GRESB®

2019 Survey Feedback – GRESB Response

This document was prepared by GRESB in response to the written feedback on the 2019 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 February 12th, 2020 but could only be made public until after the publication of the 2020 Real Estate Assessment Pre-Release materials. GRESB appreciates BBP's commitment to providing input on an annual basis and understanding that some issues may take longer than others to resolve. All feedback items have been carefully considered, and most of them have led to internal strategy and development meetings.

OVERARCHING MESSAGE

1. ***BBP Feedback: Review opportunities for the Survey to reflect 'performance' of within future iterations***

   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 of this principle within the UK real estate market.

   It is acknowledged that the actual performance of property portfolios 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.

   It is also appreciated that GRESB is aware of this and is implementing changes, one being the move to asset-level reporting for the Performance Indicators. The BBP welcomes such a move, one that is taken in a considered and measured approach. However, we wish to highlight that without this move, there is a potential risk that the Survey will fall out of alignment with wider industry activities. There is a growing movement across the real estate sector towards committing to achieving net zero carbon. Twenty four of our members have already made such a commitment. As the Survey stands, GRESB scores do not necessarily reflect a participant's performance on a net zero carbon trajectory.

   If GRESB is to maintain its position as the principle ESG survey for the global real estate sector, then the GRESB Survey will need to evolve to be able to reflect this. To this end, the BBP would welcome a discussion to hear GRESB's longer term view in how they see the survey developing over time to align itself to the way the industry is addressing ESG performance.

GRESB Response:

GRESB fully agrees with BBP's view that *actual performance* of real estate assets is the most important aspect to consider when assessing the ESG performance of property companies and funds. Ensuring that *actual performance* is increasingly represented in our benchmark is a top priority for GRESB over the coming years and requires a phased implementation approach:

- In 2020 GRESB restructured the Real Estate Assessment into two components: Management and Performance[1]. The purpose of the restructuring is to better represent the contribution of the performance-related indicators into the GRESB Real Estate Score. The GRESB Score equals the weighted-average of the component scores - the Management Score (30%) and the Performance Score (70%), with the Performance Score as the sum of all performance-related

1 For the sake of this discussion we ignore the Development Component.

indicators in the GRESB Real Estate Assessment. As part of this transition, GRESB also increased the weight of performance-related indicators (from ~65% in 2019 to 70% in 2020).

- In order to assess (and ultimately benchmark/score) the actual performance of a property portfolio, it is important to first define what *actual performance* means. Although *actual performance* can be represented by various measures, there is an industry consensus that one of the most important metrics is intensity (energy, GHG, water, waste), more specifically **normalised intensity.** In order for GRESB to use intensities as comparable and reliable metrics for benchmarking, the following steps are required:

    a) Using performance data points at the asset level.
    It is important that all data used for calculating the benchmarked intensities is properly checked and reviewed. This is why as of 2020, asset-level reporting has become mandatory for all GRESB Real Estate participants. This has allowed us to adapt the GRESB Outlier Detection System from portfolio-level property type to asset-level, resulting in a much more thorough quality check applied on all data input.

    b) Applying key normalisation factors to each asset:
    In order for performance metrics to be comparable across real estate assets, they need to be properly normalised. GRESB considers three key normalisation factors that need to be considered prior to benchmarking: *Vacancy Rate*, *Data Availability* and *Weather Conditions*.
        i. *Vacancy Rate* and *Data Availability* have become mandatory reporting fields for all assets reported to GRESB in 2020.
        ii. *Weather Conditions* are intrinsically linked to the geolocation of real estate assets reported, which is now consistently captured at the asset-level.

This newly collected input will serve as basis for calculating normalised intensities in a consistent manner for all reported assets and will ultimately be incorporated into the benchmarking and scoring mechanisms.

The above description refers to indicators on Energy, GHG, Water and Waste (respectively EN1, GH1, WT1 and WS1). They cover the reporting period under review and as such, are backward looking. GRESB assesses the existence of forward-looking consumption/emission targets through indicators T1.1 and has introduced a new indicator T1.2 to determine whether the targets are science based.

TRANSPARENCY

2. ***BBP Feedback: Continue to develop and improve the data 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 GRESB Survey has become an important set of investment criteria and assessment tool for investors, and the rigor in data quality and validation processes applied should be treated as such.

    The BBP welcomes the changes and improvements that GRESB have made to the validation process over the past few years. However, with current weight given to GRESB scores by investors, the validation process has become one of the most critical elements of the Real Estate Survey and our members have found its practical application to be insufficient in providing the level of trust they would expect.

    Specific concerns include the:

    - ***Review process of uploaded documentation and the discrepancy of interpretation***

        Completion of the Survey requires participants to upload an extensive evidence base to 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 and received full points, did not receive full points this year. In addition, they have experienced instances where the review does not properly interpret the detail within the evidence provided, but instead requires exact wording and phrasing. For example, for MA5, Does the organization include ESG factors in the annual performance targets of the employees responsible for this entity? One company ticked "All Employees", "Senior Management Team" and "Board of Directors". The supporting evidence stated that ESG factors were included for all employees but did not explicitly state Board of Directors as the company includes Board of Directors within the scope of their definition for all employees; the company thus lost points. This marking is counterintuitive and is not an accurate reflection of performance. Furthermore, had the entity not ticked 'Board of Directors' it would have received full marks based on the way the scoring works, but by ticking an additional box the participant lost marks.

Other examples include PD1, where evidence of policies that were in place were required to be individual policies, rather than single policies that covered multiple areas. Such an example demonstrates a failure to review the evidence requested in the level of detail required. This issue, coupled within how tightly participant scores are banded, resulted in many companies within our membership losing stars as a result of such misinterpretations.

The BBP feels that the Survey places far too great a weight on the requirement to upload evidence and that the resource to then review and interpret this evidence is too great. The BBP would like to understand if GRESB has considered other options, for example, the opportunity for accredited assessors to review the data on GRESB's behalf, or reducing the requirement to provide evidence but increasing individual auditing.

GRESB Response:

GRESB is aware of the workload associated with the evidence upload requirement of certain indicators. This is an element that we consider carefully each year during the Assessment development process. In 2020, we reduced the number of indicators requiring supporting evidence from 30 to 18 (across all three components). This significant decrease of 40% resulted from an analysis of the most commonly accepted pieces of evidence across the entire Assessment.

Regarding the example on indicator MA5 (renamed "LE6: Personnel ESG performance targets" in 2020), a typical organisational governance structure clearly distinguishes between *Board of Directors* and *All employees*, where members of the Board of Directors are not all employees (or it is not implied that the Board of Directors is only composed of organization's employees). Typically, only a small proportion of members (or even none) of a Board of Directors is employed by the organisation. Consequently, if a participant states that ESG factors are included in the annual performance targets of the members of the *Board of Directors*, but only provides evidence supporting *All employees*, the document only partially corroborates the answer. The resulting validation decision to partially accept the answer is appropriate in this case. GRESB is not in a position to be fully conversant with the governance structure of all reporting organisations, so that if the reporting company includes *Board of Directors* within the scope of their definition for *All employees*, this needs to be clearly communicated in the open-text box made available to participants in the Assessment.

- ***Lack of ability to highlight challenges or disputes***

  Guidance states that that disputes should be raised directly with GRESB for consideration. However, our members view this process as insufficient. As mentioned above, given the subjective nature of the way in which evidence is interpreted and the weight that investors place on scores, our members feel participants should have the opportunity to, within the portal, flag any scores that have been challenged and or have had a difference of opinion / interpretation between the participant and GRESB.

GRESB Response:

In order to strengthen the reliability of the Assessment results, GRESB is introducing a new Review Period in 2020. The Review Period allows participants to file official requests for validation or scoring reviews. For more information about the process, visit this page.

- ***Lack of ability for Response Checks to flag failed evidence***

  Members have noted that the questions where Validation Plus assessments were undertaken were also usually the areas where points were lost compared to previous years. A concern from members is that a number of them paid for Response Checks which then failed to pick up areas where evidence was insufficient. This caused considerable frustration from those paying members, with such an experience causing them to question the value of such services.

GRESB Response:

As indicated on our dedicated webpage, the Response Check consists of a preliminary review of participants' Assessment response. It does not exclude the participant from any element of the validation process and does not guarantee specific upfront validation decisions. A Response Check is a service offered on demand, whereas validation applies consistently to all participants and is part of the standard GRESB processes. GRESB regularly receives positive feedback from participants regarding the Response Check service. This service is a manual process, involving analysis, judgment and discussion on a case by case basis, with participants able to change their answers after the Response Check is concluded.

- ***Outliers identified and confirmed for accuracy still excluded***

  Members understand the need for the GRESB database to try to identify outliers. The BBP has its own process when collecting data for the Real Estate Environmental Benchmark. Within the Refence Guide GRESB acknowledge that outliers are not necessarily untrue, and that they can be included if a suitable explanation is provided by the Participant. However, experience from members is that they have had a significant number of outliers identified and their explanation rejected, even when they have a very high level of confidence in the accuracy of the data submitted. This is a concern for members, as data is being considered an outlier when true, and provides further evidence for the aforementioned inability to highlight disputes / challenges within the system.

GRESB Response:

In 2019, the GRESB Outlier Detection Model was applied at portfolio level to:

- Identify observations that fell at an abnormal distance from other values; and
- Support these values with a qualitative narrative to ensure that the reason for the outlier was not a reporting mistake.

If an outlier was not supported by a reasonable explanation, it was rejected from the GRESB submission. In other words, it is the appropriateness of the explanation provided to support the outlier that determines whether the datapoint is accepted or not, rather than the level of confidence in the accuracy of the data submitted.

This is because high confidence in the data reported does not mean that no reporting mistake has been made. For example, a participant applies the wrong unit to a floor area metric (*sqm* instead of *sqft*), resulting in an abnormally low intensity value which triggers an outlier. While the accuracy of the data reported may be correct at first glance, the resulting intensity calculated is erroneous, and should be rejected.

In 2019, all explanations for outliers have been manually reviewed as part of the GRESB Validation process. GRESB provided extensive feedback to numerous participants who requested clarification on why their outliers were rejected. Following our discussions, no outlier was identified as erroneously rejected.

The GRESB Outlier Detection Model has been further developed in 2020 and is now applied at the asset level, with a qualitative narrative no longer needed. Please refer to the GRESB Asset Portal webpage for more details.

3. ***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. This can be frustrating for fund managers who cannot explicitly compare themselves to funds they consider peers in terms of their investment strategy and can also be confusing for investors. In addition, peer groupings can change between years based on the acquisition and disposal strategies of participating entities, making it very challenging to monitor progress overtime.

   It is acknowledged that bespoke benchmark reports can be generated for additional fees; however, feedback from members is that one of the most significant requests they receive from investors is regarding how the entity performs in comparison to its typical financial peer group. Our members feel the ability of participants to be able to select its own peer group to both compare performance against and support discussions with investors should also be a free function of the Survey, in addition to the automated peer group classification.

GRESB Response:

In 2020, GRESB has added the reporting entity's strategy in its Peer Group Allocation Logic. Therefore, to the extent that the peer group achieves a minimum number of 6 constituents, the strategy (expressed as *Investment style* in indicator EC2) will be used as a criterion for determining peer groups. Note that GRESB does not track the *Investment style* for public (listed) entities, which means this change only applies to private (non-listed) funds. For more information, refer to the 2020 Reference Guide Appendix 3b.

In our view, allowing participants to select their own peer group by choosing constituents and/or define criteria would enable them to generate results/rankings that primarily satisfy their own expectations. This would result in misleading and possibly biased information provided to GRESB Investor Members.

GRESB does not see significant value in using typical financial peer groupings to benchmark non-financial performance. Nonetheless, all participant members have access to the Portfolio Analysis Tool, which allows them to assess their aggregated performance against self-selected benchmarks, regardless of the characteristics of their reporting entity.

Finally, we would like to reiterate that GRESB is a voluntary reporting and benchmarking tool.
Our participants base varies each year as new entities come in and other ones drop out, resulting in different constituents forming peer groups regardless of the peer group allocation logic applied. Consequently, allowing participants to select their own peer group would not necessarily solve issues of peer group consistency over time.

4. ***BBP Feedback: Remove the Green Star rating to avoid confusion.***

   The GRESB Real Estate Survey currently uses two parallel star-based rating systems: the Green Star and the 5-star GRESB rating. The BBP has previously welcomed introduction of the GRESB rating. However, as mentioned last year, the BBP also recommended that only one primary rating KPI is used to assess performance and the continued use of two simply increases confusion amongst stakeholders.

<u>**GRESB Response:**</u>

GRESB has discussed the elimination of the Green Star label on multiple occasions with its governance groups. The groups have consistently advised against it. GRESB is a global benchmarking tool available to <u>any</u> real estate company/fund willing to assess its ESG performance. The Green Star label is seen by many as the first attainable achievement for entities with a relatively short ESG track record. At the same time, the focus on the Green Star status is decreasing and is less emphasised in the output and the communication to GRESB Investor Members.

5. ***BBP Feedback: Assess opportunities to evolve the scoring methodology to increase the distribution spread of Entity scores and therefore the spacing between GRESB Rating thresholds.***

   Overtime, average Entity scores are increasing with the global average now at 72/100. With an increasing average, there is a clustering of Entities towards to top and of possible scores, which in turn, means the thresholds for the GRESB scores based on quintile distributions are very close together. This is becoming a challenge for Participants were GRESB ratings can change on the basis of one or two points difference to previous years. The BBP would like to understand if GRESB plans to address the issues brought about by ever increasing average scores by amending the scoring system in a way to increase the distribution spread of Entity scores.

<u>**GRESB Response:**</u>

GRESB strategy is in line with the suggestion.

As mentioned in our reply to *point 1*, GRESB has increased the weight of the Performance Component in the 2020 Real Estate Assessment compared to last year and intends to further value actual performance in the future. By increasing weights, GRESB enhances the importance of indicators scored dynamically (where scores are a function of peers' responses) versus statically (independent of peers' responses), and implicitly widens the scores gap. In other words, given that a dynamic scoring does not allow all reporting entities to receive full points at the same time, an increase in scoring weight towards dynamically scored indicators will ultimately result in a wider score distribution.

6. ***BBP Feedback: Continue to support investor understanding and develop guidance on how to interpret participants' results.***

   Following feedback from the BBP's 2018 Consultation Response, the work GRESB has undertaken over the past 18 months increasing resources and training for the investor community is very welcome. The BBP hopes this activity will continue as our members' experience is that investors are asking increasingly sophisticated questions with regards to the details of the Survey results, and the guidance provided by GRESB will support investors in their understanding and interpretation of results.

<u>**GRESB Response:**</u>

We are happy to read that the investments in developing online material and in-person trainings targeted at investors are showing results. GRESBis committed to educating the institutional investor community and providing guidance via webinars, in-person ESG masterclasses as well as dedicated webpages covering new tools and features.

MATERIALITY

7. ***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. This specifically true for triple net and full repairing and insuring (NNN/FRI) leases (what were previously termed an '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 penalised based on their ability to provide information.

The BBP is also aware that incentivisation to provide tenant data that is not purchased by the landlord is leading to a perverse behaviour 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 focussing 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 penalises those companies/funds due to the nature of the properties' leasing and management arrangements, rather than ESG performance. It should also not encourage participants to prioritise the collection of inconsequential data over actual ESG improvements.

This issue has been repeatedly raised by the BBP over several years and GRESB have responded that is not inclined to account for the issue as it could open the opportunity for participants to game the system by overclaiming the percentage of their portfolio that is FRI/NNN. The BBP's perspective is that this risk should not discourage action in trying to address the issue, and participants looking to game the system would be at risk of an audit just the same as attempting to game any other area of the survey.

GRESB Response:
The most important scoring elements of the Performance Indicator Aspect in the 2019 Real Estate Assessment relate to *Data Coverage* i.e. the ability to provide performance data for the reported assets. While the GRESB Scoring Model is designed to rate participants fairly regardless of their degree of management control, participants with limited control do receive on average a slightly lower score than their counterparts.

As a reminder, the reason why GRESB differentiates tenant-controlled from landlord-controlled areas in its Performance Indicators Aspect is to benchmark them separately. In other words, a tenant-controlled area with a low absolute data coverage can achieve a **high score**, whereas a landlord-controlled area with the same absolute data coverage can achieve a **low score** because it underperforms the benchmark group.

It is important to note that an asset with 0% *Data Coverage* is not included in the distribution of data points used for benchmarking and is automatically assigned a score of 0. Since it is more common for assets under tenant control to have 0% Data Coverage, these entities will not receive any points associated with data availability. Conversely, assets controlled by the landlord (formerly classified as "Directly Managed") typically exhibit a *Data Coverage* superior to 0%, which includes them in the benchmark distribution.

This pattern results in a small overall difference (estimated to 2.7% on average for all GRESB participants in 2019) in score between participants with limited degree of management control and no data availability on some of their properties (usually represented NNN/FRI leases) and their counterparts. This difference is intentional and supported by the inability of those participants to provide information on their assets' performance. In other words, it is logical that a participant unable to report on their assets' performance receives a lower number of points than a participant able to do so.

Collection of occupier data:
The GRESB Assessment is a portfolio-level measure of ESG performance and an investor tool for encouraging the sustainability performance of their investment portfolios. In order for any assessment to draw true and meaningful conclusions, it requires the complete view of the performance metrics being assessed. As such, a real estate participant that is unable to report the actual performance of a significant part of its portfolio does not facilitate a complete analysis of performance, resulting in the inability for Investor Members to assess the ESG performance of the portfolio as a whole. Highlighting ESG improvements on landlord-controlled areas while leaving tenant areas (often much larger in terms of size and consumption value) unmonitored would significantly distort the results, and defeat GRESB's ability to assess actual performance of real estate portfolios discussed in *point 1*. In addition, when data is only partially available, it is unclear what defines true performance. An improvement of

performance in areas within the participants' control does not exclude an overall deterioration of performance for the entire asset.

Finally, many GRESB Investor Members wish to use the platform as a risk management tool with regards to future ESG obligations and/or compliance with targets. For example, the CRREM tool analyses the ability of GRESB participants to comply with science-based decarbonization pathways consistent with the Paris Climate Agreement to limit global warming to 1.5°C or 2°C. Such analysis is not feasible without complete data coverage, which is why the methodology strongly encourages and rewards data collection.

8. ***BBP Feedback: Provide further clarity and guidance on the scope of type of floor areas to use when calculating portfolio coverage for Performance Indicators.***

   Floor area is an important KPI used to determine data coverage and maximum coverage figures at an asset and portfolio level within the Performance Indicators section. It is understood that for the 2020 Survey all participants will be required to provide asset-level consumption data rather than portfolio-level data. It is appreciated that such a shift will make it easier to assess changes year- on-year; however, there is currently a lack of clarity regarding the floor area and consumption scope by property type for the breakdown in which GRESB requests the data, which 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 Guidance, whilst useful, do not sufficiently cover the 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 for themselves how coverage should best be calculated, which has caused an inconsistency of approaches used by participants when completing the Survey.

<u>GRESB Response:</u>
To support the introduction of mandatory asset-level reporting in 2020, GRESB developed extensive guidance that can be found in tab <Instructions> of the GRESB Asset Spreadsheet as well as on our dedicated webpage.

Specific issues where further clarification from GRESB would be useful include:

- ***Details on the scope requested when calculating floor areas and utility based on the breakdown requested by GRESB for Base Building (common areas and shared services), tenant space and whole building.***

  GRESB advises participants to follow the International Property Measurement Standard for calculating floor area; however, this advice is insufficient as it does not provide definitions for Base Building and Tenant Space. For example, is the term Base Building following the NABERS definition of Base Building, by including all energy consumption for HVAC, lifts and hot water?

<u>GRESB Response:</u>
As explained in the guidance, the Asset Size for all assets must represent the Gross Floor Area (GFA), excluding outdoor/exterior areas and parking. In all cases, participants are required to report according to the GFA. Validation checks exist in the GRESB Asset Portal to ensure that all floor areas corresponding to performance data reported match the GFA of the asset previously defined, regardless of their reporting level (Whole Building or Base Building + Tenant Space). Relevant definitions to support these terms can be found in tab <Data Dictionary> of the GRESB Asset Spreadsheet, where for example it is clearly indicated that Common Areas include lifts.

- ***The level of estimation or proposed methodology that should be used to calculate floor area when exact figures are unknown.***

  A common challenge throughout the commercial real estate investment industry is the ability to obtain accurate floor area data. This predominately relates to areas that do not have a rental income associated to it e.g. common areas / plant rooms etc. The significance of this issue will also vary by property type.

Based on the point above on the need for further detail on the types of floor area that should be provided for different property types, it would be helpful to provide an acceptable methodology for estimating floor areas where they are unknown. For example, if NLA is known for offices and shopping centres but common areas are unknown and GRESB deems that intensity should be calculated by GIA, an acceptable conversion factor should be provided to ensure consistency in approaches by participants. These conversation factors can also be set to be conservative and incentivise participants to actively collect accurate floor area data.

GRESB Response:
GRESB is aware of the challenge for companies to obtain accurate measurements of floor areas which are not subject to a rental income. In order to address this issue in 2020 GRESB provides a set of pre-determined ratios (*Common Areas / Asset Size*) to participants for all property-types. These ratios are calculated based on actual reported data from past years and have been reviewed and challenged by multiple trusted parties including ones located in the UK. In addition, GRESB now enforces the use of these ratios to estimate unknown areas by no longer allowing participants to leave the size of *Common Areas* fields empty.

- ***How the Floor Area Covered and Maximum Floor Area values by fuel type should correspond to the total reporting level for Whole Building, Base Building and Tenant Space.***

  The way in which data is requested can easily lead to double counting, depending on how the building is serviced, so figures will not necessarily align. For example, in a multi-let office consumption could be reported as:

  - Base building – shared services gas consumption covering 100% of the floor area

  - Base building – shared services electricity consumption covering 100% of the floor area

  - Tenant spaces – Landlord-controlled electricity covering 60% of the area

  - Tenant spaces – Tenant-controlled electricity covering 10% of the area

  It is unclear whether the total of these floor areas should align to the figures provided in the Reporting Level section or the asset reporting tool, or whether the exercise is to compare for each fuel type the data coverage vs the maximum data coverage.

GRESB Response:
All values reported in the Maximum Floor Area columns of each section should correspond to the floor area of the corresponding space as defined in the Reporting Level section of the GRESB Asset Spreadsheet. As explained in the guidance, these values represent the total floor area serviced by the utility type reported (for which the utility value could be collected). While each consumption/emission datapoint must only be reported once, overlapping floor areas are possible, e.g. *Shared Services* by definition overlap with *Common Areas* and *Tenant Spaces*.

- ***How data coverage should be calculated for waste, whereby certain waste streams may be collected by the landlord and other waste streams may be collected by the tenant.***

  For example, clarity is needed where a landlord collects general waste for 100% of the shopping centre and recycling for 75% of retail units by area but 25% of the retail space manage their own recycling.

GRESB Response:
Waste performance data are only collected at Whole Building level under the assumption that waste can be transportable, e.g. consumed by a tenant but disposed of in a landlord-controlled area. As such, waste weights must be added up at whole building level in all cases to determine asset-level data coverages.

- ***How like-for-like performance will now be calculated by the system where data coverage for a property changes overtime.***

  It is helpful to understand the methodology that GRESB will implement to determine whether a property should be included within any like-for-like analysis. The BBP is happy to share its own REEB methodology for like- for-like calculations.

<u>GRESB Response:</u>
Calculating like-for-like performance. As described in the 2020 Real Estate Reference Guide (e.g. indicator EN1), like-for-like changes (%) are calculated on all assets meeting the following conditions for both current and previous reporting years:
- The asset is classified as Standing Investment;
- Data Availability covers the full year (> 355 days);
- Data Coverage is positive;
- Data Coverage is the same (within 1% error threshold).

9. ***BBP Feedback: Ensure clear definition and guidance provided for new mandatory questions***

   As for any mandatory data point is it important clear and detailed guidance is provided to ensure participants provide information in a consistent manner. The BBP is aware of the following new mandatory data points and hopes that sufficient guidance will be provided within the 2020 Reference Guide:

   - ***Vacancy Rate**: the BBP collects Vacancy rates via REEB as an annual average percentage the building is let by floor area. However, some companies may collect this by rental value. It would be important to clarify exactly how this should be calculated, as well as the level of estimation allowed.*
   - ***Building Age**: Will this need to be an exact date or will an estimate be suitable? The BBP's own experience is that building age is not a distinguishing factor in relation to a buildings operational performance and would argue the date of the last major refurbishment would be a more accurate indicator of "age" and environmental performance. It would therefore ask if perhaps building age or date of last major refurbishment would be appropriate. This would also ease pressures for property owners, where for some properties, exact construction dates are unknown. The BBP also questions the need to collect the data for the purpose of a participant's GRESB score as we would argue the performance is the key ESG assessment criteria, not the average age of a portfolio.*

<u>GRESB Response:</u>
GRESB developed additional guidance supporting newly introduced datapoints mandatory at the asset-level. *Vacancy Rate* is based on the asset's total net leasable area and calculation examples have been included. GRESB agrees that the building age (*Construction Year*) is not a distinguishing factor in relation to a building's operational performance and has reverted this field to optional.

10. ***BBP Feedback: 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. It has been noted that these questions have been removed from the 2020 Survey question list and moved into the asset level reporting template. This move still does not address a number of issues our members have in requesting this information:
    - *Commercial property owners do not generally collect information on the timeframes at which energy and water efficiency measures were installed. Rather, at most, they simply note whether they exist or not. This is especially true for companies where churn within their portfolio is 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 three years. Nearly all of the efficiency measures requested have operational lives well beyond three years, it therefore counterintuitive to continually ask if they've been installed within the past three years. Examples of this include: AMR, PV installations, leak detection, and recycling provisions. If a property has*

such features but installed them over three years ago the participant would need to state "No" when answering.
- *This is an example of the type of question 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.*

It is therefore recommended that the questions are changed to state whether they exist, rather than installed in the last three years, or that they are simply removed from the asset level spreadsheet.

GRESB Response:
As part of the 2020 Assessment development process, GRESB reassessed indicators RO5-RO8 with its Benchmark Committees representing of all four regions. The indicators on Energy, Water and Waste efficiency measures (former RO5, RO6 and RO7) as well as technical building assessments (former RO4) now have a timeframe reduced from four to three years and the information is collected at asset level on a TRUE/FALSE basis.

Imposing a limited timeframe to indicators RO5-RO8 (efficiency measures) within the property portfolio is essential to providing a relevant context for the performance of the underlying assets. A relevant timeframe informs on consumption behaviour in a way that the sole existence of such measures (regardless of their implementation year) does not. For example, a plain history of all efficiency measures implemented since an asset's construction does not sufficiently explain a significant change in its current like-for-like consumption.

11. ***BBP Feedback: Provide details of the acceptable evidence requirements for "portfolio composition confirmation"***

Last year GRESB introduced a new question RC5.2, where the stated intent was to ensure that participants were accurately representing the makeup of their portfolio reported to GRESB. At the time, BBP expressed concern regarding the evidence requirements for this particular question. It was noted that internal asset lists typically include sensitive information (e.g. valuation data) which cannot be shared externally.

It has been noted that in the 2020 Pre-release GRESB have communicated that this question (now incorporated to R2) will become part of the validation scope, which may result in submissions being rejected.

With the importance of this point increasing significantly for the 2020 Survey, there is a need for GRESB to clarify in sufficient detail the evidence requirements that they would deem acceptable, taking into the consideration of commercial sensitivities and what is realistically possible for participants.

GRESB Response:
As former indicator RC5.2 (subsequently integrated into indicator R1.1) is now part of the Validation scope, we recognised the need for additional guidance and expanded on:
- Additional details on the indicator requirements;
- Examples of accepted evidences; and
- Common situations where there would be an inconsistency between the evidence and the aggregated tables.

Please refer to the Requirements and Validation sections for R1.1 in the Reference Guide. As a reminder, the purpose of this indicator is to ensure that the associated table is complete and accurate. Given that all fields from table R1.1 are displayed at property-type level, GRESB does not necessarily require them to be corroborated by a list of assets, nor to see sensitive asset-level information. Finally, please note that the field *"% of GAV"* in not included in the Validation scope.

12. ***BBP Feedback: Provide further clarity on the scoring of GHG emissions for property types that have no Scope 1 or 2 emissions.***

    When providing GHG data for a property where the landlord does not procure any energy, e.g., a Retail High Street, all emissions are classified as Scope 3. It currently appears that this property type would be penalised for not including Scope 1 and 2 emissions when there are none. It would be helpful to understand how data for this property type should be reported to avoid this scenario.

GRESB Response:
Scored metrics in indicators GH1 (*Data Coverage* and *Like-for-Like change*) are calculated and scored separately against different benchmarks for Scopes 1+2 and Scope 3. The resulting scores are then aggregated to a single score using a weight based on the *Maximum Floor Area* for each group. In the case of a property where the landlord does not procure any energy, the score generated from the benchmark of Scope 3 receives full (100%) weight because no *Maximum Floor Area* value is associated to Scope 1 or 2. Consequently, this type of property is not penalised for not including Scope 1 or 2.

We refer to the 2020 Scoring Document for more details.

13. ***BBP Feedback: Provide further details on the calculation and use of energy/carbon intensity metrics and proposed relationship with CRREM in tracking trajectory, as well as how this will fit into the future scoring methodology.***

    The BBP has significant experience in and understanding of the challenges of intensity performance benchmarking, in particular the challenge of appropriately aligning numerators with appropriate denominators. Given that intensity calculations will now be calculated automatically by GRESB, our members would be keen to understand the detail and methodology used for these calculations. The BBP would be happy to share details of how we calculate intensity figures for different property types within our Real Estate Environmental Benchmark Project.

    Beyond the detail of calculating intensities, the BBP would like to understand how these intensity KPIs will be scored. In particular, details of how work being undertaken by CRREM may feed into this would be welcome.

GRESB Response:
GRESB is aware of the challenges of intensity calculation and the requirement of a thorough methodology to result in a fair and accurate benchmarking.

As indicated in our response to *point 1*, GRESB's ambition to benchmark actual performance through normalised intensities first requires the collection of performance data and key normalisation factors at the asset level consistent across all participants. This input along with the close collaboration with the industry will serve as a basis to develop a robust intensity calculation methodology. GRESB would be more than happy to include the BBP on the working group dedicated to this task.

As things stand, the CRREM methodology is only developed for selected countries in Europe and for the main sectors. An extension of the tool to other countries outside Europe is under way, but we will only be able to use the CRREM pathways in scoring once a global solution, applicable to all countries and all sectors is available. In the meantime, we are working with the CRREM consortium to implement the pathways in the GRESB Portal as insights to participants and their investors. We are taking a phased approach:

1. Implement capability to populate the CRREM tool directly from the GRESB Portal, once the asset level data is uploaded by the participant - estimated delivery: May – June 2020
2. Implement pathways and generate insights at portfolio level directly in the GRESB Portal – estimated delivery: October 2020
3. Implement pathways and generate insights at asset level directly in the GRESB Portal – estimated delivery: 2021