Mainstreaming ESG performance benchmarking in real assets

10 years ago, three large pension funds came together with academics from Maastricht University to launch the inaugural GRESB Real Estate Assessment. They wanted more transparency on the environmental, social and governance (ESG) performance of their investments and a closer engagement with their managers.

Over the years that followed, momentum has grown, capital market demand for standardized and reliable ESG data has intensified, and ESG reporting has become mainstream. Today, more than 100 institutional investors, representing over USD 22 trillion AUM, encourage real asset managers globally to report to GRESB. As a result, the 2019 GRESB benchmark now covers more than 1,500 reporting entities in the real estate and infrastructure sectors, representing USD 4.5 trillion in real asset value.

TOP DOWN AND BOTTOM UP

The process of annual ESG performance benchmarking on such a large scale has built a powerful global ecosystem of investors, lenders, managers, service providers and industry bodies empowering everyone to work towards a shared vision of sustainable real assets. It's a story that demonstrates how top-down demand for ESG transparency encourages a bottom-up response from managers that drives the spread of sustainability best practices around the world.

Standardized benchmarks give clarity to the market and a means to focus on complex problems. They help capital providers and managers compare investments across portfolios, inspiring action on sustainability. And at an aggregated level, benchmarks provide an objective reference point on overall sector and regional performance, help track sector progress against relevant targets, and shine a light on what needs to be done to improve.

A MAJOR SHIFT IS UNDERWAY

What’s clear is that we are on the threshold of a major shift to a low-carbon, resilient and more sustainable future. Central banks have made the link between climate risk and financial stability, calls for mandatory ESG disclosure are intensifying, ESG indices are proliferating, and institutional investors are shifting their allocations to get ahead of the transformation that is underway.

Turning 10 provides an opportunity to look back at the key milestones in GRESB’s development as well as look forward and consider what is needed to make the transition to sustainable real assets.
Advancements in asset level reporting and data coverage

With ESG driving ever more investment decisions, expectations around the quality of ESG data are increasing. Through advancements in asset reporting practices, technological advancements and the support of GRESB’s data partners, the industry has taken great strides in recent years to increase the ESG data coverage of REITs and listed property companies, with improved reporting at the asset level.

Looking at the trends in data coverage over the past 8 years, shown in the chart, the direction for the sector is clear.

GRESB Infrastructure Assessment comes of age

In 2016, a group of pioneering investors, including AIMCo, AMP Capital, APF, AT&F, Aviva Investors, CalPERS, Mirova, Pen- ion Denmark, Ontario Teachers’ Pension Plan and PGGM, joined forces with GRESB to launch the inaugural Infrastructure Assessment. The industry responded decisively and each year more funds and asset owners have joined the initiative.

Now, in its 4th year, the Infrastructure Assessment is following in the footsteps of the Real Estate Assessment to become the global ESG benchmark and reporting standard for the infrastructure sector.

GRESB receives the IPE Real Estate Outstanding Industry Contribution Award

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Greens Bond Guidelines for the Real Estate Sector released

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Real Estate Assessment opens to asset level data

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Infrastructure Fund and Asset Assessments launch

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First ESG Public Disclosure dataset released for listed real estate companies and REITs

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Defining SDG materiality for real assets

There is an emerging recognition among GRESB Investor Members that the UN Sustainable Development Goals (SDGs) provide a useful reference point for both defining materiality for real assets and benchmarking the impact of their investments. We have defined SDG materiality for real assets which has laid the foundation for our work with our governance groups to agree upon a standardized set of metrics to track the contribution of real estate and infrastructure investment towards achieving the goals.

Full coverage of listed real estate and infrastructure companies

The 2016 launch of the Public Disclosure dataset meant that, for the first time, investors were able to use GRESB data to assess the ESG disclosure of all REITs and listed property companies, and not just those that participate in GRESB’s Real Estate Assessment. By providing 100% coverage of major real estate indices, the data shows a light on which REITs and property companies are the most transparent about their ESG performance, which fall into the mid-range and which are behind the curve. The 2019 release of the Infrastructure Public Disclosure dataset also provides unprecedented transparency for all listed infrastructure companies in the GLID Global Coverage Index.

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THANK YOU TO EVERYONE WHO HAS SUPPORTED OUR MISSION

As we look back over what has been a remarkable decade for ESG benchmarking, we are reminded that we are only here today because of the global community that has developed around our shared mission.

As investors, lenders, managers, operators, leaders, influencers and experts, you are the ones digging in to answer the tough sustainability questions. You are the ones managing the risks, identifying the opportunities and finding ways to make positive real-world impacts.

It’s your efforts that are making the difference. Your decisions that are re-shaping the markets. And your investments that are making the commitment to a future that we all believe is necessary.

GRESB: REAL ASSETS, REAL DATA, REAL IMPACT

In view of the global challenges we face, the stakes are getting higher for GRESB and the industry. Our success over the next decade will not only be measured by the coverage of our benchmarks, but by our ability to influence investment practices that lead to a more sustainable real asset industry.

That’s why the underlying focus of our work in the coming years is to ensure that our assessments and benchmarks not only measure ESG transparency and risk, but also the real-world impacts of the sector.

This is the important work that we are doing together. On behalf of all the GRESB Governance groups, thank you for making the story your own.

Sander Paul van Tongeren
Co-founder and Managing Director
GRESB

Investing for impact

Systematic data collection gives real estate and infrastructure companies and funds the information they need to improve the ESG performance. For real estate, GRESB has been measuring the like-for-like changes in real estate portfolio energy consumption, GHG emissions and water consumption and this chart illustrates the aggregated reductions (and their equivalents) from 2011-2019. For infrastructure, GRESB is helping the industry by standardizing the measurement of impact which will allow similar aggregate reductions to be measured in the future.

This work provides a firm foundation for introducing a broader set of metrics designed to measure real-world impacts on society and the environment.

The world faces a number of major challenges - the climate crisis, ecosystem breakdown, mass extinctions, growing inequality, political instability, mass migrations and demographic changes - to which a sustainable real asset industry can make an important contribution.

Given the strength of our movement, the commitment to transparency by thousands of managers around the world, and the growing numbers of institutional investors embracing the UN SDGs, we can be optimistic. Optimistic that a sustainable real asset industry is within our grasp.

Updated, TCFD-aligned, Resilience module released

S&P Dow Jones Indices launches Green Real Estate Index Series in collaboration with GRESB

First ESG Public Disclosure dataset released for listed Infrastructure companies

GPR and GRESB collaborate to launch an ESG-focused regional index series

2011-2019 AGGREGATED LIKE-FOR-LIKE REDUCTIONS

energy

GHG

water

-654,645 homes

-1,015,100 passenger cars

-212,254 olympic pools

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