

SPRING 2024

Sustainable Housing Outlook



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Introduction

It gives us great pleasure to already present the fifth edition of RITTERWALD's Sustainable Housing Outlook to coincide with the European Federation for Living (EFL) conference in the Italian cities Turin and Milan, kindly hosted by proptech company Planet Smart City, real estate fund management company Redo and social housing provider Fondazione Housing Sociale (FHS).

In this fifth edition, we specifically demonstrate our thought leadership on sustainability in the housing industry. The opening contribution addresses the key take-aways of a well-attended productive EFL roundtable with European housing lenders and borrowers in Paris, kindly hosted by social and affordable housing providers Polylogis and Vilogia.

The second section of this edition addresses ESG data and reporting. It shows the growing importance of reliable and comparable quality data, particularly environmental metrics. It also positions our pan-European Certified Sustainable Housing Label, the only externally verified corporate housing accreditation. And it introduces our new service in the UK, the external assessment of ESG report against the Sustainability Reporting Standard (SRS). Climate transition planning shows the mutual relationship between lenders and borrowers in their decarbonisation efforts to align loan book and energy performance of the residential assets. This section concludes with our growing service, providing limited assurance of monitoring sustainability performance targets that have been agreed upon between lender and borrower with a sustainability-linked loan.

As we have in previous editions, we feature the host country of the bi-annual EFL Conference, Italy. After a brief profile of Italian social housing, we feature green city developments in Bolzano and open spaces in Milan.

Finally, you will find ESG news from RITTERWALD's clients, from the regulatory sustainability landscape and from our partners in our sustainability offers.

As always, we welcome your feedback on this fifth edition.

1

Bridging data gaps between lenders and borrowers

RITTERWALD is a dedicated member of the European Federation for Living (EFL). On February 8, 2024, the French social housing providers and EFL members Polylogis and Vilogia hosted a roundtable for social housing lenders and borrowers across Europe. The theme was ‘Bridging the data gap when financing decarbonisation of housing stock in Europe’. In this edition of the Sustainable Housing Outlook, we briefly address the key take-aways. We also recommend to read the full [EFL report](#).



Find the RITTERWALD EFL Report for download here.

Take-aways from presentations

Macro-economic outlook by Natixis Investment Managers

Natixis, a subsidiary of Groupe BPCE, is a French based global asset management company engaged in the promotion of sustainable finance and the development of innovative ESG products. Natixis manages more than €1.0tn in assets as of December 31, 2023. The macroeconomic outlook provided by Natixis shows that geopolitical factors often contribute to market volatility, yet they may not directly influence monetary policies. Revisiting GDP growth projections provides essential insights into economic health and informs strategic decision-making. With interest rates expected to remain stable in the Eurozone until Autumn 2024, the

im.natixis.com

	2023	2023	Revisions 2023	2024	Revisions 2024	2025
World	6,5%	4,2%	→	2,7%	↘	2,7%
World Advanced Economies G4	7,9%	4,6%	↘	2,7%	↘	2,7%
United States	8,1%	4,1%	↓	2,7%	↘	2,7%
Euro Zone	8,7%	5,4%	→	2,6%	↘	2,4%
United Kingdom	9,1%	7,4%	↑	3,4%	↘	2,8%
Japan	2,3%	3,2%	↑	1,8%	↗	1,6%
Emerging Economies	5,3%	3,9%	↗	2,8%	↘	2,5%

Figure 1: Natixis Solution's average Inflation forecasts
Source: Natixis Investment Partners, Refinitiv, NIM Solutions

	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024
Main Central Banks							
US Fed Funds Range	5.25% – 5.50%	5.25% – 5.50%	5.25% – 5.50%	5.25% – 5.50%	5.25% – 5.50%	5.00% – 5.25%	4.75% – 5.00%
Eurozone / ECB Main Refinancing Rate	4,50%	4,50%	4,50%	4,50%	4,50%	4,50%	2,7%
ECB Deposit Rate	4,00%	4,00%	4,00%	4,00%	4,00%	4,00%	2,7%
Bank of England	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.00%
Bank of Japan	-0,10%	-0,10%	-0,10%	0,00%	0,00%	0,00%	0,00%

Figure 2: Natixis Solution's monetary policy forecasts
Source: Natixis Investment Partners, Refinitiv, NIM Solutions

anticipation of slightly lower interest rates fosters less volatility and increased stability. This enables more robust financial planning. Additionally, the bond market is expected to become less volatile, offering greater predictability for investors and market participants.

Current trends of rating grades in the EU and housing sector by S&P

S&P Global is a leading provider of market intelligence, benchmarks across various industries and regions. They offer sustainable solutions through its divisions including S&P Global Ratings, S&P Global Commodity Insights, S&P Global Market Intelligence and S&P Global Mobility. Regarding trends in rating grades for housing companies in the EU, S&P is currently expecting a reduced number of negative outlooks among housing providers. But despite the anticipation that rental incomes will outpace costs, increased investments in energy efficiency could potentially offset these gains, resulting in more negative outlooks.

[spglobal.com](https://www.spglobal.com)

Overview over funding and subsidies in housing by EIB

The European Investment Bank (EIB) operates with a politically driven EU agenda, prioritising energy efficiency initiatives over direct carbon emission reductions. With a focus on endeavours exceeding €25m, the EIB provides guarantees to lenders and promotional banks. Promotional banks often work as financial intermediaries for EIB investments that are directed to small-scale projects. By providing guarantees, EIB facilitates the combination of grants, loans, and guarantees. To maximise project funding, additional combinations with domestic loans are possible, resulting in 75-100% EU funding for energy efficiency initiatives.

[eib.org](https://www.eib.org)

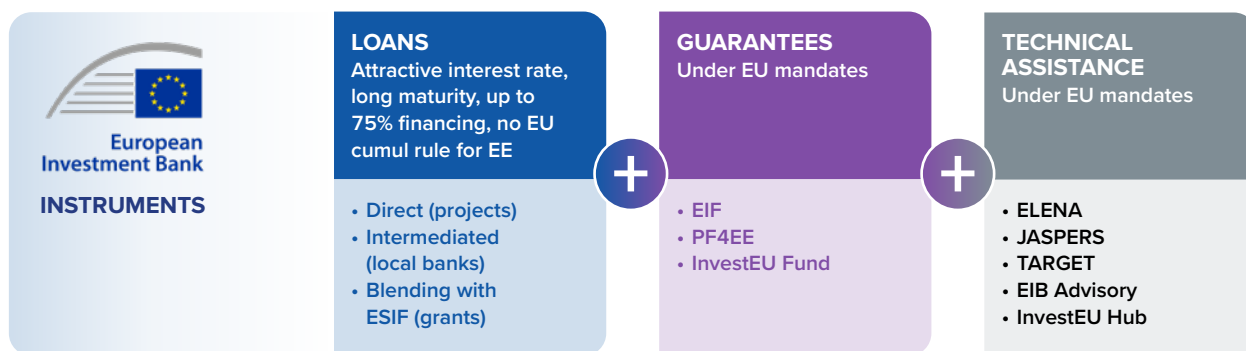


Figure 3: EIB instruments
Source: European Investment Bank

Assessing net-zero metrics for financial institutions by OECD

The Organisation of Economic Co-operation and Development (OECD) is a Paris-based organisation. By collaborating with governments, policymakers and citizens, OECD aims to establish international standards that help to find solutions to a range of environmental, social, and economic challenges. OECD highlights that the financial sector also still meets challenges with addressing environmental metrics. From a climate policy perspective, current efforts are deemed insufficient, underlining the urgent need for more decisive action. Science shows the necessity for deep retrofits to mitigate climate impact, yet assessments remain complex, resulting in limited success among organisations. While the real estate sector is aware of the necessary steps, financial viability remains a significant obstacle. Further insights on the OECD’s work and events can be found here [on the OECD website](https://www.oecd.org). Via the mentioned website, OECD’s brochure can be downloaded as well.

[oecd.org](https://www.oecd.org)

GHG emission metrics	Portfolio composition metrics	Engagement metrics	Strategy and governance metrics
Historic and current GHG emissions	Portfolio share in low GHG assets and climate solutions	General engagement/ stewardship practices	Remuneration linked to climate performance
GHG emission targets (short, medium and long term)	Portfolio share in assets consistent with net zero, or with targets based on an alignment assessment	Voting procedures and practices	Management/ Board oversight and accountability
Alignment assessment with a benchmark, including the Paris Agreement	Portfolio share in carbon-intensive assets and assets exposed to transition risks and phase-out	Engagement escalation process	Integration of climate considerations in internal reporting and analytical processes
Use of offsets as a stand-alone metric (current and future use)	Investment allocation practices driving GHG emission reductions	Collaborations and alliance engagements	Integration of climate considerations in strategic decision-making and investment strategies
	Overall portfolio composition and sector coverage	Advocacy-based activities	General strategy on climate goals and transition plans

- Consistent quantitative metric(s) across frameworks
- Quantitative metric(s) with partial consistency across frameworks
- Some quantitative metric(s) with partial consistency across frameworks
- Limited quantitative metrics(s) with limited consistency across frameworks
- No quantitative metric(s) proposed by the frameworks

Figure 4: Gaps in quantitative metrics across frameworks
 Source: Assessing net-zero metrics for financial institutions: Supporting the monitoring of financial institutions' commitments, Organisation for Economic Co-operation and Development

Data requirements sustainable finance / bond issuance by ICMA

The International Capital Market Association (ICMA) serves as a clearing house for information for bond investors and issuers. ICMA offers comprehensive guidelines and principles on sustainable and green bonds to ensure responsible financing practices. It remains vigilant against greenwashing, underscoring its gatekeeper role in maintaining integrity within the industry. ICMA actively promotes knowledge sharing through training, certificates, and conferences. ICMA's October 2023 paper highlights the complexity of addressing greenwashing risks. It also underscores the importance of comprehensive definitions that incorporate key concepts like intention and harm to prevent market paralysis. To effectively mitigate greenwashing risks in sustainable finance, ICMA Principles and regulatory initiatives should be aligned.

icmagroup.org

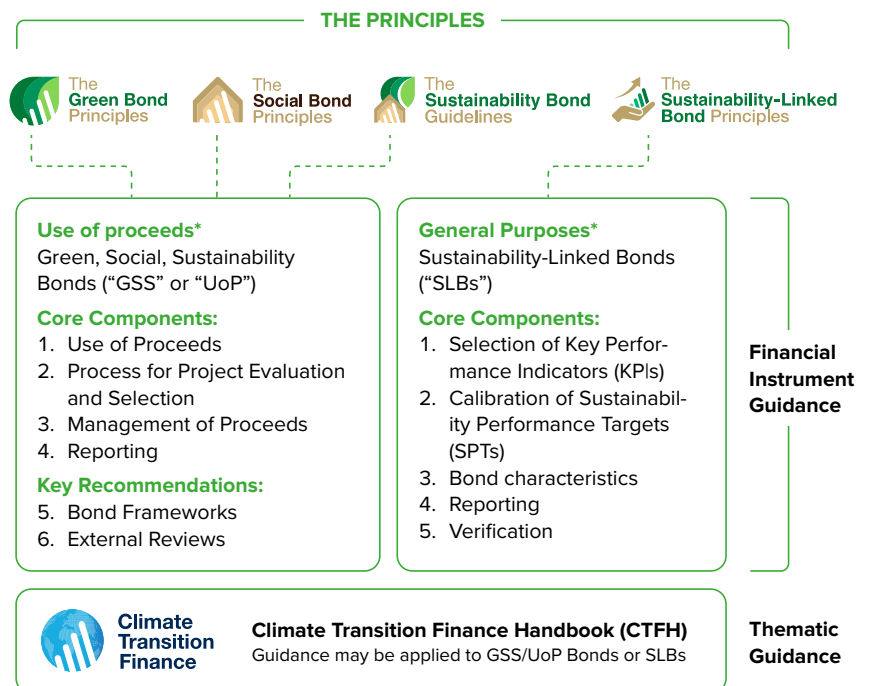


Figure 5: Overview of the Sustainable Bonds Principles
 Source: International Capital Market Association

Data requirements sustainable loans by LMA

The Loan Market Association (LMA) is a trade body with the aim to improve liquidity, efficiency, and transparency in the primary and secondary syndicated loan markets in the EMEA region. While Energy Performance Certificates (EPC) are ideally the minimum data requirement, their availability is not guaranteed in all cases. Furthermore, there is a trend of moving away from relying solely on labels, emphasising the need for more comprehensive data assessment. Bridging the data gap requires upskilling efforts on both the lender and borrower sides. However, the costs associated with second-party opinions for data assurance may pose challenges for energy efficiency initiatives. Setting ambitious targets is crucial. It is better to fall short of them than to settle for less ambitious goals already from the beginning. Hereby, lenders play a pivotal role in simplifying reporting processes and providing robust support to borrowers navigating the complexities of sustainable finance.

lma.eu.com



Figure 6: Overview of ESG reporting standards for housing associations
Source: NatWest

Sustainable housing finance by NatWest

NatWest is at the forefront of providing sustainable finance, exemplified by their ambitious greenhouse gas reduction targets of halving the climate impact of their financing activity by 2030 and becoming net zero by 2050. NatWest recently conducted a survey involving 225 investors from Europe (including UK), North America and the Asia-Pacific region. The results reveal a strong consensus on the importance of emissions reporting and carbon reduction commitments. Efficient reporting is essential in sustainable finance, ensuring transparency and accountability. However, to ensure effective reporting, housing providers should commit to a limited number of impact indicators for which reporting is feasible. Furthermore, reporting should be aligned with (or incorporated in) existing external reporting.

natwest.com

Experiences from the sustainability landscape by Sustainable Fitch

As part of Fitch Ratings, a globally renowned credit rating agency, Sustainable Fitch offers a comprehensive suite of ESG Rating products, providing insights into the ESG quality of financial instruments and entities. Fitch observes that small and medium-sized enterprises (SMEs) often struggle to meet the level of disclosure desired, highlighting a resource gap in meeting reporting standards. Moreover, Fitch emphasises the strategic value of utilising data requests to develop business strategies effectively. Additionally, Fitch underscores the complexities inherent in ESG scoring versus rating. Due to the resource-intensive nature of these processes, they should be approached from a full-cost-perspective.

sustainablefitch.com

ESG data survey results among lenders and investors

Against the backdrop of increasing regulatory and legal ESG requirements, late 2023/early 2024 RITTERWALD conducted a survey to further understand lenders' and investors' perspectives. The survey aimed to gain insights into their interest in sustainable finance products and the alignment of carbon emission reduction targets between lenders and housing providers. Additionally, we analysed the significance of environmental data requirements from lenders to housing providers and the relevance of climate-related Key Performance Indicators (KPIs).



Figure 7: Participating lenders and investors in EFL survey

The survey outcomes reveal that 80% of lenders and investors plan to extend their exposure to social and affordable housing. Whereas sustainability-linked loans and green loans are the most offered sustainability debt instruments.

This aligns with a collective expectation of sustainable finance growth of up to 10% over the next 2–3 years. While many lenders have published their climate strategies in recent years, there is a diverse range of approaches to avoiding stranded assets in loan portfolios including the use of carbon-risk management tools (CRREM) and audits. Particularly the danger of stranded assets leads to a shift towards investments directed towards environmental purposes. These projects are often facilitated by sustainability-linked loans and bonds.

Meanwhile, there's a consensus on the need for externally audited or assessed ESG data. However, opinions differ on the ideal alignment time horizon.

Furthermore, there is a notable expectation for housing providers to fully align with lenders' climate transition planning in the medium to long term. This has implications for capital costs, mainly manifested in interest rates. Additionally, the submission of externally assessed ESG data by housing providers is expected. Hereby, various entities such as auditors and accredited consultants being identified as potential external assessors.

Particularly within the context of sustainability-linked loans, Sustainability Performance Targets (SPTs) represent measurable enhancements in KPIs that borrowers commit to achieving within a specified timeframe.

In terms of climate-related Key Performance Indicators, lenders and investors highly emphasise energy KPIs related to the housing stock. These metrics include Energy Performance Certificate ratings and energy consumption, while climate-related financial risks are also of high interest.

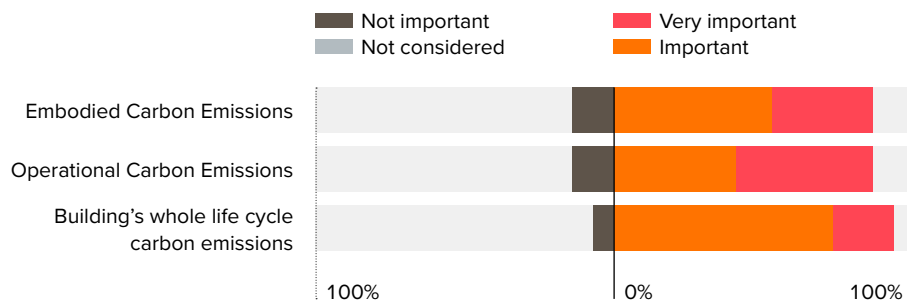


Figure 8: Ranking of climate-related KPIs – Carbon emissions
Source: RITTERWALD

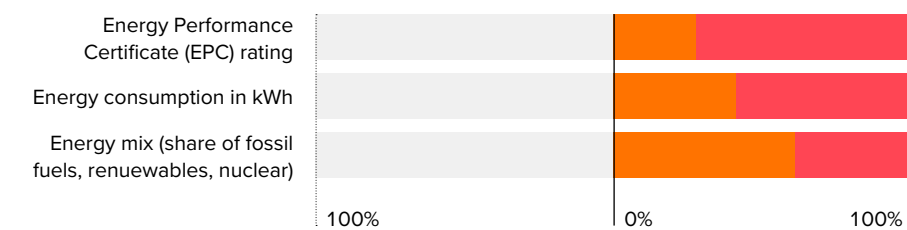


Figure 9: Ranking of climate-related KPIs – Energy efficiency
Source: RITTERWALD

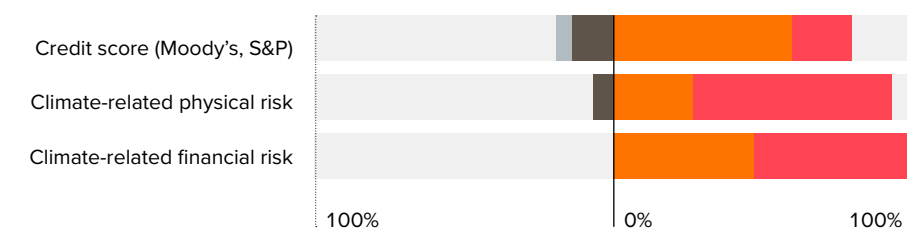


Figure 10: Ranking of climate-related KPIs – Credit scoring & climate risks
Source: RITTERWALD

To conclude, there is a demand for high quality data when issuing social or green bonds and loans, focusing on material impacts. Some challenges include the lack of availability of EPC databases, tensions due to data delivery issues and the need for simplified KPIs, particularly focusing on greenhouse gas emissions and energy efficiency. Collaboration is needed to address these challenges and to meet the growing finance needs to deliver and retrofit more social and affordable housing.

ESG data survey results among social housing providers

Housing associations are facing increasing pressure to provide data on their ESG credentials, driven by demands from lenders and investors. However, the lack of standardised datasets tailored to meet the needs of different stakeholders poses challenges in managing this data effectively.



Figure 11: Participating housing associations in EFL survey
Source: Places for People

To understand the current position of social housing providers in the sustainability landscape and their readiness for regulatory changes, UK based EFL member Places for People conducted a survey among social housing providers. In total, the survey was answered by 12 respondents from 10 organisations across 6 countries.

Only 20% of housing providers are currently stress testing whether their assets might become stranded due to non-compliance with regulatory ESG requirements, perhaps due to the high demand for social housing overshadowing potential regulatory impacts. Additionally, housing providers generally perceive they have moderate insight into the carbon emissions of their assets but are increasingly focused on achieving carbon neutrality by 2040-2050. However, only 20% is currently including carbon emissions into their cost of capital, indicating a need for greater attention to these issues. Furthermore, while 40% of respondents issue externally audited ESG reports, many plan to do so within the next 7 years, with varying opinions on who should conduct these audits (see figure 12).

Housing providers prioritise their credit rating as the most important financial KPI, while energy use in terms of kWh/m² has emerged as the primary sustainability KPI, reflecting a growing emphasis on energy efficiency. Overall, climate-related financial risks are perceived as the most significant ESG risk, highlighting the need for continued monitoring and mitigation efforts.

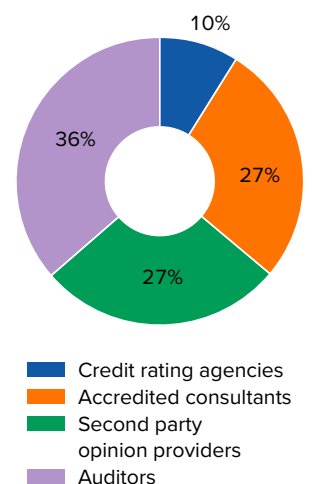


Figure 12: External auditors for ESG reports
Source: Places for People

Outlook

Sustainable finance and the subsequent data and reporting requirements are gaining importance. Financial institutions are not there yet. However, they are moving faster than social housing providers. In a few years, there will be IFRS-compliant non-financial (ESG) reports that must be assessed by an external auditor. Once reports are audited, data quality must be excellent.

The roundtable discussion shed light on the pressing issue of bridging data gaps in financing the decarbonisation of the social housing sector in Europe. Notably, financial institutions are making progress in this direction, albeit at a faster pace compared to the housing providers. Soon, we anticipate the emergence of financial and ESG reports mandatorily assessed by external auditors, underscoring the critical need for data quality. The macroeconomic outlook suggests less volatile interest rates, offering enhanced stability and predictability, particularly in the bond market. Meanwhile, insights from the European Investment Bank underscore the importance of prioritising energy efficiency initiatives. However, challenges persist, such as data availability and quality as well as lacking internal expertise. Despite these hurdles, there is a shared commitment to sustainable finance growth, with a notable focus on social and affordable housing.

Collaboration and concentrated efforts are essential to address data challenges effectively and meet the rising demand for social and affordable housing while advancing sustainability goals. However, there is currently a data gap that needs to be addressed, with both lenders and housing providers working towards closing it. Lenders are facing pressure to collect, analyse and provide data to regulatory bodies, while housing providers struggle to deliver digital datasets as requested by their lenders. To make matters worse, different lenders have different requirements for data sets. To tackle this challenge effectively, we need to break it down into manageable components.

2 ESG data and reporting

ESG data do gain importance

The social housing sector is increasingly recognising its significant impact on the environment, driven by a core commitment to social responsibility and community wellbeing. With lenders and regulatory bodies enforcing stricter reporting standards, housing providers are embracing sustainability across all ESG dimensions - Environmental, Social, and Governance. This holistic approach underscores the sector's sustainability efforts, making ESG principles integral to its operations.

As debt capital markets gain traction, the housing industry faces the challenge of bolstering its environmental measures. With ESG evolving from a niche to a mainstream focus in sustainable finance, its enduring relevance is undeniable. Therefore, housing providers must elevate ESG considerations from optional to imperative, positioning them at the core of their business operations.



Figure 13: Why social housing is well positioned in ESG landscape
Source: RITTERWALD

While the EU targets carbon neutrality by 2050, lenders vary in their climate transition expectations for borrowers, necessitating alignment between lenders and borrowers in their climate transition planning towards net-zero carbon emissions. However, current analyses by OECD reveal a shortage of comprehensive, consistent metrics across frameworks, posing challenges to effective implementation.

Insights into data availability from label holders of the RITTERWALD Sustainable Housing Label (CSHL) confirm that housing providers are social at their core. Governance metrics are often yes/ no and environmental metrics still represent a challenge.

In the Environmental dimension, challenges arise especially from a lack of consistency due to changes in calculation methods over the years, making comparisons difficult. Additionally, several measured values are captured by third parties, which means that there is no direct control of primary data. Furthermore, quantitative data needs regular updating and structuring to account for changes in the portfolio. In contrast, the Social dimension often relies on qualitative measures such as case studies and examples. These measures benefit from acknowledged definitions as quantitative criteria are often already established by the regulator. Similarly, in the Governance dimension, qualitative measures are predominant. However, one faces difficulties in providing concise answers for sustainability commitments, such as (double) materiality analysis or climate transition plans. These strategic documents, which are closely linked to environmental data, are relatively new and still emerging.

Therefore, leadership is key in developing pathways for ESG data management within housing providers. As ESG becomes an integral part of the corporate strategy, it is also gaining importance in business operations. Therefore, leadership should prioritise data management as a boardroom concern, acknowledging data as a critical asset alongside staffing and capital. By demonstrating ESG credentials based on verified data, housing providers can prove a robust risk-return ratio, enhancing trust and credibility.

Pathways to effective ESG data management then involve prioritising energy data management. This includes carbon counting, energy efficiencies of homes and energy consumption by tenants. Furthermore, ESG serves as a reflection of the intrinsic values of an organisation embedded within its corporate strategy. Therefore, to have a solid foundation for ESG data gathering and reporting, social and affordable housing providers can apply for RITTERWALD's Certified Sustainable Housing Label.

ESG Housing Accreditation: Certified Sustainable Housing Label

The Certified Sustainable Housing Label is a way for housing providers to demonstrate ESG performance. It makes them visible to the debt capital markets as an investment grade risk-adjusted asset class. The accreditation involves a rigorous evaluation against a comprehensive set of 50 criteria covering environmental stewardship, social responsibility, and governance practices.

Central to this process is the thorough collection of data, facilitated through our partnership with *Convene | esg*, a leading ESG data platform. This collaboration facilitates the accuracy and efficiency of our evaluations, streamlining the assessment process for housing providers. We gather data across all three ESG dimensions. Within the environmental dimension, data collection encompasses criteria from different clusters, including decarbonisation efforts, local electricity production from renewables and resource consumption within the organisation. Similarly, regarding the social dimension, data collection focuses on key areas such as affordability and accessibility, as well as initiatives aimed at supporting the wellbeing of both tenants and employees. Likewise, in the governance dimension, data is gathered to assess sustainability commitments, adherence to corporate governance standards and the promotion of non-discriminatory working conditions. Additionally, each dimension offers the opportunity to earn an extra special score, recognising exceptional dedication to advancing environmental, social, or governance standards.

CERTIFIED SUSTAINABLE HOUSING

Label certification process

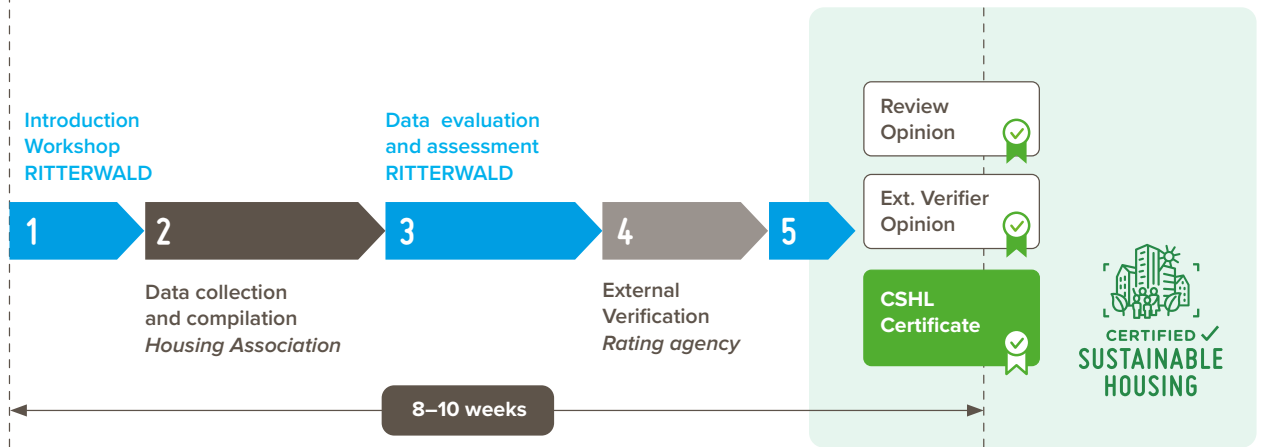


Figure 14: Label certification process
Source: RITTERWALD

Following data collection, RITTERWALD’s sustainability team conducts a thorough evaluation, analysing each provider’s performance across all ESG dimensions.

To maintain transparency and integrity, a second review opinion is conducted by an external verifier. RITTERWALD partners with imug | rating, part of Ethifinance and a recognised auditor of Green Bonds and Loans according to ICMA and LMA as well as Climate Bonds Approved Verifier. This independent review validates the credibility of our assessments, providing assurance to housing providers and investors alike. Upon successful completion of the evaluation, certified housing providers receive scores for their sustainability efforts in each dimension. The scores range from ‘Advocate’ to ‘Ambassador’ and finally to ‘Frontrunner’. These rankings signify the commitment of housing providers to responsible business practices and open doors to engagement with ESG-focused lenders and investors. Completing the process of the Certified Sustainable Housing Label not only enhances the reputation of housing providers but also contributes to the collective journey towards a more sustainable future.



Figure 15: CSHL data evaluation ranking
Source: RITTERWALD

Verification: External assessment ESG report (UK)

UK housing associations are well positioned for accessing sustainable bonds and loans. More standardised and better-quality data on climate risk, social impact and good governance must be demonstrated to lenders and investors to retain and grow social and affordable housing as an investment grade risk adjusted asset class. Inevitable conditions: verified ESG reporting and managing mutual expectations between lenders and borrowers.

The UK has a unique starting position with the sector-specific Sustainability Reporting Standard (SRS) with already more than 150 adopters and endorsers among housing associations, lenders, and investors. At the start in 2020, the main driver was to reduce and simplify the extensive and diverse data requests from lenders in their credit approval policies. With the SRS, housing associations can compile selected data of good quality.

The ESG reporting landscape is still evolving and instead of prioritising with a reduced number of unambiguous data points, ESG data seem to expand. This is not the right direction of travel. Moreover, lenders themselves cannot always support their ESG performance with proper data. Reporting ESG data should therefore become more of a two-way street effort: after all, lenders and borrowers are on the same sustainability journey with similar data challenges.

Therefore lenders, including the adopters and endorsers of the SRS, should stop requesting extensive data in addition to the SRS. And the SRS should focus on less, but better data aligned with lender's requests. And lenders and borrowers, through the SRS, should reach out to each other to discuss data standards, particularly on carbon emission counting. Consequently, housing associations can publish their ESG reports with more focus and better quality and lenders can use these reports as basis for limited assurance in sustainability linked debt.

In the past year, housing and finance leaders have called explicit attention to the need for financial and non-financial quality data in ESG reports to keep access to sustainable finance. This shows that soon lenders will only lend or invest if the borrower has a viable decarbonisation plan and sustainability reporting in place.

SRS adopter Bromford's Imran Mubeen is already actively engaging lenders, investors, credit rating agencies and its tenants in Bromford's sustainability journey, among others 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. In our words, will go beyond the current SRS, 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, addressing the challenge of reporting on carbon emissions.

Based on experience with compiling borrowers' data for bLend's ESG report, THFC's Danielle Hughes is advocating that data are comparable and accurate, especially regarding greenhouse gas emissions.

Finally, SfH's chair Brendan Sarsfield is acknowledging these reporting challenges but is asking lenders and investors for patience. However, in the second annual review of the SRS, lenders and investors stated that they want to challenge housing associations to raise the quality of their reporting. This call is not without a reason: with sustainability becoming mainstream, social housing funding is entering a competitive marketplace in which other impact sectors might be doing better and moving faster. Consider sectors such as renewable energy, climate technology, eco fashion and sustainable agriculture. To their financial regulators, lenders and investors must meet climate related disclosures that demonstrate that their borrowers are on track in their pathways to net zero: carbon emission reductions

have the highest priority. After all, lenders want to avoid stranded assets in their loan books.

Financial institutions are encouraged by the Bank of England, through the Financial Conduct Authority (FCA), to focus on reporting on carbon emission reductions of their borrowers. Most housing associations are struggling with providing primary data on greenhouse gas emissions. However, it could be beneficial if lenders and borrowers align their carbon emission counting methodologies such as for instance with CRREM, the Carbon Risk Real Estate Monitor, which we expect to become the leading global standard: a standardised approach to measure and assess a property's carbon emissions on a pathway to net zero in a transparent, science-based way. And yes, although CRREM offers benefits, the drawbacks are its complexity and cost that can be mitigated by applying proper AI-driven software. If the lenders would start communicating and recommending the use of CRREM to housing associations, the housing sector can come together on a common carbon counting methodology, and it can be included in the SRS. It would mean a big step forward in uniform reporting on environmental data.

In 2020, RITTERWALD has contributed to the inaugural version of the SRS by providing environmental and social criteria from its ESG corporate accreditation, the Certified Sustainable Housing Label (CSHL). That explains the strong alignment between the SRS and the CSHL. For its external verification, RITTERWALD partners with Hannover-based imug sustainability rating firm, a wholly owned subsidiary of Ethifinance. imug rating is a recognised auditor of Green Bonds and Loans according to ICMA and LMA as well as Climate Bonds Approved Verifier.

Because self-certification will no longer be sufficient, RITTERWALD introduces the external assessment of publicly released ESG reports. This external assessment anticipates future IFRS compliant non-financial reporting requirements, Sustainability Disclosure Requirements (SDR) in the UK and the Corporate Sustainability Reporting Directive (CSRD) in the EU. But in the short term it is about improving the quality of data and reporting so that housing associations can stand reliably behind their data and be confident in their target setting. In turn, this can open new sustainable finance opportunities with lenders and investors and therefore diversify a housing associations' lender base.

Assessing data quality

RITTERWALD has selected 14 SRS criteria that show a relationship to climate risk, social impact, and good governance. The 14 criteria were selected in consultation with lenders, disclosure frameworks and the experience and funder feedback of the Certified Sustainable Housing Label. The evaluation overview can be found on our dedicated website: www.sustainable-housing.eu

Evaluation levels of each individual criterion

The assessment is primarily about data quality of the ESG report and distinguishes 4 levels of evaluation: insufficient, sufficient, good, and great. RITTERWALD only assesses the publicly available version of the ESG Report. The dashboard in figure 14 shows an example of a possible outcome of the evaluation.



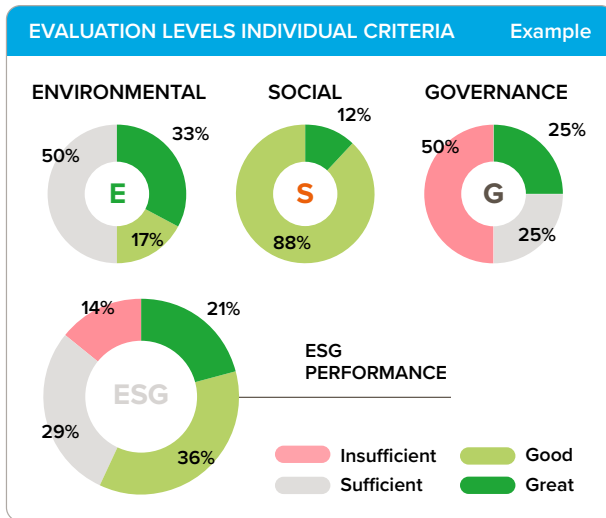


Figure 16: Example evaluation levels individual criteria
Source: RITTERWALD

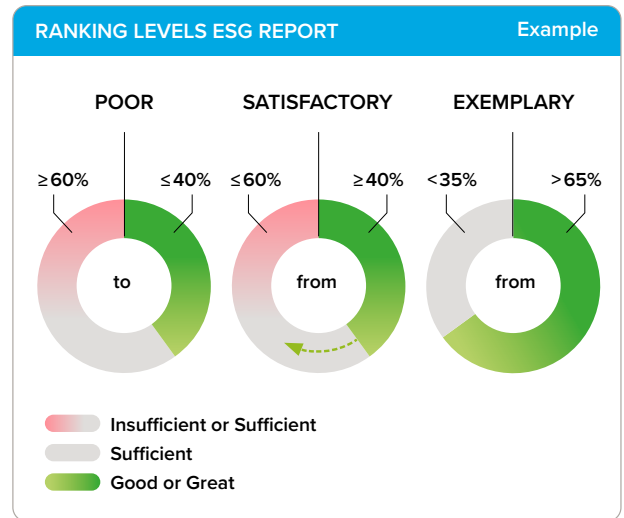


Figure 17: Example ranking levels ESG report
Source: RITTERWALD

Ranking levels of total assessment

The external assessment also includes a total ranking of the ESG report addressing the overall data quality of reporting. There are three ranking levels: poor (less than 40% of the criteria is ranked as good or great), satisfactory (between 40%–65% of the criteria is ranked as good or great) and exemplary (more than 65% of the criteria is ranked as good or great and no criterion is ranked as insufficient) (figure 17).

Assessment Statement

The evaluation of the individual criteria and the ranking of the total assessment are explained in the Assessment Statement to the housing association. This statement also provides recommendations to the housing provider on how to improve the quality of their ESG report.

Controlling administrative cost

Compliance with sustainability reporting requirements comes with a cost. However, this cost can be controlled when reliable verified ESG data can be used towards multiple data requests. Today it should not be necessary for housing associations to spend tens of thousands for assurance for a limited number of key performance indicators on a recurring basis. This might change when 3 to 5 years from now financial and non-financial reporting (current ESG reporting) merge into annual integrated reporting that will need a full audit.

An externally assessed 14 criteria ESG report can be a solid basis for assurance as is the externally verified 50 criteria Certified Sustainable Housing Label. Some lenders now acknowledge criteria of the CSHL for limited assurance for monitoring Sustainability Performance Targets of Sustainability-Linked Loans. RITTERWALD is working with more lenders to follow.

To show an understanding of the cost-sensitiveness of the social housing sector in reducing the administrative cost of sustainability reporting, RITTERWALD is offering the external assessment in a cost-effective manner.

Climate transition planning: transition and physical climate risks

Climate transition planning encompasses a holistic approach that intertwines efforts to reduce carbon emissions and energy consumption with thorough financial scenario planning. Integrating sustainability measures into the broader financial framework, the strategy acknowledges the inherent connection between environmental responsibility and financial resilience. The integration establishes climate transition planning as a pivotal tool for fostering financial stability and long-term sustainability.

Proactive development of climate transition plans enables housing providers to align themselves with emerging global benchmarks for achieving a net zero carbon future. This does not only enhance transparency but also provides stakeholders with a clear comprehension of the housing provider's objectives.

To kickstart the process, **a comprehensive baseline assessment** utilising data is imperative. RITTERWALD has formed a partnership with Lookthrough, a Swiss-based AI-driven SaaS company, to facilitate this target. With Lookthrough's digital platform, data collection becomes streamlined, which enables the categorisation of assets into house archetypes based on energy consumption and carbon emissions. Hereby, making it possible to analyse interdependencies and decarbonisation levers.

Subsequently, **aligning corporate goals with national objectives** by reporting ESG data compliant with regulations is critical. By ensuring that corporate objectives and priorities are in harmony with regulatory mandates, housing providers can proactively address potential climate-related risks.

Moving forward, the development of a **comprehensive climate action plan** becomes the focal point. This involves conducting scenario planning to strike a balance between costs and revenues. Retrofit standards are then depicted for the selected archetypes, accompanied by thorough cost estimates. Once the retrofit standards have been aggregated into decarbonisation pathways, financial scenario planning and sensitivity analysis can be carried out.

During the implementation phase, the focus lies on **establishing cyclical and precise financial planning mechanisms**. This involves determining investments within a 2–3-year cycle, aligning them with the organisation's financial capacity. Integral to this process is the assessment of how these investments affect asset valuation. This evaluation ensures that investments remain consistent with climate transition goals and mitigate risks from asset value fluctuations.

Securing successful resilience-building and alignment with evolving sustainable business practices requires monitoring of the transition planning process. Building awareness within the company and ensuring adequate capacity to deliver changes are critical components. It's imperative to continually review and improve progress and finally to have this internally and externally assured. This allows to leverage opportunities such as sustainable linked loans and bonds to further advance climate transition goals.

In mastering climate change mitigation efforts, housing providers not only contribute to climate change mitigation but also position themselves as frontrunners in shaping a greener, more sustainable future. This strategic commitment attracts environmentally conscious residents and investors, while also elevating the overall reputation of the housing provider within both local communities and broader markets.

Limited assurance: SPT’s of sustainability-linked loans

Sustainability-linked loans (SLLs) are becoming increasingly popular among housing providers as a means of integrating sustainability into their operations. Unlike traditional loans, SLLs offer flexibility by allowing organisations to set their own sustainability performance targets across all three ESG dimensions. In difference to social or green loans, SLLs can be used for any purpose that improves the borrower’s sustainability performance. Despite their relatively small volume compared to other sustainable finance instruments, SLLs have significant potential to engage entire organisations in achieving sustainability goals and driving meaningful change.

The use of SLLs in the affordable housing sector has grown significantly since around 2017, with housing associations selecting sustainability-related key performance indicators (KPIs) and agreeing annual targets with lenders to improve performance over time. Borrowers benefit from lower margins or interest rates each year if they successfully meet the agreed targets, demonstrating their commitment to sustainability. Regular internal and external reporting promotes greater visibility, transparency, and accountability of the borrower’s performance over time, fostering a culture of responsibility and accountability within organisations.

However, the SLL approach faces challenges, including regulatory demands for stretching sustainability targets and the need for detailed reporting and external verification. A recent roundtable discussion between housing associations and leading funders highlighted the need to re-imagine the SLL product to better meet sustainability aspirations. Improvements such as demonstrating the premium value of SLLs to lenders, working in partnership to drive sustainability outcomes, and ensuring that third party verification processes add value will be critical to the longevity of sustainable finance. Continued commitment from funders and associations to address these challenges will be essential to ensure that sustainable finance remains viable in the long term.

By setting the right metrics and performance targets, housing providers can drive meaningful change across their operations while demonstrating their commitment to sustainability. This holistic approach not only aligns financial incentives with sustainable outcomes but also fosters a culture of responsibility and accountability within the organisation.

Especially for borrowers that are already working on certain sustainability targets, SLLs are good means to increase working capital. However, to increase credibility and investor’s confidence, SLL metrics must be well defined and externally reviewed. The following KPIs are good examples for sustainability performance targets within SLLs:

ENVIRONMENT	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> Improving the average of Energy Performance Certificate ratings within the housing stock Reducing the kilowatt hour per metre squared per year to a specified target 	<ul style="list-style-type: none"> Increasing residents’ social wellbeing by establishing green spaces Reducing the number of homeless people and people in emergency accommodation 	<ul style="list-style-type: none"> Improving the ratio of female to male members of the executive board Increasing the number of apprentices a housing provider recruits annually

RITTERWALD offers the service of providing limited assurance about the progress on sustainability performance targets (SPT). Based on documents and data which we receive from the housing association, we evaluate if SPT baseline metrics are accurately stated and calculated. The result of the process is an attestation which states that the agreed upon Sustainability Performance Targets have been assessed and verified.

Sustainability Performance Targets (SPTs)

	KWh/m ² /yr	EPC new build	Number completions/yr	
SPT Baseline	165	B	600 (average)	
SPT target forecast +5 years	140	A (100%)	300	
KPI Outcome +2 years	160	B (100%)	500	
KPI Achieved	YES	NO	YES	

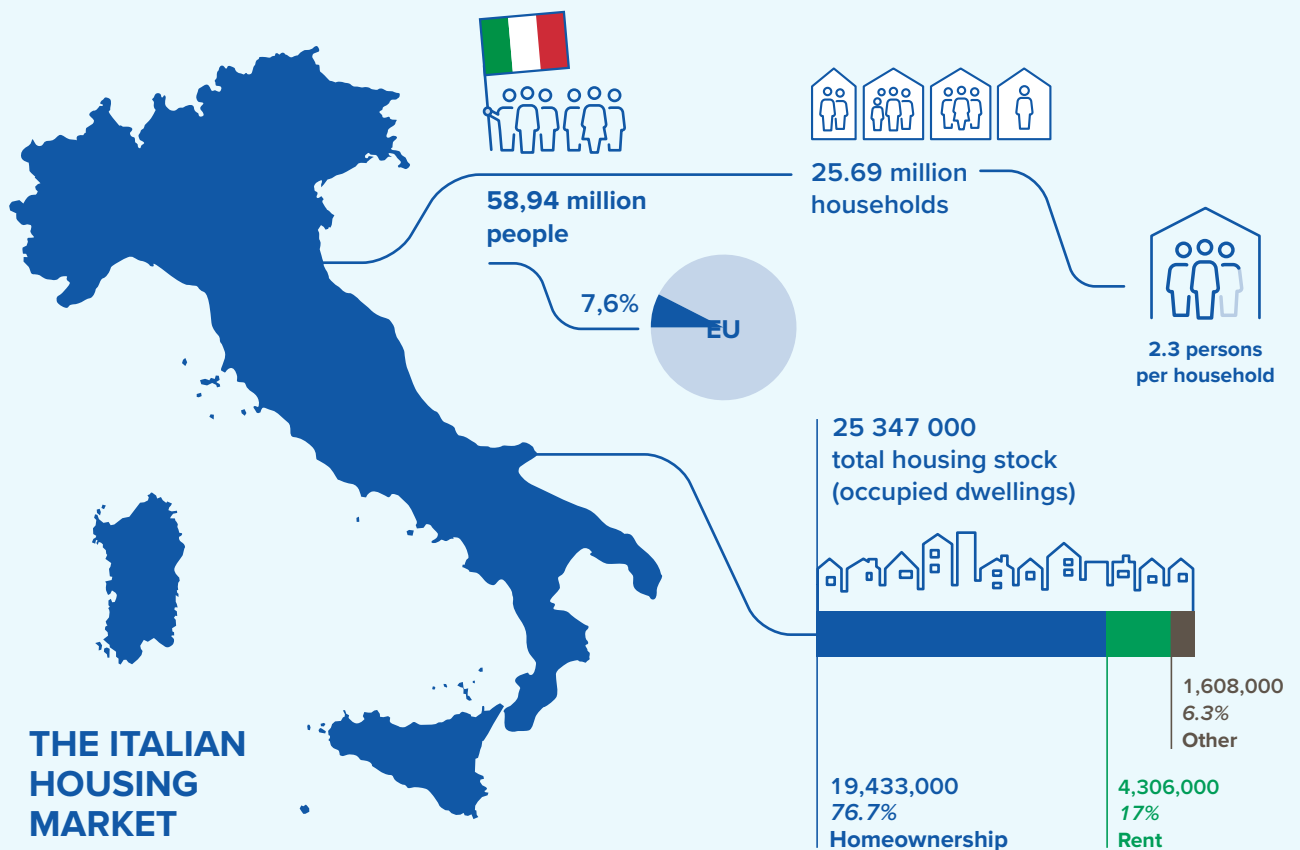
Figure 18: Example of Confirmation of Sustainability Performance Targets (SPT)
Source: RITTERWALD

Although sustainability performance targets can be set for all three ESG dimensions, we noticed that our clients until now have primarily KPIs relating to the environmental dimension. Furthermore, we observe in the market that there are an increasing number of housing associations carrying multiple SLLs, such as Link Group, Bromford, Peabody and Clarion Housing Group.

London based L&Q went one step further by being the first housing association in the UK to issue a £300m Sustainability Linked Bond (SLB). The SLB plays an integral part of L&Q’s Sustainability Finance Framework. Recently, L&Q has stated, that they are on track to meet two out of three KPIs by 31st March 2024. The KPIs that presumably will be met relate to improvements of energy efficiency of new homes and the building of affordable homes. Due to macro-economic factors (as stated by L&Q), one KPI relating to the reduction of greenhouse gas emissions is likely to be missed.

3 Italy

Understanding the Italian social housing sector



Italy is one of EU’s countries with the highest percentage of home ownership. The total number of occupied dwellings is more than 25 million; 77% is home ownership, 17% is rented and the remaining 6% is ‘other’. These numbers include approximately 1 million social homes representing less than 4% of the total housing stock. However, the numbers of social homes vary greatly in different parts of the country. In 2018, Naples and Trieste were the cities with the highest percentage of social housing.

Although home ownership is currently quite high, this has not always been the case. In 1971, the home ownership rate was at 51%. Laws encouraging home buying came into effect, aimed to sell homes at prices that covered the sole costs or to support first time buyers with smaller loans by exempting them from urbanisation costs¹. Originally, it was planned to sell the homes at their original prices plus a cost for increased living expenses. The homes were often sold at higher prices as con-

Figure 19: Distribution of occupied dwellings in Italy
Source: Istat, Population and Housing Census 2021, statista

¹ In the case of the purchase of a second home, in addition to the taxes that the buyer of the property must pay (registration tax, mortgage tax, cadastral tax), there is an additional tax for the maintenance of the property, known as IMU Municipal property tax in Italy. The revenue from the IMU tax is used to finance local public services and infrastructure.

trols have been loose and banks have provided higher mortgages than the purchase price. In the past years, programs for home ownership have been extended to offering social housing tenants to buy their home at below market rate prices.^{2 3}

Currently, rent increases not only put pressure on low-income households but also on students and families that are not eligible for social housing. This leads to increasing instability as residents face difficulties in paying high rents as well as energy bills and other living costs. Hereby, we observe that for households living in cooperative housing, the share of those having arrears on housing payments is very low: 3%. However, several cooperatives started programs to help their members. Examples are solidarity funds, the refrain from applying rent indexation or support with accessing government sponsored energy bonuses.

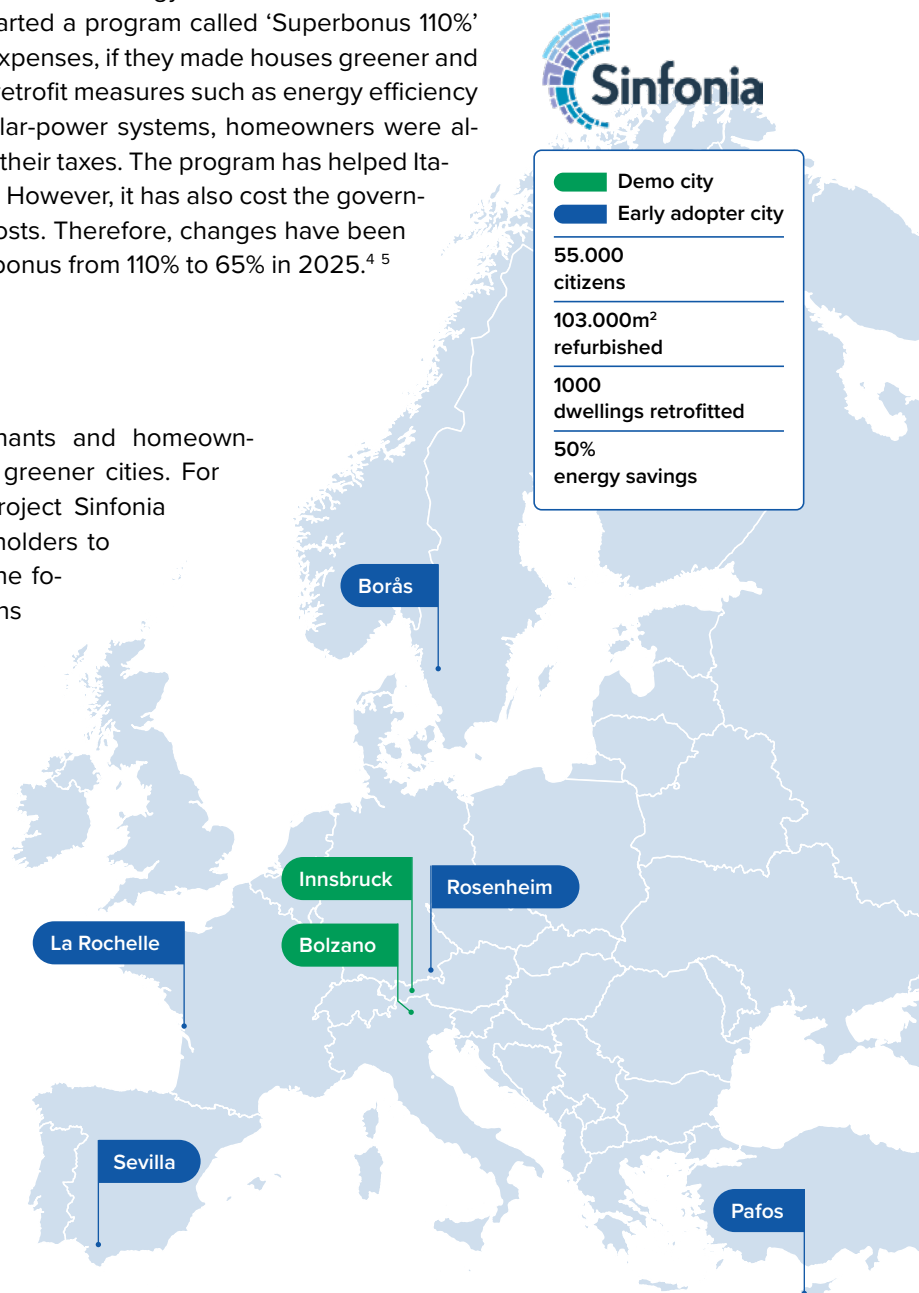
In 2020, the Italian government started a program called ‘Superbonus 110%’ that allowed tax deductions of retrofit expenses, if they made houses greener and more sustainable. This means, that for retrofit measures such as energy efficiency improvements or the installation of solar-power systems, homeowners were allowed to deduct 110% of the costs from their taxes. The program has helped Italy’s economy after the covid pandemic. However, it has also cost the government billions and resulted in inflated costs. Therefore, changes have been made by gradually lowering the Superbonus from 110% to 65% in 2025.^{4 5}

Greening city of Bolzano

Besides bonus programs for tenants and homeowners, there are also initiatives to build greener cities. For instance, since 2014 the European project Sinfonia collaborates with different local stakeholders to transform Bolzano into a smart city. The focus of the project is to reduce emissions and to implement new technology in certain parts of the city. Furthermore, Bolzano will serve as a pilot city enabling other cities to benefit from its learnings.

One of the project’s measures was the comprehensive energy refurbishment of five social housing projects. These retrofits have fundamentally changed the appearance of the Don Bosco and Aslago neighbourhoods. It has also brought more than 300 families into more comfortable homes with a lower environmental impact. The retrofit activities led to a 40–60% reduction in energy consumption and a 20% increase in the share of renewable energy.

Figure 20: Demo sites and early adopter cities Sinfonia project
Source: Eurac Research



² <https://www.iut.nu/wp-content/uploads/2017/03/Land-for-Social-and-Affordable-Housing-in-Italy.pdf>

³ <https://www.statista.com/statistics/1212198/share-of-social-housing-in-italy/>

⁴ <https://n26.com/en-it/blog/superbonus-italy>

⁵ <https://www.theguardian.com/world/2023/feb/17/italy-scraps-superbonus-110-green-tax-credit-scheme>



Credits: IDM, Ivo Corrà



Credits: Area Architetti Associati

Figure 21: Comune die Bolzano: Via Aslago
Source: Eurac Research

Furthermore, Alperia, an energy supplier from South Tyrol, optimised the urban district heating network. Thanks to innovative control systems, energy loss along the network was reduced by up to 5%. In addition, a more sustainable supply system (hydrogen + natural gas) was tested for one of the combined heat and power plants at the Alperia-Ecoplus district heating plant.

The third pillar of the project consists of improvement measures for the infrastructure and mobility services of the city. The municipality of Bolzano has installed sensors as well as traffic and air quality monitoring stations. Additionally, public service points for citizens, so called ‘totems’, have been installed. These totems serve as multiservice points, offering information on e.g. the weather or parking lots. Besides, they can be used for electric charging of bicycles and give access to free Wi-Fi.^{6 7}



Credits: Eurac Research

Figure 22: Totems – public service points for citizens
Source: Eurac Research, Sinfonia



⁶ <https://www.eurac.edu/en/institutes-centers/institute-for-renewable-energy/projects/sinfonia>
⁷ <https://drive.google.com/drive/folders/1h1yWSq6rD2KJCreU7OYp0u1lx3aVoi>

Open spaces in Milan

Over the past decade, Milan has become a role model in combining innovation and sustainability in urban development. A flagship of this evolution is the *Piazze Aperte* (“Open Squares”) programme, a visionary initiative launched in 2018 by the City of Milan in collaboration with Agenzia Mobilità Ambiente Territorio (AMAT), Bloomberg Associates and the Global Designing Cities Initiative. The programme aims to revitalise public spaces across the city, fostering a sense of community, enhancing safety, and promoting environmental sustainability. Through a combination of tactical urbanism interventions, citizen engagement and innovative design strategies, *Piazze Aperte* sets a new standard for inclusive and sustainable urban development.



One characteristic of the *Piazze Aperte* programme is its emphasis on citizen engagement and participation. From the outset, it was planned to involve citizens in the project. However, the involvement exceeded all expectations. More than 1,000 persons from residents, NGOs, shops, schools, local associations, religious institutions, and other stakeholders applied to help. Through open calls for proposals, *Piazze Aperte* has empowered citizens to take ownership of their neighbourhoods. By prioritising the needs and aspirations of local communities, the programme has ensured that public spaces reflect the diverse cultural, social, and economic fabric of the city.

The first project of the initiative was Piazza Dergano. Throughout the project, a car park has been transformed into a vibrant plaza. Recognising the potential for change, a six-month project was started with a three-week implementation period.

Figure 23: Revitalisation of a former parking lot in the Quarto Oggiaro district
Photo: Agenzia Mobilità Ambiente Territorio (AMAT)

The transformative impact was evident at the opening party, where the project team demonstrated to the community, including policymakers, that change is achievable with determination and vision.



In conclusion, the Piazze Aperte programme represents a visionary approach to urban development, as it prioritises sustainability, inclusivity, and resilience. By engaging citizens and encouraging collaboration, the program transformed Milan's public spaces into lively and environmentally friendly places where people can live and play.⁸

Figure 24: Piazza Dergano before and after
Source: Daniele Mascolo

⁸ <https://cooperativitycity.org/2023/01/26/reclaiming-public-space-through-tactical-urbanism-milans-piazze-aperte/>

4 ESG News

Social and affordable housing providers



UK-Clarion: New Sustainable Housing Finance Framework

Last April Clarion Housing Group has published its new Sustainable Housing Finance Framework. The new framework allows Clarion to structure several sustainable debt instruments such as sustainability, green or social loans and bonds. The framework is aligned with ICMA's Green and Social Bond Principles and Sustainability Bond Guidelines as well as LMA's Green and Social Bond Principles.



UK-Stonewater: Merger and £254m funding package

Last February, Stonewater has merged with Mount Green Housing Association becoming a 39,000 homes group. Last April, Stonewater has secured a £254m funding package with Barclays, NatWest, Nationwide, ABN AMRO, and HSBC. £150m of the credit facility consists of sustainability linked loans. This includes KPIs relating to Stonewater's Energy Efficiency, SAP, and SHIFT scores. The funding shall be used to deliver Stonewater's strategic plan for 2030 targeting three main objectives: providing efficient customer-centred services, delivering quality homes and neighbourhoods, and maximising the value provided through environmental and social sustainability.



Ireland-Iveagh Trust: latest new member of Housing Alliance

The Housing Alliance is a collaboration of the six largest Approved Housing -bodies (AHBs) of Ireland. Thanks to the joining of Iveagh Trust, the homes managed by members of the Housing Alliance will increase to more than 44,000.



UK-Peabody: Passivhaus project in south-east London

Peabody has announced a project at Deptford Landings representing a significant milestone. It is Peabody's first project that will meet the German Passivhaus energy efficiency standard. Notably, it is one of the largest single phases Passivhaus developments in the UK, designed to significantly reduce carbon emissions and protect residents from high heating costs.



UK-Platform Housing Group: Issuance of £250m sustainability bond

Platform Housing Group, the largest housing association in the Midlands, issued a second £250m sustainability bond as part of its £1.0bn EMTN programme. The transaction attracted strong demand, with the initial order books almost four times oversubscribed and over 50 investors participating. Active bookrunners for the transaction were Lloyds, Barclays, and National Australia Bank.



Northern Ireland-2024 Housing Conference

In March 2024, RITTERWALD held a presentation about ESG reporting in social housing. The presentation highlighted that social housing providers are well positioned in the evolving ESG landscape. Furthermore, it was discussed that ESG data management is a key enabler for social housing providers to demonstrate their ESG credentials in their ESG reports towards sustainable finance lenders and the wider stakeholders in the supply chain.

Highlights ESG Landscape



Australia-ESG reporting standard for community housing

Insights into the first year of ESG reporting against the community housing standard in Australia reveal a growing emphasis on sustainability reporting. Despite this progress, similar challenges persist in Australia as seen among adopters in the UK and EU.

In terms of environmental reporting, there is a reporting completeness of 86% (meaning that respondents did not leave questions blank or with the comment 'N/A'). However, only 33% of respondents reported on Scope 1, Scope 2 and Scope 3 greenhouse gas emissions separately. The social dimension shows an even higher reporting completeness rate of 92%, yet challenges remain for specific criteria. Notably, questions on the distribution of rental homes per tenure and the total number of complaints that have been captured within the last 12 months received a reporting rate of 75%. Regarding the Governance dimension, the reporting completeness is notably high at 89%.

EU Platform on Sustainable Finance

The Platform on Sustainable Finance was established under Article 20 of the Taxonomy Regulation. It plays a critical role in fostering dialogue and collaboration among diverse stakeholders. To support the implementation and usability of the EU taxonomy the platform brings together private stakeholders, NGOs, academia, public and international institutions. The platform is tasked with advising the European Commission on the EU taxonomy and sustainable finance usability, technical screening criteria for the taxonomy and capital flow monitoring into sustainable investments. Hereby, the Platform operates through plenary sessions and technical subgroups. The Platform aims to engage external stakeholders through feedback mechanisms, webinars, and outreach sessions to ensure broad participation and diverse perspectives in advancing sustainable finance objectives. Additionally, a stakeholder request mechanism enables the submission of evidence-based suggestions for taxonomy criteria development or revisions, with ongoing assessment and periodic review of submitted requests.

EU member states approve corporate sustainability directive (CSDDD)

On 15 March 2024, the EU member states voted in favour of the previously contested Corporate Sustainability Due Diligence Directive (CSDDD). The CSDDD will force European companies to examine supply chains for questionable environmental and labour practices. The CSDDD now appears to be coming into force after Germany and Italy hesitated in the last minute. The European Commission aims to streamline regulations to avoid conflicting national standards. Therefore, adjustments were made to reduce the directive's scope and simplify application. The CSDDD is expected to come into force within two years, gradually applying to larger companies over subsequent years.

European Commission to delay key aspects of CSRD

The European Commission has announced a delay in key aspects of its Corporate Sustainable Reporting Directive (CSRD). Within the 2024 Commission Work Programme, plans have been outlined to postpone sustainability reporting requirements for a period of two years. This extension encompasses the postponement of the adoption of sector-specific sustainability disclosures and for sustainability reporting from companies outside of the EU. The original plan was the adoption by the end of June 2024. Generally, the CSRD aims to enhance transparency and accountability regarding sustainability-related impacts, opportunities, and risks. The proposal to extend the adoption date for sector-specific European Sustainability Reporting Standards (ESRS) by two years shall streamline reporting obligations and facilitate the implementation of the first set of ESRS.

International Financial Reporting Standards (IFRS)-Non Financial Reporting

In June 2023, the International Sustainability Standards Board (ISSB) has published its first global sustainability disclosure standards, namely IFRS S1 and IFRS S2. They will come into force for reporting periods beginning on or after 1 January 2024.

IFRS S1 consists of general disclosure requirements. They aim to facilitate companies' communication of sustainability-related opportunities and risks to investors. IFRS S2 includes detailed climate-related disclosure requirements that are intended to com-

plement IFRS S1.

Both standards integrate recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). Prior to the release of these standards, the IFRS Foundation initiated a consultation on the ISSB's forthcoming 2-year agenda priorities. These priorities encompass the initiation of new standard-setting projects focusing on four reporting aspects: biodiversity, ecosystems and ecosystem services, human capital, human rights and finally, the integration in reporting. With the release of TCFD's status report in October 2023, the TCFD has declared the fulfilment of its mandate and disbanded. FSB explained that the

issuance of the IFRS S1 and S2 mark the 'culmination of the work of the TCFD'. By adhering to IFRS S1 and IFRS S2 these recommendations are fully integrated into the ISSB's Standards. However, companies can still adhere to the TCFD recommendations or might be even required to do so. Besides, using the TCFD recommendations alongside the ISSB's Standards can serve as a seamless entry point for companies transitioning to the latter. Additionally, the IFRS Foundation has released a comparison of requirements in IFRS S2 and the TCFD recommendations, demonstrating alignment between the two⁹.

RITTERWALD partnerships

imug | rating

For its external verification of the Certified Sustainable Housing Label, we are working together with sustainability rating agency **imug rating**, a German-based wholly owned subsidiary of European Ethifinance¹⁰.

www.imug-rating.de/en

convene | esg

Certified Sustainable Housing Label with data platform **Convene ESG**, a UK subsidiary of Singapore stock-listed global software company Azeus. We replaced the Excel spreadsheet a web-based version of the 50+ ESG criteria catalogue. This is more user-friendly, provides the possibility of internal knowledge sharing and permanent access to year-round data management.

www.azeusconvene.co.uk/esg

lookthrough

Climate Transition Planning with software company **Lookthrough**, a Swiss based AI-driven SaaS subsidiary of global operating company Novarca¹¹. Climate transition planning shows the pathway to net zero taking into consideration the carbon emissions of the housing stock having regard to decarbonisation measures, including timing, cost, external dependencies (electric power grid) and tenant engagement. The analytical software of Lookthrough interrogates a data base including a CRREM (Carbon Risk Real Estate Monitor) based partway to net zero. Using the extensive database drawn from the real estate owner, supply chain partners in the real estate industry, machine learning and artificial intelligence, the tool provides output including properties at risk of becoming stranded assets, based on life cycle component replacement and upgrades.

www.lookthrough.com/esg

⁹ <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfid-july2023.pdf>

¹⁰ <https://www.ethifinance.com/en>

¹¹ <https://www.novarca.com/>

RITTERWALD is a pan-European real estate consultancy, incorporated 12 years ago in Germany. We are committed to supporting the social and affordable housing industry. RITTERWALD is a dedicated member of the European Federation for Living (EFL) and actively participating in the Finance and Investment Group and the European Digitisation Group.

RITTERWALD's team with 35+ consultants are providing sustainability related services to housing providers across Europe, of which an important one is ESG accreditation through the Certified Sustainable Housing Label (CSHL). The sustainability related services complement RITTERWALD's wider business consulting services, corporate sustainability strategies, business optimisation, organisational change, corporate growth, and restructuring. RITTERWALD's team combines extensive knowledge of residential real estate and housing, business process re-engineering and corporate strategy.

Since the issuance of the Certified Sustainable Housing Label late 2019, the focus on ESG has grown steadily creating a rising demand for sustainability related services among clients across Europe. In all cases RITTERWALD enables its clients to demonstrate and enhance their ESG credentials.



In 2019 RITTERWALD launched its Certified Sustainable Housing Label

Climate Transition Planning

Corporate pathways that show how to achieve reduction of energy consumption and carbon emissions through a variety of retrofitting measures where technically feasible and economic effective.

Sustainability Strategy

(Double) materiality analysis to support priorities and transitions to net zero.

Assurance provider services

for borrowers who must measure and report on sustainability performance targets towards their lenders.

External assessment ESG Report

In the UK, RITTERWALD is offering external assessment of ESG report (against SRS)

Sustainable Finance

Finance frameworks for preparing issuance of Green, Social and Sustainability bonds (ICMA compliant) or raising sustainability-linked loans (LMA compliant).

ESG Accreditation

Certified Sustainable Housing Label and Sustainable Housing Assessment (captured product for bond aggregators, banks, and funds).

Sustainable (re)development

building and sustaining public private partnerships in urban regeneration for housing delivery programmes.

Early 2023 RITTERWALD co-founded HYSTAKE Investment Partners, a pan European investment boutique. HYSTAKE focuses primarily on balance sheet (re)structuring by:

HYSTAKE

INVESTMENT PARTNERS

- **Advising** on tailor-made and long-term capital allocations
- **Advising** businesses and investors on corporate, portfolio and investment strategy issues as well as increasing ESG requirements
- **Accompanying** transactions M&A, restructurings, and refinancing measures.



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