



# CHIA Affordable Housing Development & Investment Summit

ESG Reporting Standard provides data for accessing sustainable finance

Ad Hereijgers, 27 February 2024

<b>A</b>	<b>Introduction RITTERWALD</b>	<b>3</b>
<b>B</b>	<b>ESG Reporting Standard for Australian Community Housing</b>	<b>4</b>
<b>C</b>	<b>Lenders Survey on ESG data requirements in Europe</b>	<b>9</b>
<b>D</b>	<b>Summary and Outlook</b>	<b>12</b>

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

## Introduction RITTERWALD and HYSTAKE



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

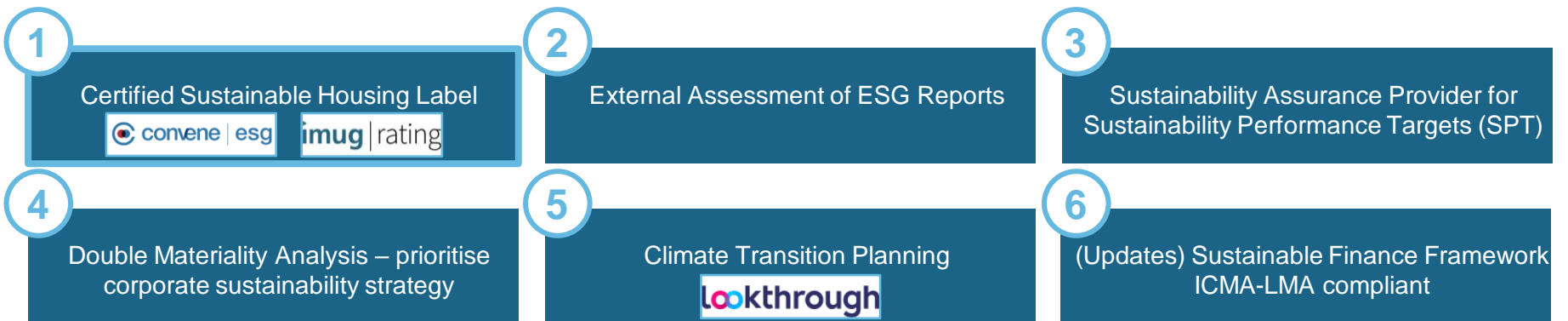
- Applying proven European business concepts in housing and energy management
- Developing sustainability strategies as part of business planning



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



# Implementation of ESG reporting standard has committed early adopters and supporters among CHPs and financial institutions

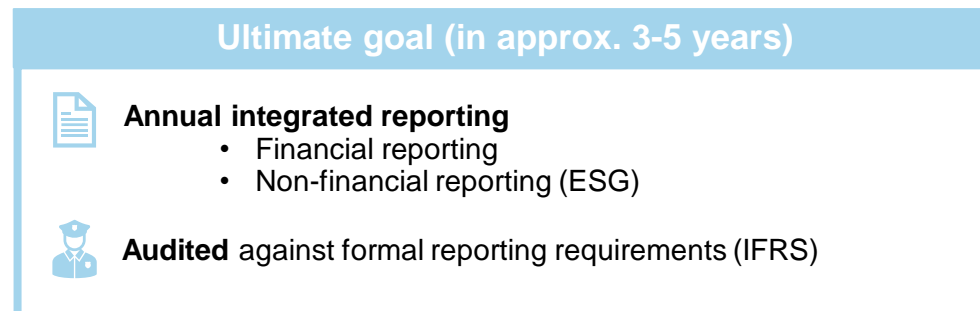
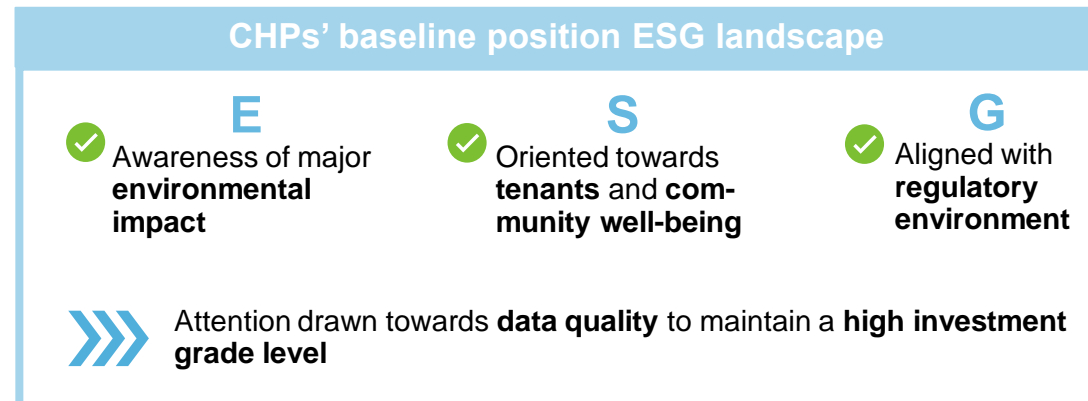
## Current status of ESG Reporting Standard for Australian Community Housing (1/2)

### What it is

- **Strongly recommended Disclosure Framework for community housing providers**
- Creating **transparency, consistency and comparability**
- Self-certifying: **no external assessment** from third party (yet)

### What it does

- **Increase access** to diversified lenders and investors for **sustainable debt finance** (domestic and international investors)
- **Grow social and affordable housing delivery** and finance retrofits **towards net zero carbon emissions**



# Implementation of ESG reporting standard has committed early adopters and supporters among CHPs and financial institutions

## Current status of ESG Reporting Standard for Australian Community Housing (2/2)

### ADOPTER VERSUS SUPPORTER

- **Adopters** commit to **integrating the Standard** into their investment and credit policies, processes, and/or product design
- **Supporters** commit to **promoting** the adoption and implementation of the Standard

### Current adopters and supporters (February 2024)

#### Adopters

##### CHPs



##### Financial Institutions



#### Supporters

##### CHPs



##### Other

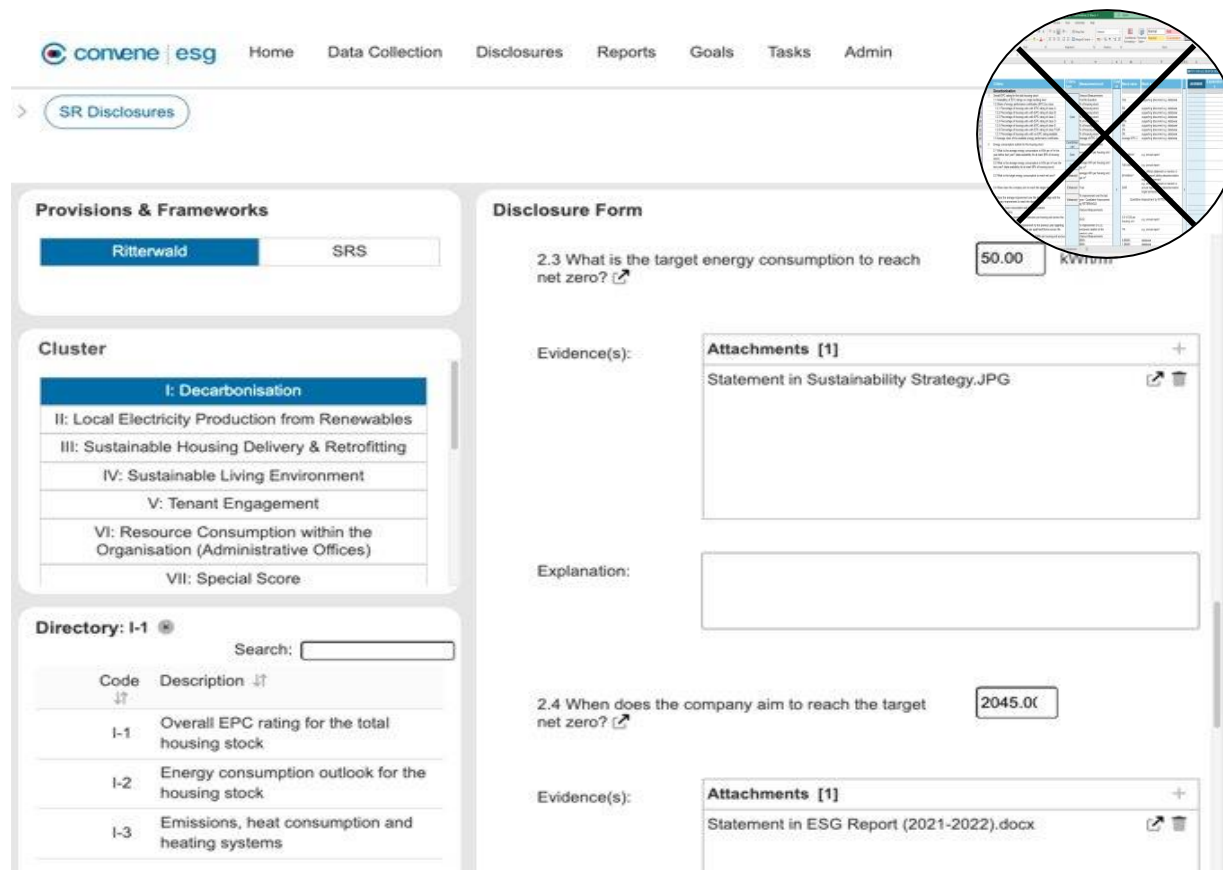


##### Financial Institutions



# ESG Reporting process is made easier by using ESG data platform. Convene ESG data platform as example

## Features of the Convene ESG platform



### Comments

- Switch from **excel file** to **user-friendly data platform**
- **Cluster by cluster** approach
- CHP will be able to **upload data** in **different file formats**.
- **Comment section** for internal and external communication
- Further information:

**Tanya Gleeson**  
 Enterprise Sales Executive  
 +61 421072206  
[tanya.gleeson@azeusconvene.com](mailto:tanya.gleeson@azeusconvene.com)

[www.azeusconvene.com/au](http://www.azeusconvene.com/au)

# Sustainability disclosures from financial institutions will affect CHPs data requirements through the value chain

## Sustainability disclosures



### Global organisations leading the way

- **IFRS S1:** Offers direction on **identifying** sustainability-related **risks** and **opportunities**, and **relevant disclosures** to be made
- **IFRS S2:** Sets out **requirements** for **identifying**, **measuring** and **disclosing** climate-related **risks** and **opportunities**
- **ED SR1 ASRS Standards:** Offers additional **clarification** on the **adoption** of **IFRS S1** and **S2** for implementation in **Australia**, emphasising a '**climate first**' approach
- **Exposure Draft Treasury Laws Amendment Bill 2024:** Proposes **requirements** regarding **entities** obligated to report, necessary **information** for reporting, and **timelines** and **locations** for disclosing the information

**Climate Transition Planning** to become a main driver to raise the bar for selected **ESG data** to show the organisation's tangible **contribution** to a **low carbon economy**





# Sector-specific SRS and adopting policies from bond aggregators in UK can serve as reference for Housing Australia

Enhanced version SRS (partly) driven by climate related disclosures

## UK Sustainability Reporting Standard

- Developed and owned by the social housing sector to collectively **tell their ESG story**
- SRS is **endorsed by 110+ housing associations and 30+ lender and investors**
  - **Trust in the nature of the SRS** (alignment with their ESG credit application questionnaires)
  - Can **contribute to cost of infrastructure SRS** (secretariat)
- SRS 2.0 released in September 2023
  - Introduced **reporting on all criteria**, or explain **the reason behind not reporting**
  - More focus on **tenant satisfaction** and **scope 3 emissions among others**

## Bond aggregators who adopted the SRS

THFC – Government owned  
£7b loan portfolio with over 160  
HA borrowers

MORhomes – 67 HA shareholders  
£540m currently on-lent





# European Lender Survey: Growing ESG relevance leads to the need for enhanced ESG data management in the housing industry

Survey on ESG data requirements among lenders and investors in Europe (incl. UK)





## CONTEXT AND SURVEY DESIGN

- Increase in **regulatory** and **legal ESG requirements** for the **housing industry**
- **RITTERWALD** conducted a **survey** to get a better understanding of **lenders'** and **investors'** interest in **ESG data**
- Questions on **sustainable finance products**, alignment of **carbon emission reduction targets** between lenders and housing providers, **environmental data requirements** from lenders to housing providers, relevance of **climate related KPIs**

## PARTICIPANTS



## OUTCOME AND TAKE-AWAYS

- High emphasis on **energy-related KPIs about the stock**: EPC rating, and energy consumption particularly. **Climate-related financial risks** also of high interest 
- In general, **KPIs dealing with use of the building** (unveil the need for **regular** and **reliable** information/data collection) 
- **Medium-term alignment** preferred (3-5 years) when **ESG data** will need to be **certified** but **different opinions** on **alignment time horizon** 
- **Danger of stranded assets** translates into **investments** directed towards **environmental purposes** with sustainability-linked loans & bonds, green loans & bonds 

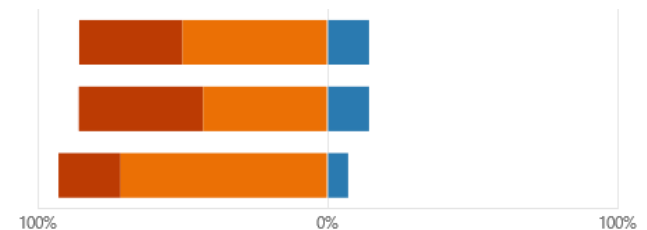
# European Lender Survey: EPC rating still most used, but carbon emissions and climate related -physical- risk data gain importance

## Climate related KPIs of borrowers important for lenders and investors

### Building's Carbon emissions

Embodied and operational carbons tend to have less relevance compared to the **whole life cycle of the building**

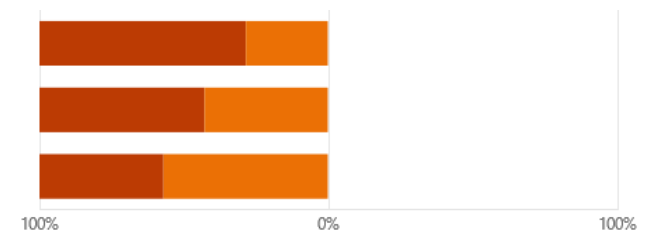
- Embodied Carbon Emissions
- Operational Carbon Emissions
- Building's whole life cycle carbon emissions



### Energy efficiency

Agreement from the lenders and investors community on **energy efficiency**, not only EPC but energy consumption and energy mix

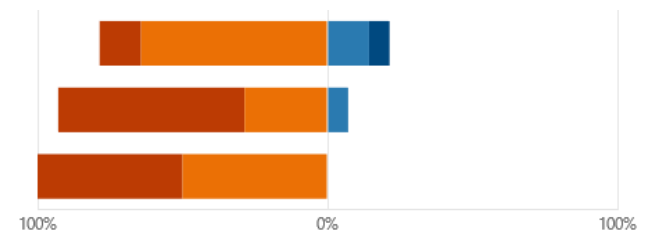
- Energy Performance Certificate (EPC) rating
- Energy consumption in kWh
- Energy mix (share of fossil fuels, renewables, nuclear...)



### Climate risks

Physical and financial **climate risks** tend to have more importance than credit scoring, which relates to **avoiding stranded assets**

- Credit score (Moody's, S&P...)
- Climate-related physical risk
- Climate-related financial risk

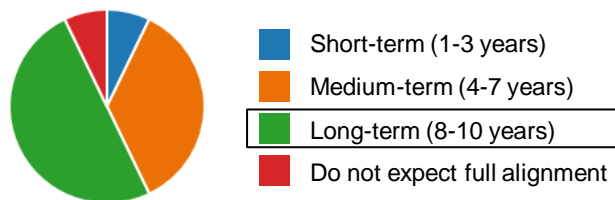


# European Lender Survey: When and how housing providers should be ready to meet reporting expectations of lenders

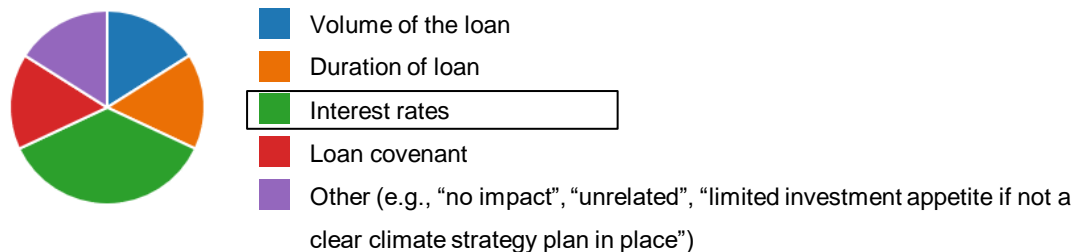
## Alignment to carbon reduction pathway

### TIME HORIZON AND COST OF CAPITAL

Expected time horizon for housing providers to align differs among lenders:



Interest rates seem to be affected the most by the alignment of housing providers to climate transition



### CARBON REDUCTION

- Lenders and investors are **moderate on scheduling** achieving their **carbon emission reduction strategy**
- For now, lenders and investors **expect housing providers to align partially** with their **carbon emission reduction goals**
- Expectation of **audited ESG** data submission **within the next 2 years** (43%) or the next **3-5 years** (57%) assessed by **accredited consultants, auditors, other second-party opinion providers or credit rating agencies**

# Charting Australia's sustainable future: Government policies pave the way, further private capital in housing sector needed

## Summary and Outlook



Current **Australian Government** has implemented **game changing policies**



To **successfully implement** the **ESG reporting standards** to **enhance housing delivery**, one should **consider**:

- Continuously collecting **reliable, transparent** and **good quality ESG data** supporting the use of proceeds of **sustainable finance**
- Engaging (global) **bond investors** seeking to **grow** their **investments** in **social** and **affordable housing** by complying with global climate disclosure requirements



**Climate related disclosures** of **financial institutions** will also **affect** community housing providers (CHPs) **data requirements** through the **value chain**

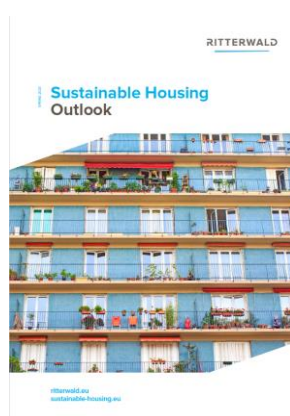
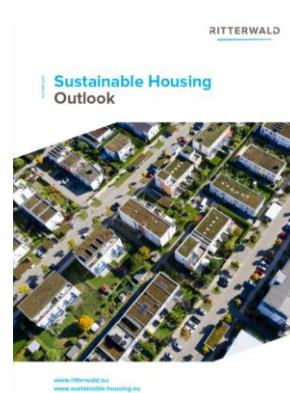


**In driving sustainable change in delivery of social and affordable housing, sustainable partnerships between the public and private sector are key**



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

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

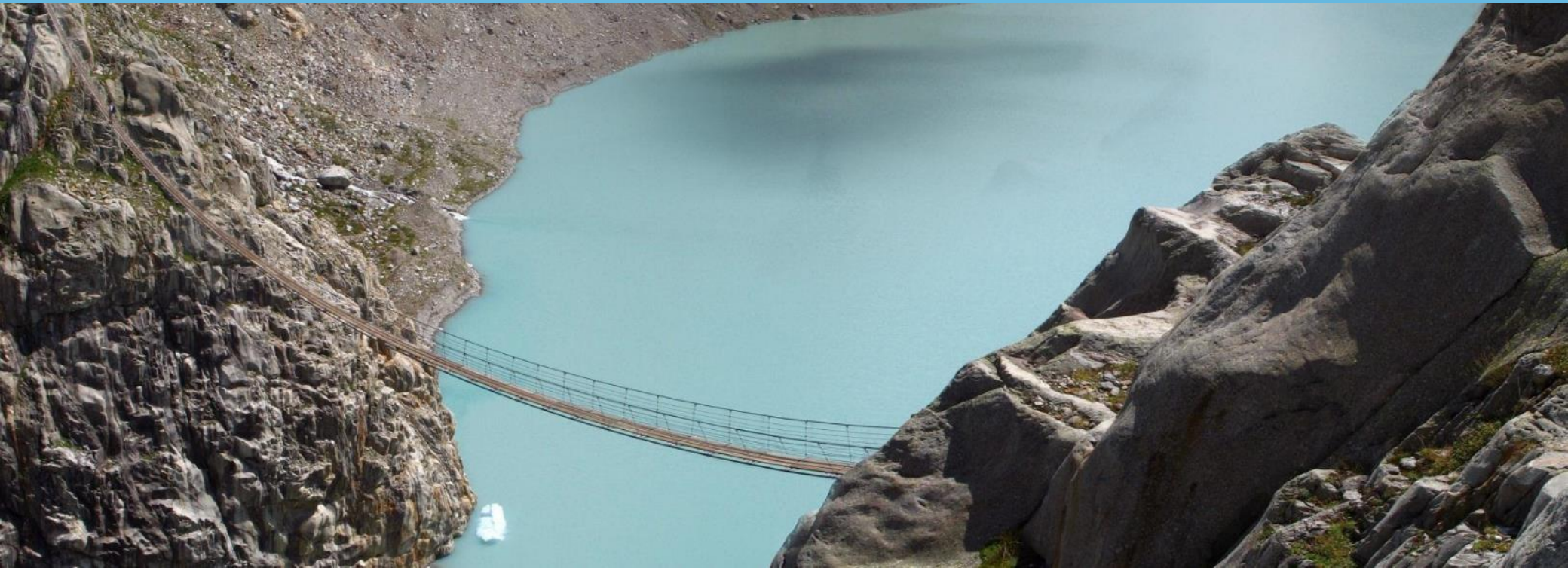


## CONTENT NOVEMBER 2023

- 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



**We advise companies.  
With vision and care.**



**RITTERWALD**  

---

**CONSULTING**



## Contact

### Ad Hereijgers

Business Development Director

M: +31 (0) 6 531 387 44

ad.hereijgers@ritterwald.nl

Amsterdam/London

[www.ritterwald.com](http://www.ritterwald.com)  
[www.sustainable-housing.eu](http://www.sustainable-housing.eu)

## Disclaimer

This document was created for the exclusive use of our client. It must not be passed on to third parties except with the explicit prior written consent of RITTERWALD. This document is not complete unless supported by the underlying detailed analyses and oral presentation.

This document does not claim to provide all the information that might be necessary for the recipients to reach a decision. No assurances or guarantees are given, either explicitly or implicitly, that this document or other verbal or written statements made in the course of the project are correct or complete.

RITTERWALD expressly declines all liability for any information in this document that may be erroneous or may have been left out. Specifically, no guarantee is given that any forward-looking statements, management targets or economic outlooks cited in this document are achievable or plausible.