

Nareit Guide to ESG Reporting Frameworks

February 2019

Message from the CEO



Nareit is pleased to offer its members the Nareit Guide to ESG Reporting Frameworks. We produced this guide to help Nareit members better understand and navigate the array of environmental, social and governance (ESG) reporting frameworks.

This Guide is the product of a comprehensive review of the most relevant ESG reporting frameworks in the marketplace today which may be used by a range of investors in public companies. It provides an overview of those frameworks and their most commonly used metrics in a single, user-friendly document.

One reason we believe this Guide will be especially useful to Nareit members which are public companies is that all public companies are now monitored and benchmarked relative to their peers (or likely to be soon) – irrespective of whether the company seeks it or not. Third-party data aggregators, rating and ranking agencies and index providers are now active in the marketplace; and through their activities public companies are measured and evaluated based solely or in part on whether public companies make available in filings, reports and websites data and other information anticipated by various ESG reporting frameworks.

Given the growing prevalence of ESG reporting frameworks in the investment marketplace, it is clearly important for public companies, including REITs, to actively and effectively manage their ESG reporting. Nareit hopes the Nareit Guide to ESG Reporting Frameworks helps provide you with the contextual knowledge, understanding and insight you may need to navigate through the various ESG reporting frameworks used by assorted investors in today's marketplace.

A handwritten signature in black ink, appearing to read "S. A. Wechsler". The signature is fluid and cursive.

Steve Wechsler
President & CEO
Nareit

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Over 73% of investors take Environmental, Social and Governance (“ESG”) disclosure and performance metrics into account when evaluating risk and identifying opportunities.

—CFA Institute
On public ESG disclosure trends. November 2017

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This Guide to ESG Reporting is intended to provide clarity and practical insights around the following:

Barriers to Successful Use of ESG Standards, Ratings, and Frameworks

- Too many to navigate
- Lack of capacity to analyze requirements
- Overly complex processes
- Data accuracy is questionable
- Time and resource constraints
- Concerns about “going public” with data
- Lack of clarity around how to measure and disclose
- Inconsistent disclosure requests
- No direction or understanding of where to start

ESG Frameworks most relevant to Nareit members

With more than a dozen ESG reporting, disclosure, and ranking platforms used by investors, understanding the universe of ESG frameworks is critical to effectively meeting stakeholder expectations. The Guide to ESG Reporting Frameworks provides practical information for REITs about what frameworks exist, how they are used, and what the key differences are between them.

Prioritization and explanation of the most frequently referenced ESG disclosure areas and metrics used by investors

Commonalities in ESG disclosure areas and metrics can be found across all ESG frameworks. The Guide to ESG Reporting Frameworks identifies, prioritizes, and explains the key disclosure themes and their associated metrics to enable Nareit members to streamline and improve disclosure practices.

Risks and opportunities associated with ESG disclosure practices

With greater focus on ESG performance, disclosure strategies are increasingly consequential. The Guide to ESG Reporting Frameworks highlights the opportunities associated with an organization's disclosure practices.

Disclosure on Environmental, Social, and Governance (ESG) Topics

The REIT and publicly traded real estate industry continues to experience growing demand from stakeholders to effectively disclose and manage ESG performance.

However, the proliferation and diversification of these frameworks make it increasingly challenging and resource-intensive for managers and practitioners to meet ESG disclosure expectations. This document intends to provide clarity and guidance to Nareit's members as they navigate the ESG disclosure landscape, which continues to become increasingly prominent and increasingly complex.

Nareit has conducted a comprehensive review of the most relevant and commonly used ESG frameworks to identify the ESG metrics most frequently considered for evaluation.

“There is a fundamental need to consolidate reporting objectives for Nareit members. With more streamlined reporting expectations, companies could more efficiently allocate resources to developing and implementing sustainable ESG strategies.”

—Chris Laz

Senior Director, Corporate Marketing and Communications
Realty Income Corporation

How

Methodology

Nareit conducted a comprehensive analysis with the support of AccountAbility, an independent, global sustainability consulting, and standards firm. The process included three phases: **Identify, Analyze, and Prioritize.**

1

Identify

Nareit and AccountAbility conducted a review of **12 unique ESG reporting frameworks**, covering a range of industry focus areas and disclosure requirements. The frameworks were then evaluated using criteria and filters deemed to be most relevant to Nareit's members, including: industry recognition and relevance; utilization among investors and other key stakeholders; and availability, quality, and granularity of disclosure requirements. **The top 10 most relevant and useful ESG reporting frameworks** were selected for inclusion.

Frameworks Reviewed:

Bloomberg Terminal ESG Analysis

CDP

Dow Jones Sustainability Indices (DJSI)

Global Real Estate Sustainability Benchmark (GRESB)

Global Reporting Initiative (GRI)

Institutional Shareholder Services (ISS E&S) Quality Score

Integrated Reporting (IR)*

MSCI

Sustainability Accounting Standards Board (SASB)

Sustainalytics

Task Force on Climate-related Financial Disclosures (TCFD)

UN Sustainable Development Goals (UN SDGs)*

*IR and UN SDGs were not selected for inclusion in analysis as they do not delineate specific metrics and KPIs for disclosure.

2

Analyze

The 10 ESG reporting frameworks were first sorted according to whether they were **voluntary disclosure frameworks, guidance frameworks, or third-party aggregated frameworks.**

Voluntary disclosure frameworks are frameworks through which a company might actively disclose its sustainability-related policies, practices, and performance data and information. These may take the form of questionnaires used for evaluation and ranking.

Guidance frameworks are those that provide recommended methodologies and guidance as to how organizations might identify, manage, and report on sustainability performance.

Third-party aggregator frameworks are frameworks which assess performance based on aggregated, publicly available data, including company-sourced filings and publications, such as company websites, annual reports, and/or sustainability or CSR reports.

There were found to be **three voluntary disclosure frameworks, three guidance frameworks, and four third-party aggregation frameworks.**

Derived from the 10 ESG reporting frameworks are 41 key performance indicators (KPIs), which consist of 735 ESG questions/metrics, divided between four categories: Environmental, Social, Governance, and ESG Controversies.

3

Prioritize

KPIs were prioritized by the number of ESG reporting frameworks, out of the 10 reviewed, that mention each KPI at least once.

The frequency of the 735 ESG questions/metrics was also calculated within each KPI across the 10 ESG frameworks to better understand their granularity, distribution and definitions.

The five most frequent KPIs within each category were identified and practical definitions and tips were distilled for each, as described in this guide.

The GRI Standards are comprehensive disclosure guidelines for sustainability reporting. The GRI Standards require that companies conduct a formal assessment to determine the KPIs and metrics that are most relevant to the organization and its stakeholders. The Nareit Guide to ESG Reporting Frameworks includes only the KPIs and metrics from the GRI Standards that are most relevant to the real estate industry. Users of the GRI Standards will need to review all disclosures that might be material to their business.

ESG Frameworks Explained

The following three ESG Framework categories—voluntary disclosure frameworks, guidance frameworks, and third-party aggregators—were reviewed and distilled to determine the most frequently used key performance indicators (KPIs). Below is a description of each ESG Framework, including disclosure protocol and active users.

Voluntary Disclosure Frameworks

Framework	Description	Information Source
 <p>CDP</p>	<p>Global disclosure program that enables participants to measure and manage their environmental impacts and link environmental integrity, fiduciary duty and public interest so companies, investors, and other global stakeholders can benchmark performance and make better-informed decisions on climate actions.</p>	<p>Voluntary disclosure of non-financial data, including greenhouse gas emissions and company environmental performance, focused on climate change, forests, and water security. Performance is benchmarked against industry peers, scored and ranked publicly. Company results are publicly available.</p>
 <p>Global Real Estate Sustainability Benchmark (GRESB)</p>	<p>Validates, scores, and benchmarks ESG performance data. Particular focus on real estate funds and property companies.</p>	<p>Voluntary disclosure of building-related ESG data, assets, and real estate portfolios. Company results are publicly available.</p>
 <p>Dow Jones Sustainability Indices (DJSI)</p>	<p>An index of top-performing companies in terms of economic, environmental, and social criteria, which serves as benchmarks for investors. Only top-ranked companies within each industry are selected for inclusion in the DJSI.</p>	<p>Voluntary disclosure through a subscription-based survey of building-related ESG data, assets, and real estate portfolios. Company results are publicly available.</p>

Guidance Frameworks

Framework	Description	Information Source
 <p>Sustainability Accounting Standards Board (SASB)</p>	<p>Sustainability accounting standards focused on known trends and uncertainties that are reasonably likely to affect the financial condition or operating performance of a company and would therefore be considered material* under Regulation S-K.</p>	<p>Voluntary disclosure of relevant sustainability metrics in company financial disclosures, segmented by industry.</p>
 <p>Global Reporting Initiative (GRI)</p>	<p>Highly specific disclosure guidelines and requirements for compliant non-financial sustainability reporting on economic, environmental and social performance areas. The standards are modular and can be used in a selective fashion to meet the desired compliance level and disclosure needs of the reporting organization.</p>	<p>Voluntary disclosure through a formal digital or printed sustainability report, including all ESG topics deemed to be relevant to the organization and all related management approach components.</p>
 <p>Task Force on Climate-related Financial Disclosures (TCFD)</p>	<p>Comparable and consistent disclosures used to demonstrate corporate climate change risk assessment, scenario planning and resilience. Unlike other environmental reporting initiatives, TCFD requires organizations to report on their response to environmental pressures, rather than their impact on the environment.</p>	<p>Voluntary disclosure within mainstream annual financial filings of the identification, assessment, management, and oversight policies and practices affiliated with climate-related risks and opportunities in the areas of governance, strategy, risk management, and metrics and targets.</p>

*SASB guidance states that its definition of the term materiality is "informed" by "the provisions of the federal securities laws and the regulations of the Securities and Exchange Commission," and "opinions of the U.S. Supreme Court." See, SASB, Approach to Materiality and Standards Development available at https://library.sasb.org/materiality_bulletin/ Accordingly, SASB's determination that a fact is material to investors may differ from a materiality finding made by the SEC, another regulatory body, or a relevant court under applicable Supreme Court precedent. See, TSC Industries v. Northway, Inc., 426 U.S. 438, 449 (1976). See also Basic, Inc. v. Levinson, 485 U.S. 224 (1988). As the Supreme Court has noted, determinations of materiality require "delicate assessments of the inferences a 'reasonable shareholder' would draw from a given set of facts and the significance of those inferences to him" TSC Industries, 426 U.S. at 450.

ESG Frameworks Explained continued

Third-Party Aggregators

Framework	Description	Information Source
Bloomberg Terminal ESG Analysis 	Aggregated summary of a company's ESG performance and risk, both historically and relative to peers. The ranking and ratings measure transparency and are gathered from Bloomberg's proprietary research as well as third-party ESG data disclosure agencies.	Third-Party Aggregation: Data is aggregated and assessed based on public company-sourced filings, such as annual reports and sustainability or CSR reports, and company websites. Data is also obtained from a proprietary Bloomberg survey. Private service, must subscribe to access data.
Institutional Shareholder Services (ISS E & S) Quality Score 	Measures the depth, extent, and quality of public corporate disclosures on environmental and social issues, including governance, and identifies key disclosure omissions.	Third-Party Aggregation: Data is aggregated and assessed based on mainstream filings, Sustainability and CSR reports, integrated reports, publicly available company policies and information. Company results are publicly available.
MSCI 	Comprehensive fixed income risk and performance analytics based on trends across sectors and regions that help investors identify risks and opportunities, pinpoint outliers, and focus on key ESG performance drivers.	Third-Party Aggregation: Data is aggregated and assessed based on 100+ specialized datasets from governments, NGOs and models; company disclosure via 10-K, sustainability reports, and proxy reports; and over 1,600+ media sources monitored daily. Private service, must subscribe to access data.
Sustainalytics 	ESG and corporate governance research and rankings that measure exposure to and management of material ESG risks, specifically considering three dimensions: preparedness; disclosure; and performance.	Third-Party Aggregation: Data is aggregated and assessed based on public company-sourced filings and media reports. Private service, must subscribe to access data.

Summary of Distribution

The **ESG Key Performance Indicators** (KPIs) that appear **most frequently** among the **10 ESG Reporting Frameworks** are as follows:

ENVIRONMENTAL KPIs	ESG Framework Frequency
Climate change opportunities and risk	10/10
Emissions - Green House Gas Emissions	9/10
Environmental Policy	8/10
Energy	8/10
Environmental Management Systems	7/10
SOCIAL KPIs	ESG Framework Frequency
Supply Chain - Social	8/10
Stakeholder Engagement	7/10
Health and Safety	7/10
Workforce Development/Human Capital	7/10
Diversity and Equal Opportunity	6/10
GOVERNANCE KPIs	ESG Framework Frequency
Compensation Policy	7/10
ESG Reporting Standards	6/10
Board Level Oversight - ESG	6/10
Governance Policy	6/10
Governance Risk Assessment	6/10

Environmental

Environmental KPIs reflect an organization's processes, policies, practices and impact with regard to the natural environment. Of the **10 ESG reporting frameworks** that Nareit studied, the **top five most frequent environmental KPIs** are as follows:

Environmental KPIs

10

Out of 10 frameworks

ESG Framework Frequency

Climate Change Opportunities and Risk

A company's strategy, planning, and policies for climate-related business risks and opportunities. Disclosures explain the tools and methodologies companies use to identify, assess, and address climate change, and how these approaches are integrated into overall risk management and business strategy.

REITs disclosing environmental performance metrics and strategies see approximately 5% increase in property-level and corporate-level cash flows available for distribution to shareholders.

— Social Science Research Network
Why reporting does matter. January 2013.

9

Out of 10 frameworks

ESG Framework Frequency

Greenhouse Gas (GHG) Emissions

Includes all greenhouse gas (GHG) emissions-related metrics and policies for a company across Scope 1 (direct, onsite), Scope 2 (purchased energy), and Scope 3 (extended indirect). Disclosures require verifiable information and standardized data for the emissions resulting from company operations and products, as well as descriptions of programs and policies seeking to reduce or otherwise mitigate negative emissions.

8

Out of 10 frameworks

ESG Framework Frequency

Environmental Policy

The presence and completeness of an organization's environmental management policies, what they contain, and how they are managed. Disclosures describe company policies related to environmental protection, responsible building development, carbon pricing, supply chain, resilience scenario planning, compliance with regulation, and management/approval from senior leadership, among others.

8

Out of 10 frameworks

ESG Framework Frequency

Energy

Covers all energy-consumption related metrics and policies for a company. Disclosures include specific data and metrics on energy use and energy spend by source, with specific emphasis on renewable energy use. Disclosures cover programs and metrics related to energy reduction, efficiency and conservation for all company operations and products.

7

Out of 10 frameworks

ESG Framework Frequency

Environmental Management Systems

Details the systematic management of an organization's environmental programs, and whether or not an organization has a documented structure in place. Disclosures focus on policies and procedures in place to govern operations, tools and platforms to collect, monitor and manage environmental data, and processes to evaluate and mitigate negative impact. Emphasis is placed on target-setting and continuous monitoring.

Social

Social KPIs reflect an organization's processes, policies, practices and impact with regard to the people—both internal and external—with whom it interacts. Of the **10 ESG Reporting Frameworks** that Nareit studied, the **top five most frequent social KPIs** are as follows:

Social KPIs

8

Out of 10 frameworks
ESG Framework Frequency

Supply Chain – Social

Includes the management and performance of social aspects of a company's supply chain, including workforce and labor standards, codes of conduct, transparency, health and safety, and ESG integration. Disclosures cover whether or not organizations have screening policies and procedures in place to ensure their suppliers and vendors have strong social practices.

7

Out of 10 frameworks
ESG Framework Frequency

Health and Safety

Policies and practices related to occupational health of employees. Disclosures cover verifiable data and standardized metrics related to employee injuries, absentee rate, fatalities, lost-time injury frequency, and lost days, among others. Disclosures also explain specific policies related to employee health, nutrition, and overall access, as well as supplier/ vendor/contractor health and wellbeing policies.

7

Out of 10 frameworks
ESG Framework Frequency

Stakeholder Engagement

Describes policies and practices related to outreach and communication efforts with a company's internal and external stakeholders. Engagement includes formal and informal communications, customer feedback, employee surveys, and community outreach, among others. Disclosure also focuses on stakeholder engagement related to ESG issues, such as sustainability reporting and disclosure, ESG controversy publications, and others.

GRESB defines stakeholder engagement as essential to a real estate portfolio. For real estate organizations, typical stakeholders include investors, employees, tenants, property management, supply chain vendors and the surrounding community.

— Stakeholder engagement - the Why, Who, What, & How? November 2017

7

Out of 10 frameworks
ESG Framework Frequency

Workforce Development/ Human Capital

Disclosures focus on company's policies and practices related to employee workforce training, as well as talent attraction and retention. Specific metrics include the number of hours of training per employee, employee turnover rate, and percent of employees receiving regular performance reviews, among others. Disclosures also cover specific policies related to human rights and CSR trainings.

6

Out of 10 frameworks
ESG Framework Frequency

Diversity and Equal Opportunity

Describes strategies and policies in place surrounding gender, diversity, and other workforce demography practices. Includes metrics on workforce demographics as well as diversity strategy throughout the organization. Specific focus on providing policies around workplace discrimination, gender, racial, and ethnic equality, diversity programs, and other workforce hiring and development practices.

Governance

Governance KPIs reflect an organization's processes, policies, practices and impact with regard to its formalized governing infrastructure, transparency, roles and responsibilities and accountability. Of the **10 ESG Reporting Frameworks** that Nareit studied, the **top five most frequent governance KPIs** are as follows:

Governance KPIs

7

Out of 10 frameworks
ESG Framework Frequency

Compensation Policy

Describes a company's strategy and practices for compensation across the company—from line workers to C-suite and board members. Disclosures discuss incentive programs and targets generally, as well as incentives specifically related to ESG performance. Compensation data is disclosed, as well as descriptions of policies, strategies, and processes for remuneration.

According to GRESB, strong ESG practices coupled with public disclosure results in superior investment returns in the form of higher rental income and lower interest expenses, which leads to increased cash distribution and a lower risk profile.

— Transparency and the business case for ESG in Real Estate. March 2018

6

Out of 10 frameworks
ESG Framework Frequency

Governance Policy

Includes disclosures related to the system of rules, practices, and processes that direct and control the organization. Disclosures cover risk management, corporate structure, management approach, data policies, and adherence to regulation, among others. Specific focus on describing the policies in place and the strong accountability and oversight behind each policy.

6

Out of 10 frameworks
ESG Framework Frequency

ESG Reporting Standards

Indicates whether or not an organization is publicly disclosing ESG information using frameworks (e.g. SASB, ISO, etc.), or if it is a member of international ESG-related compacts or agreements (UNGC, CDP, UN SDGs, etc.).

6

Out of 10 frameworks
ESG Framework Frequency

Board Level Oversight—ESG

Outlines the roles and responsibilities of the company's board of directors specific to goal setting, strategy, and remuneration, among others. Disclosures include descriptions of the board's responsibility and oversight of the company's ESG performance.

6

Out of 10 frameworks
ESG Framework Frequency

Governance Risk Assessment

Describes company strategy and processes related to issues of security, data, and financial risk, as well as overall company risk culture. Specific disclosure focuses on risk governance procedures and policies and how they are integrated into overall risk strategies.

Summary of Distribution: Third-Party Aggregator Frameworks

When Nareit looked at only the **four third-party aggregator frameworks** reviewed (**MSCI, Bloomberg Terminal, Sustainalytics, and ISS E&S**), the most common KPIs in these frameworks were mostly identical to the 10 frameworks that were initially reviewed. The differing ESG KPIs were: Environmental Products and Services; Responsible Business Practices, Codes and Programs; and Board Structure.

The **ESG Key Performance Indicators (KPIs)** that appear **most frequently** among the **four third-party aggregator frameworks** are as follows:

ENVIRONMENTAL KPIs	ESG Framework Frequency
Climate Change Opportunities and Risk	4/4
Emissions - Green House Gas Emissions	4/4
Products and Services	4/4
Energy	3/4
Environmental Policy	3/4
SOCIAL KPIs	ESG Framework Frequency
Supply Chain - Social	4/4
Workforce Development/Human Capital	4/4
Health and Safety	4/4
Stakeholder Engagement	3/4
Diversity and Equal Opportunity	3/4
GOVERNANCE KPIs	ESG Framework Frequency
Compensation Policy	4/4
Responsible Business Practices, Codes and Programs	4/4
ESG Reporting Standards	3/4
Governance Policy	3/4
Board Structure	3/4

Environmental Third-Party

Third-Party aggregator frameworks are frameworks which assess performance based on aggregated, publicly available data, including company-sourced filings and publications, such as company websites, annual reports and/or sustainability or CSR reports. Regardless of whether or not your company is voluntarily disclosing this information, your company is likely being reviewed by the third-party aggregation frameworks in these five environmental KPIs, among others.

Environmental KPIs

4

Out of 4 frameworks
ESG Framework Frequency

Products and Services

Strategies and programs designed to manufacture and distribute low-carbon, sustainably packaged, climate change-oriented, and/or sustainability related products or services. Also includes risk management approaches associated with products that contain harmful chemicals and products, activities and services that have significant impacts on the environment.

4

Out of 4 frameworks
ESG Framework Frequency

Climate Change Opportunities and Risk

A company's strategy, planning, and policies for climate-related business risks and opportunities. Disclosures explain the tools and methodologies companies use to identify, assess, and address climate change, and how these approaches are integrated into overall risk management and business strategy.

4

Out of 4 frameworks
ESG Framework Frequency

Greenhouse Gas (GHG) Emissions

Includes all greenhouse gas (GHG) emissions-related metrics and policies for a company across Scope 1 (direct, onsite), Scope 2 (purchased energy) and Scope 3 (extended indirect). Disclosures require verifiable information and standardized data for the emissions resulting from company operations and products, as well as descriptions of programs and policies seeking to reduce or otherwise mitigate negative emissions.

3

Out of 4 frameworks
ESG Framework Frequency

Environmental Policy

The presence and completeness of an organization's environmental management policies, what they contain, and how they are managed. Disclosures describe company policies related to environmental protection, responsible building development, carbon pricing, supply chain, resilience scenario planning, compliance with regulation, and management/approval from senior leadership, among others.

3

Out of 4 frameworks
ESG Framework Frequency

Energy

Covers all energy-consumption related metrics and policies for a company. Disclosures include specific data and metrics on energy use and energy spend by source, with specific emphasis on renewable energy use. Disclosures cover programs and metrics related to energy reduction, efficiency and conservation for all company operations and products.

Social Third-Party

Third-Party Aggregator Frameworks are frameworks which assess performance based on aggregated, publicly available data, including company-sourced filings and publications, such as company websites, annual reports and/or sustainability or CSR reports. Regardless of whether or not your company is voluntarily disclosing this information, your company is likely being reviewed by the third-party aggregation frameworks in these five social KPIs, among others.

Social KPIs

4

Out of 4 frameworks
ESG Framework Frequency

Health and Safety

Policies and practices related to occupational health of employees. Disclosures cover verifiable data and standardized metrics related to employee injuries, absentee rate, fatalities, lost-time injury frequency, and lost days, among others. Disclosures also explain specific policies related to employee health, nutrition, and overall access, as well as supplier/vendor/contractor health and wellbeing policies.

4

Out of 4 frameworks
ESG Framework Frequency

Supply Chain—Social

Includes the management and performance of social aspects of a company's supply chain, including workforce and labor standards, codes of conduct, transparency, health and safety, and ESG integration. Disclosures cover whether or not organizations have screening policies and procedures in place to ensure their suppliers and vendors have strong social practices.

4

Out of 4 frameworks
ESG Framework Frequency

Workforce Development/ Human Capital

Disclosures focus on company's policies and practices related to employee workforce training, as well as talent attraction and retention. Specific metrics include the number of hours of training per employee, employee turnover rate, and percent of employees receiving regular performance reviews, among others. Disclosures also cover specific policies related to human rights and CSR trainings.

3

Out of 4 frameworks
ESG Framework Frequency

Stakeholder Engagement

Describes policies and practices related to outreach and communication efforts with a company's internal and external stakeholders. Engagement includes formal and informal communications, customer feedback, employee surveys, and community outreach, among others. Disclosure also focuses on stakeholder engagement related to ESG issues, such as sustainability reporting and disclosure, ESG controversy publications, and others.

3

Out of 4 frameworks
ESG Framework Frequency

Diversity and Equal Opportunity

Describes strategies and policies in place surrounding gender, diversity, and other workforce demography practices. Includes metrics on workforce demographics as well as diversity strategy throughout the organization. Specific focus on providing policies around workplace discrimination, gender, racial, and ethnic equality, diversity programs, and other workforce hiring and development practices.

Governance Third-Party

Third-party aggregator frameworks are frameworks which assess performance based on aggregated, publicly available data, including company-sourced filings and publications, such as company websites, annual reports and/or sustainability or CSR reports. Regardless of whether or not your company is voluntarily disclosing this information, your company is likely being reviewed by the third-party aggregation frameworks in these five governance KPIs, among others.

Governance KPIs

4

Out of 4 frameworks
ESG Framework Frequency

Compensation Policy

Describes a company's strategy and practices for compensation across the company—from line workers to C-suite and board members. Disclosures discuss incentive programs and targets generally, as well as incentives specifically related to ESG performance. Compensation data is disclosed, as well as descriptions of policies, strategies, and processes for remuneration.

4

Out of 4 frameworks
ESG Framework Frequency

Responsible Business Practices, Codes, and Programs

Refers to policies and reporting mechanisms regarding anti-corruption and bribery, codes of conduct, conflicts of interest, whistleblower protections, anti-money laundering and anti-competitiveness practices, ingrained within the organization and also applicable to partners and suppliers.

3

Out of 4 frameworks
ESG Framework Frequency

ESG Reporting Standards

Indicates whether or not an organization is publicly disclosing ESG information using frameworks (e.g. SASB, ISO, etc.), or if it is a member of international ESG-related compacts or agreements (UNGC, CDP, UN SDGs, etc.).

3

Out of 4 frameworks
ESG Framework Frequency

Governance Policy

Includes disclosures related to the system of rules, practices, and processes that direct and control the organization. Disclosures cover risk management, corporate structure, management approach, data policies, and adherence to regulation, among others. Specific focus on describing the policies in place and the strong accountability and oversight behind each policy.

3

Out of 4 frameworks
ESG Framework Frequency

Board Structure

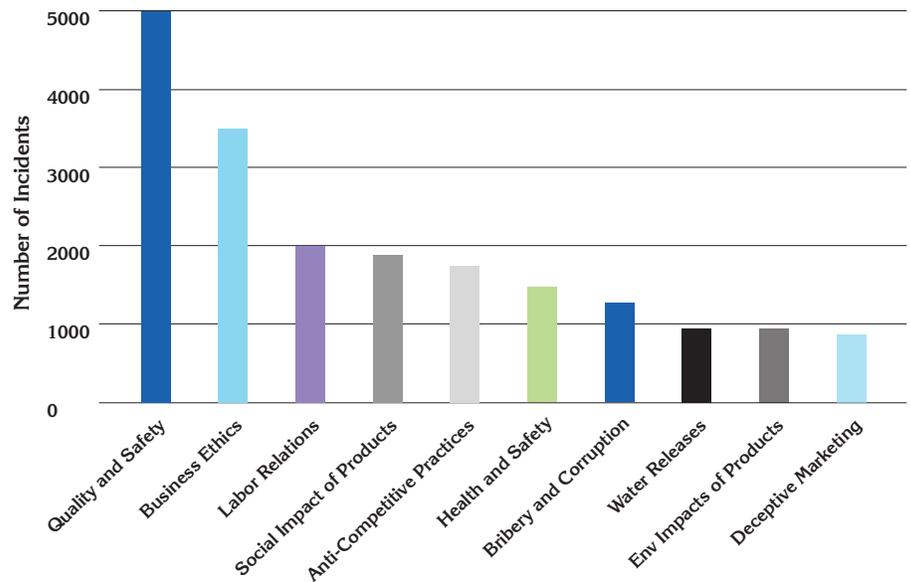
Indicates board structure, size, diversity and independence, including independent leadership and employee representation.

ESG Controversies

Six out of the 10 Frameworks addressed ESG controversies, three of which are third-party aggregation frameworks and the other three are voluntary disclosure frameworks.

ESG controversies include the significant incidents a company might be exposed to as a result of deficient ESG oversight and management. These may include regulatory fines, legal actions, product recalls, and other consequences of non-compliance across the environmental, social, and governance categories.

The 10 most common types of global ESG incident activity



Source: Sustainalytics. Understanding ESG incidents: key lessons for investors. December 2017.

High-to-severe incidents (which have the highest probability of affecting the financial performance of portfolio companies) are associated with a 6% average decline in the market capitalization of affected companies, measured during a 10-day incident window.

—Sustainalytics. Understanding ESG incidents: key lessons for investors. December 2017.

Conclusion

Reporting on key environmental, social and governance (ESG) practices is increasingly important as interest in sustainable investment alternatives grows.

Through its various activities, Nareit seeks to make sure the REIT industry is treated fairly under the various ESG reporting frameworks and that each member REIT is evaluated accurately for the breadth and depth of ESG-related activities underway.

Recent growth in third-party aggregation of ESG reporting frameworks that score and benchmark ESG-related matters based solely or partly on publicly available data means that all public companies, including REITs, are judged and ranked whether they seek or not to be benchmarked with respect to ESG matters. With the benefit of this Guide, all REITs operating as public companies now have a tool in hand to help shape their own narrative in this increasingly important area.

Nareit encourages use of the Nareit Guide to ESG Reporting Frameworks to help make ESG reporting more efficient and effective.

Looking ahead, Nareit will continue to support, promote and provide leadership with respect to the REIT industry's ESG-related activities.

Research by the G&A Institute over a five-year period shows that companies reporting on ESG polices, practices and programs typically outperform the broad equity market.

- Sustainalytics.
Why reporting does matter.
January 2013.

Nareit® is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets. Nareit's members are REITs and other businesses throughout the world that own, operate, and finance income-producing real estate, as well as those firms and individuals who advise, study, and service those businesses. National Association of Real Estate Investment Trusts® and Nareit® are registered trademarks of the National Association of Real Estate Investment Trusts (Nareit). For additional information, see www.REIT.com. AccountAbility is a global consulting and standards firm that works with business, governments and multi-lateral organizations to advance responsible business practices and improve their long term performance. For two years in a row, AccountAbility has been ranked among the Top Sustainability Management Consulting Firms by the Financial Times. For additional information, see www.accountability.org

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