

# Housing Affordability Statement

This statement defines our Housing Affordability Principles, applied mainly through our Deep Impact Investments. It further details how our approach can improve long-term investment returns for members' retirement outcomes, as well as positively impact the world in which they live, work and retire.

The Housing Affordability Statement has been developed by H.E.S.T Australia Limited ('the Trustee' or 'HESTA') and should be read in conjunction with the HESTA Responsible Investment Policy. This Statement is aligned with the Trustee's duty to comply with the 'sole purpose test' set out in the *Superannuation Industry (Supervision) Act 1993*.

Housing affordability is a crucial factor in the financial wellbeing of all families, and it is especially important for retired Australians. The escalation of property prices and rental rates (especially in major cities), has caused great financial stress for many working and retired households, particularly women<sup>1</sup>. The number of older homeless women (55 and over) grew by 28% in the five years ending in 2016. Among HESTA members approaching retirement (those working but aged 50 or over), one-fifth do not own their home at all.<sup>2</sup>

We invest in solutions that help solve this challenge in Australia while delivering appropriate financial returns for our members. We use innovative collaborations and partnerships that allow us to obtain better risk adjusted returns, as well as generate a positive impact in society.

As a 'Universal Owner' – a large, globally diversified, long-term investor – we endorse the ambitions of the United Nations' Sustainable Development Goals ("SDGs")<sup>3</sup> as a way of delivering a healthy economy, environment and society. HESTA has identified seven SDGs to focus our impact. One of these is:

**SDG 11: Sustainable cities and communities** – *ensure access for all to adequate, safe and affordable housing and basic services.*

## HESTA Housing affordability principles

### 1. Collaborating with the ecosystem

Solving the housing and rent affordability challenge requires collaboration with multiple parties. We look to form partnerships with a range of government and non-government organisations to pursue investment opportunities that are expected to contribute strong financial returns while also having a positive impact.

---

<sup>1</sup> HESTA Vital Signs Report, 2019. <https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Vital-Signs-Report.pdf>

<sup>2</sup> HESTA Vital Signs Report, 2019. <https://www.hesta.com.au/content/dam/hesta/Documents/HESTA-Vital-Signs-Report.pdf>

<sup>3</sup> <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

## **2. Focus on Australia**

Affordable housing is a significant challenge for a large portion of HESTA members, who struggle to achieve home ownership or afford to rent in proximity to their work or community. As such, we prioritise investments that increase the supply of social and affordable housing in Australia.

## **3. Incubating opportunities to achieve scale**

One of the challenges for institutional investors to enter this market is the lack of scalable opportunities. We seek to collaborate with partners including governmental organisations that can help scale the market, but always managing for regulatory risk and avoiding reliance on subsidies. The Government has a crucial role to play in the provision of social services and we believe private markets should be used to complement this, not replace it.

## **4. Measurement of impact**

HESTA evaluates investment opportunities in this space by considering both risk-adjusted market-based returns, in line with similar types of investments, as well as measurable social impact. We seek additional transparency and reporting against these broader non-financial objectives.

## **Implementation of the principles**

As part of our Deep Impact Investments, HESTA has created a dedicated investment vehicle, the Social Impact Investment Trust ('SIIT'), to help catalyse the market for these opportunities. Through this unique SIIT, we aim to build a pipeline of investments and grow Australia's impact investment market by attracting other institutional investors. As the market matures and scales over time, we will seek to complement our investment in the SIIT with additional opportunities to support housing affordability.

HESTA is a supporter of National Housing Finance and Investment Corporation (NHFIC) where we have invested through their bond issuance of the Affordable Housing Bond Aggregator (AHBA). The AHBA provides better solutions for registered community housing providers through cheaper and longer-term finance, where as a direct result, new social/affordable dwellings have been constructed.