2018 GRESB Survey Feedback – GRESB Response

This document was prepared by GRESB in response to the written feedback on the 2018 GRESB Real Estate Assessment provided by the members of the BBP. Elements of this document were discussed with the BBP during the in-person meeting kindly hosted by Aberdeen Standard Investments on December 4, 2018, but could only be made public until after the publication of the 2019 Real Estate Assessment Pre-release materials. We appreciate BBP's commitment to providing input on an annual basis and understanding that some issues will take longer than others to resolve. Many of the feedback items led to extensive strategy and development meetings internally which were later elevated to the Advisory Board and the GRESB Board.

TRANSPARENCY

BBP Feedback: Undertake a review of the Validation Process

- An open and transparent data validation process is crucial for GRESB to remain a benchmark of quality and credibility that the industry can trust. The BBP welcomes the changes and improvements that GRESB have made to the validation process over the past few years. The rapid level of change that has been implemented is fully commended. However, with the level of weight given to GRESB scores by investors, the validation process has become one of the most critical elements of the Survey and in 2018, members have found its practical application to be insufficient in providing the level of trust they would expect. Specific concerns include:

- The 3rd party review of uploaded documentation and the simplicity in which it is undertaken. Completion of the Survey requires participants to upload an extensive evidence base into the online portal. The BBP is sympathetic to the fact that, due to the sheer volume of evidence required, it is impossible for all the evidence to be reviewed in detail. However, the approach has resulted in inconsistencies within the review process. Members have experienced instances where evidence, which had been accepted in previous years, was declined this year; identical evidence accepted for some funds but not others; evidence not being accepted even though the detail was included, but instead told that the "required wording" had not been included. Such an experience undermines the very requirement of uploading evidence if it starts to become a tick-box exercise, where wording in the evidence simply needs to mirror the wording stated within Survey questions.

GRESB Response

- The Real Estate Assessment, as well as the requirements for reporting are evaluated on an annual basis and can change as a result of industry feedback and validation analytics from the previous year.

- "Pre-filled indicators carry over the information submitted in the previous year, as well as the validation decision assigned to it. However, uploaded supporting evidence that was accepted in previous Assessment submissions might not be accepted in following submissions. Enhanced validation checks and/or a change in the level of validation may result in different validation outcomes. In order to be accepted, the provided evidence should meet the requirements as stipulated in this Reference Guide." (extract from the 2018 Reference Guide, page 21)

- The more we standardize the validation process to minimize human judgment, the more prescriptive we have to be in our requirements of what constitutes valid evidence

BBP Feedback: Inconsistent approval of clarifications within the comments box.

- Members have noted that there is inconsistency in the way clarifications provided within comment boxes are approved where identical explanations have been approved for one member but not the other. It would be useful to understand if there is an internal process amongst assessors to centrally record accepted explanations to ensure consistency in the approvals process.

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GRESB Response

- The 2018 Real Estate Assessment featured 5 indicators with scored open text boxes (PI1.2, PI2.2, PI3.2, SE3.2, SE10.2) and the number is further reduced in 2019 to only 2 validated and scored open text boxes (SE3, SE10.2)

- For consistency - each variable is assigned a primary validator (that checks the answers from all participants for that variable) and a second validator (that performs consistency checks and data quality checks). The validation team uses indicator specific Validation Guidance documents and each validator is assigned a set of variables to check for all participants.

- For consistency – we perform text analysis (cross variable answer exact similarity, calculate Levenshtein distance on a text string, soft computed partial string matching within fund manager and across fund managers)

BBP Feedback: Lack of clarity regarding the governance process for dealing with validation issues/queries and disputes.

- Whilst the 2018 Real Estate Reference Guide clearly sets out the validation levels that exist, there is a lack of information that explains the process for dealing with inquiries and disputes, and how such queries are managed and by whom. Further clarity and transparency of this process is requested to support participants in completing the submissions.

GRESB Response

- Participants with questions on individual validation decisions can send them to info@gresb.com and our team will respond. For a complete interpretation of the validation decisions in the Assessment, participants can request a Results Review (details here: https://gresb.com/results-review/)

- Each validation inquiry sent via info@gresb.com is evaluated internally and can be the result of:

- A reporting mistake made by the participant: the "Not Accepted" / "Partially Accepted" answer is explained to the participant: No follow-up action.

- A validation mistake made by GRESB (for the 2018 Assessment we have identified 3 such issues): GRESB recalculates the indicator, aspect, IM, MP and Overall Scores for the entity and communicates them in a formal letter to the participant. This letter can be used in further communication to investors.

- In response to this piece of feedback, we will include a section on Validation queries and disputes in the 2019 Reference Guide, chapter 2019 Data Validation Process.

- Please see below the 2018 Validation decisions analytics.

	Infrastructure		Real Estate		
	Fund	**Asset**	**RE**	**Developer**	**Total**
# Validation decisions					
Human Validated	1.007	10.194	36.749	626	48.576
Average decision per participant	13	36	42	22	
# Incorrect decisions	*1*	*2*	*3*		
Non-GBCI Validation decisions					
Pre-validated	67	98	3.254	64	3.483
Auto-validated	262	2.632	11.322	334	14.550
***Total* decisions**	**1.336**	**12.924**	**51.325**	**1.024**	**66.609**

BBP Feedback: Lack of public feedback from Validation Plus and Validation Interviews.

- Members that participated within the full suite of validation layers have highlighted that the feedback is informative and helpful in providing clarity regarding how certain elements of the Survey should be completed. It is felt that such learnings from interviews should be shared with all participants to allow them to benefit and help develop consistency in approaches.

GRESB Response

- During the November 2018 round of Benchmark Committee meetings we performed a Validation Interview process review in all regions. As a result of these meetings:

- We are performing an analysis on the most frequently observed mistakes in the Validation Interview process in 2018. The findings were used to inform the development of the Validation Interview process in 2019 and will be shared with all participants via the Assessment Portal once the new Assessment period begins.

- In 2019 the Validation Interview process will be mainly based on a desktop review. While the scope of the Validation Interview will remain the same (the validators will do an in-depth analysis of all supporting evidences, mandatory and non-mandatory, performance indicators and outliers). The Validation Interview report, the call with the participant, and the participant's ability to change their responses following the call will be removed from the process. Participants will continue to be automatically notified if they are selected for a Validation Interview and there may still be instances where we need to contact the participant for missing supporting evidence, additional information, clarifications or corrections to the data submitted.

- We conducted an analysis on Validation Plus statistics to identify the indicators that should be reviewed under Validation Plus in 2019. These indicators will be clearly marked in the 2019 Assessment document.

BBP Feedback

- It is felt a review of the Validation Process is required to consider the level of evidence required, how this can be reviewed in a robust manor, and how participants can have the opportunity to correct errors or resubmit evidence that would be rejected before final results are published. It is understood that GRESB is aware of the challenges and proposing to continue to refine the Validation Process via the development of a new Data Quality Standard. The BBP welcomes such developments and would be keen to understand the planned developments in greater detail.

GRESB Response

- The process described is already available through the Response Check process. This is a high-level check of the Assessment response prior to final submission. It helps to reduce errors that may adversely impact the Assessment results and ensures the submission is as complete as possible. The Response Check is carried out by GBCI and is followed by a discussion call. Participants receive a feedback report highlighting issues found, which they can use to correct errors and resubmit evidence that would be rejected before the final submission. The Response Check does not exclude participants from the validation process. It is intended to ensure they have not overlooked important details in the submission and provides the opportunity to ask for additional guidance and clarification on the GRESB Assessment indicators.

- However, a review of the Validation Process remains a priority for us in advance of the 2020 Assessment launch and we will communicate more details in due course.

- Regarding the Data Quality Working Group: You can follow the development of the Technical Working Group discussions on the designated page. The meeting minutes and presentation slides are available ton the page and you can review the composition of the group. The working group is now reviewing the final draft of the Data Quality Assessment, before it being shared with the Benchmark Committees and then with all stakeholders.

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**BBP Feedback: Provide an ability to communicate challenged scoring**

- GRESB has previously communicated that participants do not have the option for scores to be corrected within the system, but, will provide corrected scores in a separate report. It appears odd that the benchmark for any given year cannot be fixed to ensure it remains static and individual participant scores can be corrected. However, assuming participant scores cannot be retrospectively amended, where there is disagreement between GRESB and a participant over how scores have been calculated (e.g. disagreement in the acceptance of evidence), members have suggested that it would be useful for this to be flagged in some capacity within the participant's Scorecard so investors are aware of the fact.

GRESB Response

- We piloted the idea of Secondary Benchmark Report in 2017 (a separate report with recalculated scores), but this caused confusion in the market and questions on the integrity of the reporting process

  As a result, in 2019 we will not produce any supplementary reports apart from the original Benchmark Reports published on the official launch date. Disputes raised following the release of the Assessment results can be solved following the process outlined in the previous sections

- Participants who wish to communicate specific points on the results presented in the Benchmark Report can use the "Respondent score comments" field – this will be seen by investors
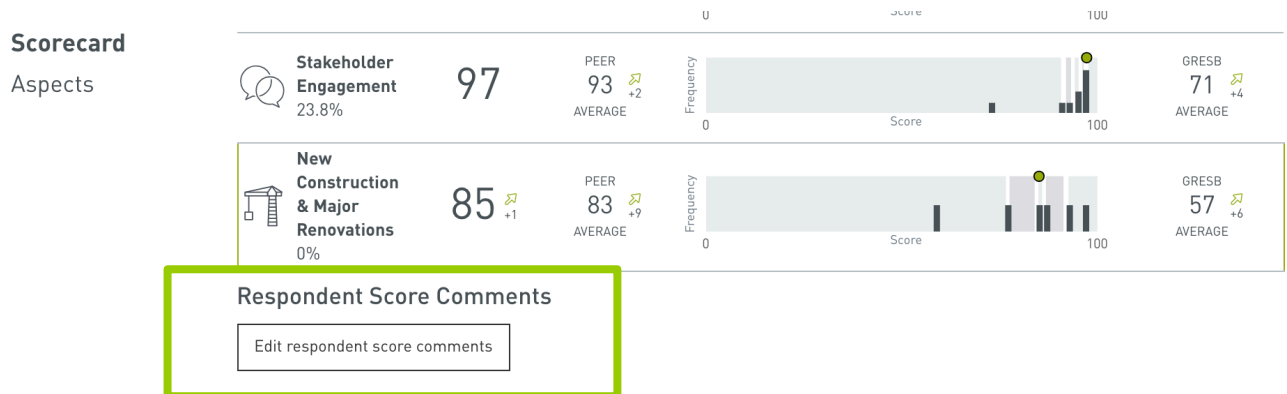
BBP Feedback: Publish investor guidance on how to interpret participants ' results

- Extensive guidance is provided within the Resources section of the GRESB website that acts as a valuable resource to participants in helping them complete the various Surveys, understand scoring and interpret results. However, it is noted that there is very little guidance targeted at investors. BBP members have noted that they are increasingly hosting one-to-one meetings with investors to help explain GRESB results and articulate nuances in scoring based on portfolio types, change in peer groups etc., as well as how changes to the Survey between years can affect scoring. The BBP believes there is a clear role GRESB can play in supporting investors to understand the detail of how the Survey scoring works and how results should be most appropriately interpreted. If this was made publicly available, it would also support participants when engaging in dialogue with their investors.

GRESB Response

- The form of engagement best suited for the level of organizations represented in our Investor membership base is via individual, one-on-one conversations. Our engagement is coordinated by our Regional Heads, is global in reach and takes place throughout the year. It is supported by educational materials and guidance on our website. We recognize the need for continual improvement to our materials and approach and have taken the following steps:

  - Launched a designated Investor Guidance page on our website, which can be accessed by everyone: https://gresb.com/guidance-for-investor-members/

- Led investor webinars explaining how to effectively access the data, map their portfolio coverage and engage with their funds

- Sent an investor survey to evaluate the general practice in using our data and tools

- Made the 2018 Scoring document available online, so that it can be accessed by all stakeholders https://documents.gresb.com/generated_files/real_estate/2018/real_estate/scoring_document/complete.html

- Ran a pilot project with one of the very experienced investor members to create new guidance materials and analysis tools to be used by the entire investor community.

- We welcome any other practical recommendations of how the BBP members envision a more effective and practical engagement with the investor community.

BBP Feedback: Ensure relevant participant communications are clearly published in advance of the Survey closing

- GRESB has taken great strides in improving the level and granularity of guidance that is published online for participants. However, members have noted that there are still some forms of communications that be useful whilst the Survey was still open. Two specific examples include:

  - Answers to questions that were raised during the submission window that highlight gaps in the guidance.

  - The scoring document to fully help members understand how questions are scored.

GRESB Response

- General updates are shared as News items in the Assessment Portal (as shown below) during the entire Assessment period, but we will make sure to use this functionality more frequently in the future. Moreover, our helpdesk team is available for questions and clarifications

- Th scoring document has been intentionally not published during the Assessment period because we wanted to avoid an opportunistic reporting behavior. The answers provided should always reflect the complete and truthful activity of the entity during the reporting period, regardless of the scoring implications. The 2018 Scoring Document was published following the 2018 results launch. Given that the 2019 Assessment is very similar to the one from 2018, the 2019 Scoring Document will be published on April 1, 2019.

BBP Feedback: Provide the ability to separately state the fund/company investment strategy classification in addition to the automated peer group classification

- Members have noted that the automated peer group classification does not always align with a fund's strategy. In addition, peer groupings can change between years based on the acquisition and disposal

strategies of participating entities. This can be frustrating for fund managers who can't compare themselves to funds they consider as peers in terms of their investment strategy, and can also be confusing for investors. The additional ability for participants to be able to state and compared against the investment strategy for themselves to complement the automated peer group classification would help alleviate some of those frustrations. It should be noted that this issue predominately relates to fund management companies rather than the property companies who participate in the Survey.

GRESB Response

- This was discussed with the Benchmark Committees and the Advisory Board in 2017 and the following conclusions were drawn:

  - Allowing participants to influence the generation of peer groups might lead to a great deal of confusion and unexpected outcomes.

  - This will result in participants tactically selecting peer groups in which they perform well. It also makes it harder to compare results year-over-year if peer groups change

  - Investors might lose year on year comparability and the messaging would be difficult to control.

  - Participants who would like to be benchmarked against a different peer group than the one automatically generated by GRESB can request a Customized Benchmark Report

  - The 2019 Reference Guide will feature a new appendix with the Peer Group Allocation Methodology

- We are re-evaluating whether to offer participants and investors the possibility of creating tailor made analysis based on their internal materiality assessments. This topic is currently under review by the GRESB Management Team.

BBP Feedback: Remove the Green Star as a rating to avoid confusion

- The GRESB Survey currently uses two parallel star-based rating systems: The Green Star and the 5-star GRESB rating. The BBP previously advocated the move to a 5-star scale system and welcomed the introduction of the GRESB rating. However, it was also recommended that only one primary rating KPI is used to assess performance and the continued use of two only increases confusion amongst stakeholders.

GRESB Response

- We proposed the elimination of the Green Star label on multiple occasions to our governance groups, but we were advised against it for a few main reasons:

- Simplicity of the Green Star designation is valuable, particularly for first time participants who see this as an attainable first step

- Important tool for entities that cannot enter the 4* and 5* cohort

- It is a term that the industry has embraced and investors understand

- An absolute measure of performance is necessary - particularly for entities that cannot make huge jumps in performance from one year to the other

- Builds loyalty to participation – participation in the benchmark is voluntary and requires effort, everyone who participates should feel that they have a realistic chance for some form of recognition

MATERIALITY

BBP Feedback: Ensure that scoring is not unfairly impacted as a direct result of an entity's level of management control

- The Survey asks for information where the answers, and resulting performance, are significantly impacted by the degree of management control a participant has over its properties. Specifically, NNN/FRI leases (what are termed as "indirectly managed assets" within the Survey) where the tenant is responsible for management of the property or those where the tenant directly purchase utilities are penalized based on their ability to provide information. For example, assessing whether a FRI/NNN assets have implemented certain measures within a four year period (RO5-RO8); the level of the portfolio that is covered by an EMS, the data management processes in place; the way in which it monitors consumption (ME1-ME5); whether it collects energy, GHG, water and waste consumption (PI1) is penalizing this asset class purely on the nature of how that asset is leased and how utilities are purchased, rather than its ESG credentials.

- This issue has been repeatedly raised by the BBP over several years. Last year, GRESB responded to this issue stating "2018 scoring methodology will recognize the differences in data collection capabilities between landlord and tenant controlled areas. This is reflected in the approach on data coverage, benchmarking, as well as LFL benchmarking". However, it is unclear, based on the guidance provided with the 2018 Real Estate Survey Reference Guide, as to whether weightings exist for the scoring of "Managed" and "Indirectly Managed" properties. With regards to "Managed Properties", the Reference Guide states "The resulting scores are then aggregated to a single score using a weighted mean with weights determined by floor area, except for base building and tenant space for which base building has a static weight of 40% and tenant space has a static weight of 60%. As tenant space has both a landlord obtained, and a tenant obtained section the 60% weight has to be shared between the two which is done based on relative floor area". It is unclear if the "relative floor area" weighting relates to "Data coverage" or "Maximum Covergae" floor area. It would make logical sense if it was based on "Data coverage", however if it's based on "Maximum coverage", then properties where the tenant is responsible for the purchase of utilities or waste management would be adversely affected.

- The BBP is also aware that incentivization to provide tenant data that is not purchased by the landlord is leading to a perverse behavior from participants. Property companies/ funds are spending significant amounts of resources requesting occupier energy data for NNN/FRI leases or where the occupier directly procures their own energy supply. It is unclear what benefit investors receive from such information when time and effort that could have been better spent focusing on making ESG improvements within their control.

- This is not to say that the collection of occupier data should not be rewarded, but that the weighting should not be set in such a way that it unfairly penalizes those companies/funds due to the nature of the properties leasing and management arrangements rather than ESG performance, as well as encourage participants to prioritize the collection of inconsequential data over actual ESG improvements.

- If investors increase their behavior of selecting only high scoring companies/funds then this sets a dangerous precedent of unfairly detracting investments from certain funds as a result of unintended consequences in the way the Survey is scored, rather than a reflection of ESG performance.

GRESB Response

- The GRESB Assessment is a portfolio level measure of ESG performance and an investor tool for improving the sustainability performance of their investment portfolios (their **complete** investment portfolios), engaging with managers and preparing for increasingly rigorous ESG obligations. Climate change, impeding legislation and other risks do not take into consideration the leasing structure of an asset and the level of landlord control. However, we do recognize that differences exist, and the framework needs to account for them.

- The BBP indicate that the collection of occupier data should be rewarded, but the weighting should not penalize companies that cannot access it due to leasing and management arrangements. This is a conflicting statement, since recognizing (through scoring) a certain behavior means not recognizing it for those who don't display the same practices. It is also unclear what defines performance for NNN/ FRI assets in the absence of data, as well as what qualifies as "ESG improvements within control" in the case

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of NNN / FRI assets. Assuming the reporting and assessment criteria become more lax for NNN / FRI assets, we would be faced with the challenge of ensuring a true representation of leasing and management arrangements. This could provide wrong incentives to participants who could end up claiming their assets are NNN / FRI even if this is not true. A potential solution (with significant reporting burden impact) would be to ask participants to provide evidence for the structure of their leases.

- The weightings for Managed / Indirectly Managed assets are given by the floor areas associated with Managed (Base Buildings + Tenant, Landlord + Whole Building) and Indirectly managed (Tenant, Tenant + Indirectly managed assets) in the portfolio. Compared to previous years, Tenant Spaces for which tenants procure their own energy is benchmarked with Indirectly managed assets and it is easier to obtain the associated points, even with a lower data coverage. The weightings relate to the size of the spaces, reflected through Maximum Coverage. More information about the scoring process is available in the Scoring Document.

BBP Feedback: Provide further clarity and guidance on the scope and type of floor areas to use when calculating portfolio coverage

- Floor area is an important KPI set out in RC5.1 that is then used as a reference point for stating portfolio coverage within the Performance Indicators section. There is currently a lack of clarity regarding the most appropriate floor area and scope to apply when calculating coverage that makes it challenging for participants to accurately complete the Survey.

- This issue relates to the complexities in how services can be procured within different property types and what floor areas are best suited when calculating coverages. The current examples provided within the Reference Guidance, whilst useful, do not sufficiently cover types of utility and waste management arrangements typically found within the full breadth of property types that commercial property companies and real estate funds invest in. As a result, participants have to decide themselves how coverage should best be calculated, which has caused an inconsistency of approaches used by participants when completing the Survey. Anecdotal evidence suggests that participants are often resorting to the most simplistic option that potentially could be over exaggerating portfolio coverage.

- Specific issues raised by members include:

- The lack of information on how to convert NLA to GIA, allowing a potential gaming of the system by under representing the size of common parts area.

- Inconsistency in how maximum potential coverage for shopping centres should be treated. The BBP is aware of scenarios where total floor (GIA) and common parts area (CPA) are both being considered as values for maximum coverage which result in very different % coverage figures. It would be useful to clarify whether individual retail units within a shopping centre would be considered within the scope of maximum potential coverage, or even whether it should be classified as Indirectly Managed.

- Lack of information on how voids should be treated when calculating coverage.

- Typically, floor area provided for RC5.1 will be based on the NLA as this is often the most readily available and accurate data, however, as a result will not correlate to the total floor area provided for the Performance Indicators as coverage values will require a combination of floor areas, including GIA, NLA and CPA.

- On a more technical point, the upload tool did not allow for the submission of different utilities to service differing floor areas e.g. electricity for common parts and gas for the whole building. This issue required participants to develop workarounds to be able to provide data.

- Clarification on these points and a greater number of examples on how coverage should be calculated, particularly for retail properties, would be helpful in guiding participants and increasing standardisation of approaches. Such examples should be split out by property type and potential utility procurement arrangements.

GRESB Response

- We acknowledge this issue, but it is difficult to establish rules at a global level in the absence of an industry standard. We welcome BBP's guidance or recommendations for how to address the UK market,

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where this issue is more prevalent than in other markets. BBP is best positioned to agree on a conventional conversion system, one that is endorsed by its members. GRESB can then refer to it in our materials.

- A shopping center with multiple units / tenant spaces is a Managed Asset

- Vacant areas: The Data Coverage and Maximum Potential Coverage of vacant areas within the portfolio should be included in the performance indicator tables. Average annual vacancy rates can be reported on below the tables in PI1.1 and PI3.1. (2018 Reference Guide, page 115)

- This comment is closely linked with the first bullet point. Landlords can either start collecting and reporting accurate data representing the size of their assets or agree on a systematic conversion system.

- GRESB participants can expect a lot of enhancements to the asset level reporting capabilities, which will be available via the GRESB Asset Portal, which will be available before the official launch of the 2019 reporting season.

Note: during the in-person meeting on December 1 we also discussed the need to extend the GHG table in PI2.1 to allow the reporting of GHG emissions associated with the Outdoor / Exterior Spaces. As a result, we have updated the table to the structure below:

BBP Feedback: Amend or remove Questions RO5-RO8 relating to whether energy efficiency, water efficiency and waste management measures have been installed across the portfolio

- Questions RO5-RO8 ask for information regarding the types of energy efficiency, water efficiency and waste management measures that have been installed across a property company/ fund's portfolio during the last four-year period. There are a number of issues relating to these questions:

  - The rationale for the specific timeframe also remains unclear as, for example, it does not appear to align with warranty periods or average lease lengths.

  - Commercial property owners do not generally collect information on the timeframes at which energy and water efficiency measures were installed. At most, simply whether they exist or not. This is especially true for companies where churns within their portfolio are high and new properties entering the portfolio are unlikely to have information on installation dates of efficiency measures readily available, or for a new build where there will be no need to install additional measures during the specified timeframe.

  - From both an ESG performance and an investors' perspective, what is important is that such measures exist within the property portfolios they invest in rather than whether they have been installed over the past four years.

  - This is an example of questions that should only be applied to "Managed Assets". Firstly, it is very challenging for a property company/ fund to know what efficiency measures a tenant has installed in an FRI property and therefore to report that information. Typically, the landlord's opportunity to upgrade the property is when a vacant property/space is returned to them. Secondly, if in the instance a tenant invests in efficiency measures at a property with an FRI lease and provides that information for the landlord to report to GRESB, it is questionable whether the landlord should even receive the benefit of additional scoring in the Survey unless they are directly involved in the process e.g. supporting audits or funding.

- It is therefore recommended that the questions are simply removed, or the timeframe is removed and the questions simplified as to whether such measures exist across the portfolio.

GRESB Response

- These indicators were already under review by the GRESB team. Indicators are simplified to reflect whether such measures exist across the portfolio. The column for individual measure descriptions is replaced by an open textbox below the table. The updated indicator structure is available below:

RO5 Has the entity implemented measures during the last four years to improve the energy efficiency of the portfolio?   RO5

○ Yes

List the measures using the table below.

Category	Measure	% whole portfolio covered	Estimated savings (MWh) (optional)	Target ROI (%) (optional)
Select category ▾		Select ▾		
Select category ▾		Select ▾		
Select category ▾		Select ▾		
Select category ▾		Select ▾		
Select category ▾		Select ▾		
Select category ▾		Select ▾		
Select category ▾		Select ▾		

Describe the entity's strategy for implementing efficiency measures (payback period, property type, scope, etc.) and the link to the entity's ESG objectives and/or targets. (maximum 250 words)

_____

○ No

○ Not applicable

BBP Feedback: Provide greater clarity on rationale for collecting intensity data (Question PI1.2, 2.2 and 3.2)

- The rationale for collecting multiple year's intensity data is currently unclear when the values are not scored against. In addition, no guidance is provided explaining how intensities should be calculated when aggregating property intensities. This is particularly challenging for GHG emissions across regions. The 2018 Reference Guide asks participants to "calculate intensities using their own calculation method", however, in doing so, the lack of comparability makes the exercise somewhat meaningless. It would be useful if GRESB could clarify if there are future plans to include intensity metrics within the scoring process.

- In addition, the BBP disagrees with the weighting of scoring applied and feels that too great a weight is applied to normalization rather than the act of calculating intensities. Maximum scoring requires four levels of normalization to be applied to intensity data. From the BBP's experience of benchmarking intensities, the greater the level of complexity of normalization, the more clouded the picture becomes when trying to understand performance, and it distracts from the actual performance of property portfolios. The BBP also has some concerns regarding the normalization choices:

- It disagrees with the principles of being able to normalize against air conditioning and/or natural ventilation. It sets a dangerous precedent that air-conditioned buildings can be compared evenly on energy intensity terms with naturally ventilated buildings, when clearly air-conditioned buildings should be more energy intensive due to the systems installed.

- The difference between 'Degree Days and Weather Conditions" as separate options is unclear.

- There is a lack of standard industry methodology for normalization beyond weather, therefore many of the options provided with the Survey are completely open to interpretation. An absence of normalization would, in this instance, actually make data sets between different companies and funds more comparable as participants would know they had not been manipulated in any way.

GRESB Response

- Following the meeting with BBP on December 4, 2018 we have re-evaluated the content and scoring of these indicators. As a result, we have removed the open text boxes previously used for describing the intensities calculation methodology and the scoring has been adjusted accordingly. The indicators maintain the same number of points, to maintain the score weights within the aspect and the Assessment.

- We have removed "Weather conditions" from the list of normalization factors available for selection

BBP Feedback: Provide clarity on the methodology for identifying outliers

- The Real Estate Survey states that an in-house developed statistical program is used to identify outliers corresponding to consumption intensity (consumption/area) and/or where change over time is abnormal relative to all reported data for the particular property type. All participants undergo this process and all decisions are automatically protocolled by the system. Abnormal data points that are not the result of incorrect data, but rather the result of unusual business development are not removed if a reasonable explanation by the respondent exists." _

- A number of members noted their submissions contained many outliers as a result of the automated calculations and evidence provided to explain the reasoning was not accepted, when they were aware the data was accurate. It would be helpful if further details were published with regards to the methodology for identifying outliers and how clarifications/disputes should be raised.

- For intensity outliers, the guidance states that GRESB checks whether the reported values result in an intensity outside a range of expected values, but it is not clear what these expected values are. For like-for-like outliers, the guidance states GRESB checks whether the provided values result in absolute percentage changes greater than a threshold between 10% and 20%, however, the actual value is not stated. From the BBP's own experience of validating performance data, shifts in like-for-like performance of up to 20% can be very common, particularly for GHG emissions where changes in grid intensity are outside the control of property owners.

GRESB Response

- Intensity outliers

For intensities, GRESB checks whether the reported values result in an intensity outside a range of expected values. If the value is outside that range, then the respondent is requested to provide an explanation for why their data is abnormal and this explanation is then checked in combination with statistics on the distribution of intensities for the same property type. If the explanation is not accepted, then the respondent will be scored as if they didn't provide the data associated with the explanation.

- Like-for-like outliers

For like-for-like changes, GRESB checks whether the provided values result in absolute percentage changes greater than a threshold between 10% and 20% depending on the like-for-like values reported for the previous year. Higher values result in a lower threshold for what is deemed abnormal. As for intensities, if an outlier is flagged the respondent is prompted to explain the abnormal value and the explanation is then checked in combination with statistics on like-for-like changes for the given property type. Data associated with explanations which are not accepted are treated as if they were not provided for all scoring purposes.

- Users who receive these outlier messages are alert so as to engage an internal data review process to identify the cause of the very low consumption level prior to final submission. All participants are offered the opportunity to explain outliers; importantly, the GRESB systems are not designed to reject the

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submission, only to highlight the outlier for investigation by the participant so as to provide an explanation.

- GRESB outlier checks are meant to flag extremes – unusually low or high values as compared to independent market benchmarks, as well as to GRESB historic data. Our systems are specifically designed to draw participant attention to potential errors before final submission, and require additional context where necessary. In this case, the explanation provided was not deemed sufficient to explain the values submitted.

Example: What you see here is a consumption density graph of assets within the same property type and same region. This portfolio consumes on average, 26% energy level used by the most efficient buildings from the LEED and Energy Star databases. Assume the explanation provided only refers to one out of the 6 assets, which is not sufficient to justify the abnormal consumption for the entire portfolio.
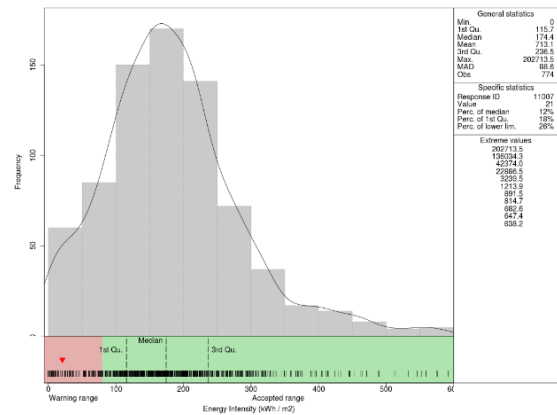
FUTURE DEVELOPMENT

BBP Feedback: Review opportunities for the Survey to reflect 'performance' of real estate funds and property companies within future iterations

The Real Estate Survey splits scoring into two dimensions:
- Management & Policy (26.6% of points): the means by which a company or fund deals with or controls its portfolio and its stakeholders and/or a course or principle of action adopted by the company or fund.
- Implementation & Measurement (73.4%): the process of executing a decision or plan or of putting a decision or plan into effect and/or the action of measuring something related to the portfolio.

It is acknowledged that the actual performance of property portfolios, in terms of environmental and social impacts, is measured to a degree within the Survey, with Performance Indicators being the most obvious area. However, scores are much more related to data coverage and the ability to provide information as opposed to the performance of the properties within the portfolio.

In theory, this scenario is not an issue as GRESB clearly do not state that GRESB scores are a direct reflection of actual performance. However, in practice, this is not the case. Based on discussions with members, investors often assume, albeit incorrectly, GRESB scores directly relate to performance and that a 5-star GRESB Rating will mean the properties within that company or fund are inherently sustainable and being run in a sustainable way. The BBP believes strongly that actual performance of property companies and funds should be the most important aspect of any ESG rating and there is a growing recognition and acceptance in the UK real estate market of this principle.

The BBP feels it is only correct that the GRESB Survey reflects this shift in time but does so in a considered and measured manner, as the BBP is not convinced it should simply be added to the 'Implementation & Measurement' dimension but may need a separate category.

GRESB Response

We agree with this evaluation, and a keener focus on performance is the core premise of the Assessment restructuring we are planning in 2020. The restructuring will involve dividing the Assessment into two

complementary parts: A Management Component and a Performance Component, with a higher weighting on the Performance Competent towards the overall GRESB score.

More information about the future development plans was published in our year-end letter to the market, available here.

BBP Feedback: Consider the option of fixed-term periods of time where changes are not made to the Survey

The BBP appreciates that it is a challenge for GRESB to annually update the Survey and take on board the feedback from a diverse user base. The BBP would advocate an approach taken by a number of different ratings systems (e.g. BREEAM) whereby the Survey is fixed for a defined period of time (e.g. 3 years), after which changes are implemented before another fixed period. This would provide consistency to participants for the defined period and provide greater time for GRESB to consider the strategic direction of the Survey and consult stakeholders on proposed changes for the next iteration of the Survey.

GRESB Response

We observe the need towards a one size fits all assessment framework to one that offers greater reporting flexibility and more customized outputs.
Our ultimate goal is to significantly reduce the reporting burden via streamlined asset-level performance data updates while requiring regular updates, as applicable, to the more static organizational information reported. However, the pace of development in the industry commands constant reviews and updates to the framework. As the global ESG benchmark for real assets, we maintain relevance and alignment with investor demands by recognizing their needs and addressing them in a staged approach.

DEBT SURVEY RECOMMENDATIONS

BBP Feedback: Continue to operate and develop the Debt Survey in 2019 and beyond

The BBP has played an active role in raising the profile of ESG considerations within real estate lending decisions via its Commercial Real Estate Lending Working Group. It has been a strong advocate of GRESB's Debt Survey since its launch and was even involved in helping shape the initial Survey questions.

The BBP understands that GRESB is planning to close the Debt Survey in 2019 due to poor levels of take up. The BBP believes this is the wrong decision to take and strongly advocates for its continuation.

The real estate debt market is much larger, in monetary terms, than the equity market and it is felt that it would be short-sighted to ignore such an influential part of the investment sphere when it is only just starting to wake up to the existence of ESG risks and opportunities. The rapid growth of the green bond market and the banking sector's interest in green mortgages for domestic housing provides a clear steer that interest will only increase. The BBP believe that further time should be allowed for it to develop and for interest and participation in the Survey to grow, much in the same way as the Real Estate Survey.

Feedback from our own Working Group highlighted specific questions that they felt were not relevant for lenders and areas for improvement. If GRESB decides to continue the Debt Survey, the BBP would be happy to support its refinement and continue to advocate its use within the UK.

GRESB Response

Over the last three years, the GRESB Debt Assessment has rated and ranked the quality of ESG integration among real estate lenders. While a motivated cohort of banks, real estate debt funds and mortgage REITs have found benefit from the Assessment, it has been slow to attract new participants. In consultation with the GRESB Board and the Debt Advisory Board, we have contacted existing participants to advise them that we will not proceed with the GRESB Debt Assessment for 2019. In place of a standalone Debt Assessment, we will work with lenders to monitor their real estate and infrastructure borrowers using the GRESB Real Estate and/or Infrastructure Assessment results.

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GRESB sees both the size and the growth opportunities of the real estate debt market and agree that significant strides are being taken towards sustainable financing in general and sustainable real estate financing in particular. We believe that the real estate lenders are best served by GRESB with a clear and full overview of the sustainability of their underlying real estate portfolio, along the lines that equity providers have been receiving since the start of GRESB. Now that the GRESB global coverage is rapidly maturing, the banks and lenders can rely on the global database to score and improve on their real estate lending portfolios.

By providing real estate lenders with transparency through validated and peer-benchmarked reviews of material sustainability data on their underlying real estate and infrastructure portfolios, we aim to improve their ability to allocate capital and to fruitfully engage with the real estate lenders throughout the lifecycle of the lending instruments. This was also communicated in the 2018 year-end letter to the market, available here.