



An ESG Reporting Standard for Australian Community Housing

Community Housing Industry Association (CHIA)
March 2023



Community Housing
INDUSTRY ASSOCIATION



Australian Government



**National Housing Finance
and Investment Corporation**

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Executive Summary

Lenders and investors worldwide are increasingly requiring that the assets they invest in provide both a sound commercial return and positive environmental, social and governance (ESG) outcomes.

This report sets out the background and opportunities arising from the recently launched ESG standard for Australian community housing.

In 2021, the Community Housing Industry Association (CHIA), the peak body representing 150 not for profit community housing providers with 100,000+ homes (\$40 billion) across Australia, and its partner Housing Australia (formerly NHFIC, the National Housing Finance Investment Corporation) commissioned the creation of an ESG reporting standard for the sector.

This landmark initiative aims to promote a stronger pipeline of investment in housing as essential infrastructure for all Australians. Recent research estimates that a failure to act on Australia's housing crisis will cost the nation a staggering \$25 billion annually by 2051 as a result of the health, productivity and crime costs borne by the community from unmet housing need.¹

Launched in September 2022, the first edition of the ESG reporting standard coincides with recent shifts in Federal housing policy, a growing desire to address acute social and affordable housing challenges, and momentum from investors looking for opportunities arising in affordable and social residential property. This report outlines the context to developing the first edition of the standard. At present, it is a voluntary, self-certifying standard. In time, it is expected to achieve sector wide coverage, be recommended by lenders, and feature external verification.

To tap into institutional investment, the community housing sector needs to deliver appropriate risk adjusted returns, as well as have a positive impact on sustainability, to people's lives and livelihoods, to liveable places, and to productive economies. By offering a standard tool for measuring, managing, reporting and interpreting the most compelling aspects of environmental and community impact, the ESG standard will make sector value more transparent. This is expected to raise investor confidence that ESG risks are being appropriately managed and positive impact can be achieved.

This ESG reporting standard is based on the Sustainability Reporting Standard (SRS) for social housing in the UK. The SRS has been fine-tuned to the Australian context, its circumstances and requirements. This framework is the first in Australia, and only the second globally, following the launch of the UK SRS in November 2020.

The ESG standard has been prepared in consultation with key stakeholders, including Community Housing Organisations (CHO), lenders, investors, and government, with funding generously provided by Housing Australia (formerly NHFIC), a number of private sector organisations but predominantly by contributing CHOs.

¹SGS Economics and Planning & Housing All Australians (2022), Give Me Shelter: The long-term costs of underproviding public, social and affordable housing, https://www.sgsep.com.au/assets/main/SGS-Economics-and-Planning_Give-Me-Shelter.pdf



01 Introduction

01 Introduction



1.1 Background

In recent years, growing interest in sustainable finance has incentivised rapid developments in the investment approaches of government and private funders and financiers. All of these parties are increasingly looking to ensure community value – across the dimensions of environment, social and governance – while generating sound financial returns for the providers of capital.

Against this backdrop, recent housing policy developments and momentum in ESG financial disclosure present an opportunity for the community housing sector to leverage ESG credentialing to bolster sector resilience and long-term funding support.

To achieve this, Australia’s not-for-profit community housing industry will need to clearly demonstrate the value that community housing contributes to people’s lives and livelihoods, to liveable places, and to prosperous and productive economies through the way the sector develops and manages homes and tenancies.

To date, progress in this direction has been constrained by an absence of clear guidance on how this value can and should be defined, collected and reported. This has resulted in a multitude of initiatives from government, peak bodies, financial institutions and individual CHOs. Collectively, these offer a rich resource from which this report refines its focus: the development of the first ESG reporting standard for Australian community housing.

CHIA commissioned this project in late 2021. It was led by a consortium of consultants comprising Australian-based SGS Economics & Planning and Paxon Group, and pan-European real estate consultancy RITTERWALD, who actively contributed to the UK SRS and developed an ESG housing accreditation with external verification process. The current version of the standard has been prepared in consultation with key stakeholders, including CHOs, lenders, investors, and government. Funding was provided by NHFIC, the National Housing Finance and Investment Corporation, and contributing CHOs.

1.2 Purpose and structure of this report

This report outlines the approach applied by the consortium in building an industry ESG standard, as well as considerations for growing the adopter base and maturing ESG practices among users. The report is structured as follows:

- Chapter 2 summarises the contemporary market context for community housing in Australia,
- Chapter 3 discusses the rise of ESG, its emerging critiques and its role as an investment driver,
- Chapter 4 introduces the first edition of the ESG standard for Australian community housing, and
- Chapter 5 proposes a roadmap for the standard’s first year of operation.



02 Market Context

02 Market Context

The community housing sector plays a vital role in Australian society and the economy. Increasing demand for social housing means that a diversified financial ecosystem for social and affordable housing will be essential for sustainable sector growth.

2.1 Industry profile

CHOs play a key role in the Australian social housing sector, providing rentals to low and moderate income or special needs households who may otherwise be unable to afford safe and secure private rental without assistance. CHOs vary significantly in scale, ranging from over 11,000 managed tenancies by a single CHO to several with fewer than 100 tenancies.²

Community housing models vary by jurisdiction. Generally, CHOs partner with governments, private developers, and other entities to create an enabling environment – land supply, funding, development and asset management expertise – for social and affordable housing development. In doing so, they bring strong community relationships and depth of local and specialist knowledge to provide housing as essential infrastructure and, in some cases, specialist support services.

CHOs must be registered with one or more of the National Regulatory System for Community Housing (NRSCH), the Victorian Housing Registrar or the Western Australian Community Housing Registrar.³ A breakdown of registered organisations by tier⁴ and jurisdiction is shown below.



²CHIA (2022), Data Digest, <https://www.communityhousing.com.au/wp-content/uploads/2022/05/CHIA-Data-Digest-April-2022-1.pdf?x15331>

³NRSCH (2022), National Provider Register, https://www.nrsch.gov.au/national_register; Victorian Housing Registrar (2021), Registered housing agencies in Victoria, <https://www.vic.gov.au/registered-housing-agencies-victoria>; Western Australia Community Housing Regulatory Framework (2021), Registered Providers, https://www.housing.wa.gov.au/investorsandpartners/community-housingorganisations/registeredproviders/Pages/registered_providers_under_community_housing_regulatory_framework.aspx.

⁴The tiered, risk-based registration system applies different levels of regulatory monitoring based on the scale and scope of community activities, e.g., tenancy management, property development.

TABLE 1: REGISTERED COMMUNITY HOUSING PROVIDERS BY STATE AND TERRITORY, 2021-22

	Tier 1	Tier 2	Tier 3	Total	National %
Australian Capital Territory	1	2	11	14	3.7%
New South Wales	25	20	133	178	47.1%
Northern Territory	-	5	4	9	2.4%
Queensland	5	6	71	82	21.7%
South Australia	6	8	10	24	6.3%
Tasmania	4	1	-	5	1.3%
Victoria*	10 Housing Associations and 30 Housing Providers			40	10.6%
Western Australia**	4	7	15	26	6.9%
Australia				378	100%

* Victoria does not use a tiered system. ** Includes providers based in multiple jurisdictions. Sources: NRSCH National Provider Register (2022), Victorian Housing Registrar (2021), Western Australian Community Housing Regulatory Framework Registered Providers (2021).

In April 2022, CHIA released the first national report profiling the community housing industry, drawing from an analysis of 101 predominantly Tier 1 and Tier 2 CHO records.⁵ Survey results collected in 2020 convey their collective scale of impact:

- Over 118,000 tenancies managed by the 101 largest CHOs, of which 84 per cent are managed by 40 Tier 1 organisations,
- Over 32,600 dwellings owned, the vast majority (93 per cent) of which are owned by Tier 1 providers,
- Over 6,300 dwellings in the pipeline, with the top ten developer CHOs delivering 59 per cent of the pipeline,
- \$1.78 billion in total revenue from rents (the largest revenue component- 61 per cent), public grants, investments, business activities and donations; this is a 5.4 per cent revenue increase from 2018/19, and
- \$11.6 billion in net equity as at June 2020.

The true scale of impact based on these and other financial and non-financial indicators is likely to be slightly higher, given that smaller Tier 3 registered organisations (approximately 240 nationally, managing an estimated 4,000 tenancies or less than 4 per cent of the industry) were not included in the first edition of the national community housing profile.

⁵Tier 3 registered organisations were not included in the analysis. They represent an estimated 4,000 tenancies nationally (almost 4 per cent of tenancies nationally). CHIA (2022), Data Digest, <https://www.communityhousing.com.au/wp-content/uploads/2022/05/CHIA-Data-Digest-April-2022-1.pdf?x15331>

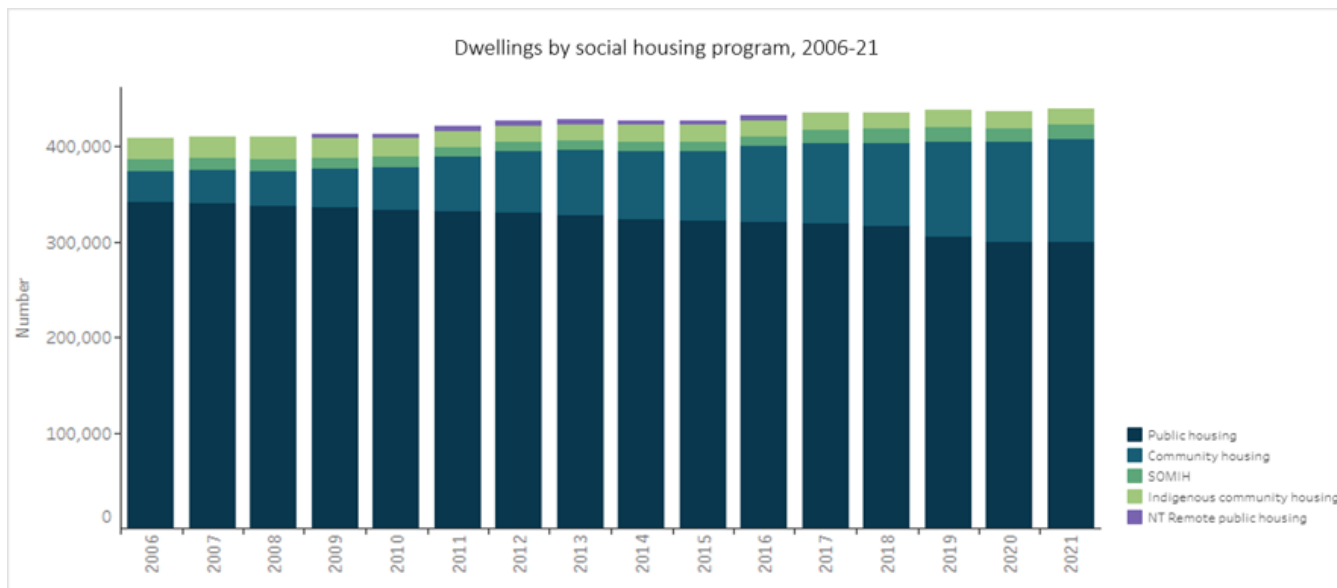
Since 2006, community housing stock has more than tripled from 32,300, driven in part by ownership or management transfers of public housing stock to CHOs.⁶ Between 2016 and 2021, the largest volumes of social housing transfers occurred in New South Wales and in South Australia, with over 13,400 and 4,200 dwellings transferred respectively. The effect of this is observed in the growing share of community housing as a proportion of all social housing (Figure 1). Note that these figures exclude affordable housing in all jurisdictions except New South Wales.

A note about the scope of community housing

State governments and official data collections such as the Australian Institute of Health and Welfare’s (AIHW) *Community Housing Data Collection* use community housing to refer to non-government providers of social and affordable housing, including non-registered organisations. Further complications arise where jurisdictions define community housing differently; only some include affordable housing in the data.

For the purposes of this report, the information presented above is largely extracted from CHIA’s inaugural national profile of the Australian community housing industry. It pertains to the 101 largest registered CHOs who are subject to regulatory engagement and who will be key users and shapers of the ESG reporting standard for Australian community housing.

FIGURE 1: DWELLINGS BY SOCIAL HOUSING PROGRAM IN AUSTRALIA, 2006-2021



Source: AIHW (2022)

⁶AIHW (2022), Housing assistance in Australia: Social housing dwellings <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/contents/social-housing-dwellings>

2.2 The 2022 environment

A worsening supply shortfall

Although CHOs are managing a greater share of social housing in recent years, the evidence points to a decline in social housing's proportionate share of national housing stock. Australia's population grew by more than 28 per cent between 2006 and 2021, yet the stock of social housing dwellings increased by only 7.7 per cent over the same period. Social housing comprised 4 per cent of all dwellings in 2021, compared with 6 per cent in 1996.

The Australian Housing and Urban Research Institute (AHURI) estimates that an additional 727,300 social housing dwellings is needed between 2016-36, which is equivalent to an annual average growth rate of 5.5 per cent over existing stock.⁷ This estimation considers the needs of different population segments: existing social housing renters, current and projected homeless populations, and those exhibiting 'evident need' (i.e. low-income households in rental stress who do not fall into one of the prior categories). Additional factors that exacerbate social housing supply constraints include:

- **COVID-19 pandemic impacts on the housing market.** A record 43,000 Australians moved to regional areas from capital cities in 2020,⁸ leading to substantial increases in rental rates in some areas and placing greater pressure on low-income households.
- **COVID-19 pandemic impacts on household financial and employment circumstances.** Over 63 per cent of renters were impacted by changes to employment in the early months of the pandemic in 2020, while a third reported difficulty in meeting rental payments and cost of living expenses.⁹
- **Slow action on building energy efficiency.** By 2050, almost 7 million affordable dwellings will fail to meet the standard for improved energy efficiency measures in the National Construction Code, if no action is taken.¹⁰
- **Fuel poverty and short-term costs of decarbonisation.** A housing affordability risk arises where upfront capital investments to decarbonise social and affordable housing increase costs to tenants in the short-term. Similar, high-energy costs coupled with low energy efficiency can contribute to energy stress.
- **Structural problems in social housing stock.** 34 per cent of community housing households report that they live with structural problems in their home, with 10 per cent of tenants reporting three or more structural problems.¹¹



⁷Lawson, J., Pawson, H., Troy, L., van den Nouweland, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report 306, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/306>, doi:10.18408/ahuri-5314301.

⁸ABS (2021), Net migration to the regions highest on record, <https://www.abs.gov.au/media-centre/media-releases/net-migration-regions-highest-record>

⁹AIHW (2021), Housing affordability, <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability>

¹⁰PowerHousing Australia (2022), Australian affordable housing report, <https://www.powerhousingaustralia.com.au/wp-content/uploads/2021/11/PHA-eScan-2021-FINAL.pdf>

¹¹Australian Institute of Health and Welfare 2019. National Social Housing Survey 2018: Key results. Cat. no. HOU 311. Canberra: AIHW.



Current funding environment

A range of finance sources, taxation and subsidy instruments, and policy arrangements make up a diverse funding environment for Australian community housing. Many CHOs receive government assistance in the form of grants or land contributions, some are entirely self-funded, and others have looked to comparatively niche partnership arrangements to sustain and grow their operations.¹² These include shared equity schemes, shared equity products marketed by banks and other financial institutions, and Community Land Trusts.

Community housing is a revenue generating asset that provides housing as an essential service to vulnerable populations. Surplus revenue is reinvested by not-for-profit CHOs to improve service provision and expansion. Registered not-for-profit CHOs are also eligible for taxation breaks and competitively allocated subsidies and grants.

Nonetheless, the nature of discounted rental means that the modest revenue of CHOs is insufficient to cover the costs of building and maintaining more social housing. Subsidies and government grants are essential if the sector is to grow, as is access to well-priced debt. There is also growing pressure to attract equity investment into community housing provision. This would see limited government funds and/or tax expenditures applied to top up returns to private investors placing funds into assets providing community housing services, at least for a time. In Australia and internationally, investment pathways increasingly encompass multi-provider social and affordable housing systems that aspire to private investment attraction.¹³

In Australia, an important milestone in CHOs' ability to access private finance was the creation of NHFIC (now Housing Australia) by the Australian Government in 2018 to raise wholesale debt finance through bonds for registered CHOs. It has since become a key financier of community housing, approving \$2.5 billion in long-term loans to 32 CHOs as at June 2021, supporting over 13,000 new and existing homes and saving CHOs an estimated \$420 million in interest, fees, and indirect costs associated with refinancing.¹⁴

NHFIC bond issues have proven to be popular in the markets; the first two bond issues by NHFIC were four times oversubscribed.¹⁵ Key factors behind this are that the bonds are auspiced by the Australian Government and attend to the social mandates that some institutional investors carry. In 2020-21, NHFIC issued its first sustainability bond, which attracted thirty domestic and international investors, comprising superannuation funds, sovereign wealth funds and offshore ethical investment funds.¹⁶

¹²Productivity Commission (2015), Housing – Report on Government Services, <https://www.pc.gov.au/research/ongoing/report-on-government-services/2015/housing-and-homelessness/housing/rgs-2015-volume-g-chapter17.pdf>

¹³Lawson, J., Pawson, H., Troy, L., Van Den Nouweland, R., & Hamilton, C. (2018). Social housing as infrastructure: an investment pathway.

¹⁴NHFIC (2021), National Housing Finance and Investment Corporation Annual Report 2020-21, https://www.nhfic.gov.au/media/1763/nhfic-annual-report-2021_final-web.pdf

¹⁵National Regulatory System Community Housing National Office 2019, Environmental Scan 2019, https://www.nrsch.gov.au/_data/assets/pdf_file/0005/765401/Environmental-Scan-FINAL-for-publishing-17122019.pdf

¹⁶NHFIC (2021), National Housing Finance and Investment Corporation Annual Report 2020-21, https://www.nhfic.gov.au/media/1763/nhfic-annual-report-2021_final-web.pdf

A summary of finance sources and taxation and subsidy instruments for community housing is compiled below (Table 2).

TABLE 2: PRINCIPAL SOURCES OF CAPITAL AND FINANCE FOR COMMUNITY HOUSING

Category	Sources and other arrangements
Capital / finance sources	<p>Retained earnings and state / federal equity plus...</p> <ul style="list-style-type: none"> • Bank and similar finance • Finance raised through aggregator intermediaries such as the National Housing Finance and Investment Corporation (NHFIC) • Housing stock transfers from State Housing Authority • Philanthropic investment, including access to land owned by faith-based groups • Land contributed by State and local government • Assets acquired via development contributions and planning agreements • Dwellings leased from the private sector or provided at concessional rates on a time-bounded basis
Taxation / subsidy instruments and other policy arrangements	<ul style="list-style-type: none"> • Federal and State equity contributions are provided under the National Affordable Housing Agreement (NAHA) and State-specific arrangements • Equity contributions under State-specific schemes • Community Housing Providers (CHOs) may tap the Commonwealth Rent Assistance secured by their tenants • CHOs can secure debt finance at wholesale prices via NHFIC • CHOs are eligible for a range of tax exemptions, including on GST • Private investors in affordable housing are eligible for a further discount (10 per cent) on capital gains tax • Transfer of State and Territory housing to CHOs to improve viability and tenancy management

Source: SGS (2022)

Despite the wider economic benefits of meeting social housing needs, the sector has traditionally attracted modest interest from private investors. This is due to:

- Difficulties in quantifying the core and wider economic benefits of social housing relating to ‘intangibles’ such as social justice, wellbeing and civic participation, among others. Social housing cost benefit analyses are relatively numbered in the Australian context, though have demonstrated avoided cost savings to the public health, justice and welfare system.¹⁷
- Uncertain cash flows and the tendency of industry to focus on lower rates of return and operating subsidies compared to other assets,
- A lack of a standardised impact measurement framework for investors to assess risk and return; this would enable more informed decision making and pave a stronger private investment pathway, and
- Concern about the uncertainty of ongoing government funding posing political risks to the long-term business model.

Recent economic modelling indicates that for every \$1 invested by taxpayers toward the delivery of social and affordable housing, the Australian community is returned \$2 in benefits.¹⁸

Under CHIA’s proposed Social Housing Acceleration and Renovation Program (SHARP),¹⁹ the additional build or upgrade of 30,000 social housing units over four years is estimated to support between 15,500-18,000 FTE jobs per year and generate up to \$18.2 billion in economic activity from an approximate \$7.7 billion government investment.²⁰

Prospective capital and finance demands

SGS modelled prospective capital requirements for social and affordable housing to 2051 based on:

1. Projected additional need for social and affordable housing nationally, sourced from recent research that SGS conducted in partnership with Housing All Australians to estimate the quantum of social and affordable housing provision required in 2051 to eliminate homelessness and housing stress among low-income renters,²¹
2. An assumption that the market share of non-government providers of future social and affordable housing will continue to grow at the rate observed between 2016 and 2021,²²
3. Three scenarios on the percentage of dwelling need (100 per cent of need met by 2051; 50 per cent and 25 per cent) to be built by the non-government sector,
4. Assumptions regarding the average land plus construction costs by geographic location,²³ and
5. The quantum of Commonwealth and State capital funding support in 2021-21 toward the non-government social housing sector.²⁴

¹⁷Lawson, Julie, et al. (2019), Social housing as infrastructure: rationale, prioritisation and investment pathway', <https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI-Final-Report-315-Social-housing-as-infrastructure-rationale-prioritisation-and-investment-pathway.pdf>.

¹⁸SGS Economics and Planning & Housing All Australians (2022), Give Me Shelter: The long-term costs of underproviding public, social and affordable housing, https://www.sgsep.com.au/assets/main/SGS-Economics-and-Planning_Give-Me-Shelter.pdf

¹⁹CHIA (2020), Social Housing Acceleration and Renovation Program (SHARP), <https://www.communityhousing.com.au/wp-content/uploads/2020/05/SHARP-Full-Report-1.pdf?x59559>.

²⁰Equity Economics (2020), Double return: How investing in social housing can address the growing homelessness crisis and boost Australia's economic recovery, <https://apo.org.au/node/310114>

²¹SGS applied its Housing Assistance Demand and Supply (HADS) model, which accounts for official population forecasts and assumes that incomes will grow broadly in line with rents. SGS Economics and Planning & Housing All Australians (2022), Give Me Shelter: The long-term costs of underproviding public, social and affordable housing, https://www.sgsep.com.au/assets/main/SGS-Economics-and-Planning_Give-Me-Shelter.pdf

²²Non-government share includes percentage of community housing and Indigenous community housing. Government share includes percentage of public housing and State-owned and managed Indigenous housing (SOMIH). Data sourced from AIHW (2022) Housing assistance in Australia 2021: Supplementary data tables: Social housing dwellings, <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia/data>

²³ABS (2021) Building Approvals, Australia; Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C., 2018. Social housing as infrastructure: an investment pathway. AHURI Final Report, (306).

²⁴Australian Government Productivity Commission (2021), Report on Government Services 2022, <https://www.pc.gov.au/research/ongoing/report-on-government-services/2022/housing-and-homelessness/housing>

Our analysis estimates a need for between \$141.8 and 752.6 billion capital requirements nationally to be met via private debt and equity markets to meet social and affordable housing need by 2051. A breakdown of capital requirements by jurisdiction and needs scenario is shown below (Table 3).

TABLE 3: NON-GOVERNMENT CAPITAL REQUIREMENTS (\$B) BY NEEDS SCENARIO, 2051

Jurisdiction	Non-government capital requirements (\$b) to meet three scenarios of social and affordable housing need by 2051		
	Scenario 1 100%	Scenario 2 50%	Scenario 3 25%
NSW	258.8	120.9	51.9
VIC	192.8	86.7	33.6
QLD	162.6	76.5	33.4
WA	61.4	29.9	14.1
SA	40.4	18.1	7.0
TAS	11.4	4.5	1.1
ACT	14.4	6.9	3.1
NT	10.8	1.9	-2.6*
National	752.6	345.4	141.8

* Based on current State CAPEX, elimination of homelessness in NT is expected to occur prior to 2051 under the 25% scenario. Source: SGS (2022).

The 2021 review into the operation of the NHFIC Act 2018 estimated that a \$293 billion capital investment would be required in the two decades to 2040 to meet the shortfall in social and affordable housing.²⁵ Pro rata-ed to 2051, it falls between Scenario 1 and 2 estimates above, where between 50 and 100 per cent of need is met by *non-government* capital requirements.

It is worth noting that two factors are driving the magnitude of capital requirements projected in this analysis:

- **Method for identifying housing need.** The starting point for SGS's analysis is one of higher projected additional need, as it is based on three categories of household type: people experiencing homelessness (rough sleepers and others), very low-income households, and low-income households. The 2021 review assumes that the current scale of unmet need will remain a constant share of the total Australian population.
- **Average land and construction costs.** The land and construction costs applied in this analysis range between \$395,000 and \$509,000, compared to \$267,000 (social housing) and \$360,000 (affordable housing) applied in the 2021 review. Dwelling costs were calculated from averaged capital city and regional dwelling construction costs in 2021 by State and Territory, while land costs were calculated based on the assumption that they comprise 31 per cent of total development costs.²⁶

²⁵Leptos, C. (2021), Statutory Review into the Operation of the National Housing Finance and Investment Corporation Act 2018: Final Report, <https://treasury.gov.au/sites/default/files/2021-10/p2021-217760.pdf>

²⁶Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C., 2018. Social housing as infrastructure: an investment pathway. AHURI Final Report, (306)

2.3 The role of private capital

Private and institutional financiers provide an important role in the financing of social and affordable housing projects, with increased examples in recent years of collaboration between Government, CHPs and financiers in delivering housing.

Financiers can provide senior debt, mezzanine debt, or equity as part of the required capital stack for an affordable or social housing project. While the majority of debt of the sector is currently provided through NHFIC, as outlined above, alternative debt sources from banks and other debt providers remain interested in participation in the sector and provide alternative pathways for projects.

Institutional and private capital is particularly important given that many CHPs are capital constrained, and hence seek opportunities to collaborate with external financiers to achieve project financing.

In developing the ESG standard, consultation was undertaken with a range of financiers of social and affordable housing. The consultation highlighted strong interest across the financier market for the presence of a standard, with the ESG outcomes from social and affordable housing strongly valued by financiers. Financiers are also attracted to the sector due to the consistent long term returns with low volatility.



TABLE 4: TYPOLOGY OF AFFORDABLE HOUSING PRODUCTS AND POTENTIAL PRIVATE SECTOR INVOLVEMENT

Product	Government subsidy, policy or regulation	Development contexts	Potential private for-profit sector role	Potential private not-for-profit sector role
Specialist housing (including crisis, disability, youth, Indigenous, senior housing)	<ul style="list-style-type: none"> Capital grant Operating/ service/rental subsidy Land lease or transfer National Regulatory System for Community Housing (NRSCH) 	<ul style="list-style-type: none"> Varied 	<ul style="list-style-type: none"> Institutional investment of equity Construction or operating debt Development management Ownership 	<ul style="list-style-type: none"> Development Ownership Property and tenancy management
Social housing (managed by CHO)	<ul style="list-style-type: none"> Capital grant Operating/service/rental subsidy Government backed bonds Land lease or transfer Inclusionary planning requirement / incentive NRSCH 	<ul style="list-style-type: none"> Urban (often estate) renewal; mix of inner, middle, outer and regional locations 	<ul style="list-style-type: none"> Institutional investment/ Finance Development/ Construction Sale of private market housing in mixed tenure projects 	<ul style="list-style-type: none"> Development Ownership Property and tenancy management
Affordable rental (income based rent) (managed by CHO or private landlord)	<ul style="list-style-type: none"> Some capital funding/ operating/ service/rental subsidy required; affordability may be time limited Rental subsidy (eligible households) Government backed bonds Land lease or transfer Inclusionary planning requirement / incentive NRSCH 	<ul style="list-style-type: none"> Urban renewal/ infill (higher value metropolitan markets) 	<ul style="list-style-type: none"> Institutional investment/ Finance Development/ Construction Ownership Property and Tenancy Management Sale of private market housing in mixed tenure projects 	<ul style="list-style-type: none"> Development Ownership Property and tenancy management
Below market rental (e.g. key worker 'build to rent', 'boarding houses', student accommodation)	<ul style="list-style-type: none"> Tax subsidy/concession Land lease Planning concession/ incentive Regulation may be required to manage access/ affordability for target groups 	<ul style="list-style-type: none"> Urban renewal/ infill 	<ul style="list-style-type: none"> Institutional investment/ Finance Development/ Construction Ownership 	<ul style="list-style-type: none"> Development Ownership Property and tenancy management
Low-cost home ownership (including shared equity, build to rent to buy)	<ul style="list-style-type: none"> Home owner grants Government loan and shared equity schemes Planning requirements or incentives Regulation may be required to manage access/ affordability for target groups 	<ul style="list-style-type: none"> Greenfield or redevelopment projects 	<ul style="list-style-type: none"> Finance Development/ construction Property and tenancy management Market housing sales 	<ul style="list-style-type: none"> Tenancy allocation/ management

Source: AHURI (2022), Final report No. 388, Private sector involvement in social and affordable housing



03 Why ESG standards matter

03 Why ESG standards matter

ESG standards are important to managing ESG risks that impact the long-term value of investments. Moreover, they underpin the future growth and development of the sector, and its ability to attract funding from a range of sources.

3.1 Origins and evolution

Socially responsible investment (SRI) extends from a philosophy to prevent and minimise potential harms to society. SRI's roots extend far back in history, from its earliest connections to faith-based practices to the more recent influences of the civil rights and environmental movements. Even before its mainstream profile and adoption, SRI typically involved screening investment portfolios to reject forbidden stocks or industries, much like modern-day investment screening processes.

In 2005, and the concept of 'ESG' was introduced in the landmark report 'Who Cares Wins'.²⁷ The publication argued that an array of stakeholders – financial institutions, investors, regulators, and NGOs, among others – all stand to benefit from integrating environmental, social and governance factors in their investment practices and associated functions.

Today, investment risks are complex and materialise from an array of sources: climate change, highly interconnected

global supply chains, scrutiny on corporate governance, regulatory change, and the COVID-19 pandemic. Thus, the investment rationale set out in the 2005 report is just as compelling in 2022, if not more so. Embedding ESG indicators within investment decision-making explicitly recognises that such factors are financially relevant over the long-term.

Several other factors are also driving contemporary momentum in ESG disclosure. A new generation of socially and environmentally aware investors are demanding higher standards of ethical economic growth,²⁸ while technological advancements are helping to streamline data collection and analysis for deeper insights into the ESG merits of investment options. At the same time, digital connectivity is facilitating data-driven consumption, such that stakeholders can more easily search and evaluate sustainability performance.

ESG in Australia

In the absence of a national framework of ESG factors, sustainability reporting in Australia has evolved as a patchwork of initiatives. Like Corporate Social Responsibility (CSR) and SRI, ESG is typically considered voluntary rather than mandatory, although some entities are subject to statutory reporting requirements for financial and non-financial outcomes.

Nonetheless, recent social and economic shocks and natural disasters have intensified an overall focus on the sustainability agenda. In 2021, 87 per cent of ASX 200 companies published substantive ESG information compared to 58 per cent in 2020.²⁹ The role and functions of the community housing sector already exhibit strong alignment with ESG values. With the right mix and maintenance of dwellings, its portfolio can positively shape local environments and emissions performance, while on the social dimension the sector empowers housing choice through opportunities for holistic upward mobility. An ESG reporting standard should therefore aim to consolidate rather than expand upon existing reporting efforts.

Many CHOs already capture data on the environmental performance of their portfolio, social returns, and the effectiveness of organisational governance. These are captured in their Annual and Financial Reports, as well as Strategic Plans. At the time of writing, however, few comprehensively measure (and publish) a suite of ESG criteria. One recent initiative is SGCH's first Impact Report, released in June 2022, which seeks to baseline ESG performance in seven areas.³⁰ In 2021, Community Housing Limited (CHL) launched its Social Impact Framework to survey the impacts of community housing on life opportunity. These insights aim to inform service improvement, policy development and national strategy.³¹

²⁷UN Global Compact (2004), Who Cares Wins: Connecting financial markets to a changing world, https://www.ifc.org/wps/wcm/connect/de954acc-504f-4140-91dc-d46cf063b1ec/WhoCaresWins_2004.pdf?MOD=AJPERES&CVID=iqjeE.mD

²⁸Boffo, R., & Patalano, R. (2020). ESG investing: Practices, progress and challenges. Éditions OCDE, Paris.

²⁹PwC (2021), ESG reporting in Australia – the full story, or just the good story? <https://www.pwc.com.au/assurance/esg-reporting-australia-2021.pdf>

³⁰SGCH (2022), Impact Report 2022: Our Environmental, Social and Governance Approach, <https://www.sgch.com.au/wp-content/uploads/2022/06/Impact-Report-2022.pdf>

³¹CHL (2021), Our Social Impact Framework, <https://chl.org.au/our-social-impact-framework/>

Alongside the ESG investment focus, it is also worth noting that elsewhere, sophisticated tools are being developed to measure housing specific as well as sector-agnostic social and economic indicators. These may provide guidance for refining metrics as the standard evolves in response to feedback from the early adopter and endorser community:

- CHIA Victoria's Measuring the Social Impact of Community Housing; Sector Outcomes Framework (2019),³²
- Centre for Social Impact's Social Housing Indicator Framework,³³
- Centre for Social Impact's Amplify Social Impact Indicator Engine, designed for outcomes measurement by Australian charities and NFPs.³⁴

Key distinctions

As a result of the shared concepts within the sustainability agenda, a complication arises that organisations may implement a range of initiatives loosely grouped under the umbrella of impact investment.

For clarity, an ESG reporting standard is an applied tool for evaluating sustainability. Offering standardised criteria for community housing providers to measure, manage and report on impact, paves a way forward for raising investor confidence through improved transparency.

ESG is therefore distinct from SRI and Corporate Social Responsibility (CSR), which are more general- models that guide organisational activities and culture. Rigorous ESG risk management and reporting supports the creation of long-term value.

3.2 Emerging critiques and response

The rapid rise of ESG is not without criticism. There are concerns about the suitability of standardised criteria to a diverse market and the potential for this to over-prescribe organisational responses. Studies have also shown there is little agreement among rating agencies and data vendors on the construction and use of ESG measures.³⁵ Issues with the quality and quantity of information may arise after the standard is adopted, as well as with organisational capacity and skill to conduct reporting. These concerns are not unique to ESG and have been raised in the context of other reporting standards, such as the Global Reporting Initiative (GRI).

In substance, a critique of ESG is the potential for greenwash given the level of consumer demand for responsible and ethical investment. A recent study of mutual funds between 2010-20 concluded 'a favourable effect on flows for ESG-labelled funds having inferior objective ESG profiles', providing direct evidence of greenwashing. However, the effect was significantly reduced between 2018-20, signalling greater investor awareness.³⁶

Clear taxonomies assist to guard against misuse or misrepresentation of ESG performance. To this end, the European Union recently adopted a legal framework to establish a list of environmentally sustainable activities,³⁷ while the US Securities and Exchange Commission has announced a Climate and ESG Task Force to proactively identify ESG-related misconduct.³⁸

Given time, the ESG standard for Australian community housing should aim for sector-wide adoption and external, content-focused verification. Alongside the promotion of user education and developing a customised governance structure, these actions will support good practice across the sector and the ability to adapt to emerging global trends in ESG reporting.

ESG as an investment driver

There are several mechanisms by which ESG considerations underpin the investment rationale. These range from the ability to holistically account for determinants of shareholder value, to the boost to reputational impacts and other intangibles that contribute to organisational competitiveness and market value.³⁹

There is some evidence that favourable ESG ratings and/or the voluntary adoption of sustainability policies drive more positive investment outcomes. For example, it was found that adopting organisations significantly outperform their counterparts on stock market and accounting performance over the long-term.⁴⁰ A 2021 study also noted that the absence of an external ESG rating risked exclusion from the investment universe of asset managers who relied on third-party sustainability evaluation.⁴¹

³²CHIA Victoria (2019), Sector Outcomes Framework, <https://chiavvic.com.au/wp-content/uploads/2021/06/M11367-CHIA-Vic-Framework-Outcomes-document.pdf>

³³CSI (2017), Social Housing Indicator Framework Final Report, https://communityhousing.org.au/wp-content/uploads/2020/12/IDS4_CSI_SocialHousingIndicatorFramework.pdf

³⁴CSI (2022), Amplify Social Impact, <https://amplify.csi.edu.au/>

³⁵Eccles, R. G., & Strohle, J. C. (2018). Exploring social origins in the construction of ESG measures. Available at SSRN 3212685.

³⁶Kaustia, M., & Yu, W. (2021). Greenwashing in Mutual Funds. Available at SSRN 3934004.

³⁷European Commission (2021), EU taxonomy for sustainable activities, https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

³⁸US SEC (2020), SEC announces enforcement task force focused on climate and ESG issues, <https://www.sec.gov/news/press-release/2021-42>

³⁹UN Global Compact (2004), Who Cares Wins: Connecting financial markets to a changing world, https://www.igcc.org/wps/wcm/connect/de954acc-504f-4140-91dc-d46cf063b1ec/WhoCaresWins_2004.pdf?MOD=AJPERES&CVID=iq9E.md

⁴⁰Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management science*, 60(11), 2835-2857.

⁴¹Zumtse, I., & Láce, N. (2021). ESG Rating—Necessity for the Investor or the Company? *Sustainability*, 13(16), 8940.



04 The ESG Standard for Australian Community Housing

04 The ESG Standard for Australian Community Housing

An ESG disclosure standard for community housing providers CHOs should demonstrate their ESG credentials and promote transparency, consistency and comparability. This report contains the first edition of the ESG standard.

4.1 Setting the standard

This ESG reporting standard is loosely based on the Sustainability Reporting Standard (SRS) for social housing in the UK and has been fine-tuned to the Australian context, its circumstances and requirements. This was achieved in consultation with 28 contributing housing providers and over 20 stakeholders in the finance and investment domain.

What it does

The benefits of an industry standard framework of ESG criteria and metrics will be to:

- Expand and diversify the funding sources available to the Australian community housing sector,
- Provide access to financial benefits via lower borrowing costs and favourable loan covenants,
- Help the sector consistently and credibly report on the social impact it creates,

- Grow community housing provision as essential infrastructure, thereby strengthening local economies and social cohesion in wider society,
- Accelerate sector development of sophisticated governance and strategic planning practices, leading to productivity gains in the deployment of government investment and transfer payments.

What it needs

- Regular input and feedback from different stakeholders: community housing providers, lenders and investors, government (regulatory bodies), and other stakeholders
- Alignment with existing global frameworks such as UN Sustainable Development Goals (SDGs), International Sustainability Standards Board (ISSB), Global Reporting Initiative (GRI), Task Force on Climate-related Financial Disclosures (TCFD), Principles and Guidelines of International Capital Market Association (ICMA) and Loan Market Association (LMA)
- Focused and well-defined quantitative and qualitative ESG criteria to report against to avoid unnecessary bureaucracy
- A tailored governance approach and roadmap to support monitoring and refining the ESG standard.

Guiding principles

- Address risk, return and impact (defined as outcomes) from the perspective of lenders and investors
- Be transparent, consistent, and comparable
- Quantitative and qualitative criteria and independently verifiable
- Avoid unnecessary bureaucracy (recurring readily available good quality data)
- Be usable by all community housing providers
- Use of financial and non-financial metrics on selected criteria

Success factors

- The growth of the number of adopters and endorsers over time,
- The transition of voluntary to recommended use over time,
- The transition of self-certifying to external verification over time,
- Keeping the reporting standard current through monitoring and by raising the bar periodically,
- Governance structure demonstrating stewardship of the reporting standard.

4.2 Structuring the standard

12 themes and 41 criteria are proposed for the first edition of the ESG reporting standard (Table 5). These have been developed in consultation with prospective users of the standard, as well as wider feedback received as part of the housing and investor consultations. The themes are consistent with those in the UK SRS, but the criteria have been adapted to suit the Australian context. The full standard is listed in Appendix A.

TABLE 5: SUMMARY OF THEMES IN THE ESG REPORTING STANDARD FOR AUSTRALIAN COMMUNITY HOUSING

ESG Dimension	Theme	Rationale
Environmental	E1 Climate Change	<p>This theme addresses how the activities of the housing provider are impacting on climate change, and how they are mitigating the physical risks of climate change. This theme considers current practice, as well as the changes being made to improve performance in the future.</p> <p>The theme is made up of seven criteria, including Scope of greenhouse gas emissions, energy efficiency actions and related savings, climate risk mitigation actions and the provision of energy management guidance for residents.</p>
	E2 Ecology	<p>This theme addresses how the housing provider is protecting the local environment and ecology.</p> <p>The theme is made up of two criteria around green space, biodiversity and pollutant management.</p>
	E3 Resource Management	<p>This theme seeks to identify the extent to which the housing provider has a sustainable approach to materials in both the construction and management of properties.</p> <p>The theme is made up of three criteria relating to CHO policy on sourcing materials, waste and water management.</p>

TABLE 5: SUMMARY OF THEMES IN THE ESG REPORTING STANDARD FOR AUSTRALIAN COMMUNITY HOUSING (CON...)

ESG Dimension	Theme	Rationale
Social	S1 Affordability and Security	<p>This theme addresses the extent to which the housing providers provides long-term homes that are genuinely affordable to those on low incomes.</p> <p>The theme is made up of five criteria including the tenure mix of new and existing properties, tenant support for energy bill management and the distribution of rental homes by tenure.</p>
	S2 Building Safety and Quality	<p>This theme addresses how effective the housing provider is at meeting its legal responsibilities to protect residents and keep buildings safe.</p> <p>The theme is made up of two criteria: the proportion of homes with up-to-date gas safety checks and fire risk assessments.</p>
	S3 Resident Voice	<p>This theme addresses how effective the housing provider is at listening to and empowering residents.</p> <p>The theme is made up of three criteria on accountability for service provision, resident satisfaction and complaints handling.</p>
	S4 Resident Support	<p>This theme addresses the effectiveness of the initiatives that the housing provider runs to support individual residents.</p> <p>The theme is made up of one criterion relating to the direct or third-party provision of resident support services and their impact on residents' quality of life.</p>
	S5 Placemaking	<p>This theme seeks to highlight the wider set of activities that housing providers undertake to create well-designed homes and places that meet local needs and provide great places for people to live and enjoy.</p> <p>The theme is made up of one criterion relating to CHO engagement with placemaking activities.</p>
Governance	G1 Corporate and Governance	<p>This theme addresses the housing provider's overall structure and approach to governance.</p> <p>The theme is made up of two criteria covering code of governance, where applicable, and regulatory findings resulting in action.</p>
	G2 Board and Trustees	<p>This theme addresses the quality, suitability and performance of the board and trustees.</p> <p>The theme is made up of eight criteria including demographics of the board and the experience and independence of the board.</p>
	G3 Staff Wellbeing	<p>This theme addresses how staff are supported and how their wellbeing is considered.</p> <p>The theme is made up of six criteria including salary information, the gender pay gap, adoption of a Reconciliation Action Plan (RAP) and average staff turnover.</p>
	G4 Supply Chain	<p>This theme addresses if the housing provider procures responsibly.</p> <p>The theme is made up of one criterion assessing how ESG factors are considered during procurement.</p>



05 Implementation Roadmap

05 Implementation Roadmap

Following the soft launch of the ESG reporting standard at the Affordable Housing Finance and Development Summit in September 2022, an approach to implementation is being developed in the lead-up to its formal launch in early 2023.

A detailed roadmap to guide post-launch governance of the ESG standard will be key to securing wider adoption by the community housing sector and endorsement from lenders and investors.

Learning from experience in the UK where the not-for-profit housing sector developed a similar ESG standard in 2020, the success of the standard requires a robust implementation strategy to promote and sign up organisations as supporters or adopters (for housing providers) or endorsers (for financial institutions), and to establish strong, independent governance for the standard.

The first stage of implementation is estimated to take between 12 to 18 months, and subject to funding support, it will commence mid-2023 and complete in June 2024. Key functions for the implementation lead during this period will be to:

- Develop options and preparing a short options paper for the ongoing governance of the standard,
- Promote and market the ESG reporting standard with potential supporters, adopters and endorsers, for example, via an annual program of seminars and events,

- Provide online briefings for CHOs about reporting on the standard,
- Prepare an annual report on the standard, including data compilation and analysis,
- Review and adjust the standard, for example, through facilitating an adopter and endorser forum to identify areas for improvement and to test refinements,
- Provide secretariat functions to the standard's Steering Group, and
- Support the establishment of the ongoing governance structure.

While the above is currently in development, several pillars of the post-launch strategy are outlined below:

- **Ensure CHIA and NHFIC's ongoing strategic partnership.** In the next three to five years, it is expected that the Affordable Housing Bond Aggregator (AHBA), administered by NHFIC, will remain the predominant gateway to debt capital markets for CHOs. NHFIC's active endorsement of the ESG reporting standard will be critical for bridging market representations of sustainability between the community housing sector and prospective investors.
- **Consider the formation of a separate entity to oversee post-launch governance.** The entity would ensure continuity during the implementation, improvement and growth phases of the ESG standard, with input from CHIA and NHFIC.

- **Secure adequate budget.** To achieve growth in the adopter and endorser base, the ESG standard requires appropriate level of support to benefit from dedicated marketing, events and other growth initiatives.
- **Agree milestones and measurable targets for maturing the ESG reporting standard.** The following considerations should also be addressed in a five-year roadmap for the ESG standard.
 - Firstly, the transition from voluntary to recommended use has the best chance of success if enforced by lenders who include use of the ESG reporting standard as part of their credit application process.
 - Secondly, growth targets for adopters and endorsers should be clear and realistic, having regard to the CHO tiers and the mix of core and enhanced criteria.
 - Thirdly, reporting and other protocols. For example, reporting period and frequency, as well as the provision of support (e.g., online resource, contact to respond to questions) that adopting CHOs can access.
- **Fine-tune alignment with the global sustainability ecosystem.** The sustainability ecosystem comprises frameworks, initiatives, ratings and standards. These are shown below (Figure 2). Alignment between these systems can facilitate comparative analyses between organisations, notwithstanding sector or jurisdiction.

FIGURE 2: OVERVIEW OF THE GLOBAL SUSTAINABILITY ECOSYSTEM



Source: GRI, Positive Investment Imperial, RITTERWALD (2022)

Appendix A: First edition of the ESG standard

There are 41 criteria in the ESG standard for Australian community housing, classified by theme and type (Table 6). To encourage greater adoption from the outset, the designation of Core and Enhanced criteria recognises that some are more easily, or already, collected and should therefore be required reporting for adopting CHOs (Core) while others may be more challenging and set the bar for future reporting (Enhanced). For some criteria, interpretation notes are included in the reporting standard to provide guidance to users.

Reporting entities will also be asked to provide general information relating to their location, category of registration, financial reporting year, total assets, and other items (Figure 3). This will enable the characterisation of a sector-wide profile and progress over time, as well as support a more nuanced understanding of ESG performance within 'like' groups, e.g. based on geographic market.

FIGURE 3: GENERAL COMPANY INFORMATION TAB

General Company Information	
Official (legal) Name	<input type="text"/>
Registered Address	<input type="text"/>
	Street Address <input type="text"/>
	City <input type="text"/>
	State <input type="text"/>
	Postal Code <input type="text"/>
Registration Number	<input type="text"/>
<hr/>	
Financial Year Period	<input type="text"/>
	Start Date - End Date <input type="text"/>
Number of dwellings owned	<input type="text"/>
Number of dwellings managed	<input type="text"/>
Size of development Pipeline	<input type="text"/>
Use of other Reporting Standards/ Frameworks	<input type="text" value="Please select"/>
Ratio EPC rated properties	<input type="text"/>
Vacancy Rates (Properties)	<input type="text"/>
% of tenants receiving rental subsidies (owned stock)	<input type="text"/>
% of tenants receiving rental subsidies (managed stock)	<input type="text"/>
Geographical markets	<input type="text"/>
Regulatory Regime	<input type="text" value="Please select"/>
Category of Registration	<input type="text" value="Please select"/>
Value of assets (balance sheet)	<input type="text"/>
Interest bearing debt	<input type="text"/>
Revenues and Expenditures	<input type="text"/>
Gearing Ratio	<input type="text"/>

Source: ESG Reporting Standard for Australian Community Housing (2022).

TABLE 6: CRITERIA CATALOGUE FOR THE ESG REPORTING STANDARD FOR AUSTRALIAN COMMUNITY HOUSING (FIRST EDITION, 2022)

Criteria #	Criteria	Measurement Unit	Notes	Type
ENVIRONMENTAL				
I. Climate Change				
C1	What number and % of homes have been assessed against an energy ratings scheme (such as BASIX, NaTHERs) and, of those assessed, provide a portfolio breakdown by ratings performance (e.g. proportion of <6 star compared to 6-7, 7-8 and 8+ star)	% of homes		Core
C2	Report Scope 1, Scope 2 (core) and Scope 3 (enhanced) greenhouse gas emissions separately	kg CO2 equivalent	Understanding scope 1 and 2 emissions is a core criteria. Understanding scope 3 emissions is considered an enhanced criteria.	Core
C3	Report what energy efficiency actions the housing provider has undertaken in the last 12 months and what are the related energy savings?	Qualitative response		Core
C4	Report what energy efficiency actions and investments in renewables the housing provider has planned for the following 12 months?	Qualitative response		Enhanced
C5	What is the share of homes with rooftop solar installed?	% total stock		Enhanced
C6	Report how the housing provider is mitigating the following climate risks: - Increased flood risk - Increased risk of bush fires - Increased risk of homes overheating - Increased weather risk	Qualitative response		Core

Criteria #	Criteria	Measurement Unit	Notes	Type
C7	Report if and how the housing provider informs residents about correct ventilation and mould prevention, heating, waste recycling etc.	Qualitative response		Enhanced
II. Ecology				
C8	Report how the housing provider is expanding green space and promoting biodiversity on or near their homes.	Qualitative response		Core
C9	Report if the housing provider has a policy in place to actively manage and reduce all pollutants? If so, report how does the housing provider target and measure performance?	1. Yes 2. No, but planning to develop a policy 3. No, no plans to develop a policy		Enhanced
III. Resource Management				
C10	Report if the housing provider has a policy in place to use or increase the use of environmentally friendly sourced building materials? If so, report how does the housing provider target and measure performance?	1. Yes 2. No, but planning to develop a policy this year 3. No, no intention to develop a policy		Core
C11	Report if the housing provider has a strategy for waste management incorporating building materials? If so, report how does the housing provider target and measure performance?	1. Yes 2. No, but planning to develop a policy this year 3. No, no intention to develop a policy		Core
C12	Report if the housing provider has a policy for water management? If so, report how does the housing provider target and measure performance?	1. Yes 2. No, but planning to develop a policy this year 3. No, no intention to develop a policy		Core

Criteria #	Criteria	Measurement Unit	Notes	Type
SOCIAL				
I. Affordability and Security				
C13	What is the % of tenants in social housing (rents charged calculated at 30% or below of income) affordable housing (<75% of market rents), market rent and other (including disability housing, crisis accommodation, other rental support)?	% social housing (Note: different threshold for Victoria) % affordable housing		Core
C14	Report the share and number of existing homes (owned and managed) completed (in terms of construction) before the last financial year allocated to tenure (eg. general needs, transitional housing, specialist disability accommodation, housing for indigenous/First Nations people among others). Include homes acquired in the last financial year that were constructed before the last financial year.	% properties, number of properties	Categories can include: General low-cost housing – social and affordable housing provided on the basis of income and asset criteria, and which does not fall under a more specific category below Transitional housing – housing for people who are homeless or at risk of homelessness. It provides a temporary housing option before tenants move to permanent housing, e.g. public housing, community housing, or the private rental market Specialist disability accommodation – the range of housing designed for people with extreme functional impairment or very high support needs so they can live more independently and so other supports can be delivered better and more safety, Housing for First Nations people – dwellings targeted to Aboriginal and/or Torres Strait Islander tenants	Core

Criteria #	Criteria	Measurement Unit	Notes	Type
C15	Report the share and number of new homes (owned and managed) completed (in terms of construction) in the last financial year allocated to tenure (eg. general needs, transitional housing, specialist disability accommodation, housing for indigenous/First Nations people among others). Include homes acquired in the last financial year that were constructed in the last financial year.	% properties, number of properties	Categories can include: General low-cost housing – social and affordable housing provided on the basis of income and asset criteria, and which does not fall under a more specific category below Transitional housing – housing for people who are homeless or at risk of homelessness. It provides a temporary housing option before tenants move to permanent housing, e.g. public housing, community housing, or the private rental market Specialist disability accommodation – the range of housing designed for people with extreme functional impairment or very high support needs so they can live more independently and so other supports can be delivered better and more safety, Housing for First Nations people – dwellings targeted to Aboriginal and/or Torres Strait Islander tenants	Core
C16	Report how the housing provider is supporting residents to manage their energy bills for heating and cooling? For example, ventilation systems, smart devices etc.	Qualitative response	Whereas criterion C3 in the environmental dimension focusses on systems installed by the Housing Provider, this criterion focusses on tenant sustainability education. Decarbonisation can only partially be achieved by the housing organisation; tenants are an important link on the path to net zero.	Core
C17	Report the distribution of rental homes per tenure	% of homes with tenure <1y % of homes with tenure 1-3y % of homes with tenure 3-10y % of homes with tenure >10y		Enhanced

Criteria #	Criteria	Measurement Unit	Notes	Type
II. Building Safety and Quality				
C18	Report what % of homes with a gas appliance have an in-date, accredited gas safety check?	% of homes		Core
C19	Report what % of homes have an in-date and compliant Fire Risk Assessment?	% of homes		Core
III. Resident Voice				
C20	Report what arrangements are in place to enable residents to hold the housing provider accountable for provision of services?	Qualitative response		Core
C21	Report how the housing provider measures and acts on Resident Satisfaction (external provision, comparability) and how Resident Satisfaction scores have changed over the last three years?	Qualitative response		Core
C22	Report the total number of complaints that have been captured by the relevant State or Territory residential tenancy tribunal in the last 12 months? Report if and how these complaints have resulted in change of practice by the housing provider?	Qualitative response		Core
IV. Resident Support				
C23	Report what support services the housing provider offers to its residents, including those through third party providers and co-designing with residents. How successful are these services in improving residents' quality of life?	Qualitative response		Core
V. Placemaking				
C24	Report examples or case studies of where the housing provider has been engaged in placemaking or place shaping activities, such as playgrounds, small commercial spaces, pedestrian zones, greenspaces, community areas, neighbourhood improvement or accessible property (among others).	Qualitative response	An example could be establishing 15- minute neighbourhoods (metropolitan areas).	Enhanced

Criteria #	Criteria	Measurement Unit	Notes	Type
GOVERNANCE				
I. Corporate Governance				
C25	Which Code of Governance does the housing provider follow, if any?	Name of code	Following a Code of Governance is a sign of a Housing Provider's commitment to good governance, and provides a simple snapshot into the approach taken by the Housing Provider.	Core
C26	Report if the housing provider has been subject to any adverse regulatory findings in the last 12 months (data protection breaches, bribery, money laundering, HSE breaches etc) that resulted in enforcement or other equivalent action?	Yes/No	This criterion is included to raise any issues that have adversely affected the Housing Provider in the last year. It serves an important purpose in ensuring that any issues relating to the organisation's governance must be disclosed to investors.	Core
II. Board and Trustees				
C27	Report separate turnover for both the executive board members and management team in the last two years	Total number and % of turnover for executive board and management team	Report separate turnover figures for both the executive board and management. Each figure should cover the last two years. Worked example: There are 10 members of the management team, one member left and was replaced in the 2020/21 financial year, and two members left and were replaced in the 2021/22 financial year. Thereby management team turnover is 30%. $1+2 = 3$ $3/10 = 0.3 = 30\%$	Core
C28	Report how the housing provider's Board manages organisational and financial risks	Qualitative	Organisational risks should include environmental and social risks next to financial and governance risks.	Enhanced
C29	Has the housing provider submitted a Modern Slavery Statement to the Australian Government or voluntarily elected to prepare a Modern Slavery Statement?	Qualitative	Entities with an annual consolidated revenue of at least AUD\$100 million have mandatory reporting requirements under the Modern Slavery Act (2018). Entities who do not meet this threshold may nonetheless voluntarily prepare and submit a Modern Slavery Statement to demonstrate leadership and commitment on modern slavery (and will be bound as if they were a mandatory reporting entity).	Enhanced
C30	Report, where applicable, the maximum tenure for a Board member	Yes/No, Length of tenure		Core

Criteria #	Criteria	Measurement Unit	Notes	Type
C31	Report the number of board members on the Audit Committee with recent and relevant financial experience	Number and description of experience		Core
C32	Report for how many years the housing provider's current external audit partner has been responsible for auditing the accounts?	Number of whole years		Core
C33	Report the month and year of the last independently-run, Board-effectiveness review, as well as by whom it was conducted	Date, Reviewer		Core
C34	How does the housing provider handle conflicts of interest at the board?	Qualitative		Enhanced
III. Staff Wellbeing				
C35	Does the housing provider pay a Real Living Wage and/or is there the ability for staff to bargain collectively to improve conditions of employment?	Yes/No	Please disclose whether apprentices and/or contractors have been included. Like the Minimum Wage, the Real Living Wage sets a wage floor, but it is based on the cost of living or other measure(s) of living standards to ensure that workers and their families can meet basic needs.	Core
C36	Report the median gender pay gap	% gap	Reporting should be in-line with government standards: https://www.wgea.gov.au/publications/australias-gender-pay-gap-statistics#calculating	Enhanced
C37	Report how the housing provider supports the physical and mental health of their staff	Qualitative response	Possible answers include the report of a policy, programs, employee assistance program, etc.	Enhanced
C38	Report the average staff turnover in the last 12 months	%		Core
C39	Has the housing provider adopted a Reconciliation Action Plan (RAP), approved by Reconciliation Australia?	Yes/No		Enhanced
C40	Report the proportion of the Board and employees who identify as Aboriginal and/or Torres Strait Islander	% of roles identifying as Aboriginal and/or Torres Strait Islander		Enhanced
IV: Supply Chain				
C41	Report if and how ESG credentials of suppliers are considered when procuring goods and services?	Qualitative Response		Enhanced

Appendix B: Funding acknowledgement

This initiative was funded by NHFIC, private sector organisations, but predominantly by contributing CHOs.



Appendix C: Recent strategic and policy developments

In March 2022, the 2022-23 Federal Budget Papers were released, outlining several national measures aimed at addressing worsening rental affordability and a growing waitlist for social housing:

- An additional \$2 billion in low-cost loans to CHOs to support 27,500 dwellings, raising the total liability cap of NHFIC's Affordable Housing Bond Aggregator to \$5.5 billion and providing certainty around the financing model,⁴² and
- Continued \$1.6 billion funding for the National Housing and Homelessness Agreement (NHHA) and \$313.7 million of National Partnership payments to support state and territory affordable housing services.⁴³

In May 2022, a new Labor government was sworn in, with housing affordability a defining feature of its campaign. Major policy measures to increase housing supply and improve housing affordability are summarised below. The potential revival of a COAG style body was also flagged, which would re-establish a peak, intergovernmental forum comprising Federal, State and Local government representation to discuss policy reform of national significance.

National Housing Accord

The National Housing Accord (2022)⁴⁸ signals a shared commitment by all levels of government, institutional investors and superfunds, and the building and construction sector to improve quality and affordable housing supply over the medium term. The National Housing Accord (2022) commits to a range of immediate actions, including:

- \$350 million in Australian government funding for 10,000 additional affordable homes over five years from 2024, to be delivered at an energy efficiency rating of seven stars or greater (or the minimum standard set by the National Construction Code for new residential dwellings),
- State and Territory in-kind or financial contributions to support an additional 10,000 affordable homes over the same period,
- Intergovernmental collaboration to improve financing options through the Housing Australia Future Fund and/or the National Housing Infrastructure Facility, and
- Actions that would improve zoning, planning and land release, as well as skills and workforce availability to support the delivery of Government funded housing projects.

The National Housing Accord (2022) also identifies several areas for further investigation, including:

- How the Australian Local Government Association, institutional investors, and the building and construction industry can participate in and support the development of the National Housing and Homelessness Plan,
- A review of barriers to institutional investment, finance and innovation in housing,
- Commonwealth collaboration with CHOs and other not for profit housing providers to achieve social and affordable housing targets, and
- The development of implementation schedules for the commitments outlined in the National Housing Accord.

⁴²Federal Budget Paper No. 1, https://budget.gov.au/2022-23/content/bp1/download/bp1_bs-1.pdf

⁴³Federal Budget Paper No. 3, https://budget.gov.au/2022-23/content/bp3/download/bp3_08_part_2_affordable.pdf

Housing Australia

The revamping of NHFIC as Housing Australia will incorporate an expansion in remit and functions to include responsibility for a newly created National Housing Supply and Affordability Council and national housing programs. In addition to existing programs administered by NHFIC, these are the:

- Help to Buy program, a shared equity scheme facilitating easier access to home ownership through lower deposit and Lenders Mortgage Insurance requirements. There will be 10,000 places available each financial year for eligible applicants. A commencement date for the scheme has not yet been announced at the time of writing,
- Regional First Home Buyer Support Scheme, commencing in January 2023. This is an extension of the First Home Loan Deposit Scheme and will provide an additional 10,000 places for eligible applicants to receive a government guarantee of up to 15 per cent of the value of the home purchased, and
- Housing Australia Future Fund, a \$10 billion initiative to increase supply of social and affordable housing.

The remit of the National Housing Infrastructure Facility will also be widened, making up to \$575 million available for social and affordable housing investment. Concessional loans, grants and equity finance may be used to finance projects aiming to accelerate housing supply.

Housing Australia Future Fund

A centrepiece among the Federal Government's housing measures, the \$10 billion Housing Australia Future Fund will provide 20,000 social housing properties for low-income residents and 10,000 affordable housing properties in its first five years of operation. A portion of investment returns annually will continue to fund acute housing needs into the future. Funds have also been allocated for repair, maintenance and improvements to housing in remote Indigenous communities (\$200 million), for crisis and transitional housing (\$100 million) and for housing and specialist services for veterans at risk of homelessness (\$30 million).

The Fund will be managed by the Future Fund Board, an independent body that currently manages six public asset funds.⁴⁴ Its 2021 ESG policy highlights an objective to strengthen the investment system and benefit the long-term investment goals of the Future Fund by promoting 'good practice for institutional investment, contributing to system integrity, protecting investor rights and building new markets'.⁴⁵

⁴⁴Future Fund (2022), <https://www.futurefund.gov.au/about-us/our-funds>.

⁴⁵Future Fund (2021), Management of environmental, social and governance issues, <https://www.futurefund.gov.au/investment/how-we-invest/esg>

National Housing Supply and Affordability Council

A new National Housing Supply and Affordability Council will be established under Housing Australia to bolster Commonwealth leadership in a coordinated governmental response to housing affordability generally and social and affordable housing supply challenges particularly.

The Council will draw from multi-disciplinary expertise in the fields of finance, economics, planning and social housing to:

- Set targets for land supply in consultation with State and Territory Governments
- Collect and make public on a regular basis nationally consistent data on housing supply, demand and affordability. This includes the volume and price of land, material costs, availability of labour, training schemes, enabling infrastructure and time taken to navigate planning and development processes
- Advise on ways to improve land use planning and land supply which will boost national productivity and improve housing affordability
- Report on the release of government owned land
- Report on rental affordability and homelessness
- Report on the number of new social and affordable homes being built annually and advise on ways to boost the construction of social and affordable housing
- Advise on appropriate housing measures to be included in all current and future City and Regional Deals.⁴⁶

A stronger sustainability agenda

The climate change risks to Australia's housing stock are well-documented, ranging from public health issues to the economic cost of damage or destruction from natural disasters and other climate events. Recent research also demonstrates that these impacts are disproportionately borne by low-income tenants who face 'energy hardship' by virtue of occupying cheaper properties fitted with low energy efficiency facilities.⁴⁷

A new target of a 43 per cent emissions reduction on 2005 levels by 2030 and net zero emissions by 2050 is set to be legislated in the second half of 2022, signalling the passage of Australia's first climate change legislation in more than a decade.⁴⁸

With over 118,000 social and affordable housing tenancies managed or owned by the 101 largest community housing organisations in Australia and over 6,300 dwellings in the pipeline,⁴⁹ the sector's potential contribution and scale of impact is clear in meeting the climate change target. While many newer dwellings perform well by energy efficiency standards, the cost of decarbonisation and to retrofit older stock is an underlying challenge. This can be compounded by funding concerns, dwelling condition, as well as the need for measures that recognise the at times competing interests and information asymmetry between tenants and landlords.

⁴⁶ALP (2022), National Housing Supply and Affordability Council, <https://www.alp.org.au/policies/national-housing-supply-and-affordability-council>

⁴⁷Daniel, L., Moore, T., Baker, E., Beer, A., Willand, N., Horne, R., & Hamilton, C. (2020). Warm, cool and energy-affordable housing policy solutions for low-income renters. AHURI Final Report.

⁴⁸Morton, A. (2022, Aug 5). 'Australia's climate change targets will become law. What happens now?' The Guardian, <https://www.theguardian.com/australia-news/2022/aug/05/australias-climate-change-targets-will-become-law-what-happens-now>

⁴⁹<https://www.communityhousing.com.au/wp-content/uploads/2022/05/CHIA-Data-Digest-April-2022-1.pdf?x15331>

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