

Alphabet Soup of ESG in Real Estate

Last Revised: August 2023

A Living Guide



breea

© 2023 Breea Corporation

Introduction

The U.S. real estate industry continues to face growing pressure from stakeholders to manage and accurately disclose environmental, social, and governance (ESG) performance. The proliferation of ESG reporting frameworks, regulations, and certifications flooding the market are challenging our industry to prioritize resources and keep pace with investor expectations.

This *living guide* is intended to help breea stakeholders navigate the constantly evolving landscape of ESG frameworks, regulations, and certifications and stay apprised of changes and updates. Note that this guide is focused on the most prominent ESG resources utilized by the U.S. real estate market and is not an exhaustive list.




Voluntary ESG Frameworks

Recognizing that climate-related risk can pose significant financial risk to corporations, the investment community has long advocated for increased



transparency and disclosure to inform their investment decisions. With the ratification of the Paris Agreement in 2015 and recent expansion of the environmental sustainability movement to social and governance issues (i.e., ESG), a crowded field of voluntary ESG frameworks has emerged and continues to grow.

In recent years, participation in voluntary ESG frameworks by large corporations has grown exponentially, largely driven by investor pressure, climate change, enterprise risk management, and social justice movements. With this influx of voluntary ESG frameworks and the growing need for standardization and accuracy, we are starting to see a global shift to government oversight and regulation at the federal and local levels (see "Regulatory ESG Frameworks" section below). Table 1 below includes a summary of the leading voluntary ESG frameworks utilized by the U.S. real estate industry with commentary on the framework type, requirements, global reach, market adoption, and recent updates.

Table 1. Voluntary ESG Frameworks

Standard	Real Estate Specific?	Type	Description	Geography	Ratings	Market Adoption	Updates
 GRESB Global Real Estate Sustainability Benchmark (est. 2009)	Yes	Survey	Voluntary survey that validates, scores, and benchmarks ESG performance for the real estate sector – owners, operators, and/or developers.	Global	1 to 100 numerical score, 1 to 5 stars based on quintiles.	2022 - 1,820 RE companies globally, 380 RE funds in the Americas. (*)	- 9/1/23: Preliminary 2023 results released to participants only. -10/2/23: Final results released to participants & investors. (*)
 GRI Global Reporting Initiative (est. 1997)	No	Reporting	Framework that strives to improve corporate accountability and transparency through sustainability/ESG reporting.	Global	N/A	10,000 + companies from over 100 countries. # of U.S. companies not published. (*)	-1/1/23: GRI Universal Standards came into effect. (*)
 UN SDGs United Nations Sustainable Development Goals National Reporting Initiative (est. 2015)	No	Reporting	Framework that provides guidance on disclosing key performance indicators of the UN SDGs to key stakeholders.	Global	N/A	74% of G250 and 71% of N100 companies globally. # of RE companies in U.S. not published. (*)	-No recent updates. (*)

Standard	Real Estate Specific?	Type	Description	Geography	Ratings	Market Adoption	Updates
 <p>TCFD Task Force on Climate-Related Financial Disclosures (est. 2015)</p>	No	Reporting	Developed by the Financial Stability Board (FSB), TCFD aims to improve transparency on exposure for climate-related risks.	Global	N/A	3,960 organizations globally, over 400 RE companies in the U.S. (*)	-Oct '23: 2023 TCFD Status Report to be released. -9/15/22: Fifth annual status report of TCFD released. (*)
 <p>SBTi Science-Based Target Initiative (est. 2015)</p>	No	Target Setting	Framework for setting ambitious science-based emission reduction targets in line with a 1.5°C future, targeting net zero by 2050.	Global	N/A	Over 5,700 companies globally have committed to or set near- or long-term targets, including 46 RE companies in the U.S. (*)	-4/25/23: Updated science-based target submission process. -4/21/23: Updates to eight key resources. (*)
 <p>SASB Sustainably Accounting Standards Board (est. 2011)</p>	No	Reporting	Framework for disclosing financially material sustainability data.	Global	N/A	Not published.	-No recent updates
 <p>CDP Carbon Disclosure Project (est. 2000)</p>	No	Survey	Voluntary survey to disclose climate impacts that focuses on climate, water, and deforestation.	Global	A to F	Approx. 150 RE companies globally, # of U.S. companies not published.	-Q1 '24: Release of 2023 CDP corporate scores. -9/27/23: CDP Online Reporting System (ORS) closes. (*)
 <p>UN PRI Principles for Responsible Investment (est. 2005)</p>	No	Survey	UN supported investor initiative that outlines six principles for developing a more sustainable global financial system while promoting responsible investment and risk management.	Global	1 to 5 stars (per module)	~5,400 signatories globally, 1,080 signatories in the U.S. # of U.S. RE companies not published. (*)	-Sep-Oct '23: Data analysis, testing, and generation of reports. -Nov-Dec '23: Transparency & Assessment Reports are released. (*)
 <p>UN Global Compact (est. 2000)</p>	No	Survey	Voluntary initiative based on CEO commitments to implement universal sustainability principles and support UN goals.	Global	N/A	Over ~23,000 companies globally, over ~1,000 companies in the U.S., including 25 RE companies in the U.S. (*)	-6/15/23: Communication on Progress (CoP) digital platform for annual CoP submissions paused due to technical challenges. New deadline to be determined, likely mid-Oct. (*)

Standard	Real Estate Specific?	Type	Description	Geography	Ratings	Market Adoption	Updates
 CRREM Carbon Risk Real Estate Monitor (est. 2018)	Yes	Target Setting	Developed by the EU and aligned with SBTi, CRREM is a risk assessment tool to identify operational decarbonization pathways in line with a 1.5°C future, targeting net zero by 2050.	Global	N/A	Not published	<ul style="list-style-type: none"> - Ongoing: CREEM Phase II will expand pathways and corresponding carbon budgets to additional countries, sub-regions, and RE sectors. (*) - Integration of CRREM pathways into the GRESB portal ongoing.
 DJSI Dow Jones Sustainability Indices (est. 1999)	No	Survey	Assesses company ESG performance based on annual industry-specific assessment and publicly available data.	Global	0 to 100 total ESG score based on weighted avg. of all criteria scores	1,100 total companies across all DJSI indices (*)	<ul style="list-style-type: none"> - Jan '24: Survey closes for all participants. - Aug '23- Mar '24: ESG scores released in monthly waves. (*)




Regulatory ESG Frameworks

As the pool of voluntary ESG frameworks continues to expand, government entities have recognized the need for consistent, comparable, and accurate disclosures to accelerate sustainable and responsible commerce. Informed by the TCFD and other voluntary ESG frameworks, the European Union (EU), United Kingdom (UK), U.S., New Zealand, Japan, and Hong Kong are currently crafting and/or refining legislation for the corporate disclosure of climate-related risks. This government action, typically in the form of mandates, represents an inflection point for our global economy and will likely be adopted by other developed nations in the coming years.

With the passing of the Sustainable Finance Disclosure Regulation (SFDR) in 2021, the EU is currently the global frontrunner for ESG regulation of financial markets. However, the U.S. is gaining traction with the SEC's Proposed Mandatory Climate Disclosure Rules that were introduced in March 2022 for public comment. Over time, a greater global alignment of ESG regulation is anticipated to further standardize and simplify the disclosure process for global corporations. Table 2 below includes leading regulatory ESG frameworks in the U.S. and EU with commentary on the regulatory requirements and recent updates.



Table 2. Regulatory ESG Frameworks

Standard	Real Estate Specific?	Description	Geography	Updates
 <p>SEC Proposed Mandatory Climate Disclosure Rules</p>	No	Modeled off of TCFD principles and SFDR, the SEC issued a proposed rule on 3/21/22 that would enhance and standardize climate disclosure requirements provided by public companies. The new regulation would require organizations to provide certain climate disclosures that impact financial performance, including material climate risks, Scope 1-3 GHG emissions, and emissions reduction targets and transition plans. The proposed disclosure of Scope 3 emissions and a 1% materiality threshold continue to be the most contentious in the commercial RE sector.	U.S.	-6/13/23: SEC agenda stated they are targeting Oct. '23 to issue its ruling.
 <p>CSRD Corporate Sustainability Reporting Directive (est. 2021)</p>	No	Legislation that requires all large companies and listed Small and Medium Enterprises (SMEs) to publish regular reports on their environmental and social impacts using a common reporting reporting framework so that stakeholders can evaluate a company's non-financial performance. CSRD extends the scope of and replaces the reporting requirements of the existing Non-Financial Reporting Directive (NFRD) and requires companies to disclose impacts from a "double materiality" perspective.	EU	-1/5/23: CSRD formally enacted by the EU. -2025: First reports published covering 2024 performance for listed companies with over 500 employees. -2026: First reports published covering 2025 performance for large non-listed companies.
 <p>SFDR Sustainable Finance Disclosure Regulation (est. 2021)</p>	No	Legislation that aims to standardize the reporting of ESG metrics for large entities and financial products in the EU. Requires financial market participants (FMPs) to publish annual Principal Adverse Impact (PAI) statements and other disclosures under SFDR Regulatory Technical Standards. Categorizes entities/products into three categories: -Grey (Article 6)- Default classification, no ESG focus. -Light green (Article 8)- Promote positive environmental and social characteristics and good governance principles, although ESG is not the primary focus. -Dark green (Article 9)- ESG is primary focus.	EU	-CY 2023: 2nd reference period where FMPs must comply with SFDR Level 2 regulatory technical standards, including the mandatory disclosure of PAI statements. -6/30/23: Deadline for FMPs to submit 2022 PAI statements and other required disclosures under SFDR Level 2 Regulatory Technical Standards.

Aggregator ESG Frameworks

Aggregator frameworks assess ESG-related risks for companies across the globe by analyzing publicly available data and assigning a performance rating, regardless of whether a company chooses to participate. These third-party organizations typically hire teams of analysts to compile data by scraping corporate websites, reviewing ESG/sustainability reports, SEC filings, and other publicly available disclosures.

After performance ratings are released, most aggregator frameworks provide an opportunity for companies to provide feedback on the accuracy of their ratings. As with voluntary frameworks, aggregator frameworks are flooding the market, requiring investor relations teams to prioritize their

resources for frameworks most material to their investors.

Aggregator frameworks utilize proprietary scoring methodologies that vary among rating agencies. As more regulatory frameworks are signed into law, rating agencies are increasingly coming under scrutiny by regulators like the EU and SEC over their scoring methodologies, data quality, scoring reliability, and potential greenwashing. As regulatory and voluntary ESG frameworks continue to consolidate and reach consensus, it is anticipated that aggregator ESG frameworks will have less influence on regulated markets. Table 3 below includes a summary of the leading aggregator ESG frameworks with commentary on market adoption and scoring.

Table 3. Aggregator ESG Frameworks

Standard	Real Estate Specific?	Description	Market Adoption	Geography	Scoring
 Bloomberg ESG Scores (est. 2020)	No	Numerical scoring based on voluntary disclosure of ESG metrics and performance.	5,400 companies globally (*)	Global	Separate 1 to 100 E, S, & G scores.
 ISS Institutional Shareholder Services Environmental & Social (E&S) Disclosure Quality Score (est. 2018)	No	Data-driven scoring and screening solution designed to measure and identify areas of environmental and social risk through company disclosure.	5,400 companies globally	Global	1 to 10 (deciles)
 ISS ESG Corporate Rating (est. 2014)	No	Data-driven corporate rating based on ESG-related risks, opportunities, and impacts on the corporate value chain.	7,800 companies globally	Global	A+ to D-
 ISS ESG Carbon Risk Rating (est. ~2018)	No	Provides investors a future-oriented analysis of company carbon emissions.	7,800 companies globally	Global	0 to 100
 MSCI Morgan Stanley Capital International ESG Ratings (est. 2010)	No	Measures a company's management of financially relevant ESG risks and opportunities.	7,000 companies globally	Global	AAA to CCC



Building Certifications






Building certifications validate the performance of an asset and add credibility to an organization's ESG initiative. They remain an important risk assessment metric for the investment community and help improve corporate performance in leading ESG rating frameworks like GRESB.

Initially focused on environmental performance, the certification landscape has evolved over the last decade to keep pace with ESG issues material

to investors. For example, the heightened focus on health and well-being during the pandemic jump started the Fitwel program, which has increased market share by over 600% since 2019. Inspired by recent social justice movements, certifications focused on social equity in the built environment are also under development. Table 4 below includes the most common building certifications pursued by U.S. RE assets *organized by overall market adoption in the U.S.*

Table 4. Building Certifications

Certification	Type	Focus Areas	Asset Stage	Geography	Ratings	Certifications	Soft Costs	GRESB Credit?
 LEED Leadership in Energy & Environmental Design (est. 2000)	Environmental	Location & transportation, sustainable sites, energy & atmosphere, materials & resources, indoor environmental quality (IEQ)	Design & built	Global	Basic, Silver, Gold, Platinum	75,000	\$\$	Y
 EPA ENERGY STAR (est. 1999)	Environmental	Energy	Design & built	U.S., Canada	0 to 100 scoring, Certified = score ≥ 75	41,000	\$	Y
 BOMA 360 Building Owners & Managers Association (est. 2009)	Environmental	O&M, security & safety, training & education, energy, environmental sustainability, tenant relations	Design & built	Global	Certified	15,000	\$\$	Y
 NGBS National Green Building Standard (est. 2008)	Environmental	Energy, water, materials, site development, O&M, IEQ	Design & built	U.S.	Bronze, Silver, Gold, Emerald	9,700	\$\$	Y
 GREEN GLOBES Green Globes (est. 2005)	Environmental	Sustainable sites, energy & water efficiency, materials & resources, IEQ, emissions, project management	Design & built	U.S., Canada	1 to 4 Green Globes	3,200	\$\$	Y
 Fitwel (est. 2016)	Health & Well-Being	Community health, morbidity & absenteeism, social equity, well-being, healthy food, safety, physical activity	Design & built	Global	1 to 3 Stars	1,300	\$\$	Y
 IREM CSP Institute of RE Management Certified Sustainable Property (est. 2015)	Environmental	Energy, water, health, recycling, purchasing	Built	U.S., Canada	Certified	1,300	\$\$	Y

Certification	Type	Focus Areas	Asset Stage	Geography	Ratings	Certifications	Soft Costs	GRESB Credit?
 Phius Passive House Institute US (est. 2015)	Environmental	Reducing heating & cooling energy usage through passive measures	Design & built	Global	Phius Core, Phius Zero	630 certifications (U.S.) Only 17 international certifications	\$\$\$\$	Y
 BREEAM Building Research Establishment Environmental Assessment Methodology (est. 1990)	Environmental	Energy & water efficiency, pollution, transportation, materials & resource use, health & social impacts, biodiversity	Design & built	Global	Outstanding, Excellent, Very Good, Good, Pass, Unclassified	400 certifications (U.S.) Over 600,000 certifications total (global)	\$\$\$	Y
 ILFI International Living Future Institute (est. 2006)	Environmental	Place, energy & water efficiency, health & happiness, materials, equity, beauty	Design & built	Global	Living Building, Petal, Zero Energy, Zero Carbon, Core	250 certifications (majority in U.S.)	\$\$\$\$	Y
 WELL (est. 2013)	Health & Well-Being	Air, water, nourishment, light, fitness, comfort, mind	Design & built	Global	Bronze, Silver, Gold, Platinum	250 certifications (U.S.) 1,300 certifications total (global)	\$\$\$\$	Y
 LEED Zero (est. 2018)	Environmental	Zero Carbon, Zero Energy, Zero Water, Zero Waste	Design & built	Global	Zero	100 certifications (U.S.) (*)	\$\$	None

*Note that the # of certifications include initial certifications, recertifications, and both tenant space and whole-building certifications

What frameworks and certifications are material to your organization?

We would like to learn more about your organization's ESG journey and discuss how we can help move the needle.

[Contact Us](#)



Breea Headquarters

515-C South Elm Street
Greensboro, NC 27406

info@breea.com

www.breea.com

© 2023 Breea Corporation

Other Locations

Austin, TX
Charlotte, NC
Lexington, KY
Philadelphia, PA
Raleigh, NC
Salt Lake City, UT

