

## PRI Reporting Framework

# REAL ESTATE

2021

### WHO DOES THIS MODULE APPLY TO?

The real estate module is designed for signatories who invest directly, either individually or with other investors, in real estate via non-listed equity, including:

- physical real estate assets,
- non-listed real estate management companies, where investors are significantly involved in the investment decisions and monitoring of the underlying real estate assets.

This module is not applicable to investments in:

- non-listed property funds,
- fund-of-funds managed through external managers.

These will be reported on in the external manager selection, appointment and monitoring (SAM) module.

Investments in real estate investment trusts (REITS) will no longer be reported in this module but will instead be reported in the listed equity module.

This module seeks information at the organisational level and for real estate investments in aggregate; reporting should be done for all real estate AUM and not focus on one fund or product.

It is mandatory to complete this module for signatories who have **either 10% of their AUM, or US\$10bn or more**, directly invested in real estate in the reporting year.

### MODULE HIGHLIGHTS:

- A focus on capturing how an organisation's responsible investment policy covers ESG factors, and its stewardship guidelines for real estate investments, with more specific answer options.
- More direct questions on the depth of a signatory's due diligence process and the identification of material ESG factors for each investment during the pre-investment phase.
- For the selection, appointment and monitoring process of third-party property managers (where applicable), we have moved away from questions that require a narrative response by including specific answer options on the practices that investors should consider when including ESG factors during the process.
- More focused questions on:
  - how ESG factors are considered when monitoring the primary ESG KPIs for each real estate asset during the post-investment phase; and
  - how the management of ESG factors is used to create value during the holding period of investments, indicating the proportion of real estate assets for which these activities apply.
- An indicator on ESG-related information shared during the exit process to potential buyers of real estate investments.
- 'Plus' questions to outline best practice or innovative examples for ESG incorporation in the monitoring of real estate investments.

More information on **how to incorporate ESG in real estate**, including practical guides, tools and case studies, is available on PRI's dedicated [real estate](#) webpage.

The module's explanatory notes will provide additional guidance and resources at an indicator level.

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## RESULTS OF THE REPORTING FRAMEWORK REVIEW

### SIMPLER AND MORE CONSISTENT

- There are fewer indicators and sub-indicators than in previous years.
- We removed indicators that were largely descriptive, more relevant on a firm level and/or geared towards what signatories are doing rather than how.
- The private market modules (real estate, infrastructure and private equity) are more aligned, where applicable.
- The module has been aligned with the GRESB Real Estate Assessment on language or approach used, where applicable.

### EVOLVED AND MORE CHALLENGING

- The module is still process oriented but has a specific focus on how robust ESG incorporation processes are, by measuring the degree to which signatories have incorporated ESG into investment analysis and decision making.
- Signatories will be required to indicate the depth of activities for some indicators or the AUM coverage for a practice (this has been detailed in the below module overview).
- More indicators in this module will be assessed compared to previous years.

**56%**  
decrease  
in number of  
indicators

compared to 2020

19 CORE

2 PLUS

## MODULE OVERVIEW

The real estate module consists of the following<sup>1</sup> sections and sub-sections:

<p><b>POLICY</b> (1 INDICATOR)</p> <ul style="list-style-type: none"> <li>Investment guidelines</li> </ul>	<p><b>FUNDRAISING</b> (1 INDICATOR)</p> <ul style="list-style-type: none"> <li>Commitments to investors</li> </ul>	<p><b>PRE-INVESTMENT PHASE</b> (4 INDICATORS)</p> <ul style="list-style-type: none"> <li>Materiality analysis (Indicate AUM coverage)</li> <li>Due diligence (Indicate AUM coverage)</li> </ul>	
<p><b>SELECTION, APPOINTMENT AND MONITORING OF THIRD-PARTY PROPERTY MANAGERS<sup>2</sup></b> (3 INDICATORS)</p> <ul style="list-style-type: none"> <li>Selection process</li> <li>Appointment process</li> <li>Monitoring process</li> </ul>	<p><b>CONSTRUCTION AND DEVELOPMENT</b> (2 INDICATORS)</p> <ul style="list-style-type: none"> <li>Construction requirements</li> <li>Minimum building requirements</li> </ul>	<p><b>POST-INVESTMENT PHASE</b> (9 INDICATORS)</p> <ul style="list-style-type: none"> <li>Monitoring <small>PLUS</small> (Indicate AUM coverage)</li> <li>Stewardship</li> <li>Exit (Indicate AUM coverage)</li> </ul>	<p><b>REPORTING/DISCLOSURE</b> (1 INDICATOR)</p> <ul style="list-style-type: none"> <li>ESG portfolio information</li> </ul>

PLUS 'Plus' indicators included in this sub-section.

1 While every effort has been made to ensure this overview is a true reflection of the Reporting Framework, elements such as the number of indicators per section or sub-section are subject to change.  
2 Only applicable if property management is outsourced to third-party property managers