

Initiative Ireland

ESG INVESTMENT STRATEGY

1. INTRODUCTION

At Initiative Ireland, our mission is to finance energy-efficient, social, and affordable housing that not only delivers competitive investment returns but also contributes positively to sustainable development, climate action, and social well-being.

As a signatory of the UN Principles for Responsible Investment (UNPRI), we recognize our fiduciary duty to act in the best interests of our clients. This responsibility drives us to integrate ESG factors into every facet of our operations, ensuring that our activities align with both our commercial objectives and our commitment to responsible investment.

This document outlines our ESG integration approach, aligning with the EU Taxonomy, Sustainable Finance Disclosure Regulation (SFDR), and industry best practices.

2. RESPONSIBLE INVESTMENT PHILOSOPHY

Our core objective is to maximize investment returns for our clients while acknowledging the significant impact the housing sector has on the environment and communities. We believe it is our duty to analyze, consider, and act upon ESG risks and opportunities as an integral part of our investment, development, and asset management processes.

We are committed to:

- **Value Creation:** Identifying ESG factors that can enhance the performance and resilience of our investments.
- **Risk Mitigation:** Uncovering and addressing ESG-related risks to protect our assets and stakeholders.
- **Positive Contribution:** Leveraging our investments to generate positive environmental and social impacts while minimizing potential adverse effects.
- **Investor Alignment:** Collaborating with our clients to support their responsible investment strategies through tailored ESG criteria and transparent reporting.

3. ESG INTEGRATION IN BUSINESS STRATEGY

Energy Efficient Housing

Recognizing the environmental implications of housing development, we:

- **A3+ Energy Efficiency Target:** Our primary focus is on supporting the delivery of new housing projects that achieve a BER (Building Energy Rating) of A3 or above, with an annual target of ensuring 90% of all funded housing meets this standard.
- **Carbon Emissions Reduction:** Irish households emit 60% more CO₂ than the EU average. A1-A3 rated homes can reduce emissions by up to 90% versus the national average. By financing new builds and retro-fit projects, we are increasing the proportion of energy-efficient homes in Ireland.
- **Social & Economic Impact:** Lower-income households are disproportionately affected by energy costs, often using less sustainable fuel sources. By financing energy-efficient homes, we mitigate fuel poverty and environmental impact.
- **GHG Offset Impact:** We estimate that an A3-rated home delivers an annualized CO₂ offset of over 1 metric ton of GHG emissions per annum. Each development is assessed for forecast Offset Impact Approval as part of its evaluation.
- **Rural Employment & Economic Sustainability:** By funding smaller, rural developments and developers, we promote local employment and reduce workforce migration.

Environmental Health Standards

- **Project Selection & EHS Consideration:** Initiative Ireland assesses Environmental, Health, and Safety (EHS) standards in all projects we finance.
- **Regulatory Alignment:** For projects with existing planning permission, we rely on planning authority assessments to confirm compliance with mandatory environmental health standards (See Appendix 1: EHS Assessment Review 2021).
- **Pre-Planning & Asset Investments:** In cases of pre-planning or alternative asset investments, our Credit Committee may commission additional EHS reports to ensure appropriate risk mitigation.

Social Responsibility

Understanding the societal impact of our investments, we:

- **Housing Affordability:** Prioritize financing for social, affordable, and mid-market housing to address Ireland's housing shortage and support community development.
- **Community Development:** Support a diverse range of projects nationwide, promoting sector resilience, market competition, and the sustainability of both rural and urban communities.

Governance Excellence

Committed to robust governance practices, we:

- **ESG Integration:** Incorporate specific ESG assessment criteria into our underwriting process, aligning with UN Sustainable Development Goals (SDGs 1, 10, 11, 12, 13, 15, and 17).
- **Regulatory Compliance:** Ensure adherence to the EU Taxonomy and SFDR by embedding sustainability impact assessments into our loan evaluation procedures.
- **Champion:** Take measured to embed ESG consideration measures and discussion through the company from Board Meetings, Executive Committees through to day-to-day employee interactions.
- **Advocacy:** Publish our annual housing report to bring transparency to the state of the present Irish Housing Crisis and provide actionable insights.

4. ESG OVERSIGHT AND REPORTING

To maintain transparency and accountability:

- **Integrated ESG Framework:** ESG assessments are embedded within our internal policy framework, ensuring consistent consideration across all operations.
- **Investment Committee Review:** Our Investment Committee regularly evaluates ESG impacts, incorporating findings into portfolio monitoring and reporting.
- **Client Reporting:** As stewards of third-party capital, we provide customized ESG reporting aligned with investor and regulatory requirements, fostering trust and collaboration.

5. SUSTAINABLE FINANCE ALIGNMENT AND SFDR COMPLIANCE

EU Taxonomy Classification for Financed Projects

We classify our projects as follows:

Economic Activity	EU Taxonomy Code	Eligibility Criteria
New Residential Construction	7.1	Must meet A3 BER/NZEB standards
Renovation of Existing Housing	7.2	Must achieve at least B2 BER, typically equating to a 30% improvement in energy performance relative to the national average (C3 rating)
Acquisition & Ownership of Sustainable Housing	7.7	Must have A2 BER rating or be improved to meet sustainability standards
Affordable & Social Housing	Social Taxonomy Aligned	Projects must qualify as social or affordable housing under Irish law

6. FUTURE COMMITMENTS

- Enhanced ESG Reporting: Initiative Ireland will continue expanding sustainability impact reporting.
- Green Finance Expansion: We aim to support more sustainable projects, increasing alignment with the EU Green Deal.
- Certification & Transparency: We support financing developments that pursue Home Performance Index (HPI) certification and other recognized sustainability standards.

7. FUTURE

Initiative Ireland is committed to being a leader in sustainable finance, ensuring our investments contribute to:

- ✓ A low-carbon, energy-efficient, and resilient housing sector
- ✓ A fair and inclusive housing market, providing social and affordable homes
- ✓ Transparent, responsible, and impact-driven ESG investing

By embedding EU Taxonomy-aligned criteria and UNPRI principles into our operations, we ensure that investors, developers, and communities benefit from sustainable, high-quality housing finance solutions.