



# NABERS Sustainable Finance Criteria



# Summary

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The National Australian Built Environment Rating System (NABERS) Sustainable Finance Criteria (the Criteria) provides guidance on how to use NABERS ratings to identify strong environmental performance and to use these achievements to underpin a sustainable finance agreement.

This document sets out consistent NABERS-based targets to assist banks, investors, non-bank lenders and building owners of all sizes and scale to structure sustainable finance transactions that result in real and

measurable environmental impacts. It applies to single assets and portfolios that are eligible to obtain a NABERS Energy, Water and/or Waste rating. The Criteria outlines three methods to demonstrate eligibility for a green loan. It can be used for building upgrades, high-performing assets and portfolios.

The Criteria supports the movement towards sustainable investment, lending and development in Australia.



# Introduction

The built environment offers substantial opportunities to tackle climate change and enhance environmental outcomes. However, the window to transition to a more sustainable world is narrow, and reaching net zero emissions globally by 2050 will require trillions of dollars in investment.<sup>1</sup>

Financial institutions are increasingly integrating sustainability into their core business strategies and risk management processes. Many offer green bonds and sustainability-linked loans to incentivise environmentally significant outcomes. But how can developers demonstrate that their projects deliver on their sustainable promises? And how can financial institutions have confidence that they are backing projects that move the world towards net zero?

This Criteria was designed to establish clear and consistent guidelines for how to use NABERS ratings to identify and track significant environmental achievements. This Criteria uses NABERS data from more than 25 years of operation to provide performance targets that are based on the Australian built environment sector.

NABERS has saved an estimated AU\$1.7 billion in energy costs and driven down greenhouse gas emissions in the commercial building sector by more than eleven million tonnes since it was established in 1998. By measuring the operational performance of commercial buildings, NABERS encourages better building performance with lower costs and lower environmental impact.

## 2500+

buildings rated  
in FY23



Across Australia, the number of buildings certified with a NABERS Energy rating continues to grow each year, with over 2,500 buildings receiving a NABERS Energy Rating in FY23. These ratings cover multiple building types, including offices, shopping centres, hotels, apartments, data centres, and more.

## 77%

of Australian  
offices rated



In the office sector, NABERS has rated over 24 million square metres of floor space, representing over 77% of all commercial office space in Australia.

## 55%

reduction in  
emissions intensity



After 14 ratings, Offices (Base and Whole buildings) have reduced their emissions intensity by 55% on average and energy intensity by 42% on average.

Source: NABERS 2022-2023 Annual Report

<sup>1</sup> This cost estimation was taken from the January 2022 McKinsey & Company report on [The net-zero transition: What it would cost, what it could bring](#).



# Scope

## Version 2.0

### What's New

In Version 2.0 of the Criteria, all tables have been updated to reflect targets from the most recent data sets.

Newly released sectors such as Warehouses and Cold Stores and Schools have also been added.

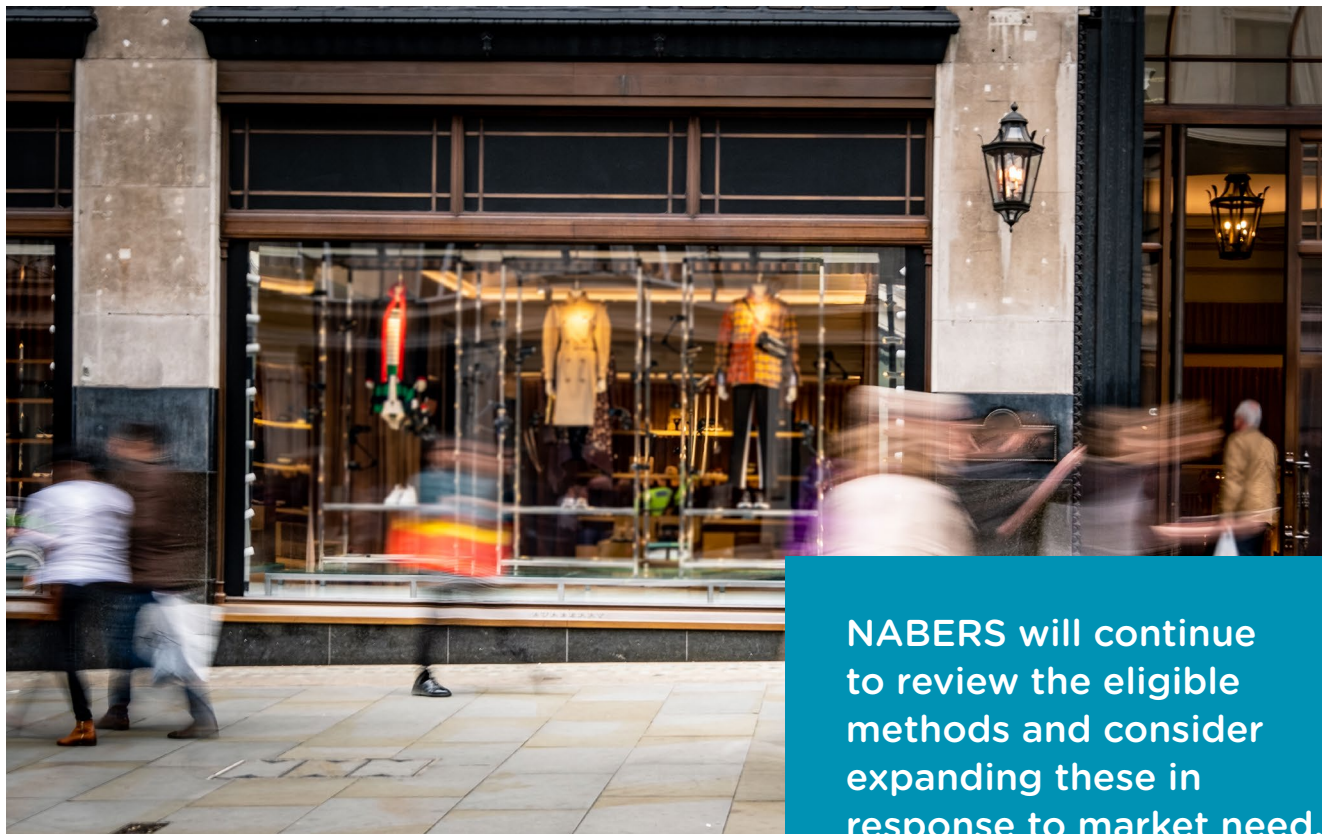
In response to industry feedback, we have broadened the scope of the criteria to include targets for water efficiency and circular economy outcomes. We have also demonstrated alignment with the Australian Sustainable Finance Taxonomy where applicable.

NABERS will continue to review the eligible methods and consider expanding these in response to market needs. For example, future updates to the Criteria are expected to incorporate other environmental impacts in buildings, such as embodied carbon and the NABERS Renewable Energy Indicator.

The document and target ratings will be reviewed regularly and updated where appropriate.







**NABERS will continue to review the eligible methods and consider expanding these in response to market need.**

The Criteria provides three methods for eligibility that demonstrate significant environmental achievement:

#### **Method 1 | Building upgrades**

Is based on a building or portfolio achieving at least a 30% reduction in emissions or water consumption over a loan period

#### **Method 2 | Highly sustainable buildings**

Recognises NABERS-rated buildings that are performing in the top 15% of their cohort for energy efficiency, water efficiency and/or waste management practice

#### **Method 3 | Highly sustainable portfolios**

Recognises portfolios (2 or more buildings) that are performing in the top 15% of their cohort for energy efficiency, water efficiency and/or waste management practice

To support significant environmental achievement, NABERS recommends achievement against the benchmark be demonstrated within a 5 year loan term. The five year recommendation is based on the assumption that benchmarks will change as the building stock improves and that in order to remain environmentally significant, the targets should be maintained or achieved within five years.

However, the length of the loan will be determined by the lender and borrower. This Criteria can also be applied to a shorter loan term provided the required NABERS target is met and verified with a NABERS rating certificate.

# Scope

## Method 1

### Building upgrades

NABERS data has been used to set targets for good performance in building energy and water efficiency upgrades.

The following methods demonstrate sufficient ambition to support access to sustainable finance:

- 1. Efficiency improvement target.** Buildings must target an improvement to their NABERS Energy or Water rating that results in an emissions or water consumption reduction of at least 30%. They must also achieve above-average energy or water performance in their sector, which means **4.0 stars or above**.
- 2. Target date.** The length of the loan will be determined between the lender and borrower. However, to remain a significant environmental achievement, the target rating must be achieved within five years.

#### Determining the efficiency improvement target

The target tables have been developed and tested using NABERS data. They demonstrate the required star rating improvement to achieve a reduction of at least 30% in emissions and a reduction of 30% in water consumption.

The 30% emissions target has been set as a significant reduction, which aligns with other recognised sustainable finance upgrade standards. Additionally, consistent methodology has been applied to reducing water consumption by 30% to demonstrate an environmentally significant achievement.

Tables 1 – 7<sup>3</sup> show the target NABERS Energy and Water rating required for a building to meet the environmental requirements under this method.

#### Suggested steps for Method 1

##### Step 1

Determine the existing NABERS Energy and/or Water star ratings of the asset or portfolio associated with the loan and identify the target rating using Table 1 – 3.



##### Step 2

Ensure the proposed scope of works is reviewed by an external expert and verify:

- Capital expenditure total
- NABERS target is achievable from proposed upgrade activities.



##### Step 3

Commence works and provide status updates to lender(s) regarding energy and water usage. NABERS Energy and/or Water ratings are completed annually throughout the period of the loan, where possible<sup>2</sup>.



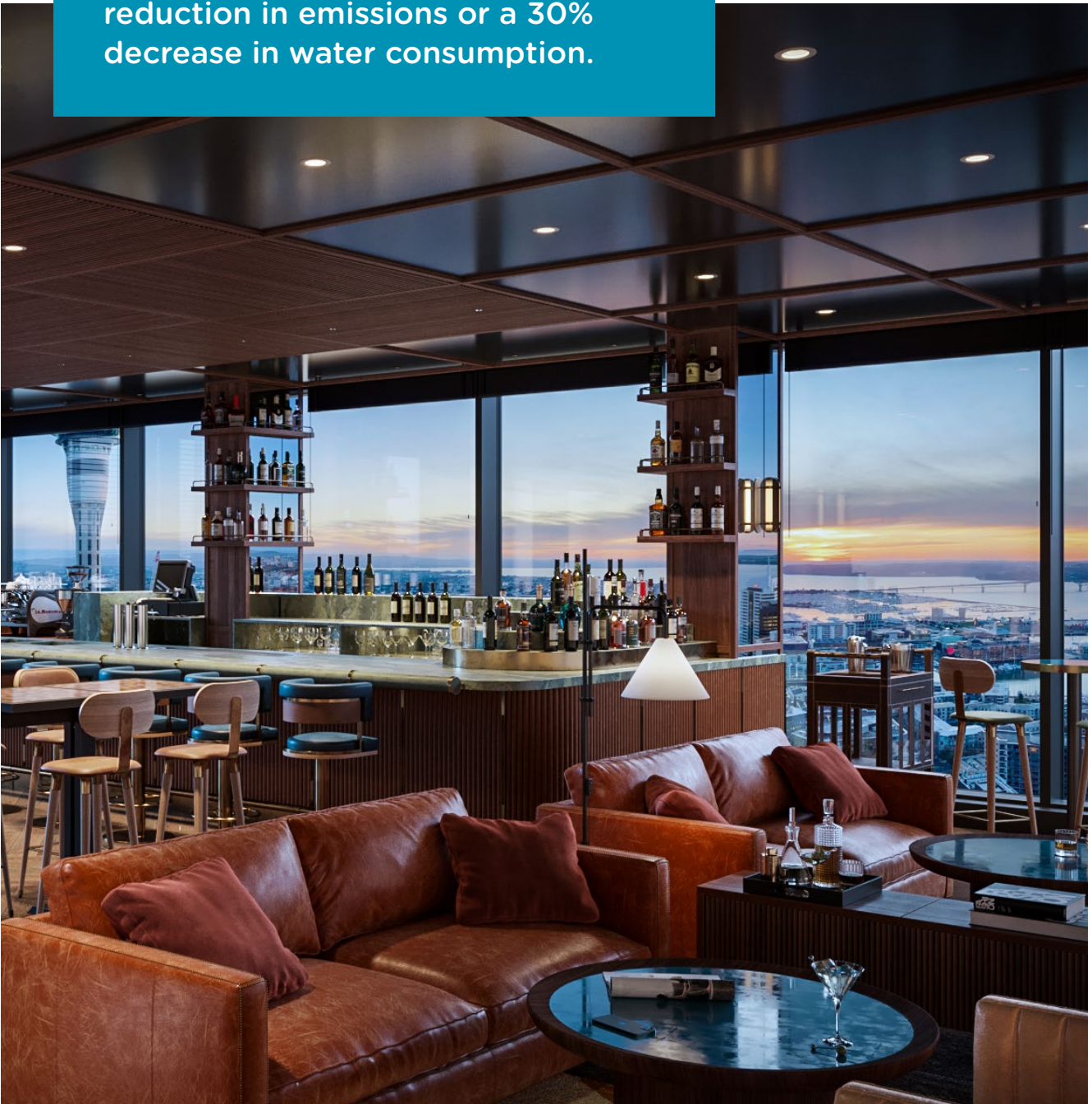
##### Step 4

Upon completion of the works, use a NABERS Energy and/or Water ratings to verify the required targets have been achieved.

<sup>2</sup> Refer to NABERS rules on the NABERS website.



Buildings must aim to improve their NABERS Energy and/or Water rating to achieve either a 30% reduction in emissions or a 30% decrease in water consumption.





# Scope

## Emissions reduction targets

Tables 1 – 3 show the target NABERS Energy rating required for a building to meet the environmental requirements under this method.

### Offices (ACT, NSW, SA, TAS, VIC)

Initial NABERS rating (at the start of the loan)	Target NABERS rating (at the end of the loan)
0	4.0
1.0	
1.5	
2	
2.5	4.5
3.0	
3.5	5.0
4.0	5.5
4.5	5.5
5.0	6.0
5.5	

Tables 1 and 2: Minimum star rating target for building upgrades to achieve at least 30% emissions reduction – Office buildings.

### Offices (QLD, NT, WA)

Initial NABERS rating (at the start of the loan)	Target NABERS rating (at the end of the loan)
0	4.0
1.0	
1.5	
2	
2.5	4.5
3.0	5.0
3.5	5.5
4.0	
4.5	
5.0	6.0
5.5	

### All other sectors

Initial NABERS rating (at the start of the loan)	Target NABERS rating (at the end of the loan)
0	4.0
1.0	
1.5	
2	
2.5	4.5
3.0	
3.5	5.0
4.0	5.5
4.5	5.5
5.0	6.0
5.5	

Table 3: Minimum star rating target for building upgrades to achieve at least 30% emissions reduction – all sectors (excl. offices).



<sup>3</sup> Office have separate tables due to a difference in their state-based calculations.





## Water reduction targets

Tables 4 – 7 show the target NABERS Water rating required for a building to meet the environmental requirements under this method.

### Offices (NSW)

Initial NABERS rating (at the start of the loan)	Target NABERS rating (at the end of the loan)
0	4.0
1.0	
1.5	
2	
2.5	
3.0	4.5
3.5	
4.0	5.0
4.5	6.0
5.0	
5.5	

### Offices (WA, SA, VIC, ACT, TAS)

Initial NABERS rating (at the start of the loan)	Target NABERS rating (at the end of the loan)
0	4.0
1.0	
1.5	
2	
2.5	
3.0	4.5
3.5	5
4.0	
4.5	5.5
5.0	6.0
5.5	

### Offices (NT, QLD)

Initial NABERS rating (at the start of the loan)	Target NABERS rating (at the end of the loan)
0	4.0
1.0	
1.5	
2	
2.5	
3.0	4.5
3.5	
4.0	5.0
4.5	6.0
5.0	
5.5	

Tables 4-6: Minimum star rating target for building upgrades to achieve at least a 30% reduction in water consumption - Office buildings.

### All other sectors

(excl. offices and hotels)

Initial NABERS rating (at the start of the loan)	Target NABERS rating (at the end of the loan)
0	4.0
1.0	
1.5	
2	
2.5	
3.0	4.5
3.5	5.0
4.0	
4.5	5.5
5.0	6.0
5.5	

Table 7: Minimum star rating target for building upgrades to achieve at least 30% reduction in water consumption - all sectors (excl. offices).



# Scope

## Method 2

### Highly sustainable buildings

#### Existing buildings

NABERS data has been used to set benchmarks for highly sustainable buildings: Low Carbon benchmark, Water Efficiency benchmark and Waste rating benchmark, all of which are demonstrated in Tables 8 – 10.<sup>4</sup> The benchmarks indicate the star rating that qualifies an asset within the top 15% of its sector.

To be an eligible project using this method, buildings must meet the following:

#### Meet the top 15% benchmark rating.

A building must attain a NABERS Energy, Water or Waste rating greater than or equal to the benchmark rating.

**Maintain or improve the rating for the entire period of the loan.** Once a building has qualified by meeting the Method 2 benchmark, a borrower must commit to maintaining or exceeding the NABERS benchmark rating that qualified the building for the entire loan period. NABERS recommends achievement against the benchmark be demonstrated within a 5 year loan term.

#### Low carbon benchmark

Sector	Benchmark
Office (base building)	5.5
Office (whole building)	5.5
Shopping centres	5.5
Hotels	5.0
Apartment buildings	5.0
Public hospitals	5.5
Data centres*	5.0
Retirement living	5.0
Residential aged care	5.0
Warehouses and Cold stores	4.9
Schools	4.0

Table 8: Benchmark NABERS energy star rating for top 15 percent of buildings by sector to half-star increments and one decimal place using the rating progress metric. The Low carbon benchmarks are equivalent to the NABERS proxies in the Australian Sustainable Finance Taxonomy.

\*Data centre benchmark not referenced in the Taxonomy.

#### Water efficiency benchmark

Sector	Benchmark
Office	5.5
Shopping centres	5.5
Hotels	4.5
Apartment buildings	4.5
Retirement living	4.5
Residential aged care	5.0
Schools	5.5

Table 9: Benchmark NABERS water star rating for top 15 percent of buildings by sector to half-star increments.

#### Waste rating benchmark

Sector	Benchmark
Office (base building)	4.0

Table 10: Benchmark NABERS waste star rating for top 15 percent of buildings by sector to half-star increments.

<sup>4</sup> All tables used the most recent FY data. Where limited data points existed, additional years' data has been added to some sectors. School benchmarking data has been used to set all School targets.





## Suggested steps for Method 2

### Step 1

Determine the NABERS Energy, Water and/or Waste star rating of the asset associated with the loan.



### Step 2

Ensure the NABERS Energy, Water and/or Waste star rating is equal to or greater than the low carbon benchmark identified in Table 4.



### Step 3

Undertake a review to ensure that the activities to be undertaken are considered green and to verify that the NABERS rating will be maintained or improved over the period of the loan.



### Step 4

Upon completion of the loan, undertake a NABERS Energy, Water and/or Waste rating to verify the asset has maintained or improved on the original NABERS rating when the loan was issued.

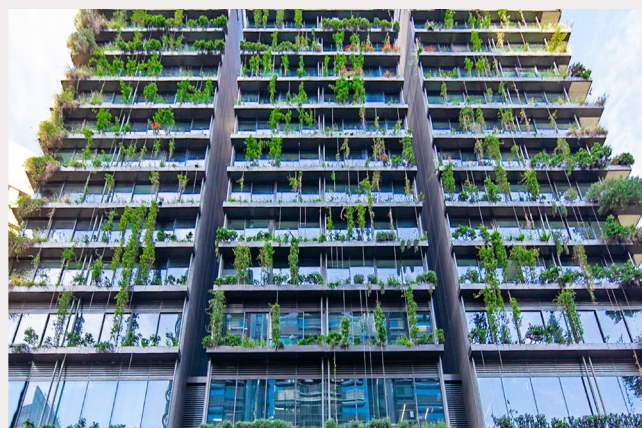
## New buildings

Alternatively, a new build can use this method by signing a NABERS Commitment Agreement that, on completion, would meet or exceed the low carbon **energy** benchmark in Table 8. To be eligible for sustainable finance for a new build, a developer must meet the following:

### 1. Commit to develop a new build that will meet or exceed the benchmarked target.

The agreed target would need to meet or exceed the low carbon energy benchmark in Table 8 at the time of issuance.

**2. Provide NABERS Commitment Agreement documents to the lender(s) at all stages throughout the process.** A borrower must make available the agreement documents throughout the process including: NABERS Commitment Agreement Contract (at point of issuance), design and modelling documents, Independent Design Review, NABERS rating once the building is in operation and annually for the term of the loan. It's important to note that NABERS Commitment Agreements are only for energy.



# Scope

## Method 3

### Highly sustainable portfolios <sup>5</sup>

The NABERS Sustainable Portfolios Index (SPI) is a voluntary, annual publication that showcases leading portfolios across Australia according to their ratings and percentage of portfolio rated. Each portfolio rating is verified and ranked by NABERS.

The Index is the only one of its kind in Australia and is a rich dataset that companies can use to compare their performance with other office and shopping centre portfolios.

The NABERS SPI has been used to identify the top 15% NABERS Energy, Water and Waste star benchmark for office and shopping centre portfolios. The Highly sustainable portfolios method was developed to acknowledge a pool of assets that are performing consistently well across the board.

NABERS rating targets for high performing buildings in energy efficiency, water efficiency and waste reduction are set out in Table 11. The portfolio benchmarks are only available for offices and shopping centres. Rules for how to calculate a NABERS portfolio, including exclusions and exemptions, can be found on the NABERS website.

To be eligible under Method 3, portfolios must meet the following:

**Meet the top 15% benchmark for portfolios.**  
Portfolios must attain a NABERS Energy, Water or Waste rating for the portfolios that meet or exceed the benchmark rating.

Portfolio ratings use average weighted star ratings and ownership percentages to determine a final result.

**Maintain or improve the NABERS portfolio rating for the entire period of the loan.**  
Once a portfolio has qualified by meeting the required benchmark, a borrower must commit to maintain or exceed that portfolio rating for the entire period of the loan. A maximum loan term of five years applies.

Sector	Low carbon portfolio benchmark	Water efficiency benchmark	Waste rating benchmark
Offices	5.2	4.9	3.3
Shopping centres	4.7	3.6	N/A

Table 11: Benchmark NABERS portfolio star rating for the top 15 percent of building portfolios. There are no waste ratings for shopping centres.

<sup>5</sup> A portfolio is a minimum of two buildings of the same space type owned by the same legal entity.





### Suggested steps for Method 3

#### Step 1

Determine NABERS Energy, Water and/or Waste star rating for the portfolio. This can either be determined by participating in the NABERS SPI or by requesting a NABERS verified portfolio rating.



#### Step 2

Ensure the portfolio NABERS Energy, Water and/or Waste star rating is equal to or greater than the low carbon benchmark identified in Table 5.



#### Step 3

Undertake review to ensure the loan activities are considered green and to verify that the NABERS portfolio rating will be maintained or improved over the period of the loan.



#### Step 4

Upon completion of the loan, undertake a NABERS Energy, Water and/or Waste rating for portfolios to verify the portfolio has maintained or improved on the original NABERS rating at the time the loan was issued.



# Review

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The Criteria recommends that borrowers undertake appropriate steps to review the loan agreement throughout the loan term. Further information on recommended levels of review can be found in the 'Review' section of the International Capital Market Association (ICMA) and Loan Market Association (LMA) Green Loan Principles (GLP).

## Risk mitigation

Prior to execution of loan documentation, review steps should be taken to mitigate both borrower and lender risk. While this is recommended by NABERS, ultimately it is the decision of the lender and the borrower to determine their respective risk appetite and appropriate controls.

### **Technical review of proposed works**

A technical review of the scope of works to be carried out is recommended. Examples of a technical review include a report from an engineer or environmental consultant substantiating that the proposed scope of work should achieve the intended NABERS outcome. The purpose of the review is to assure both parties that the proposed scope of works will result in the intended NABERS rating upon completion.

### **Financial review of loan**

External assurance that reviews the details of the loan is recommended to ensure it aligns with relevant sustainable finance standards (e.g. GLP). International standards such as the GLP recommend an external financial review phase for a loan instrument to be certified as a green loan.

## Governance

### **Post issuance verification reporting (self-reporting)**

Borrowers should maintain current and up-to date records, and document the use of proceeds and/or status of works to be completed. NABERS recommends that borrowers submit information about the management of proceeds to the lending institution(s) one year post issuance and at full allocation.

For agreements issued against Method 1, NABERS also recommends that the borrower provide regular reporting on the status of work. This will mitigate the risk to the lender of the NABERS rating not being achieved by the loan maturity date.

If the borrower and lender agree, an external review could provide further assurance of the green credentials of the agreement.

### **NABERS ratings**

It is a requirement that borrowers commit to annual NABERS ratings throughout the term of the loan, where it is possible to conduct a rating (refer to NABERS rules documents on the NABERS website). These ratings must be provided to the lending institution. It is recommended that a NABERS certified rating be obtained at the full allocation of the loan to verify the loan terms have been met.





**It is a requirement that borrowers commit to annual ratings throughout the term of the loan and a certified rating must be obtained at full allocation.**

The Criteria's targets have been informed by leading sustainable finance standards globally. NABERS methods, ratings, and benchmarks are recognised and consistent with these standards and guidance documents, as shown in Table 12 below.

### Leading sustainable finance standards

### NABERS alignment

Australian Sustainable Finance Taxonomy	The Low carbon benchmarks in Table 8 are equivalent to the NABERS proxies in the Australian Sustainable Finance Taxonomy.
Green Loan Principles International Capital Markets Association and Loan Market Association	NABERS-rated projects qualify within the Green Project category under the Principles.
ASEAN Green Bonds Standards – Association of South East Nations	NABERS-rated projects qualify within the Green Projects category under the Standards.
Climate Bonds Initiative	NABERS emissions intensity figures are recognised in the CBI Low Carbon Buildings standard.
European Union Taxonomy	To align completely with the taxonomy, proposed economic activities must “do no significant harm” to any of the environmental objectives. These include circular economy, waste prevention and pollution control. NABERS already includes methods to measure some aspects of a “do no significant harm” assessment, such as waste and water consumption. However, it does not address all of the assessment’s requirements.
Green Building Council of Australia	This document aligns with GBCA’s Unlocking the Value guide.

Table 12: Alignment of the Criteria to other lending sustainable finance standards and guidance documents.

# Why use NABERS?

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## **NABERS star ratings are widely recognised, easy to communicate and understand, and comparable within sectors**

NABERS is Australia's most widely used environmental performance rating scheme for commercial buildings.

NABERS ratings provide an indication and comparison of a building's operational performance based on 12 months of verified data. NABERS ratings can also be used to track improvements in a building's performance over time, and to benchmark buildings against best practice.

**Almost 80% of Australia's commercial office buildings have achieved NABERS ratings.**

NABERS ratings are developed using hundreds of data points from operational buildings in Australia. Sophisticated algorithms assess key building characteristics that influence building consumption, such as location, climate, size and hours of operation. Buildings can achieve a NABERS star rating from 1 to 6 stars, where 6 stars is market leading and 3 stars is average.

The simplicity of the NABERS rating means that it is easy to understand how well a building is performing in comparison to the sector. Building owners and occupants can understand whether a building is improving over time. This supports easy monitoring of a sustainable finance product.

## **NABERS data is rich, robust and verified**

NABERS has Australia's largest database of high-quality building performance information, with tens of thousands of certifications over 20 years. By using NABERS ratings to underpin sustainable finance, lenders benefit from robust data, verified by accredited NABERS Assessors and with environmental outcomes that are government certified.

## **NABERS is a cost-effective, independent rating system**

NABERS is an affordable rating tool which includes compliance and quality assurance measures in three steps:

- Ratings can only be conducted by NABERS Accredited Assessors who have undergone rigorous training
- 100% of ratings undergo a Level 1 audit by the NABERS trained technical team, who check for data entry errors and ensure NABERS Assessors have correctly applied the rules
- A further 5% of ratings undergo a comprehensive Level 2 audit in which a complete re-rating is undertaken to ensure NABERS rules are being applied consistently.





# Acknowledgements

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**We gratefully acknowledge the valuable insights and information provided by the following organisations:**

- ANZ
- CBA
- CBUS Property
- CEFC
- City of Melbourne
- Frasers Property Australia
- Green Building Council of Australia
- ING
- Paloma Property Partners
- The Commonwealth Department of Climate Change, Energy, the Environment and Water
- Westpac

And other supporting organisations.

**NABERS is administered  
by the NSW Government**

12 Darcy Street,  
Parramatta NSW 2150  
E [info@ratings.nabers.gov.au](mailto:info@ratings.nabers.gov.au)  
[nabers.gov.au](http://nabers.gov.au)

