affordable Housing	<ul style="list-style-type: none"> <li>• Percentage increase/decrease in rents</li> <li>• Average net housing ratio</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
3: Provide Housing to Vulnerable Groups	<ul style="list-style-type: none"> <li>• Number of households benefitting from submarket rents and stable housing conditions</li> <li>• Number of new attributions of social dwellings</li> </ul>	
4: Maintain the Quality of Adequate Housing	<ul style="list-style-type: none"> <li>• Tenants' rating of the quality of their dwelling</li> </ul>	
5: Contribute to Liveable Communities and Neighbourhood Quality	<ul style="list-style-type: none"> <li>• Tenants' rating of satisfaction with their neighbourhood</li> </ul>	<ul style="list-style-type: none"> <li>• Amount spent on community services and other measures to improve quality of life</li> </ul>
6: Take Responsible Environment and Energy Measures		<ul style="list-style-type: none"> <li>• Number of social dwellings receiving PV panels (annual and total)</li> <li>• Percentage improvement in energy performance</li> </ul>
7: Responsible Local Partnerships	<ul style="list-style-type: none"> <li>• Number of performance agreements concluded between SHO's, local authorities and tenant associations</li> </ul>	

2) A list of Loans;

3) A balance of:

- a) Outstanding SDG Housing Bonds;
- b) Aggregated lending to eligible assets, and;
- c) Non-disbursed cash

3) A selection of lending examples, and;

4) A summary of the NWB SDG Housing Bond developments.

NWB will to the extent possible try to illustrate impact of the Dutch Social Housing market through specific examples, illustrating their compatibility with the relevant UN SDG.

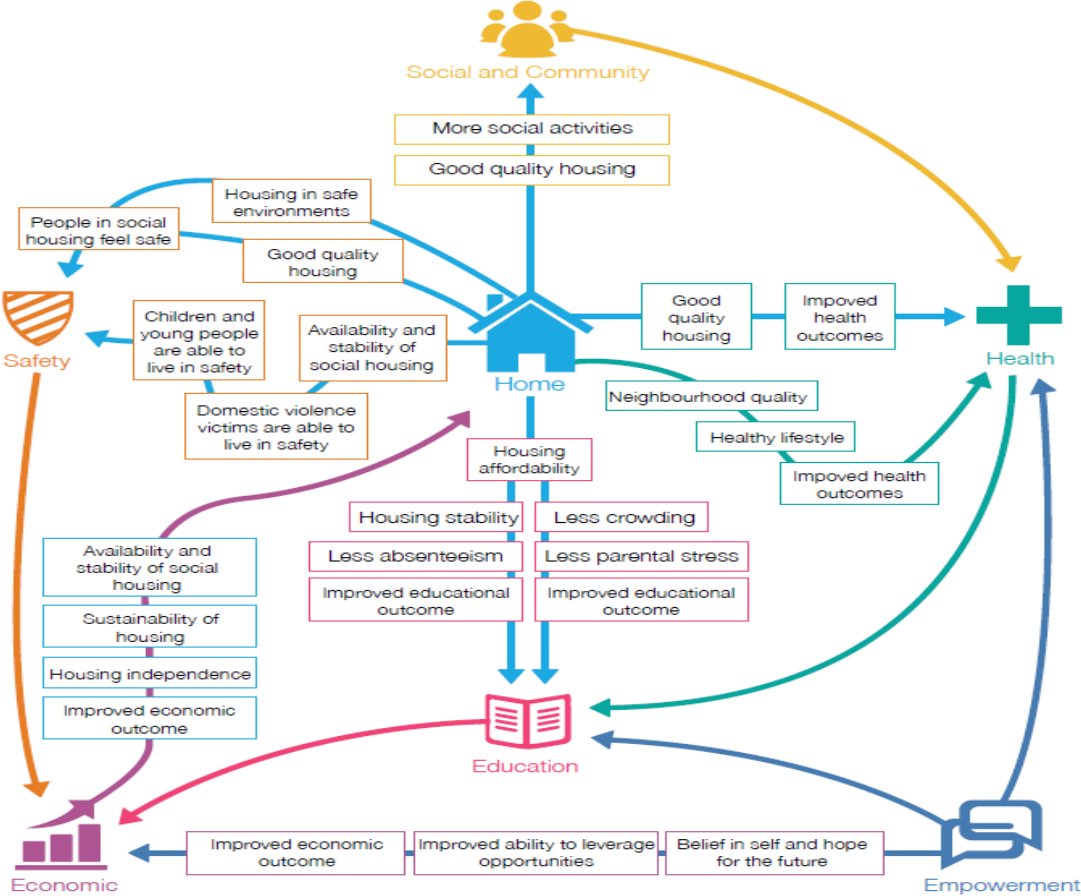


**FURTHER INFORMATION:**

**NWB:** <https://www.nwbbank.com/csr-reporting-policies.html>

**Below:** Graphic illustrating the impact streams of the social housing system<sup>6</sup>

**Figure 1: Outcome model for social housing**



<sup>6</sup> Outcome model for social housing, source: Government of New South Wales, Australia