



# Building sustainability into affordable housing

**HOUSING**  
JOHNSTONE  
OLTETIA

**Integrating the ESG principles into every mortgage origination is not just about risk management, but a business strategy**



Workers at an affordable housing project site in Bahati, Nakuru County on May 22, 2024. JOHN NJORGE

Climate change-induced risks are becoming a stark reality affecting millions, not only in Kenya, but also globally. Recently, during the above-average rainfall, homeowners watched their houses submerged or swept away by the raging waters. Others were left structurally damaged.

As a result, substantial financial losses were registered. The consequences of these climate-related disasters have been catastrophic, underscoring the importance of proactive measures to mitigate climate risks.

Within the housing ecosystem, embedding Environmental, Social,

and Governance (ESG) practices is not only a moral but also a pragmatic imperative.

Central to its realisation is the financial system, the heartbeat of any economy. As a result, we are calibrating and integrating considerations aimed at reducing environmental impact, promoting social responsibility, and ensuring long-term economic viability in operations and through partnership with the primary mortgage lenders.

Mortgage providers should consider the sustainability of the property financed in terms of location and compliance with legal and regulatory requirements. Lenders, for instance,

should be provided with an exclusion criterion which disallows financing of housing projects that fall short of expected compliance including illegal and/or non-complying to applicable laws, those associated with illegal forced evictions, those involving outstanding disputes and those built in riparian regions.

In addition, the social dimensions are equally important, and the assessment screens the portfolios against social factors such as the labour and working conditions for the primary mortgage lenders and workers involved during construction of the property. By adhering to these standards, mortgage origina-

tors can significantly mitigate risks and contribute to sustainable development. Integrating ESG principles into mortgage origination is not just about risk management; it is a compelling business strategy, and therefore translating into more stable and sustainable business models.

Consumers, investors, and policymakers increasingly value sustainability and ethical business practices. Expanding to underserved moderate income segments should be a key priority. A recent assessment indicates that out of the 19 million people employed in Kenya in 2022, approximately 16 million worked in informal economy. Informality has been a hindrance to homeownership, yet a big share of the population is employed in the informal sector.

Beyond the obstacles specific to the informal sector, the problems for accessing housing finance are compounded in low middle income households even when housing solutions are available to them. To serve this underserved market segment, whose incomes are irregular and often undocumented, mortgage providers should implement a risk-sharing facility to de-risk the lower income earners, ultimately having broader social impact dimensions.

The writer is the CEO at Kenya Mortgage Refinance Company



## LAST WORD.



**“If you don’t get out of the box you’ve been raised in, you won’t understand how much bigger the world is.”**

Angelina Jolie  
AMERICAN ACTRESS, FILMMAKER, AND HUMANITARIAN.

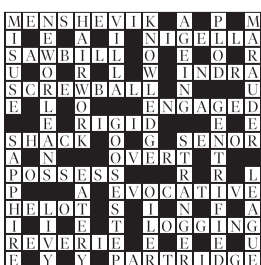


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## CROSS WORD

YESTERDAY'S SOLUTION  
TIMES CROSSWORD 28,406



## ACROSS

- 1 Diamonds appropriate for waterproof container? (3,3)
- 5 Lead bloke who presents weather forecast? (5,3)
- 9 Rabble repeated phrase by gunmen very loudly (8)
- 10 Top males welcomed by clubs, say (6)
- 11 What's covered by up-to-date diaries occasionally (3,3,4)
- 13 Open University's accepting piano piece (4)
- 14 Initially dampen excitement that runs round room (4)
- 15 Bear expert around noon giving tacit assent (10)
- 18 We're spoiled with wealth that kept mill going (5,5)
- 20 Coach trip's beginning with no money (4)
- 21 Maybe Rosemary's wrapped in feather boa (4)
- 23 Staff on the road primarily sell drinks on behalf of church (5,5)
- 25 What some do when all but first of harvest fails? (6)
- 26 One who talks about exercising person in exchange (8)
- 28 Old American stands in for one in household very well (8)
- 29 Stand up to soak sibling coming in (6)

## DOWN

- 2 Sausage and cool drink passed round volunteers (9)
- 3 Polish aluminium ring — for its nose? (7)
- 4 State aim inconclusively (3)
- 5 Female stops suitable husband in interval in bar (5)
- 6 Blair admitting issue with tablets for film-maker (5,6)
- 7 Vault over large area's fair game (7)
- 8 A drive out every so often can be so long (5)
- 12 Course used to be owned by female cleaners (11)
- 16 Pay for each experience at the start (3)
- 17 Farm produce can cut credit in outlets (4,5)
- 19 Ban doctor boarding English ship in the past (7)
- 20 Isle of Man swimmer's collecting organic fuel (7)
- 22 More wide possibly (5)
- 24 Stupid place to go with pony not performing (5)
- 27 Royal couple put their foot in it (3)

## TIMES CROSSWORD 28,407

