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# Building a standard for ESG reporting in the social housing sector

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By Professor Jeffrey Ridley, Lincoln International Business School, University of Lincoln & Board Member Lincs Rural Housing Association

**Investors are keen to deliver their ESG objectives and a new paper sets out how housing providers can help do this and deliver their own objectives. Jeffrey Ridley explains.**

An [Environmental, Social and Governance White Paper](#) has recently been published in the social housing sector, initiated by housing association Peabody, joined by Clarion, Optivo and Sovereign and in consultation with investment consultancy The Good Economy. This paper recognises the importance many UK financial institutions are now placing on ESG performance and reporting of their 'impact investing' decisions. So, what is ESG and why is it important to the UK affordable housing sector?

### Defining ESG

ESG is an integrated approach to investment decisions. It has origins from environmental, social issues and governance concerns going back into the 20th Century and before. These concerns have become more important and integrated in today's good governance and stewardship codes and practices. ESG is now being seen as having a growing impact in the future on all investment decisions impacting the social housing sector.

From an investor perspective, their decisions are driven by a [voluntary Stewardship Code](#) from the Financial Reporting Council, which for some asset managers is treated as a requirement to 'comply or explain', similar to the U.K. Corporate Governance Code. For global investors, the United Nations has for a number of years [promoted a voluntary set of principles for responsible investment](#) for investors to incorporate ESG themes into their investment practices.

### ESG and affordable housing

This housing association-driven ESG White Paper is set in the context of the UK social housing sector's need to report on its ESG performance to continue to attract the long-term interest of the investment community.

The social housing sector is seen in the paper as a 'firmly established asset class which is of increasing interest to a wide range of national and international investors' attracting the entry of new funds and funding models. This is essential if the level of investment in the sector is to meet government and housing association affordable house building targets.

However, the paper recognises currently there 'is no consistent approach to assessing the ESG and impact performance of investments in social housing' and proposes a standard to encourage better measurement of the sector's ESG performance and reporting to attract and retain investors.

### Exploring a standard approach

Following a series of workshops and contributions from lenders and investors, the paper's recommended standard of '10 themes and 45 criteria' represent 'a consensus on what is important to measure and report on from an ESG perspective.'. These themes and criteria are seen as a 'credible, consistent and comparable' approach to the sector's ESG reporting, which can also be used as groundwork for the sector's investors' own impact reporting.

Integrated ESG thinking and decision-making is not a new concept. It was promoted in the early 1990s by Kaplan and Norton in their *Balanced Scorecard Strategic Performance Measurement Model*. This was adopted by many organisations worldwide to measure performance of their decision-making using financial and ESG non-financial information. More recently integrated thinking and reporting has been promoted internationally through laws, regulations and governance codes. In social housing integrated thinking is 'at the heart' of the government's recent 2018 Green Paper on a new deal for social housing and its five principles for the sector's residents.

The Good Economy paper also examines the role of the sector in the context of the United Nations' 17 Sustainability Development Goals (SDGs). Housing associations are seen to be important contributors to alleviate 'poverty, create jobs and economic prosperity, increase health and wellbeing, help reduce energy consumption, mitigate climate change and facilitate sustainable cities, towns and communities.'. As such, they all have an important role to play in the UK's contribution to achieve these goals by the target date of 2030. These goals are also seen at the heart of the government's commitment to 'building a future that works for everyone' in its current Civil Society Strategy.

### **Lessons from COVID-19**

During the process of finalising the paper, the COVID-19 emergency is recognised as having created new ESG challenges for all housing associations. These are all likely to be with the sector for some time and affect decisions at board level in all housing associations challenging their board effectiveness. The paper concludes 'the importance of Environmental, Social and Governance considerations in investment decisions will in fact be strengthened by the current experience.'

The Good Economy is now taking its White Paper out to wider consultation across the sector and with the investor community. Its dedicated website [www.esgsocialhousing.co.uk](http://www.esgsocialhousing.co.uk) invites your feedback and offers the chance to sign-up for a series of webinars. All housing associations are able to benchmark their ESG reporting against the paper's proposed standard and respond if they can.

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### **Useful Links:**

[The Good Economy - White Paper: UK Social Housing - Building a Sector Standard Approach for ESG Reporting 2020](#)

[The UK Stewardship Code 2020](#)

[United Nations Global Compact A Blueprint for Responsible Investment 2017](#)

[Balanced Scorecard Institute](#)

[International Integrated Reporting Council \(IIRC\)](#)

[Green Paper: A New Deal for Social Housing 2018](#)

[United Nations – Sustainability Development Goals 2015](#)

[UK Government Policy Paper – building a future that works for everyone 2018](#)

[White Paper Webinars](#)