ESG DISCLOSURE AND INTEGRATION: WHAT DO GRESB INVESTOR MEMBERS EXPECT FROM INVESTMENT MANAGERS?

35 GRESB Investor Members, representing over USD 5 trillion in institutional capital, gave us their views on what they expect from investment managers on Environmental, Social and Governance (ESG) disclosure and integration, and how they use GRESB results in their investment decision making process. Here’s what we learned:

1. CONFIDENCE IN INVESTMENT MANAGERS

GRESB Investors are confident in the ability of their investment managers to meet their ESG disclosure requirements.

25% considered their managers to be fully prepared and 75% either prepared or very prepared.

2. BROAD CONCERN ACROSS A RANGE OF ESG ISSUES

Given that the respondents are Investor Members of GRESB, it comes as no surprise that there is broad concern across a range of ESG issues.

**ENVIRONMENTAL 100%**

- Energy consumption/management
- GHG emissions/management (including CO₂)

**SOCIAL 89%**

- Engagement with direct stakeholders: tenants/occupiers/customers and employees

**GOVERNANCE 91%**

- Bribery and corruption
- Shareholder rights

INVESTORS ARE ALSO INTERESTED IN:

- “Avoided CO₂ impacts”
- “Controversies: leaks, spills, incidents”
- “Specific metrics: CO₂ intensities; absolute emissions per unit of output/revenue (normalized); water intensities; waste diversion versus an industry benchmark”
- “Standardized energy consumption metric.”
- “Climate change targets (2 degrees/Paris Accord compliant)”
- “Climate change related financial incentives to managers”
- “Climate change management in the supply chain”
- “Task Force on Climate-related Financial Disclosures compliance”
- “Engagement with asset owners/investors”
- “OECD, ILO, UNGP, and related G7 and G20 commitments”
- “Integration of health and well-being into real asset portfolios”
- “Management accountability for ESG performance”
- “ESG tied to compensation”
- “Other stakeholders involvement in decision making”
- “Board alignment with shareholders, and focus on Total Shareholder Return and out-performance”
- “ESG risk management”
- “Disclosure and reporting”

* 100% OF INVESTORS INCLUDED ENVIRONMENTAL ASPECTS IN THEIR SCOPE OF ESG INFORMATION
Almost all (94%) of the investors use GRESB data in their investment process. Some have integrated the data into their investment decision making and valuation methods, while others use the data as part of an ongoing dialogue with investment managers.

A little under one third of investors say participation in the annual GRESB Assessment is not mandatory, with two thirds saying it is mandatory in one form or another.

84% of the investors who monitor participation report that over half of their investments participate in the annual GRESB Assessment.

With almost two thirds (65%) of the investors not setting performance targets for GRESB, it’s clear that investors still value transparency above performance. They place disclosure above absolute or relative ranking.

The 35% that do set specific targets in terms of GRESB performance do so as follows:

- “We target 100% response rate for fully-owned portfolios, and JV portfolios”
- “We have set internal targets for improving our aggregate GRESB Score every year, and outperformance of peers”
- “All funds above average GRESB Score compared to direct peers”

When asked for their “single biggest challenge” in accurately managing the sustainability risks of their investment portfolios, over half of the investors mentioned data quality and coverage.

The message is clear: investors are looking for material, comparable and reliable ESG data from investment managers. And they want coverage across all asset classes and strategies they are invested in.

GRESB is engaged in assessing the sustainability performance of real asset sector portfolios and assets in public, private and direct sectors worldwide. It offers Scorecards, Benchmark Reports and portfolio analysis tools.

The Assessments collect information regarding the sustainability performance of companies, funds and assets, including information on performance indicators, such as energy, GHG emissions, water and waste. Its solutions are used by institutional investors to engage with investment managers to improve the sustainability performance of their investment portfolio and the global asset sector. For more information, visit www.gresb.com.