

# External Assessment ESG Report

Launch Presentation

Offices convene | esg London, 21 February 2024

# RITTERWALD successfully advises the real estate sector in Europe and expanded its services with the establishment of HYSTAKE

## RITTERWALD and HYSTAKE



Since 2011 RITTERWALD is a pan European consulting firm (35+ consultants)

- Applying proven European business concepts in housing and energy management
- Developing sustainability strategies as part of business planning



In 2023 RITTERWALD co-founded HYSTAKE investment partners a pan European investment boutique

- Focus on tailor-made and long-term optimal capital allocations
- Advising businesses and investors on corporate, portfolio and investment strategy issues as well as increasing ESG requirements

RITTERWALD enables clients to demonstrate and enhance their ESG credentials with various services

<p>1 <b>Certified Sustainable Housing Label</b> comene   esg   imug   rating</p>	<p>2 External Assessment of ESG Report</p>	<p>3 Sustainability Assurance Provider for Sustainability Performance Targets (SPT)</p>
<p>4 Double Materiality Analysis – prioritise corporate sustainability strategy</p>	<p>5 Climate Transition Planning lookthrough</p>	<p>6 (Updates) Sustainable Finance Framework ICMA-LMA compliant</p>

# Addressing the need for evidence-based data in ESG reports with a cost-effective external assessment

## A selection of aligned views

Housing associations are **well positioned** for accessing sustainable bonds and loans. However, better **quality data** on climate risk, social impact, and good governance **must be demonstrated** to retain and grow social and affordable housing as an **investment grade risk adjusted asset class**. Thus, **ESG data** needs to be **verified**.

Explicit attention is called on **the need for financial and non-financial quality data**

- Bromford's **Imran Mubeen** is actively engaging lenders and investors in Bromford's sustainability performance, introducing 10 golden metrics in their trading updates.
- Lloyd's **Chris Yau** is pointing out that the demand for ESG data from funders will continue to intensify and is calling for action.
- Pension Insurance Corporation's **Celia Franch Lopez** is explaining how lenders want to see housing associations report on environmental data.
- THFC's **Danielle Hughes** is advocating that data are comparable and accurate, especially regarding Greenhouse gas emissions.
- Convene esg's **Arturo Dell** is advocating user-friendly data platforms to manage quality data.
- Finally, SfH's chair **Brendan Sarsfield** is calling the housing associations to act now. His call does align with the second annual review of the SRS, in which lenders and investors stated that they want to challenge housing associations to raise the quality of their reporting.

# RITTERWALD's external assessment provides guidance on improvement potential in the publicly available ESG report

## Performance overview

### EXTERNAL ASSESSMENT

	CRITERIA	Measurement Unit	Evaluation Levels				Evidence (Example)
			Insufficient	Sufficient	Good	Great	
ENVIRONMENTAL	<b>1 Energy performance existing stock</b> ⓘ Distribution of EPC ratings of existing homes	% of Homes • rated A • rated B • rated C • rated D • rated E or worse • without EPC rating		Availability of EPC ratings for >75% of stock	75 – 95% of stock covered	>95% of stock covered	Graph EPC Distributions
	<b>2 Energy performance new construction</b> ⓘ Distribution of EPC ratings of new homes						
	<b>3 Carbon emissions</b> Does the housing provider report on CO2 emissions?	Yes/No Quantitative response		Scope 1 and 2 OR embodied and operational carbon emissions reported on	Scope 1, 2, AND Operational and embodied carbon emissions reported on	Scope 1, 2, 3, operational and embodied carbon emissions reported on	Breakdown of the scope 1,2 and 3 emissions

### EXPLANATION

- **14 SRS criteria** are assessed, out of which 6 are **environmental**, 4 **social** and 4 **governance**-related
- There are **4 levels of evaluation of individual criteria**: insufficient, sufficient, good and great
- There are **3 ranking levels of data quality of ESG report**: poor, satisfactory and exemplary
- An additional **Assessment Statement** explains the performance achieved. Furthermore, it provides **recommendations on improvement potential** within the evaluated ESG report.

# There is a strong lenders focus on environmental data, making the environmental dimension crucial for obtaining financing

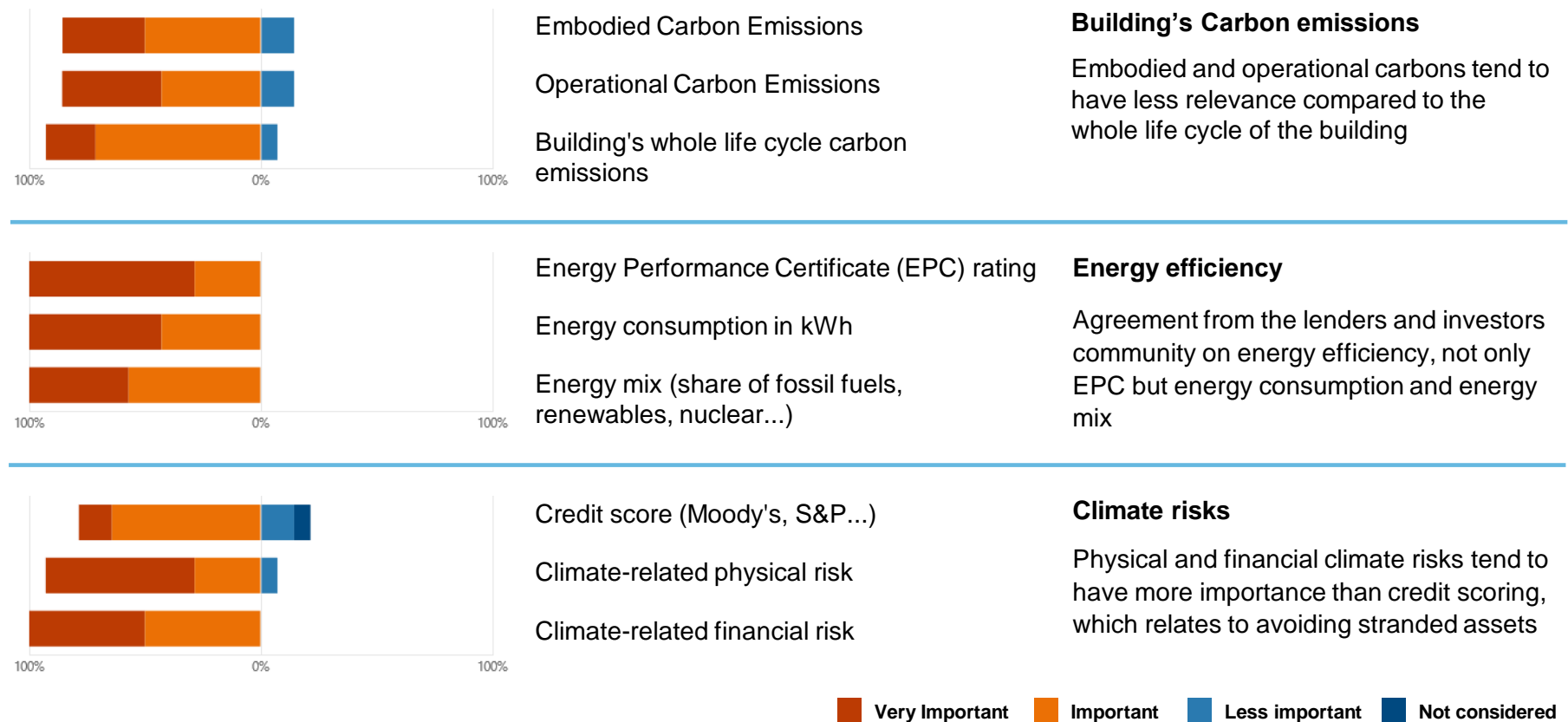
## Environmental

① Completed before the last financial year ② Completed in the last financial year

		LEVELS FOR EVALUATION					
CRITERIA	Measurement Unit	Insufficient	Sufficient	Good	Great	Evidence (Example)	
ENVIRONMENTAL	1 <b>Energy performance existing stock</b> ① Distribution of EPC ratings of existing homes	% of Homes • rated A • rated B • rated C		Availability of EPC ratings for >75% of stock	75–95% of stock covered	>95% of stock covered	Graph EPC Distributions
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	4 <b>Net zero carbon</b> Does the housing provider have a Net Zero target and strategy? If so, what is it?	Yes/No Qualitative response		Strategy including long-term targets only	Strategies including long-term and short-term targets	Strategy with clear action plan including long and short-term targets with assigned responsibilities and/or KPIs	Our target is to reach net zero by 2035 and to reduce carbon by 70% by 2030.
	5 <b>Retrofitting</b> What retrofit activities has the housing provider undertaken in the last 12 months, and how do these align with the housing provider's Net Zero strategy?	Qualitative response		Provision of single case studies or general text	Reporting of overall KPIs such as % of all maintenance budget targeted to net zero or % of stock that has undergone measures targeted at Net Zero or similar measures	Reporting of overall KPIs such as % of all maintenance budget targeted to net zero or % of stock that has undergone measures targeted at Net Zero (or similar measures) including a plan for the upcoming years and comparison to past year	Retrofitting measures and their respective impact on emissions
	6 <b>Biodiversity</b> How is the housing provider increasing Green Space and promoting Biodiversity on or near homes?	Qualitative response		Provision of single case studies or general text	Provision of various case studies supported by design guidelines and/or internal specifications	Provision of plan for all stock (new build and existing) including percentage of coverage etc. incl. KPI	Backyard initiative to renaturate unused parking lots to attract natural wildlife

# Among lenders in Europe, carbon emissions and climate related physical and financial risk data are of increased importance

## Environmental among European lenders



# Disclosures requires the housing sector to take social and governance aspects into account

## Social and Governance

SOCIAL	<b>7 Rent Level</b> For properties that are subject to the rent regulation regime, does the housing provider report against one or more Affordability Metrics: • Rent compared to median private rental sector (PRS) rent across the relevant Local Authority • Rent compared to the relevant Local Housing Allowance (LHA)	% of PRS rent % of LHA rent		Just one of the two measures	For both measures	Split between existing and new built and both measures, per housing market region	Table on rent levels
	<b>8 General and special purpose housing in existing stock</b> <ul style="list-style-type: none"> <li>• General needs (social rent)</li> <li>• Intermediate rent</li> <li>• Affordable rent</li> <li>• Supported Housing</li> <li>• Housing for older people</li> </ul> Share, and number, of existing homes (owned and/or managed) allocated to:	% properties Number of properties		Reported without differentiation	Reported with differentiation	Including plan for current development programme	Overview of housing stock
	<b>9 General and special purpose housing in new construction</b> <ul style="list-style-type: none"> <li>• Low-cost home ownership</li> <li>• Care homes</li> <li>• Private Rented Sector</li> <li>• Other</li> </ul> Share, and number, of new homes (owned and/or managed) allocated to:						Overview of housing stock, explaining the rationale behind the types of new constructions realised
	<b>10 Tenant satisfaction</b> What are the results of the housing provider's most recent tenant satisfaction survey?	% of residents satisfied		Reporting on tenant satisfaction without further information	Results of survey provided including measures specifying which actions will be taken in order to enhance tenant satisfaction	Results of survey provided including quantifiable measures specifying which actions will be taken (including time frame and responsibilities) in order to enhance tenant satisfaction	Reference to tenant surveys
GOVERNANCE	<b>11 ESG risks</b> Explain how the housing provider's board manages ESG risks. Are ESG risks incorporated into the housing provider's risk register?	Qualitative response		Provision of ESG risk list and approach	Provision of ESG risk matrix including measures specifying which actions will be taken in order to mitigate risks	Provision of ESG risk matrix including quantifiable measures specifying which actions will be taken (including time frame and responsibilities) in order to mitigate risks	Visualisation of strategy to manage ESG risks
	<b>12 Environmental impact</b> How is environmental impact considered when procuring goods and services?	Qualitative response		Report on having sustainability requirement standards in place	Report on having sustainability requirement standards in place and elaborate on the specific policies in place incl. the main contents	Report on having sustainability requirement standards in place and elaborate on the specific policies in place incl. the main contents plus introduce a best practice / concrete measure	Overview of sustainability requirement standards with a supplementary best practise case study
	<b>13 Professional development</b> How does the housing provider support the professional development of its staff?	Qualitative response		Report % of overall employees with significant training	Report % of employees and competence fields targeted	Report % of employees and competence fields targeted plus by role of employee	Visualisation of training groups incl. share of employees targeted and reached by those
	<b>14 Equality Diversity Inclusion (EDI)</b> How is the housing provider ensuring equality, diversity and inclusion (EDI) across its staff?	Qualitative response		Report on recruitment policies	Report on recruitment policies and % of employees receiving awareness training	Report on recruitment policies, % of employees receiving awareness training and engagement in EDI promotion groups	Paragraph on EDI and respective programmes

# Social and governance KPIs also gain importance by investors and lenders across Europe

## Social and Governance among European lenders

### SOCIAL AND GOVERNANCE KPIs



#### Examples Social kpi's

Share of units falling under the category of special purpose housing (and care)

Flexible working conditions for employees

#### Examples Governance kpi's

Existence of a strategic risk map

Gender distribution in leading positions

### EXPLANATION

For **Sustainability-Linked Loans (SLLs)**: **variety** of **sustainability-related KPIs** proportionately balanced using the knowledge of the borrower and considering all three ESG dimensions

**Mitigations** for **climate risks** should be **transparent** (e.g. insurance) for taxonomy alignment

**Biodiversity** and **nature** will become more relevant

In general, there should be a limitation on the number of key only KPIs

### SOLUTION

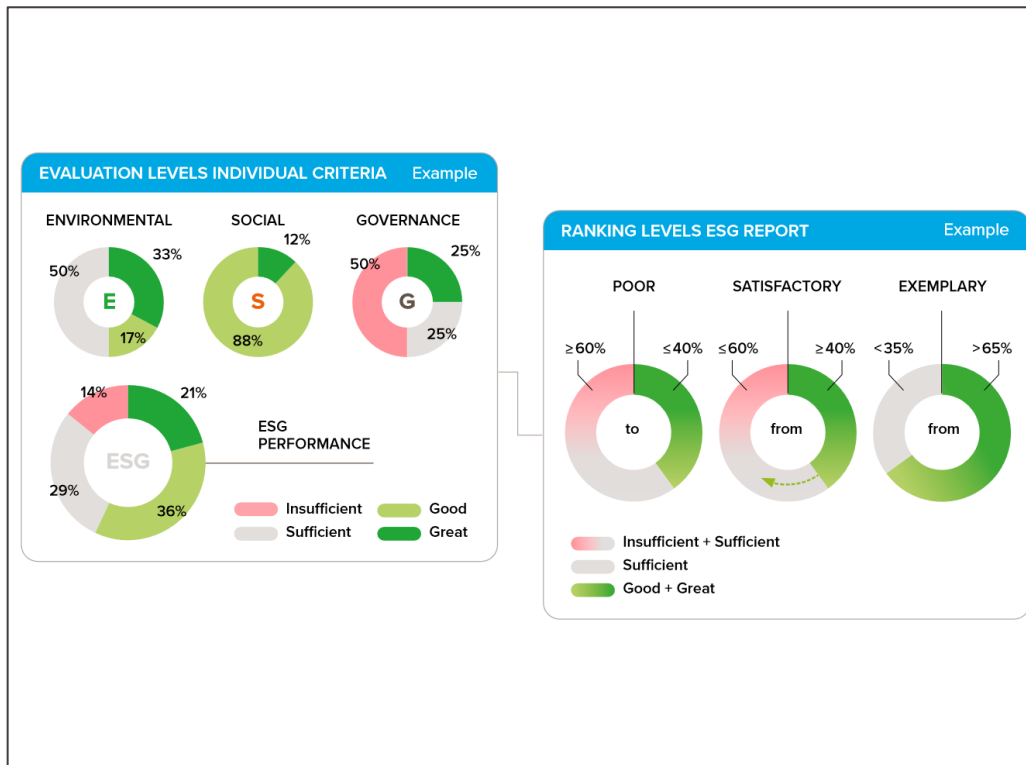
**Reduction of complexity**



# RITTERWALD's dashboard shows performance at a glance – more explanation provided in the external assessment

## Performance overview

### DASHBOARD

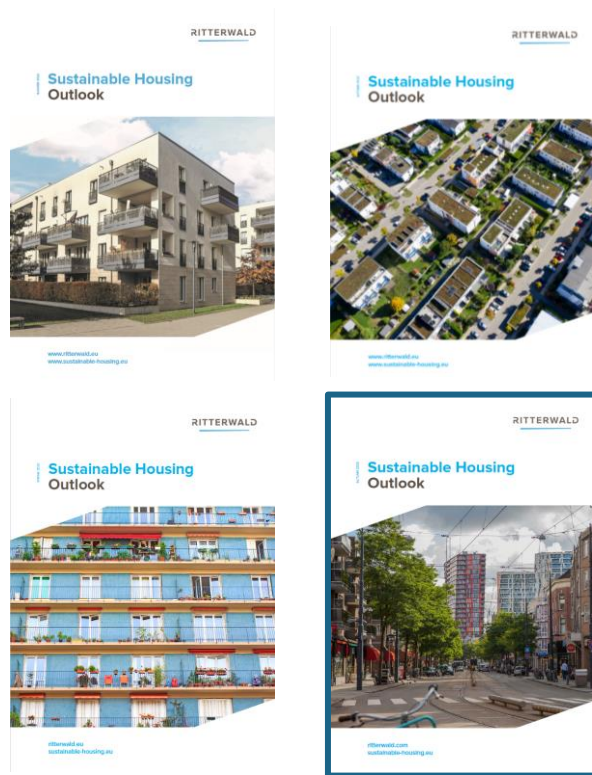


### EXPLANATION

- The dashboard provides an **overview** of the **ESG-report performance**
- For better **distinction** between E, S and G, all three dimensions are shown **separately**
- Data quality of ESG report is rated as **poor**, if  $< 40\%$  of criteria are good/great. It is **satisfactory**, if 40-65% of criteria are good/great. If  $> 65\%$  of criteria are good/great **and no criterion is insufficient**, an ESG report is **exemplary**.

# The fourth edition of RITTERWALD's Sustainable Housing Outlook focuses on urban (re)development opportunities

First Edition 06/22, Second 10/22, Third 05/23, Fourth 11/23 and Fifth 05/24



**CONTENT**  
11/23

Sustainable urban development in the EU under the umbrella of the European Green Deal

RITTERWALD sustainable urban development examples from the Netherlands

(Re)development momentum in the UK with the The Levelling-up and Regeneration Bill becoming law

Northern Ireland sustainable housing development and regeneration schemes

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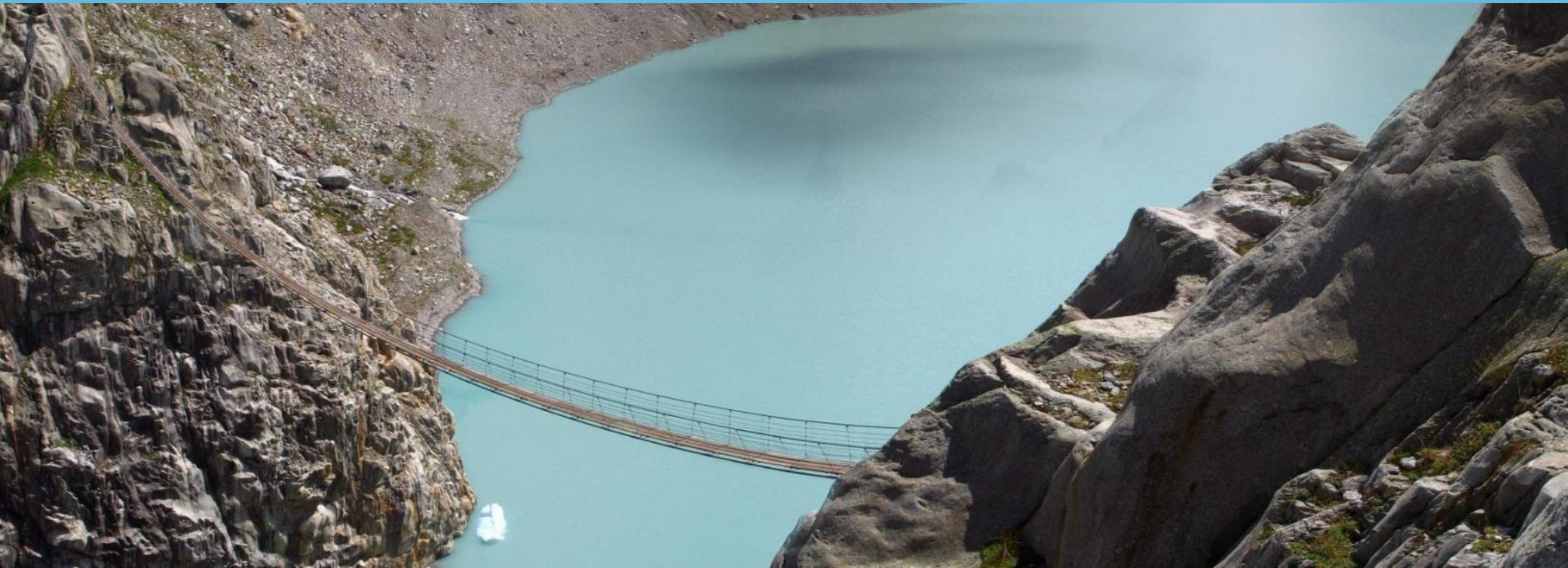
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With care and vision.**



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**CONSULTING**

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