



NED Network briefing

25 October 2021

Set up by [HACT](#) and [PlaceShapers](#), with the support of [Anthony Collins Solicitors](#) and [Badenoch + Clark](#)

How board members need to respond to the challenge of reporting on your ESG?

A discussion led by Rachael Orr, Chief Executive for PlaceShapers

Main Speaker:

Brendan Sarsfield, Chair of the new Sustainability for Housing (SfH) board and former Chief Executive of Peabody.

In this session Brendan Sarsfield facilitated a discussion about promoting and embedding the Sustainability Reporting Standard for Social Housing (the Standard). The Standard was launched last year by The Good Economy and a group of housing associations and has since received backing from dozens of landlords and investors. It aims to promote the social housing sector as an option for private capital investments with environmental, social and governance (ESG) sectors. [Take a look at the Standard here.](#)

Brendan opened the discussion with some key ideas for board members to consider:

- The ESG presents an opportunity to consider sustainability beyond our finance departments and utilise it as a storytelling framework for the work done by the sector.
- It takes a more strategic approach, than previous sustainability efforts such as corporate social responsibility.
- Previously ESG has been predominantly driven by the finance sector and it is swallowing up more and more of the available spending pot. Public opinion on environmental issues is changing quickly. Consequently, governments are taking these problems more seriously and they are looking for levers to drive change. The Standard is such a tool.
- Reputable investors do not want to be associated with things that make them look bad, so they are taking a more proactive approach to sustainability issues. Just over two years ago banks started asking housing associations lots of questions about ESG. However, banks did not know what questions to ask. The sector took the bold step of sitting down with banks and opening discussions about how they could report properly on ESG. This is how the Standard came about.



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- Over 100 organisations have adopted the Standard in the first year. With a range of large and small associations taking part, and a particularly strong adoption rate in Wales. Many main funders, such as Barclays Bank, have also adopted the Standard.
- The ESG Standard gives Housing Associations an opportunity to discuss in a humble way, what support they need from the government, residents and local authorities. Banks have been lending on ESG criteria with lower interest rates as an incentive.
- Social Housing should be a perfect vehicle for ethical investment, but the sector has never been good at telling its story. Other sectors do have similar standards, but they have been written in bubbles. The great thing about our Standard is that it has been co-written with the finance sector.
- What does an ESG report look like? It can look how you want it to look, the aim is for it to be a personal story. People who have adopted the Standard and written a report in the first year of the scheme have realised the reports do not just work for finance, they work for other stakeholders as well.
- The reports need to be adopted by not just the finance department but by boards, risk committees and executives also. Particularly as it is possible that ESG reporting will become compulsory within a couple of years.
- ESG reporting is not about a one-year story, it is a journey to improve social value outcomes. If you can tell that story over a number of years, the strength of what the sector does will begin to develop.
- Some in the sector think that the gap between ESG finance and other lending will grow and this is something that we need to watch.
- The environmental element of ESG has dominated thinking and has given it a lot of importance. However, the social and governance issues are also of growing importance. Particularly with the withdrawal of the state from many areas of great need. This is why it is vital that we tell our story as a sector.
- The Standard will evolve, and we are actively listening to feedback.
- The social housing sector is an inward-looking sector. There is a whirlwind going on in the financial world about these issues and it is important to recognise that people's behaviours are changing. Thirty percent of people have changed their actions because of sustainability.
- We have good stories to tell in the social housing sector, the Standard is a way of organising those stories.



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Q&A Session

1. Can ESG reporting be combined with social impact reporting, rather than creating different reports for different audiences?

- Brendan explained that one report can be produced, as impact reporting is essentially the next step after ESG reporting. The housing sector needs to find a standard way of telling its story because at the moment there are several different standards. Over time a single standard will develop. HACT is already working with the sector on measuring social value, with major developments happening through the [Social Value Roadmap](#).

2. We cannot do everything so we have to focus on the actions that make the biggest difference. On the social impact side this is particularly relevant when we are thinking about how we change lifestyles.

- Brendan explained that this highlighted the overlap between environmental and social in ESG. The biggest challenge we have for environmental issues is people. Having worked at an organisation where fire safety work in recent years has challenged the relationship with the customers, there is a huge opportunity to coproduce with residents on these issues. Starting the journey together will help reframe those relationships.

3. How do we avoid this becoming a greenwashing issue?

- It is important to take a humble approach to ESG reporting. For example, explaining that we have these problems with this type of stock on the environmental front and the difficulties of meeting these problems. Our interdependency as a sector is much greater than we realise. When we collectively tell our story we are much more powerful. Working through the ESG framework, humbly and honestly, allows us to tell the story of the sector and individual organisations.

4. What is the next stage of ESG reporting, can it be broadened to address things such as inequality and improve transparency?

- The first reports highlighted that the Standard was a bit narrow and that they are not as strategic yet as they could be. We should remember that this is a journey where two sectors have come together and that we need to keep refining and bringing in best practice from other sectors. The reality is that the world is moving a lot quicker in this area than it was, the data we are collecting today may not be the data we need tomorrow.

5. Some disagreement was felt about the concept of storytelling. There was a concern that the sector talks a good talk but often residents do not recognise the organisations that we portray.

- Brendon explained that he did not disagree with this point and that Boards need to make sure that they are actively involved in these issues rather than letting it become a PR exercise.



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6. Attendees were interested in exploring the relationship between ESG reporting and linked outcomes to funding and how these align or diverge efforts to improve accountability.

- Criteria for loans has been very number targeted and there is a danger that they could become a sideshow and, from a board perspective, if you do not have an ESG report then you might not get any funding.
- Housing Associations are doing better than other organisations when it comes to sustainability linked loans but the reductions banks are giving are very small. Banks are making a big thing about it but they do need to do more. In the future things will change, we can already see this in the government's policy paper [Greening Finance: A Roadmap to Sustainable Investing](#). We are on a journey of trying to figure out how this all works. Housing Associations will need to be aware of requirements for corporate disclosure further down the line.

7. Are other sectors or organisations that we can learn from regarding ESG reporting?

- When the Standard was written they did evaluate what other sectors are doing but they are going to need help and greater resources to look into this research further. It is important to encourage board members and all of us to look outwards and to bring in a wider skill set into our decision making.

8. How do we ensure we are not just reporting but actually taking meaningful action by using the framework as a transformational opportunity?

- Brendan said that for environmental issues this will be easier but for social issues it will be harder. On the environmental issues you can clarify it. For example, we have 29 years to get to net zero, this means that we have to do 3000 homes a year. The key here is to use the ESG over a number of years to help build a story. This helps you to review if there is a connection between the reports from different years and maintain a momentum. You can interrogate whether the problem is getting better, rather than just stating what you have done the previous year.

Jon Coane

Anthony Collins Solicitors LLP

Next meeting: Monday 8 November 4pm - 5pm - [Register Here](#)

[How mentoring for succession planning can help address diversity at Board level across the sector.](#)

Mushtaq Khan, CEO Housing Diversity Network, shares his view on Diversity at Board Level and what some orgs are doing about this and is joined by Kam Urwin who will outline HDN's Board Diversity Programme and Luke Jno Baptiste sharing his experience of being a Trainee Board Member