2021 NextGeneration
Sustainability Benchmark Report

MONEY GROWS ON TREES

The nexus between **sustainability performance** and **finance for homebuilders**

NEXT GENERATION

Contents

Our Members

BARRATT DEVELOPMENTS PLC · The Hill Group · LATIMER by Clarion Housing Group · Taylor Wimpey · telfordhomes A TRAMMELL CROW COMPANY DEVELOPER

NextGeneration is the annual sustainability benchmark of the largest homebuilders in the UK

NextGeneration enables homebuilders, government, registered providers, investors, employees and the public to understand the sustainability of benchmarked homebuilders' operations and the new homes they build.

It also sets out what good practice looks like and drives change in the industry, with the criteria of the benchmark being publicly available and assessing homebuilders not on whether they are meeting minimum standards and mandatory disclosures, but going beyond these requirements.

NextGeneration works by inspiring companies to report against a range of criteria - developed in collaboration with the industry for over 15 years - relating to high-quality sustainable homebuilding. The 80+ NextGeneration benchmark criteria cover the following 15 areas: company strategy and governance, reporting, future proofing, environmental site management, minimum sustainability standards, ecology and urban drainage, energy and carbon, water, waste, transport, procurement, health and safety, community and customer engagement, design and placemaking and economic development.

These focus areas are weighted based on their overall impact in terms of industry best practice and future trends, with design and placemaking currently forming the largest weighted section of the benchmark. The criteria are re-evaluated and updated on a three-year rolling period to remain pertinent to the ever-evolving sustainability sector, but to still allow homebuilders to benchmark their progress over time. The criteria are available to the public on the NextGeneration website. All UK homebuilders are encouraged to use them to assess their current performance and guide them on how to further improve the sustainability of their homes and operations.

The largest 25 homebuilders are selected for benchmarking based on the number of homes they have completed in the past year alongside their housing turnover. Furthermore, homebuilders that wish to be NextGeneration members are also included within the benchmark. Phase 1 of the benchmark is based on publicly available information and has been a key driver of greater transparency and accountability within the sector. Phase 2 of the benchmark allows Members of NextGeneration to present any further evidence of their sustainability performance that is not in the public domain. All homebuilders in the UK are allowed to become a NextGeneration Member, irrespective of their size and the progression along their sustainability journey.

NextGeneration member companies benefit from:

- Detailed insights into market trends
- A clear understanding of industry best practice
- Enhanced assessments and bespoke reports to help improve their sustainability performance
- Networking and knowledge-sharing events, to aid collaboration and create solutions
- The opportunity to steer the benchmark and develop the benchmarking criteria
- Demonstrating their commitment to sustainability to stakeholders, including local authorities, Homes England and investors

NextGeneration Facts:

£27bn
Annual turnover of benchmarked companies

97,687
New homes completed by benchmarked companies, equalling **56%** of UK homes completed

44,638
People directly employed by benchmarked companies

80
Criteria assessed

15
Sustainability focus areas assessed

16
Years of benchmarking

FOREWORD

Photo courtesy of **Taylor Wimpey**

Homebuilders are facing increasing consumer, investor and policy pressures to deliver more homes, more sustainably and that requires improving the homes they build while clearly communicating the progress they are making. The Future Homes Standard will require new homes from 2025 to produce 75-80% lower carbon emissions, while the larger listed homebuilders are required to report their climate-related financial risks for the first time in 2022[1,2].

The 26th Conference of the Parties (COP26) was recently held in Glasgow and has helped to generate an exciting "can-do" attitude in the sector. In particular, an increasing number of homebuilders are signing up to the UN-backed 'Race to Zero' initiative, which commits them to achieving net zero carbon by 2050[3,4]. With the UK's 28 million homes being responsible for 12% of its annual carbon emissions[5], decarbonising the residential sector will have a huge impact.

The simultaneous growth of green finance initiatives is a welcome encouragement to homebuilders to deliver more sustainable homes. Favourable funding terms, including reduced interest rates and higher loan to value ratios, are available to companies and projects that meet agreed sustainability targets. The popularity of this form of lending is shooting up as funders set their own sustainability targets: global issuance has increased from £11bn in 2013 to £508bn in 2020[6,7]. And with 30% of shareholders of major housebuilders making public commitments to sustainability[8], the need for homebuilders to undertake ambitious sustainability strategies and transparent reporting is only going to increase.

This report highlights the opportunities within the residential sector for green finance to support the increased supply of more sustainable homes, alongside the risks associated with not clearly considering how climate change can impact your bottom line. It ends by exploring the next steps that homebuilders can take towards clearly communicating their progress, to meet the increasing expectations of customers, investors and policy makers.

GREEN, SUSTAINABLE AND SUSTAINABLY LINKED FINANCE 101

Green finance is going from strength to strength, as can be seen from the Net Zero Banking Alliance's (NZBA) recent ground-breaking announcement. The NZBA, which includes the ten largest banks in Europe and their loan books, and globally 43% of the worlds' assets under management, has a commitment to align their investments and loans to a maximum of 1.5°C of global warming[9].

But what is green and sustainable finance? While borrowing money is part of business as usual for homebuilders, there is now the opportunity for it to support more sustainable outcomes, through setting clear sustainability criteria at the outset of the loan that must be met by the borrower. It's a win-win scenario: meeting these goals can result in a reduction of the loan interest margin as well as positive impacts for the environment and society.

How can developers use green finance?

While the umbrella term of 'green finance' can mean a range of things, there are two main types that are most relevant to homebuilders: sustainable finance and sustainability-linked finance. The first is focussed on the "Use of Proceeds", i.e. the purpose of the loan, and the latter can be used for "General Corporate Purposes" subject to certain conditions.

Dropping down into a level of detail, the following types of finance are most applicable to the housebuilding sector:

- **Green** – the purpose of the loan or bond is to finance an Eligible Project such as the development of Green Buildings
- **Social** – the purpose of the loan or bond is to finance an Eligible Project such as the development of Affordable Housing
- **Sustainable** – the purpose of the loan or bond is to finance an Eligible Project across either "green" or "social" or even both
- **Sustainability-linked** – a general corporate purpose loan or bond which is subject to a number of Key Performance Indicators which link to Environmental, Social and Governance topics with clear annual targets which are stretching and ambitious at Company level

	SUSTAINABLE FINANCING (Use of Proceeds)	SUSTAINABILITY-LINKED FINANCING (General Corporate Purpose)
What does the loan have to be used for?	Funding green and/or social projects, such as development of homes that receive third-party verified green building certification, or projects that incorporate Affordable Housing	No specific requirement for use of proceeds – facility can be used for General Corporate Purposes
What do I have to do?	Meet the lender eligibility requirements that determine the project is green and/or social and potentially ongoing reporting relating to the project	Meet the annual Sustainability Performance Targets that are agreed with the lender, plus any other conditions specific to the lender or in line with the LMA Sustainability Linked Loan Principles
Is there guidance available?	• LMA Green Loan Principles[10] • LMA Social Loan Principles[11] • ICMA Green Bond Principles[12] • ICMA Social Bond Principles[13]	• LMA Sustainability Linked Loan Principles[14] • ICMA Sustainability Linked Bond Principles[15]
Benefits	The most common benefit is a reduction in the interest margin of the loan if the sustainability requirements are met, meaning the cost of the loan is lower albeit the benefits from Green or Sustainability Linked Loans are much broader- whether it's improved societal or environmental impact, external stakeholder engagement or mobilisation of colleagues- the basis points are not the only reason this is in focus	
Key Challenges	A housebuilder will need to form a view of what they believe a Green Building is, but the Lender will also have a view on this, against an evolving market and regulatory back drop	To avoid greenwashing, KPIs and their annual targets need to be stretching and ambitious, aligning to the sustainability strategy of the business and materiality of impact

Sustainable Finance in Action for Homebuilders

Currently, social housing providers are at the vanguard of sustainable finance in the UK residential sector, with the first example of sustainable debt launched in June 2018 in the form of a £100 million loan[16]. Since then, there has been a rapid proliferation of loans and bonds linked to a range of sustainable outcomes such as:

- Unemployed residents brought back into work[16]
- Number of apprentices hired[17]
- BME representation among the company's people managers[17]
- Upgrading the EPCs of their building stock[18]

Globally homebuilders are following at a slower pace, with a current focus on green loans and green bonds as opposed to sustainability-linked loans, but that might change in Q4 2021 and into 2022.

Project level "Use of Proceeds" green financing have been observed in the housebuilding market for a while now, for example Lloyds Bank's Green Clean Growth Financing Initiative[19] was launched in 2016 and has been extended in 2021 from a £3bn to £5bn initiative, including to housebuilders with qualifying projects. However, with a number of new propositions being announced on the run up to COP26, this is likely to be an increasing trend in the market.

For example in October 2021, Homes England and Octopus Real Estate launched the £175m Greener Homes Alliance which will provide loan finance to SME homebuilders to support them deliver more high quality and energy efficient homes[20]. Homes must achieve a minimum EPC rating of B, but the achievement of an EPC rating of A will unlock a more favourable interest rate margin discount of 2%.

The first UK homebuilder executed a green bond in July 2021, with the proceeds having to be used for the development of private and affordable homes that are EPC A or B rated and delivered on brownfield land[21].

How Can Consumers Use Green Finance?

Homebuilders are not the only group that can access green finance. Homebuyers can also benefit through green mortgages. While the sector is still in its infancy today, eleven UK banks and building societies launched green mortgage products in 2020 alone[22], and 74% of lenders surveyed by the IMLA[23] expect demand for green mortgages to grow over the coming years. However, there is a substantial knowledge gap, with 43% of consumers having never heard of a green mortgage[23].

A green mortgage can be offered if the home is particularly efficient, for example having an EPC rating of B or above. This favours new homes, with the average new-build in the UK rated EPC B, versus a D for existing homes[24]. However, other agreements require homebuyers to upgrade an existing property's energy efficiency[22].

Photo courtesy of **Latimer**

THE RISK OF NOT ACTING

As illustrated in the previous section, green finance provides an exciting opportunity for homebuilders to receive support to tackle key sustainability challenges.

However, the flip side is that to access finance of any kind, homebuilders must have their house in order. Risk identification and mitigation is a key aspect of this and standard practice for homebuilders, but the inclusion of sustainability risks in this is critical and not yet widely addressed across the sector.

The Environment Agency (EA) predicts the summer extreme temperatures in the UK to be up to 7.4°C higher by 2050[25], with a 10% increase in heavy rainfall[26]. This implies an increase in overheating and subsidence problems. The EA also predicts that 1-in-100-year coastal flooding events will become an annual occurrence[25]. Inland flooding is already having huge impacts, with those in the winter of 2015/16 estimated to have flooded 16,000 properties in England[27]. These numbers cannot be overlooked by homebuilders, and they are certainly not being ignored by financial institutions.

What do homebuilders need to do?

Climate risks will impact every homebuilder with increasing magnitude over the coming years, posing a substantial financial risk. And investors care about risks to their investments, whether it be for a loan or through shares in a publicly listed homebuilder. Homebuilders can allay concerns by demonstrating how they are identifying and addressing these sustainability risks.

ESG ratings such as Sustainalytics ESG Risk Ratings[28], RobecoSAM Total Sustainability Rank[29] and MSCI ESG Rating[30] are independent assessments designed to rate sustainability risk. However, the metrics used to assess sustainability risks vary, resulting in different ratings for the same company[31].

Homebuilders can more directly communicate how they are tackling sustainability risks by aligning with reporting standards, such as the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. In the fifteen months between the release of the 2019 and 2020 annual status reports, the number of organisations reporting to TCFD has grown by more than 85%, reaching over 1,500 organisations globally and including financial institutions responsible for £110 trillion of assets[32]. The Taskforce on Nature-related Financial Disclosures (TNFD) which is creating a framework set to launch in 2023, will complement the TCFD recommendations by focusing on nature-related risks[33].

Impacts of climate change on supply chain & operations

Black swan events have been a distant notion for many but were unfortunately brought into focus by the COVID-19 pandemic. Yet an even greater threat is on the horizon for humanity and the global economy: climate change. Recent research indicates that the economies of the G7, which includes the UK, will shrink by twice as much from a temperature rise of 2.6°C than they did as a result of the pandemic[34].

More tangibly, supply chains already feel stretched for homebuilders, with dwindling supplies of key building materials such as roof tiles, cement and timber, exacerbated by a range of factors including the pandemic[35]. This has seen timber prices, for example, rise by 20% according to the Office for National Statistics (ONS)[36].

See the next page for details of the likely impacts that climate change will have on homebuilders.

COP26 is accelerating change to the financial system

The UN's 26th Conference of Parties (COP26) has propelled climate change to the top of the UK's agenda, and while at the time of writing the Built Environment Day is yet to happen, there has already been hopeful progress from the Finance Day, with key headlines summarised below:

- The UK Government is drawing up a verification scheme for corporate net-zero transition plans, after confirming large firms in high-emitting sectors will be required to publish net-zero transition plans by 2023. To safeguard against green-washing, the Government is developing a science-based "gold standard" verification scheme[37]
- Following the UK issuing two green gilts this year, the Chancellor of the Exchequer pledged that all returns from the UK's contributions to the Climate Investment Funds will be used for the issuance of further green bonds, which is a potential £22-51bn[37]
- The International Financial Reporting Standards (IFRS) Foundation Trustees have launched an International Sustainability Standards Board (ISSB) to create a global baseline for corporate sustainability disclosures that meet investor demands[37]

It is clear that momentum is building behind the integration of sustainability into our financial systems, meaning homebuilders need to be prepared. If you are interested in the further outcomes of COP26 for homebuilders, a summary of the key highlights will be provided on the NextGeneration website following the completion of the conference.

TCFD: What is it?

The Taskforce on Climate-related Financial Disclosures (TCFD) was established in 2015 to develop recommendations to achieve better awareness of the risks associated with climate change.

Do I need to report?
The UK Government requires all premium listed companies to report in alignment with TCFD from 2022, while the Department for Business, Energy & Industrial Strategy (BEIS) released a consultation in March 2021 to explore whether UK registered companies with more than 500 employees and a turnover of more than £500 million should also report[38].

How do I report?
There are four core elements that should be reported against:

Governance
regarding climate-related risks and opportunities

Strategy
to address the identified climate risks over the short, medium and long-term for a range of scenarios including a 2°C-or-lower option

Risk Management
including the process for identifying and managing climate-related risks

Metrics and Targets
for assessing climate-related risks and opportunities, including at least Scope 1 and Scope 2 greenhouse gas emissions, similarly to Streamlined Energy and Carbon Reporting (SECR) requirements already in place for large UK companies and large LLPs

Transitional risk

Physical risk

THE RISK OF NOT ACTING

A More difficult and expensive to access insurance and funding for less sustainable developments

- 81% of banks surveyed currently have sustainability policies[39]
- 30% higher green finance loan issuance in the first half of 2021 than the whole of 2020[40]

B A warmer climate means more pests and wildfires, putting timber availability at risk

- Attributed to a 1.3% decrease in June 2021 construction output[41]

2030

C More than double the proportion of UK properties affected by subsidence (6.5%), compared with 1990 (3%)[42]

2040

D 15% increase in electricity generation compared with 2020[43]

- Reliance on the grid reduces energy resilience and decreases energy decarbonisation potential

2050

E 10% heavier winter rainfall extremes[44]

F Nationally, a 25% larger water supply will be required to counter increased drought risk in the UK[45]

2070

G Double the number of flash floods, compared with 1990[46]

H The chances of a day exceeding 40°C will be similar to exceeding 32°C in 1990[46]

I More extreme weather risks constructor health & safety and productivity

- Adverse weather already delays 45% of construction projects globally[47]

J Greater use of timber

- Substituting masonry for timber frames reduces embodied carbon by 20%. Using cross laminated timber in place of concrete can reduce it by 60%[48]

K Better attraction and retention of young staff

- 40% of millennials surveyed chose their job based on company sustainability[49]. Two in three millennials would quit if their company had no ambitions beyond profit[50]

L Policy: Environment Act 2021 – Net Biodiversity gain of 10% required for all developments[51]

Benefits:

- Ecological support
- More carbon sequestration
- Local cooling effect

2025

M Policy: Future Homes Standard

- 75-80% lower in-use carbon emissions for new homes[1]
- Ban on gas boilers

N Increased push for onsite energy sources to increase resilience and offer cleaner energy[52]

2030

O Policy: Ban on the sale of new petrol/diesel vehicles[53]

- Electric vehicles (EVs) to require charging infrastructure

Photo courtesy of **Hill**

HOW TO TALK THE TALK

As the last two sections set out, a company's sustainability credentials are becoming increasingly important when it comes to accessing finance, whether it be to gain access to the preferential rates of green debt, or simply to maintain access to standard finance through risk management.

Impact measurement and clear communication are key (see the table on the right for homebuilder options). For a topic as complex as sustainability, it can be challenging to identify how a homebuilder can best share their aims, impacts and progress. It is worth the effort, however, because it builds investor trust[54]. A 2019 survey by the Morgan Stanley Institute for Sustainable Investing found that there was a strong interest among investors for tracking the impact of their investments, with 84% stating that they wanted an impact report[55].

A place-based approach

While data collection and reporting is critical on a whole business level, homebuilders should also consider the granular site-based data they collect. In particular, the specific requirements of different communities, given that significant regional differences in social, economic and environmental wellbeing are found across the UK[56,57]. For example, fuel poverty impacts ~10% of the population, but varies by region, reaching 22% in Northern Ireland[58]. In response, assessing local needs should be a standard practice for all homebuilders, for every development.

This neatly links to the growing availability of funding for 'place-based impact investing' which aims to yield financial, social and environmental returns within local areas to address the needs of marginalised communities. Robust and transparent reporting is an important aspect of this approach, as one of the three core principles identified by the Impact Investing Institute for measuring and communicating impact is alignment with international and UK impact reporting best practice and standards[56].

Bringing 'place-based' and 'green finance' approaches together can enable homebuilders to maximise the benefits they provide communities and access enhanced funding terms, by aligning key local needs directly with the targets and metrics linked to green loans.

There are a range of reporting options available to homebuilders, each with their pros and cons. A table with the dominant options is provided below:

NAME	TYPE	MANDATORY	SCORING SYSTEM
Task Force on Climate-related Financial Disclosures (TCFD)	Reporting Framework	Mandatory for premium listed companies from 2022	X
Global Reporting Initiative (GRI)	Reporting Framework	X	X
Integrated Reporting (IR)	Reporting Framework	X	X
Sustainability Accounting Standards Board (SASB)	Industry Standard	X	X
Sustainalytics	Ratings	If selected	✓
Morgan Stanley Capital International (MSCI)	Ratings	If selected	✓
Carbon Disclosure Project (CDP)	Ratings	If selected	✓
European Public Real Estate Association (EPRA)	Benchmark	X	✓
Global Real Estate Sustainability Benchmark (GRESB)	Benchmark	X	✓
NextGeneration	Benchmark	If within the largest 25 homebuilders	✓

Conclusion

Finance is changing for the homebuilding sector, with green incentives for the leaders in the market, while the laggards must tackle their sustainability issues to maintain market access. The clear communication of sustainability credentials with stakeholders will help homebuilders navigate this rapidly changing landscape.

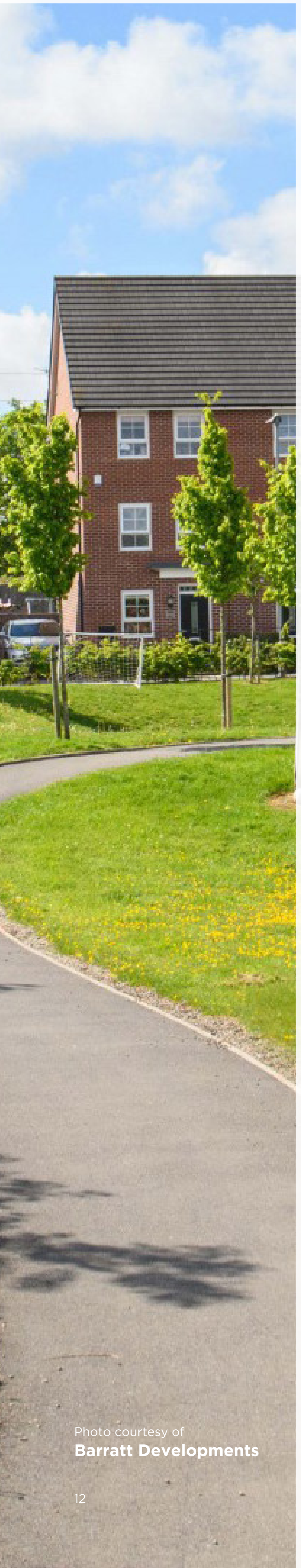

Photo courtesy of **Barratt Developments**

BENCHMARK RESULTS

Process

- **Selection:** Largest 25 homebuilders in UK selected for benchmarking, based on housing turnover and annual completions, alongside any homebuilder interested in benchmark membership. This year, Telford Homes and Latimer extend the benchmark to 27 homebuilders
- **Phase 1:** Homebuilders are assessed on their publicly available sustainability information, across the 80+ public criteria of the benchmark, covering the ESG spectrum
- **Phase 2:** Members paying an annual subscription provide their internal sustainability information to be benchmarked
- For further details about the benchmarking process, please see the Introduction

Overall analysis

Telford Homes are the top ranked homebuilder of the NextGeneration Benchmark for the second year in a row, demonstrating their continued commitment to sustainability. Barratt Developments also exhibited a strong performance, coming a close second, while Taylor Wimpey moved up to third from fourth. It is also noteworthy to mention that, this year, Hill ascended from ninth to sixth place, increasing their score by 14 points. Ranking this highly as a non-listed homebuilder, with fewer mandatory reporting requirements, is particularly impressive. The benchmark was also excited to welcome Latimer as its first member from a Housing Association group, achieving a commendable ninth place in their first year.

The NextGeneration Crystal Award celebrates the homebuilder who meets the most criteria through publicly available information alone. This year's winner, Barratt Developments, is recognised for the transparency and quality of their sustainability reporting.

Company rankings

NextGeneration's 2021 rankings continue to highlight a significant disparity between transparency, action and impact of homebuilders aiming to improve the sustainability of their businesses and homes. NextGeneration members lead with a member average of nearly double the industry average (73 to 40), reflecting both the benefits of expert advice and peer learning, and the greater disclosure of sustainability information by members to the benchmark. Members also lead on publicly available information, making up three out of the five highest scoring homebuilders in Phase 1. This highlights the extent to which members embrace and communicate their sustainability journeys. Increasing transparency around their approach to sustainability allows homebuilders to leverage their investment in governance, environmental and socio-economic initiatives to address the concerns and requirements of increasingly demanding stakeholders. We would encourage any developer, listed or non-listed, to engage with initiatives like NextGeneration to learn from industry leaders and enjoy the benefits of membership. Starting last year, publicly available information collected in Phase 1 is given a higher weighting of 60%, while the internal evidence reviewed in Phase 2 accounts for 40% of a homebuilder's final score. This is to recognise the added value of sharing sustainability knowledge within the industry and to encourage homebuilders to further share their sustainability information in the public domain.

2021 RESULTS

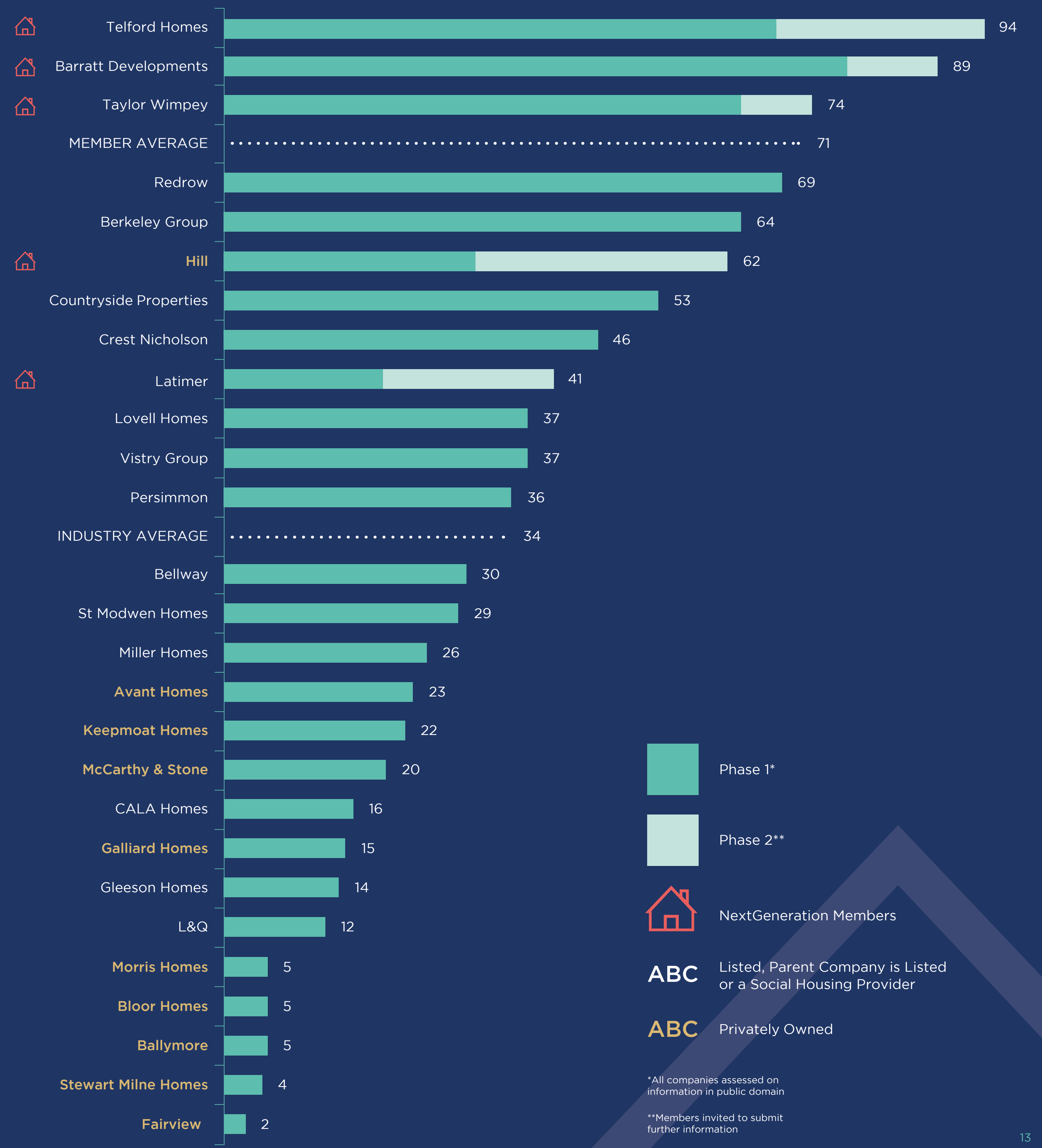


Photo courtesy of
Telford Homes

DETAILED RESULTS

Two areas where the industry continues to perform:

Company strategy & governance

This remains a priority for homebuilders and is a good starting point for improving sustainability performance. This year, 85% of benchmarked companies have some form of sustainability vision. Furthermore, two-thirds have a sustainability strategy, with 70% of these being integrated into the overall business strategy.

Waste

Impressively, 68% of benchmarked homebuilders reported the diversion of at least 95% of construction waste, demonstrating the importance placed on minimising environmental impact at this stage alongside the impact of the Landfill Tax. To increase this section's performance further, more homebuilders need to report reduced waste generation. Currently, only 16% of companies are demonstrating an improvement over the past year or three years, normalised to floor area.

Two areas where a significant improvement has been identified from last year:

Community & customer engagement

More work is being done to engage communities throughout the development process, such as using internal guidelines to guide efforts, engaging stakeholders to inform design and supporting customers with the sustainability features in their homes. Additionally, 10% more of the benchmarked homebuilders reported top customer satisfaction ratings than last year, based on HBF ratings or their Net Promoter Score.

Transport

The transport section has seen a promising increase in average score, recognising the move to support green transport. Initiatives such as the timely provision of EV infrastructure will help to future-proof developments ahead of the UK Government's 2030 ban on the sale of new petrol and diesel cars. However, this section is still low scoring with an average of only 23% across the industry, so continued improvement is needed.

Two areas that homebuilders continue to find challenging in 2021:

Ecology & urban drainage

Half of homebuilders demonstrate working with external organisations on the development of a biodiversity policy, strategy or initiative. However, there remains a lack of companies implementing biodiversity action plans to conserve or enhance ecological value, or examples of where developments have improved species richness. This will need to change quickly following the introduction of a 10% net biodiversity gain mandate.

Design & placemaking

While the NextGeneration members are evidencing developments that incorporate best practice design principles across environmental, community and economic aspects, this is not yet prevalent across the industry, with two-thirds of non-members scoring no marks for this. A holistic approach to sustainability that delivers beautiful neighbourhoods and connected communities is critical to providing long-lasting homes in the UK. Increased appointment of architects/urban designers and alignment with Building for a Healthy Life will help to achieve this.

Two areas where homebuilder performance has decreased since last year:

Reporting

Most notable is the reduced reporting of performance against targets and KPIs for material sustainability issues. With only 40% of the homebuilders doing this comprehensively, this has undoubtably been made more challenging by the COVID-19 pandemic. However, reporting is key to communicating sustainability performance to stakeholders, and as outlined in this report, sustainability metrics can be critical to capitalising on green finance and ensuring continued access to more general finance.

Future proofing

The NextGeneration Members are leading the way in this section with an average Phase 1 score of 73% compared to the industry average of 27%. However, these are both down from 81% and 34% respectively last year. With the pandemic highlighting the importance of business resilience, the whole industry needs to be preparing themselves for future events, including those linked to climate change. While companies are doing well to promote sustainability standards to stakeholders, the presence of leading research to inform change is lacking.

AWARD WINNERS

Top performing companies in the Benchmark are awarded Gold, Silver, and Bronze awards. Beyond helping companies communicate their efforts and accomplishments to customers, these awards enable stakeholders to identify homebuilders that are committed to sustainability.

"We are determined to be the leading national sustainable housebuilder. Our recently refreshed Building Sustainably framework is centred around protecting and enhancing what matters most: the natural world in which we operate, the places we create and our people. And we continue to make solid progress – this year we published our net zero transition plan; launched our zero carbon home prototype; implemented new water efficiency standards and became a signatory of the Social Mobility Pledge."

Sarah Pratt, Head of Corporate Sustainability, Barratt Developments

"Our purpose is to design and develop high-quality, sustainable Build to Rent developments that exceed the expectations of our residents and our investment partners. Accordingly, we are pleased that our Building a Living Legacy strategy and net zero roadmap to 2030, continues to be recognised by the NextGeneration sustainability benchmark."

Andrew Day, Sustainability Director, Telford Homes

"The stage is set for a re-imagining of home building in the decades to come. Not only will the homes of the future be zero carbon, biodiversity positive and designed to promote greater health and wellbeing; but construction materials and processes, and home building businesses themselves, are set to change. This is no small task."

Ian Heasman, Director of Sustainability, Taylor Wimpey

NEXT GENERATION GOLD 2021

2021 Gold winners

telfordhomes – A TRAMMELL CROW COMPANY DEVELOPER

BARRATT DEVELOPMENTS PLC

Taylor Wimpey

NEXT GENERATION SILVER 2021

2021 Silver winners

REDROW

Berkeley Group

The Hill Group

NEXT GENERATION BRONZE 2021

2021 Bronze winner

COUNTRYSIDE – Places People Love

CRYSTAL AWARD

Introduced in 2019, the Crystal Award recognises the highest performing homebuilder during Phase 1 of the benchmark, where homebuilders' publicly available information is assessed. The winner of the Crystal Award places clearly stated sustainability targets, performance data and case studies in the public realm, giving stakeholders a detailed understanding of the company's strategic approach and the positive change being delivered on the ground.

We are delighted to announce Barratt Developments as the 2021 winners of the Crystal Award. With this report's focus on green finance, this award is more pertinent than ever. Transparent reporting of sustainability information creates an opportunity for UK homebuilders to take advantage of green lending and maintains existing streams of funding.

NEXT GENERATION CRYSTAL AWARD

BARRATT DEVELOPMENTS PLC

NEXTGENERATION VALUE

Local authorities & communities

NextGeneration rewards homebuilders who:

- Build a range of housing types and mixed tenure communities to serve local people
- Create jobs, improve skills and provide training
- Engage with communities through proactive engagement and consultation

Homebuilders

NextGeneration enables homebuilders to:

- Compare performance against peers
- Demonstrate sustainability credentials to local authorities, investors, staff and customers
- Capture cost-saving opportunities

Investors

NextGeneration helps investors to:

- Identify companies who are managing short and long term risks
- Create opportunities to generate long-term value
- Discern innovative sector leaders with good management and potential for future growth

Customers & RPs

NextGeneration encourages companies to:

- Reduce household energy bills through energy-efficient homes
- Improve quality of life through quality housing
- Provide exemplary levels of customer service

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"This report, coming hot on the heels of COP26, provides a timely review of the sustainability of UK homebuilders. As always, we offer our congratulations to the leaders and hope that these businesses are aligned with 1.5C emissions reduction trajectories that bring them in line with the latest science. Because this is no longer about businesses wanting to do the right thing for their license to operate or long-term survival, this is about short-term corporate survival in a net zero carbon marketplace. It's time for companies to get on the right side of history and halve their carbon footprints in the next decade if not sooner."

Julie Hirigoyen,
CEO, UK Green Building Council

"Improving the sustainability of housing will be vital in helping the UK reach its climate goals and we'll be by the side of our clients and customers as they drive that transition. This is why at Lloyds Bank we have committed to supporting the creation of national sustainability standards for housebuilding finance and joining the NextGeneration Executive Committee is a key step on that journey. We congratulate those who are improving through the benchmark and encourage more housebuilders to engage with the NextGeneration Initiative."

David Willock,
MD & Head of ESG Finance, Lloyds Bank

"Sustainability is a business critical issue that is rapidly changing the finance landscape for homebuilders. With an increasing number of green loans, sustainability-linked loans and green mortgages available, the opportunity to use these mechanisms to limit global warming to 1.5˚C has never been more present. Homebuilders now have more tools, knowledge and skills at hand to transform their targets into actions; and those who make the most of these will adapt and flourish to our changing climate and sustainability landscape. The NextGeneration Initiative is one of these tools, which can help by highlighting what best practice sustainability looks like for homebuilders to deliver positive environmental and social outcomes."

Emma Hoskyn,
UK Head of UK Sustainability, JLL

The UK homebuilding sector's contribution to a sustainable future

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