

Home Performance Index

The Home Performance Index ("HPI") certification is the first national voluntary sustainable assessment system for new development schemes. It offers a lower-priced development margin to those customers who achieve the independent third-party certification.

The HPI was introduced in 2016 and has recently been mentioned in development term sheets in the Irish finance market.

The HPI

The HPI is implemented and audited by the Irish Green Building Council ("IGBC"), a non-profit organisation of over 200 members committed to providing national and local government policy input on sustainability in the Irish-built environment. The HPI sets a standard for quality and sustainable residential development that takes account of factors beyond the energy efficiency rating of the home, including:

- production of building materials;
- impact on ecology;
- pollution;
- water consumption; and
- flood risk.

The HPI accreditation assessment is divided into three main categories based on the Environmental, Social and Economic pillars of sustainability, with two additional categories that reflect the planning and procurement processes, namely:

- quality assurance; and
- sustainable location.

The HPI follows similar initiatives for commercial development, such as the Leadership in Energy and Environmental Design ("LEED") certification, and provides a 'green home' label for residential development aligned with the EU Sustainable Finance Taxonomy and also with the new EU sustainable buildings assessment and reporting framework.

Margin Reduction

A lender incorporating the HPI in its transaction may quote two different development finance-related margins:

- a standard rate development margin; or
- a price reduction on the development margin.

The borrower / developer could opt for the reduced margin where they intend to develop the new scheme in accordance with the HPI criteria. This would in turn help ensure that green lending remains a fast-growing part of the lender's loan book and the wider economy.

Process

To achieve the price reduction on the margin, the developer applies to the IGBC and demonstrates that the respective development's plans are consistent with achieving HPI status. The IGBC confirms that 'Design State Certification' has been achieved and it is then the responsibility of the project's design team to ensure that the development continues to meet the required standards. Confirmation of continued adherence to HPI standards could be part of the reporting and drawdown process incorporated into the financing terms. The loan

documentation would state that the margin reduction will be discontinued should the developer stop developing to HPI standards.

Obtaining Design Stage Certification

The IGBC have prepared a helpful HPI Manual¹ that guides design teams through the Design Stage Certification.

As noted above, the certification assessment is divided into the categories of Environment, Social, Economic, Quality Assurance and Sustainable Location. The manual sets out performance criteria for each category, with measurable requirements. Award of the certificate is based on the overall attainment across all categories.

Points are awarded for each indicator and sub-indicator of the performance criteria and for most indicators there are several levels of achievement, which means that points are scored when there is an improvement over the baseline, normally set at the minimum requirement of Irish Building Regulations (where there is a relevant standard).

The IGBC encourages design teams to set targets at an early stage, identify any potential shortcomings and resolve them to achieve the most sustainable outcome.

Given the current focus on ESG and green loan principles, we will be interested to see if there is wider uptake of the HPI standards in the Irish finance market going forward.

Further Information

For further information, please liaise with your usual Maples Group contact or any of the persons listed below.

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¹ <https://homeperformanceindex.ie/wp-content/uploads/2022/12/HPI-Technical-Manual-v3.0.pdf>