Catalyst Response to Good Economy ESG White Paper

Catalyst is one of the UK's leading housing associations, owning and managing over 32,000 homes housing over 65,000 customers in London and the South East. We are a member of the G15 group of large London housing associations and Build East group of large developing housing associations in the East of England.

We are widely recognised as a well-governed leader in environmental and social activities:

- We have been accredited by SHIFT since 2008 and in 2012 were one of the first associations to achieve Gold status, which we have retained since.
- We have also won a number of SHIFT awards, including Sustainable Housing Provider of the year in 2016 and 2018 and Sustainable New Build Project of the Year in 2018 for our regeneration scheme in Kensington.
- A specialist community investment team delivering over 100 community projects. These have one a number of awards from TPAS, CIH/Inside Housing and SHIFT.
- An approach to resident engagement that has won awards from TPAS and SHIFT.

We are delighted to have the opportunity to provide a response to this consultation on the Environmental, Social and Governance White Paper.

If you have any questions or require further information on this response, please contact David Flindall (david.flindall@chg.org.uk).

Introduction

Generally, we welcome this initiative to develop environmental, social and governance (ESG) criteria that are credible, consistent and comparable. Changes in October 2019 to pensions trustee reporting brought in an expectation that trustees will drive "new investment in important sectors of the economy – helping to deliver sustainable environments, jobs and communities". We anticipate that an ESG focus will only become more important to investors in future.

We support the approach of:

- Using existing standards and information collection requirements (NROSH etc)
- Aligning criteria to requirements that investors will understand (UN Sustainable Development Goals, ICMA Green and Social Bonds, World Economic Forum thinking etc)
- Facilitating housing associations to 'tell their own stories' within common touch points

- Focussing on the questions that are important, through criteria that add necessary information and are relevant, meaningful and capable of being answered
- Establishing core and secondary criteria.

We are keen to contribute to the creation of this initiative and have some general comments about the approach and some specific points about the criteria that we hope will be useful.

General comments about the approach

There may be a risk of this initiative trying to be all things to all people. We therefore think it is important to keep the remit tight and focussed on investors' needs. We also believe that good ESG practice should be driven by each organisation's current practices, strategy and aspirations rather than solely via the criteria set out here.

As a sector, we have a particular challenge with how we present ourselves to investors, who are unlikely to understand the nuances of providing affordable housing. In particular:

- We feel that there should be an opportunity in each criteria to respond qualitatively and, where appropriate, quantitatively as well. This will allow us to tell and evidence our story across the criteria.
- Quantitative measures should not set expectations that housing associations cannot keep. For example, new buildings are likely to perform better than older street properties in sustainability criteria, particularly those with limited opportunities for refurbishment. Although telling our stories allows some nuance, we don't want to look like we are excusing failure.
- To be of maximum benefit when accessing public markets, we will need to be able to quantitatively evidence anything we put to investors. We think it would be good to make clear where the criteria link to data or information that we are already required to collect, eg another column listing out the requirement. We could then add a column to indicate where we have internal measures or measures which we collect in response to voluntary accreditation schemes, such as SHIFT (Sustainable Homes Index for Tomorrow, a sector sustainability accreditation scheme) or indeed Ritterwald's accreditation scheme.

We would like to see a broadening of the definition of affordable housing to include:

- Homeownership products where access is linked to affordability criteria, eg shared ownership and equity loan products. We feel that these products help those who might otherwise be excluded from adequate, safe and affordable housing in an area to access it. The current criteria don't exclude this but focus on rental housing for affordability (in particular (C1).
- Intermediate and other rental products designed to give access to adequate, safe and affordable housing in an area. Intermediate rental homes, let at typically 80% of market rent, can help people who might not otherwise be able to afford to live in an area but would not qualify for general needs rental homes. For example, we and many other housing associations provide accommodation at intermediate rent for key workers such as nurses, other hospital staff and in some areas doctors.

We think that the criteria may be missing some quite easy wins that clearly indicate our social purpose, eg:

- Gender pay gap. This is a requirement and we are sure that the sector has something good to tell here as we are perhaps more likely to perform well compared to other sectors.

- Modern Slavery Statement. Again this is a requirement and again the sector is likely to have something positive to say here.

We think that it would be good to identify existing accreditation schemes that could provide investors assurance across some criteria, such as SHIFT, although there will be others.

The criteria include a question on the diversity of our board. We think we and the sector as a whole has a good story to tell about the opportunities we provide to our diverse resident base and for those who work for us. This could be demonstrated via qualitative description and tangible evidence, eg awards for work done in this area, membership of programmes to support inclusion (such as Leadership 2025) and commitments to charters designed to set minimum standards (such as the CIH domestic abuse pledge).

Ideally, the framework should work for both those accessing public capital markets and those seeking to benefit from bilateral sustainability-linked loans. As the latter is not subject to listing regulations, funders providing bilateral sustainability linked loans are likely to have a more relaxed attitude to data provision and evidence. That said, in our experience funders and investors really want to hear the story but still require measurable metrics in order to satisfy their own internal credit process.

Comments on specific criteria

T1 C1. See general comments above about affordability and homeownership products

In addition, we wonder how possible it is for housing associations to accurately know their tenants' (or other residents') incomes. We can't be sure how many of our tenants are on benefits, particularly as their circumstances change, unless we are advised by relevant bodies or they tell us. We don't have mechanisms in place to monitor incomes in real time, so it may be dangerous to set this as an expectation.

We feel there is more work to do to understand the affordability of rents. For example, we need to fully understand the risks and benefits of both comparing rents to private sector rents and local housing allowance (LHA) rates as they are calculated differently.

Also calculating affordability against net income is not a widely agreed measure. For example, how is net income calculated and how are factors like number of dependents, cost of transport etc considered? It seems appropriate that it is up to the housing association to come up with its own approach, but it might be good to have some basic guidance to allow comparability between associations.

Finally, we wonder what you mean by '% of homes with nomination agreements'. Do you mean the proportion of our total stock subject to nomination agreements?

T1 C3 Should this also consider the development pipeline as it is intended to show future homes? Again, this criteria might benefit from some guidance, eg it could include:

- Homes with planning permission
- Homes under development
- Homes handed over.

T2 C5 and C6. We feel that this is an important area where qualitative responses will add real value. For example, why gas safety certification and other essential works that involve access to homes are harder during a pandemic.

Should other landlord safety requirements be included in T2, eg asbestos, electricity, lifts and water hygiene?

Risk assessment is key and should be mentioned in C6. It is also important for non-gas landlord safety requirements.

To get a more holistic picture of building safety it might be good to consider criteria linked to the housing health and safety rating system (HHSRS). This extends beyond the measures mentioned above to include anything that could represent a health and safety risk to occupants.

T3 C7 We would like to see this include digital alternatives to engaging with residents, particularly after the current lockdown, which has accelerated new ways of communicating with residents. Investors are of course very keen on digital inclusion and this is an area where we will all potentially be able to demonstrate a positive trajectory.

T5 C12. Responses to this are likely to be wide-ranging if this is simply a qualitative response. The criteria could state how many case studies are required and provide a word limit for responses To make the evidence required more specific, and to ensure a more consistent standard across responses.

This criteria, could also be linked to industrywide guidance or a definition so housing associations can present and evidence placemaking activity in a more consistent way.

In addition, we think that the rationale should acknowledge that placemaking is not just:

- A short-term investment but is part of the long-term stewardship of neighbourhoods over decades
- About delivering benefits to residents or providing a resident-centred approach (although it includes this), it is about benefiting the wider community.

T 7 C15 – 17 and19 We agree with these but, as previously indicated, believe including a qualitative response in addition to the quantitative measures may be beneficial. These measures are very specific and therefore offer limited ability to contextualise them. In particular, new buildings are likely to look better than older street properties in these criteria, particularly those with limited opportunities for refurbishment

T7 C20-28 – We agree with these as secondary measures but would like the requirements amended to make clear that it is a strategic approach rather than a document called a strategy, as we don't want or need to produce a separate document for each activity. A bit more latitude to tell the story would make these criteria stronger.

T9 C31. This could benefit from commentary from the housing association to understand what turnover indicates, given that potentially small numbers could distort the response.

T9 C37 We think this could be strengthened by referring to length of service.

T10 C44 We already report this, but it would be useful to have the ability to add a commentary for investors. Eg where homes may require works to ensure they continue to meet the decent homes standard, but we cannot enter due to a pandemic.

T10 C45 We think this needs more clarity about what degree of disclosure is required for 'any issues relating to the organisations governance'.