



Improving ESG Credentials to Attract Investor Interest and Stabilise Finances

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The MTVH Back Story

- **MTVH g15 member with 58,000 units owned and managed**
- **Wide geographical footprint covering London and the Southeast, M1-M11 corridor towards Cambridge and Nottingham/Derby in the heart of the East Midlands**
- **Aspiration to grow at c 1,500 new homes pa**
- **Significant plans in terms of spend on Assets – upgrades to existing stock including 75% EPC C by 2030**

- **Board approved Sustainability Strategy and Action Plan in summer 2019**
- **Existing debt portfolio c £2.0bn**
- **Corporate Finance and Treasury seen as key drivers of change across the organisation**

Why ESG and Sustainability?

- **MTVH seen as a leader within the sector – Chair of the g15**
 - Key role in representing sector views to DLUC and central government
- **Follows the government and United Nations Agenda on climate change:**
 - COP26
 - UN Sustainable Development Goals
- **Right thing to be doing – this is what we do!**
 - Residents, Staff, Stakeholders, Investors and the Communities in which we work
- **Energy inflation crisis demonstrates the need for greater emphasis on ESG and Sustainability and a move away from fossil fuels**





Existing ESG Credentials

- **Probably all have ESG credentials! Just not aware.....**
- **Data collection and retention is critical**
- **Only way to set targets and to demonstrate progress**
- **Board and Operational KPIs**
- **FFR**
- **SDR**
- **Requirement for a dedicated resource - Appointment of a Head of Sustainability reporting to the CFO**
 - **Need to be able to validate and verify information**

Why enhance your credentials?

- **Demands of key investors and stakeholders in your business – similar ethos and culture**
 - Lenders and Corporate Investors
 - Stakeholders
 - Construction Partners
 - The Regulator of Social Housing
 - Your staff and residents – Deposits, Pension Plan contributions
- **Financial benefits on offer for meeting pre-agreed and verifiable target**
 - Supports and will stabilise future funding
- **Broaden the investor base – sector funding cannot be met by existing banks and UK pension funds alone**
 - UK/Europe/USA and the Far East (including Australasia)
- **Right thing to do – We are a very sustainable business – meet ESG targets – this is what we do!**

How to Improve ESG Credentials

- **Good Economy – Sustainable Reporting Standards (SRS)**
- **Ritterwald Sustainable Housing accreditation**
- **SHIFT Sustainability Standard**
- **Second Party Opinion (SPO)**
 - imug/ Sustainalytics – Also S&P, Moody's and Fitch preparing ESG ratings
- **Debt Issuance**
- **Sustainable Financing Framework**
 - International Capital Markets Association (ICMA) Bond Principles 2021
 - Green Bond Principles (2021) and Social Bond Principles (2021)
 - Sustainability Bond Guidelines 2021 and the Loan Market Association (LMA) Green Loan Principles 2021

CERTIFICATE



Financial Rewards

- **Benefits and Opportunities will vary depending on the type of debt**
 - Bank Loans – usually a margin reduction for meeting your pre-agreed targets c 2.5-5bps
 - Fixed Rate Debt – Coupon step up in later years
- **Initially only on offer for new debt – avoid Greenwashing of the loan book!**

Examples

- **MTVH 2019 – BNPP £50m RCF with ‘E’ metrics – Margin steps down over the life for meeting CO2 emission targets as reported in the SECR**
- **MTVH 2021 - £250m 15Yr Sustainable Bond – Margin agreed based on Use of Proceeds Reporting**
- **Bromford – SMBC £75m RCF ‘G’ metric – Margin steps down for meeting improvements to the Gender Pay Gap**
- **L&Q - £250m 10Yr Sustainability Linked Bond – Margin penalty stepping up for failing to meet CO2, SAP and new homes targets in the first 2 years ‘E’ and ‘S’ metrics**

What's next for ESG and Sustainable Finance?

- **Will become BAU**
- **Need to ensure all activities within a business compliant with the Board strategy**
- **MTVH will only take on new Sustainable and ESG linked funding**
- **Increased complexity of deal structures to enable cost savings for meeting targets – already in the banking market but more difficult to embed within fixed rate deals**
- **New KPIs reflecting investor key areas of focus – greater emphasis on ‘S’ and ‘G’ metrics**
- **Broader investor engagement driven by objectives of contributors**
- **Concern to avoid ‘Greenwashing’, phantom forests and tree planting where more of a PR stunt than effective carbon capture**

Conclusion

- **ESG and Sustainability are key drivers for banks and investors**
- **Future funding requests will need to support these objectives**
- **‘Brown’ industries or deal structures increasingly unattractive - charged at a premium**
- **Our sector is ESG and Sustainable**
 - Demonstration of achievements will ensure access to broad range of stable funding ensuring the financial stability of organisations and the sector well into the future



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Q&A



Links to key websites

SHIFT <https://shiftenvironment.co.uk/>

Ritterwald <https://www.ritterwald.de/en/>

MTVH Investors Page <https://www.mtvh.co.uk/about-us/investor-relations/>

Bromford Investors Page <https://www.bromford.co.uk/about-us/investor-relations/>

L&Q Investors Page <https://www.lqgroup.org.uk/investors/investor-information>