

13<sup>th</sup> of October 2023

## Hypoport introduces Greenport, a cutting-edge service facilitating up-to-date energy performance data for real estate portfolios.

Traditionally, ESG investments are focused on *green* or energy efficient real estate, for instance assets with an Energy Performance Certificate (EPC) of class A. However, looking at forthcoming regulatory and policy developments: it will become increasingly important to have an up-to-date view of portfolio sub-sections that are not energy efficient. For instance in order to have a thorough understanding of the renovation potential of the building unit and what (combination of) measures (can) contribute to improved energy performance. To this end it is not sufficient to just have an EPC Class or Letter: detailed information on key energy performance metrics, that actually make up the EPC (in a normative way), are relevant. Some examples are for instance: share of renewable energy, prime energy demand, TO-Juli (overheating indicator), etc.

The financial sector is an essential player in efforts to tackle climate change, for instance through the funding of home renovation loans needed to improve the energy performance of the Dutch building stock. To achieve the goals set by the European Green Deal<sup>1</sup>, the effective designation and servicing of sustainable investments is crucial. By bringing together both the mortgage funding needs and a thorough look through of the energy performance of building units, Greenport aims to facilitate a future proof collateral data framework. Translating ESG funding needs into tangible consumer (renovation) products and vice versa is crucial for a successful path towards Europe's decarbonisation mission.

Mortgage servicing and funding has increasingly become a data driven venture focussing very much on the mortgage product both because of regulatory and investor demands. Asset-owners need a continuous look-through (monitoring) view of the complete portfolio including detailed performance and cash flow tracking. We believe that up-to-date insights of energy performance of the portfolio are a crucial part of effective mortgage portfolio management.

### Benefits of up-to-date energy performance data:

- **Compliance with Regulatory Standards:** As of 2024 financial institutions will need to report on their EU Taxonomy alignment. To calculate the Taxonomy alignment or the Green Asset Ratio detailed energy performance is needed. The ECB collateral framework will in due course incorporate elements of the EU Taxonomy. This is particularly relevant for ABS portfolios. Maintaining an up-to-date view of the energy performance of their mortgage portfolio ensures compliance with these standards and fosters sustainable practices within their operations.
- **Risk Assessment and Mitigation:** Understanding the energy performance of properties within a mortgage portfolio is fundamental for effective internal and external risk assessment. Properties with subpar energy efficiency may pose elevated transition and credit risks due to potential high operational costs for homeowners.
- **Loan-to-Value (LTV) Management:** Energy-efficient residential properties (in theory) consume less energy, which in most cases translates to lower energy costs for homeowners. This means that homeowners have more disposable income to pay off their mortgage, which can improve their LTV ratio. In addition an increasing amount of research has been established indicating that energy-efficient

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<sup>1</sup> Every residential building unit in the EU should be a Zero-Emission Building (ZEB) by 2050

residential properties are more valuable than their less efficient counterparts. As a result, energy efficiency management of the mortgage portfolio is a key driver for Loan-to-Value management.

- **Green funding:** To manage green funding transactions, SFDR Article 8 and 9 funds or (EU) Green Bond (Standard) transactions, detailed and up-to-date energy performance data are needed to assess the compliance towards substantial contribution criteria of the EU Taxonomy.
- **Meeting Consumer Demand:** Today's consumers are increasingly environmentally and energy cost conscious. Offering loans for energy-efficiency improvements allow financial institutions to meet this growing consumer demand and enhance customer satisfaction. Data insights are needed to give adequate advice to consumers and their energy efficiency improvement options. For instance, to assess whether insulation is more favourable than installing a heat pump or solar panels. Additionally, for financial institutions it is useful to assess the potential energy efficiency improvement for (forthcoming) regulatory disclosures.
- **Managing transition risk:** A new mortgage issued today will have a legal maturity date in 2053. However as part of the EU Green Deal regulation and the Energy Performance of Buildings Recast every residential building unit in the EU should be a Zero-Emission Building (ZEB) by 2050. Therefore it is crucial to have up to date insight in the renovation potential. In particular with recent regulatory proposals such as the Minimum Energy Performance Standards (MEPS) and Mortgage Portfolio Standards (MPS).
- **Reporting and software integration:** our Greenport service is fully integrated into PRoMMiSe (Hypoport's mortgage loan management software).

Greenport is available as a Data Service for parties seeking up-to-date energy performance information on Dutch real estate. The service is compatible and integrated into our PRoMMiSe product offerings or is available as a standalone service. In addition we offer tailored data mappings (data ingredient lists) for EU Taxonomy compliance, Green Bonds and Green Securitisation.

What set's us apart:

- In depth knowledge of data needed.
- The ability to (continuously) combine energy performance data with loan data from different sources.
- Software incorporation of energy performance data in our PRoMMiSe Suite and modules.
- Reporting integration.
- Knowledge of forthcoming regulatory disclosures and calculation metrics.

**Reach out to us** to discuss and explore how Greenport can provide additional energy performance insights for your real estate portfolio.