

NABERS Sustainable Finance Criteria Pilot Program



Purpose

Over the past 2 years, NABERS has been working with industry to develop a Sustainable Finance Criteria to assist banks, non-bank lenders and investors understand how to structure a sustainable finance transaction using NABERS ratings.

The purpose of this Criteria is to simplify the issuance of sustainable finance by helping lenders and borrowers identify investments that will result in significant environmental impact. This Criteria demonstrates how NABERS data, which already captures a substantial amount of Australian commercial buildings, can be used to qualify a building or portfolio for green finance.

NABERS has engaged with key stakeholders throughout the design process, and aspects of the Criteria have already been tested. This pilot project seeks to understand how the Criteria works in practice so that it can be adapted to user needs, prior to public release.

NABERS Sustainable Finance Criteria

The Criteria is based on two methods to demonstrate eligibility:

- Method 1 – Building upgrades that will result in a minimum 30% emissions reduction over a maximum 5-year period. Under this method, buildings must target a minimum star rating of 4 stars or above. Please refer to **Tables 1 – 3** below for the target NABERS ratings under this method.
- Method 2 – Low-carbon building whereby a building is eligible if they are performing in the top 15% of a sector at the time a loan is issued or, in the case of new builds, a property owner/manager signs a NABERS Commitment Agreement to meet or exceed the rating that represents the top 15%. Please refer to **Table 4** for NABERS ratings required to be in the top 15% of each sector.

These two methods are initial iterations of the Sustainable Finance Criteria and NABERS plans to expand on these methods in response to market need.

Pilot eligibility

By participating in the pilot, stakeholders will have the opportunity to be one of the first companies in Australia to issue a sustainable finance transaction using the NABERS Criteria. Participating companies will also work closely with NABERS to provide feedback on how the Criteria can be improved.

To be eligible for the pilot, participants must meet the requirements for either Method 1 or Method 2 of the NABERS Sustainable Finance Criteria. Applicants who are not successful for the first pilot will be put on a waiting list and will be considered for future pilots.

Our objective is to select a diverse range of participants to enable effective testing of the Criteria. As such, NABERS will prioritise stakeholders who represent the following target groups:

- A minimum one example from both eligibility methods
- A large bank in Australia
- A non-bank lender
- A range of asset types
- Small to medium asset management companies

Participants will be required to provide NABERS with updates and feedback on the progress of the loan.

Pilot application

To apply for the pilot, please send an email to the NABERS inbox (nabers@environment.nsw.gov.au) outlining your interest in participating in the pilot program and stating your eligibility. NABERS will contact you with additional information and next steps.

Applications for the pilot must be submitted by **Friday 18 March 2022**.

NABERS Sustainable Finance Criteria – target tables

OFFICES (NSW, ACT, VIC, SA, TAS)	
Initial NABERS rating	Target NABERS rating
0	4.0
1.0	
1.5	
2	
2.5	
3.0	4.5
3.5	5.0
4.0	
4.5	5.5
5.0	6.0
5.5	

OFFICES (QLD, NT, WA)	
Initial NABERS rating	Target NABERS rating
0	4.0
1.0	
1.5	
2	4.5
2.5	
3.0	5.0
3.5	5.5
4.0	
4.5	
5.0	6.0
5.5	

Tables 1 and 2: Minimum star rating target for buildings upgrades to achieve at least 30% emissions reduction – Office buildings

ALL OTHER SECTORS	
Initial NABERS rating	Target NABERS rating
0	4.0
1.0	
1.5	
2	
2.5	
3.0	4.5
3.5	5.0
4.0	
4.5	5.5
5.0	6.0
5.5	

Table 3: Minimum star rating target for buildings upgrades to achieve at least 30% emissions reduction – all sectors (excl Offices)

Sector	Low carbon energy benchmark	% of cohort represented
Office (base building)	5.5	14%
Shopping Centre	5.5	10%
Hotels	5	11%
Apartment Buildings	5	4%
Public Hospitals	5.5	8%
Data Centres	5	20%**
Retirement Living	5.0	15%
Residential Aged Care	5.0	11%

Table 4: Benchmark star rating for top 15 per cent* of low carbon buildings by sector to half-star increment

*Please note that FY19/20 data has been used to determine target ratings for method 2 as the FY20/21 figures have been impacted by COVID19 lockdowns.

** In the FY19/20 data for data centres 2/10 buildings received a 5 star rating so we were unable to identify a 15% or above figure.