



Document C : GRESB Improvements for 2021 and Beyond

Action on ESG performance is critical to ensuring that the real asset industry will be successful and resilient into the future. The regulatory landscape is evolving rapidly, technology is emerging faster than ever before, and investors are raising the stakes when it comes to assessing the ESG performance of their investments.

The stakes are also getting higher for GRESB. Our success in years to come depends both on expanding the global benchmark coverage and our ability to facilitate a transition to sustainable real assets at the scale and speed now required. This will require strengthening governance processes, improving operations and deepening the collaboration between all stakeholders to raise the bar for global ESG performance reporting and benchmarking.

In order to operate a global benchmark, GRESB Assessments must cater to multiple needs. These range from new participants just getting started with ESG, to long-time participants developing and refining global best-practices. The GRESB methodology must be consistent across property types, regions and investment strategies, while also being responsive to capital market advances and the evolving needs of investors. Importantly, GRESB must enable fair scoring and objective benchmarking among all participants.

In addition to these and other medium-term priorities as communicated in [December 2019](#), we have identified the following focus areas for 2021 and beyond:

1. Strengthening our governance

We have outgrown our [original governance structure](#) dating to our founding in 2009. Looking to 2021, GRESB will reconstitute its governance bodies to foster deeper consultation, involvement, and a more dynamic collaboration on a global scale, as the indispensable foundation for our work. More information on the updates to the GRESB governance structure will be published on our website by the end of the year.

2. Deepening industry involvement and collaboration

Alongside the new governance structure, we will establish a timeline of upcoming engagement with the industry through our Benchmark Committees, Working Groups and other forums. The intention is to open up new opportunities for our members to steer the future direction and development of the Assessments. The recent period of intense engagement through the Review Period has brought new insight into some of the ways this can be done effectively (e.g information sharing across regional groups, using real life portfolios as reporting examples, co-created solutions and coordinated communication).

3. Limiting structural changes to the 2021 Real Estate Assessment

To provide stability in year-on-year reporting, we commit to limiting changes to the Real Estate Assessment as much as possible. We will prioritize fixing structural flaws identified in 2020. At the same time, we need to be responsive to market and regulatory trends. As such, we propose establishing forward-looking working groups to explore topics such as integrating resilience into the main Assessment, accounting for Covid-19, developing a materiality-based scoring approach to account for different property types, responding to the strengthening regulatory environment, and establishing a pragmatic timeline for GRESB and the industry to further develop and refine objective ESG performance metrics.

4. Planning improvements in our operations

Scoring issues and inconsistent validation decisions are unacceptable. To minimize the risk of this recurring, we're working on multiple quality control improvements to our operations. GRESB will initiate a formal and transparent review of our processes and approach to validation, inviting stakeholder involvement. The results of this review - including findings, recommendations, and implementation actions - will be shared with the industry. As the market evolves, future structural changes and recalibrations of the Assessments will be required. GRESB recognizes the need to do a better job at foreseeing and communicating these necessary adjustments. Additionally, we will implement a more rigorous software development process, especially related to planning, QA/QC, and testing. This will significantly reduce the risk that software bugs and scoring issues impact our stakeholders.

5. Increasing technical guidance, practical training, Portal walkthroughs and enhanced communications

We acknowledge the need to better anticipate and understand participant challenges resulting from Assessment changes such that we can provide proper support and effective guidance. We also seek to boost our Investor Member communications regarding 2020 scoring changes and their implications to benchmark participants. This starts with the attached "[Results Communication to Stakeholders](#)" which we present for your review. We propose to provide this on our website and Portal, as well in PDF form for investors, participants and partners in advance of the final 2020 results release.

Following the engagement with our governance groups during the Review Period, we have prepared a video tutorial explaining the aggregation of Energy Data Coverage and LFL Changes (%) from asset-level in the Asset Portal to portfolio-level in the GRESB Assessment Portal. The tutorials refer to 2 spreadsheets (with a real example of how data is filled into the Asset Spreadsheet and a walkthrough of the asset data aggregation logic), which can be downloaded from the online guidance page on [How to Complete the GRESB Asset Spreadsheet](#).

6. Connecting industry stakeholders

GRESB Benchmark Participant Members regularly request greater insight and understanding of how GRESB Investor Members use ESG data including metrics, case studies, and tangible examples. Participants also seek to better understand the process under which the GRESB Advisory Board partakes in the Assessment development process. GRESB will look for opportunities to facilitate more dialogue and collaboration between Participant Members and Investor Members on ESG issues and how best to advance sustainable real assets. More information will be uploaded on our website by the end of the year, [here](#).

7. Advancing measurable performance metrics over the next five years

Following the restructuring of the 2020 Real Estate Assessment into distinct Management, Performance and Development Components, GRESB is now better positioned to advance the Assessment over the next five years. Over this period, the Assessments will provide both GRESB Investor Members and GRESB Participant Members with greater transparency on emerging ESG topics and enhanced measurement of ESG performance metrics.

We will accomplish this through three main mechanisms:

1. **Performance scoring:** In order to deliver decision-useful performance scores, indicators will increasingly focus on measuring actual environmental and social outcomes and impacts. In this year's Real Estate Assessment, only a limited number of indicators in the Performance Component are based on actual performance metrics. For example, data coverage percentages or data quality indicators are not metrics of environmental outcomes. Rather, these indicators recognize progress towards data availability, which is crucial for measuring, scoring and benchmarking true performance and outcomes.

As such, the 2020 Performance Component Score should be interpreted as an indication of performance-enabling measures taken to progress towards positive outcomes, rather than actual performance in the sense of the delivery and/or impact of those outcomes.

2. **Standardizing metrics:** Performance indicator metrics will increase in sophistication and will be standardized to provide better comparisons using higher quality data. These metrics will allow absolute and relative comparisons to be made by recognizing actual performance such as energy intensity utilization metrics, performance against global and local targets (i.e. Paris Climate Accord), renewable energy purchases, and/or year-on-year consumption improvements.
3. **Refinements to the Management Component:** As progressively higher weighting is placed on performance measures, GRESB will seek to thin out some of the Management Component indicators, while retaining indicators that add most value, such as those that:
 - Enable participant differentiation
 - Reflect Institutional investor interest
 - Are accessible / measurable / trackable / reportable
 - Have a current high weighting in the Management Component

8. Other topics

The engagement with the governance groups and wider industry groups during the Review Period identified a series of additional development opportunities for our Assessment, methodology and evolution of the benchmark. We will continue to engage with our governance groups on these topics:

- Implementation timeline for the medium-term priorities identified above
- Clarity on data extrapolation rules and the need for additional controls to ensure the rules are correctly applied
- Reporting scope questions related to reporting on buildings disposed during the reporting year

- Data coverage calculations improvements to account for the fact that different energy types (fuels, district heating and cooling, landlord and tenant electricity) have different carriers, and therefore different data availability periods
- Using heating degree days, vacancy and other factors to quality check the energy consumption data. There is a need for more quality controls, facilitated by the asset level reporting
- Integration of CRREM tool in the performance benchmarking methodology
- Requirements for supporting evidence (such as applicability to reporting year, reporting entity, etc)
- Embodied carbon calculations and scoring of life cycle assessments
- Scoring of science based targets
- Review of market based GHG emission factors

Thank you

There is much work ahead of us to ensure GRESB is equipped for the future. Our combined efforts are required to advance industry best practice towards the collective goal of improved ESG performance and a smooth transition to sustainable real assets.

Thank you for your continued support through this period of change and transition.

Very best regards,

The entire GRESB Team