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Insights into the use of GRESB as an ESG Benchmarking Tool

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Abstract

Purpose - Sustainability practices and reporting have consistently evolved over the years with trends towards more holistic approaches in terms of environmental, social, and corporate governance (ESG) reporting. In the real estate sector over the last decade, GRESB (formerly known as Global Real Estate Sustainability Benchmark) has become the leading global ESG rating tool and benchmark for real asset investments. It has attracted, however, limited research, and this is the reason for the exploration of the perspectives of real estate stakeholders relating to the uptake and use of GRESB in this work.

Design/methodology/approach - The approach used in this study is qualitative in nature, adopting a phenomenological research design to capture the essence of the lived experiences of purposely sampled participants. This is done through Interpretative Phenomenological Analysis of several semi-structured interviews.

Findings - Legislation, regulation and risk management are the main motivations for engaging with ESG-related issues. The main benefit of GRESB is benchmarking, while the main weaknesses lies in the data collection and the undeveloped social component. Within data, the major challenges are observed for the transparency of performance data and overreliance on policies instead of performance. GRESB would benefit from including more detailed sustainability benchmarks relating to social and governance components and from adding a social value metric in their overall assessment.

Practical implications - Policymakers need to develop or support globally recognized reporting standards to increase the quality, accuracy, and comparability of ESG information.

Originality - The first study on ESG reporting using a phenomenological research design.

1. Introduction

To transition to a more sustainable world, the international community is aiming for net-zero emissions by 2050 (United Nations, 2020). Sustainable investment is necessary if the real estate industry is to reach the climate and environmental sustainability targets. Thus, it is necessary to accurately evaluate sustainability performance, which has resulted in an increase requirement quantify sustainability within sectors.

Over the last decade, GRESB has become the leading global ESG rating tool to benchmark real asset investments, and for reporting data metrics and measures in the real estate industry. What makes GRESB different from other eco-certifications (e.g. BREEAM, LEED) is that it encompasses a holistic sustainability measurement of a company's real asset holdings (Christensen *et al.*, 2018). To date, there is a scarcity of studies which focus on GRESB. Therefore, this is the first known study that uses a phenomenological methodology to explore the lived-experiences of real estate professionals, using GRESB, to identify the benefits and benefits of adopting it as an ESG benchmarking tool.

Many built environment assessment tools have been designed to measure projects environmental and/or sustainability performance, with the ultimate goal of improving buildings and infrastructure (Euromoney, 2020). Several countries have developed independent certification green building rating systems, such as BREEAM (Building Research Establishment Environmental Assessment Methodology), CASBEE (Comprehensive Assessment System for Built Environment Efficiency), Green Star, ITACA, LEED and DGNB (Barman, 2018; Mattoni *et al.*, 2018; Hodges *et al.,* 2022), that address energy consumption and environmental impacts during construction, management, and operational phases of a building. They, however, rate buildings in isolation and do not consider sustainable performance in line with sustainable business policies, such as transparency, human rights, good labour practices, corporate social responsibility (CSR), supply chains, and environmental protection, which requires more holistic approaches (De Castro *et al.*, 2020).

Sustainability reporting includes CSR, socially responsible investing (SRI), sustainable development, non-financial, responsible property investment (RPI), triple bottom line, and environmental, social and governance (ESG), all different yet often used interchangeably (Siew *et al.*, 2013). The ESG criteria are a set of standards that socially aware companies and investors use to screen potential investments and practices to adopt. The environmental criteria describe the impact a company has on its surroundings; the social criteria account for how it manages relationships with people, while the governance deals with how a company operates(Ribando and Bonne, 2010)

There is confusion about consistency of ESG definitions, scores and actual practices (Clément, 2023). There is no universal approach covering all the ESG issues for all companies (Brandstetter and Lehner, 2015; Auer and Schuhmacher, 2016; Barman, 2018). The ESG benchmark universe is diverse (Mattoni *et al.*, 2018) and still expanding. The rating market is highly fragmented -*"The reality is, that today it's a bit of a zoo"* - with over 600 ratings and over 4,500 ESG KPIs (Euromoney, 2020). The ESG KPIs need compression and standardisation (Deloitte, 2021) and must be relevant and faithfully represent what they purport to represent (IFRS, 2023). Investors' demands for ESG ratings are strong and growing but investors are frustrated about the shortcomings of ESG ratings and question both methodologies and data accuracy, which results in low confidence in ESG ratings (ERM, 2023). At the same time, regulators are asking for improved transparency (IFRS, 2023). The ratings must evolve to meet the expectations of investors and regulators (Bernardi *et al.*, 2017).

The next section reviews the literature on ESG considerations from the corporate and investors perspectives, discusses ESG disclosures, reporting and elaborates on GRESB. Section three presents our methodology, which is followed by section four which includes detailed results of the analysis and discussion on identified themes. Section five provides concluding remarks and practical implications.

2. Literature

Studies on ESGs within the real estate sector only really began ~2008 (Pivo and UNEP, 2008) and gained momentum in the late 2010s following the debates sparked by the Paris Agreement (United Nations, 2015). While expectations of abnormal returns are increasing, to date, there are mixed views on the benefits and barriers to implementation of ESG ratings. Perspectives of investors differ from what the managers can or potentially could deliver. The multitude of ESG KPIs is confusing and does not help clear decisions to be made. GRESB has a potential to clarify some of this confusion. Thus, firstly ESG considerations are reviewed from the companies' and then from the investors' perspectives, and this is followed by a discussion on the nature of ESG disclosures and key characteristics of GRESB.

2.1 ESG company considerations

In recent years, an increasing amount of research has emerged on the motivations for adopting stronger ESG commitments and the effects of rising societal awareness of ESG urging companies to incorporate sustainability into their corporate strategies. De Castro *et al.* (2020) argues that in real estate corporations a cultural change and advances in business planning are required, focusing on: (1) core premises helping to organise the collection, monitoring and controlling of sustainability goals at corporate, portfolio, and single building levels; and (2) data collection, input, and reading on sustainability issues to analyse opportunities and risks.

Wong *et al.* (2021) finds a positive correlation between green indicators and operating performance as ESG certification lowers the cost of capital, encouraging investors to pursue responsible investment practices. It has been noted that RPI can reduce the environmental impact of the existing buildings as green buildings are expected to become more valuable relative to conventional ones (Pivo and UNEP, 2008). Green building certification is also shown to lower risk, while improving energy and financial performance by lowering the cost of debt (Eichholtz *et al.*, 2019a). While sustainability governance and stakeholder collaboration has been suggested to improve operating performance (Husted and Sousa-Filho, 2017). Also, high ESG firms have lower systematic risk and tend to create more value when compared to lower ESG firms (Bhaskaran *et al.*, 2020). By contrast, a lack of collaboration across countries and sectors is a challenge for impact investments to be truly effective (Brandstetter and Lehner, 2015) and this hinders this niche investment sector from developing global strategies incorporating financial and social values and collaboration.

Key risks around ESG engagement relate to the reputation of the entity choosing to proceed (or not) with specific ESG actions (Hebb *et al.*, 2010; Bhaskaran *et al.*, 2020; Krueger *et al.*, 2020; Chambers *et al.*, 2021). ESG risk management has the potential for value creation. Shea and Hutchin (2013), however, found that the insurance industry is vulnerable to emerging risks from ESG factors of sustainability and requires a systematic integration of various stakeholders' perspectives. The issue is that ESG factors appear to have a detrimental effect on value in the insurance industry with mismanagement of these factors causing reputational harm, which could be avoided and with improved management lead to greater financial benefits. In contrast, user well-being appears to improve user satisfaction and leads to increased returns. Kempeneer *et al.* (2021) argue that the social dimension of ESG is under-conceptualised and should include elements of user well-being, as it is crucial to understand user behaviour when trying to reduce the environmental impact of buildings. Further, Diouf *et al.* (2016) observe that social values, ESG issues, financial return, and the role of the institution are all complexly associated with SRI portfolios and that investment decisions depend on individual motivations and the socio-cultural context within which they are made. These observations prove the weak role of institutions and thus increasing the role of the institutions through promotion strategies and education should further increase public awareness and interest around SRI.

2.2 ESG investor considerations

Institutional investors drive the increase in adoption of ESG reporting, as strong ESG performance leads to better financial performance (Friede *et al.*, 2015; Khemir *et al.*, 2019; Kanuri, 2020; Feng and Wu, 2023). Hebb *et al.* (2010) also note that a *"high"* ESG portfolio outperforms a *"low"* ESG portfolio and that ESG standards have an indirect effect on financial out-performance through risk reduction and enhanced corporate reputation. In contrast, Kanuri (2020) observes that ESG ETFs have underperformed, and investors may simply allocate a proportion of their portfolio to ESG investing to add diversification benefits. It is not clear, however, to what extent investors are driven by personal values compared to those who believe that investing in ESG will simply produce a favourable risk-adjusted return. Friede *et al.* (2015) indicate a positive correlation between ESG and corporate financial performance which reinforces the business case for ESG investments, contradicting previous common perceptions among investors perhaps biased towards the ESG-CFP relation being at best neutral.

Wider ESG rating benefits suggest that higher ESG firms score better for firm's value (Cajias *et al.*, 2014; Bhaskaran *et al.,* 2020; Broungen *et al.*, 2021; Chambers *et al.*, 2021). Another key aspect relating to financial performance is that companies and investors engaging with ESG disclosures tend to financially outperform non-disclosing ones (Siew *et al.*, 2013) and that ESG disclosures have a significant positive impact on all firms operational, financial and market performance (Alareeni and Hamdan, 2020). Others have suggested that investing in CSR can lead to desirable abnormal returns, provide greater risk-adjusted returns and diversification benefits for investors (Garcia *et al.*, 2019; Marzuki and Newell, 2019; Jadevicius, 2020).

Nguyen *et al.* (2019) suggest that when selecting investment portfolios CSR can promote responsible finance in addition to maximising returns. Furthermore, Camilleri (2020) based on a systematic review of the extent theory and regulatory issues on SRI highlights that the SRI market has increased the number of stakeholders involved in the scrutinization of the businesses' ESG behaviours. Conversely, high ESG scores can impact negatively on returns or at best provide similar market returns (Cajias *et al.*, 2014; Chacon *et al.*, 2024). For Cajias *et al.* (2014) the link between ESG performance and listed real estate companies is dependent on long and short-term costs and the benefits created by the allocation of resources to ESG activities. While Chacon *et al.* (2024) suggest that Real Estate Investment Trust (REIT) management may overinvest in ESG activities at the expense of shareholder value.

Regardless of region, industry, or ESG criterion, though the interests of profit-seeking investors cannot be met by ESG-based stock selection, which at best provides market level performance (Auer and Schuhmacher, 2016). Siew *et al.* (2013) and Alareeni and Hamdan (2020) conclude that sustainability disclosures can also decrease market performance which is supported by Oprean-Stan *et al.* (2020) who confirm that a lack of consistency in reporting sustainability impacts on the quality of data and organisations that disclose sustainability information can decrease their market performance.

Another obstacle for investors adopting ESG practices is that short-term profits are prioritised over long-term value (Busch *et al.*, 2016), which links to banks' and investors' rating approaches. While integrating ESG priorities into corporate strategy does not seem to have significant impact on financial performance (Espahbodi *et al.*, 2019), this has a stronger effect on long-term price assessments and the perceived relevance and reliability of ESG disclosures. Further, real estate investors need to be aware of the potential obstacles posed by climate risks, geographical and sector allocations that can have a significant impact on financial performance. Dopierała *et al.* (2020) noted that climate-friendly funds achieve higher returns when the investment portfolio is divided between different geographical areas of investment and industries.

2.3 ESG disclosures and reporting

There has been a general lack of legislation and regulation requiring companies to report detailed ESG information (Siew, 2015; Ochi, 2018; Karim *et al.*, 2021). Over the years, various regulatory pronouncements have taken the market a long way in understanding the ESG factors, but much remains to be done (Morphett *et al.*, 2023). In line with market expectations, many companies voluntarily make ESG disclosures (Siew *et al.*, 2013) however, these are inconsistent and fragmented (Billio *et al.*, 2021). Christensen *et al.* (2018) confirmed that opportunities exist for energy-related features and initiatives for value creation at acquisition, during the holding period, and through superior management. While eco-labels and energy ratings add value, eco-investments are fuelled by finance-driven cost-benefit analysis over sustainability-related motivations.

Khemir *et al.* (2019) suggest that social and corporate governance have more influence on investment decisions compared to environmental. In the absence of a legal obligation, many firms believe that ESG information, as a positive voluntary disclosure, should have a positive impact on financial performance. The challenge is that ESG reporting suffers from data limitations (i.e. accuracy, reliability and comparability) and usefulness for specific stakeholders, as companies can choose how to collect and what ESG information to disclose (Busch *et al.*, 2016; Espahbodi *et al.*, 2019; Camilleri, 2020).

As proposed by Slapikaite and Tamosiuniene (2013) SRI needs to be supported through legislation, education, and promotion strategies. Additionally, there may be a need for legislation to provide incentives for disclosure (Eichholtz *et al.*, 2019a). An ESG strategy can enable companies to legitimise the decision-making process (Ochi, 2018). It is necessary, however, to facilitate a system for sector-specific comparison and evaluation by announcing non-financial disclosure criteria. In the absence of clear legislation for mandatory disclosures, there cannot be an expectation that the quality of reporting will be consistent (Cho *et al.,* 2020). Thus, it is not surprising to observe international divergence in terms of the influence of mandatory ESG reporting on disclosures across stock markets (Fyodorova *et al.*, 2019). This lack of clarity is particularly important for smaller companies facing competition from large companies using ESG as a quality signal. The rapid growth of the SRI market requires a universal rating model evaluating both the financial and sustainability performances of mutual funds, and SRI should be encouraged further by fund managers and governments (Slapikaite and Tamosiuniene, 2013).

Another challenge to ESG disclosures relates to capital expenditures by larger companies. Varyash *et al.* (2020) show that environmental innovations and ESG levels are positively linked to the company size and certain industry sectors, which may suggest greenwashing. Furthermore, firm-level cost of debt is negatively associated with ESG disclosure level and REITs with higher disclosure levels have more flexibility and higher market value (Feng and Wu, 2023). Hence, the REITs that do not disclose ESG information may suffer compared to their peers who use ESG disclosures to gain competitive advantage through differentiation. Moreover, Karim *et al.* (2021) stated that there is a positive relationship between capital expenditure, internal governance, and carbon emission disclosures. As the expenditures, however, are positively associated with the level of disclosures, this negatively affects the value of the firm.

Another major obstacle to overcome is the general lack of trust due to concerns over greenwashing (Busch *et al.*, 2016; Espahbodi *et al.*, 2019; Camilleri, 2020; Morphett *et al.*, 2023) resulting in the need for improved reliability of ESG data (Espahbodi *et al.*, 2019). Brounen *et al.* (2021) observed that firms scoring highly on ESG also tend to score higher than average on performance, which indicates that poorly performing firms shy away from reporting, signalling perhaps lower quality of data. However, Chacon *et al.* (2024) does not support this observation, stating that REITs with higher ESG performance scores have lower firm value and lover operating cashflows.

2.4 GRESB

GRESB underpins investor-driven ESG benchmarking and reporting frameworks for companies investing directly in real estate. The assessment is shaped by what investors and the industry consider to be material issues in the sustainability performance. The GRESB methodology, contrarty to some other tools, is consistent across regions, property types, and investment vehicles (GRESB, 2022a). The Real Estate Assessment (REA) generates two benchmarks: the GRESB Real Estate Benchmark and the GRESB Development Benchmark. REA consists of two components: “Management” – measuring at organisational level: strategy, leadership, policies and processes, risk management, and stakeholder engagement, and “Performance” – looking at asset and portfolio performance indicators, such as energy consumption, GHG emissions, water consumption and waste (GRESB, 2022a). Over recent years substantial growth in the GRESB uptake has been observed (Devine *et al.*, 2024; GRESB, 2024). Currently, GRESB covers some 170 thousand assets valued at some USD7.2trillion (GRESB, 2024). The rating outcomes are continuously improving, with the 2023 rated buildings scoring 85%. The comparison basis, however, is not representative of the whole building supply and the scores are uneven with the poorest performance being seen in Governance - Board Oversight and Metrics & Targets - GHG emissions (GRESB, 2024).

Research on GRESB remains scarce. Morri *et al.* (2020) based on European REITSs suggest that GRESB’s *“greenness”* is significant in explaining operational performance, returns on equity and assets. Devine *et al.* (2024), however, looking at the US real estate investment funds concluded that GRESB participation and performance are associated with the value appreciation component of total returns but not with the income component and independent of local economic conditions. While GRESB appears to be effective in providing transparency and comparability across the global real estate industry (Feng and Wu, 2023), it is criticised for its limited alignment with the 2030 Agenda for Sustainable Development especially in terms of transformative change implicit in the SDGs (Goubran *et al.*, 2023). Hence, claims that the GRESB is effective in advancing the SDGs are overstated and increases the risk of sustainable greenwashing in development and in even areas such as structured debt finance (Morphett *et al.*, 2023). With GRESB taking a more holistic approach than other eco-certifications and becoming the leading sustainability benchmarking standard, it has the potential to inform reporting guidelines. It would, however, benefit from repositioning to adopt transformation-focused indicators for long-term impacts. Thus, given the limited research on GRESB, exploration of the experiences of those who engaged in GRESB is needed to create a richer picture of the benefits and weaknesses of this benchmark.

3. Material and methods

Analysis of ESG-related issues suggests that investors focus mainly on financial performance but are the driving force behind the adoption of ESG reporting. In doing so, they face obstacles relating to a general historical lack of global reporting standardization, legislation, and transparency (Morphett *et al.*, 2023). Newell *et al.* (2023) are adamant that there need to be clear ESG strategies well embedded in company culture and decision-making, which effectively use external and internal benchmarks and are communicated externally through informative ESG reporting. For that, a universal ESG rating model is required (Slapikaite and Tamosiuniene, 2013). With GRESB emerging as the leading real estate and infrastructure ESG benchmark, this study seeks to address the lived-experience of practitioners in the interaction with GRESB.

To address the aim of the study, exploring lived-experiences, a phenomenological methodology was adopted (Smith *et al.*, 2022). This approach is centred around understanding the personal experiences of GRESB users as an ESG benchmarking tool. This methodology is gaining popularity amongst built environment researchers, with several recent studies adopting a phenomenological approach to understanding built environment issues (Sewell and Fraser, 2019; Sudhakaran *et al*., 2023; Horry *et al.*, 2023) To date, and to the best of our knowledge, no previous studies have taken this stance for ESG benchmarking.

3.1 Sample selection

GRESB is a complex ESG benchmarking tool; thus, only experts who are experienced with this tool were invited to engage with this study. Hence, a purposive homogeneous non-probability sampling technique was adopted, using the following explicit inclusion criteria: (1) participants must operate in the real estate sector; (2) participants' company must have an ESG policy; and (3) participants must be experienced with GRESB, i.e. they would have submitted a GRESB assessment. These criteria enabled the selection of a small, homogenous, and specifically targeted group of participants (Smith *et al.*, 2022). Potential participants (n=239) were identified as individuals who have taken part in the latest GRESB assessment (GRESB, 2022b) and all were invited via e-mail to participate in the study. Participants were invited to take part in a 30-minute-long on-line interview (MSTeams). A further interview was conducted to validate the interpretation of the evidence provided by the participants.

3.2 Expert interviews

The semi-structured interviews consisted of two parts: (a) characteristics of participants and their organisations (sector, job role, type and size of the organisation; years of relevant experience; education background; professional membership; organisations' ESG policies; year of work with GRESB); and (b) participants' lived experience of GRESB: Factors motivating participants' organisations to engage with ESG-related issues: (1) Factors motivating investors to incorporate ESG into their decision-making process; (2) Impact of legislation, regulation and promotion strategies upon ESG disclosures; (3) Drivers for getting involved with GRESB; (4) Benefits of getting involved with GRESB; (5) Challenges faced using GRESB; and (6) Weaknesses of GRESB as an ESG benchmarking tool.

3.3 Interview process

Each interview comprised for the most part standard interview questions. Some questions were modified in line with the phenomenological approach, to explore emerging themes, enable interviewees to expand when appropriate and to clarify responses (Brinkmann and Kvale, 2005). The nature of semi-structured interviews permitted open discussion, to further explore participant opinions on whether or not personal values or favourable risk-return trade-offs drive investment-making decisions, and if perceived greenwashing done by some companies had any impact when considering ESG related issues (Table 1).

Table 1: List of the questions posed to the interviewees

#	**Interview Questions**
	Drawing on your personal experiences…
1	What factor(s) motivated your organisation to engage with ESG related issues?
2	What factor(s) motivate investors to incorporate ESG into their decision-making process?
3	In what way, if any, does legislation, regulation and promotion strategies (e.g. advertising, marketing, etc.) impact ESG disclosure in your industry?
4	What are the main driver(s) for your organisation opting to use GRESB?
5	What are the main benefits an organisation can expect from using GRESB?
6	What are the challenges your organisation faced using GRESB?
7	What you consider to be the most successful and/or unsuccessful feature(s) of using GRESB as an ESG benchmarking tool?

3.4 Data analysis

Analysis allows the identification of recurring themes and sub-themes to seek commonalities, relationships, and principles (Smith *et al.*, 2022). As with other phenomenological studies, no computer data analysis software was used to interrogate the data sets (Capodanno *et al.*, 2020). Moreover, the transcripts are scrutinised using a stepwise process (Table 2), which involves repeated reading of the transcripts to extract interrelated themes and meanings, so as to describe the assembly of the phenomenon being investigated (Osborn and Smith, 1998; Smith, 1995). This is conceivable because the small sample size of most phenomenological studies permits micro-level reading of participants' narratives (Booth *et al.*, 2023).

Table 2: Description of the stepwise process used to analyse the participant interview narratives (based on Smith (1995) and Osborn and Smith (1998))

Step	**Description**
1	Interview transcripts were read, and reread several times, to ensure that a general sense was obtained of the whole nature of participants' narratives.
2	Returning to the beginning, the transcripts were reread, and any emerging themes identified and organised tentatively.
3	Attention was then focused on the themes themselves to group and define them in more detail and establish their interrelationships.
4	The shared themes were then organised to formulate consistent and meaningful statements, which contribute to an account of the meaning and essence of the participants' experience grounded in their own words.
5	The superordinate themes and statements were then referred back to the original transcripts to verify their occurrence.

The researchers involved in the study set aside their own preunderstandings so as to accord with the phenomenological principle of epoche (or bracketing), which attempts to circumvent any preconceptions or expectations to facilitate the phenomenon of the study objectively. As none of the researchers involved in the study had been involved in the creation or in the use of GRESB the researchers' own values should not threaten the interpretations reported.

3.5 Ethical considerations and data management

The study is compliant with the expectations of university research ethics regulations in the UK (Universities UK, 2019). Ethical approval was sought before the interviews were conducted; whereby, prior to the interviews, participants were e-mailed a cover letter, a participant information sheet detailing the research design and interview process; a privacy notice explaining how data is collected and managed prior, during and after participation; and a consent form. Participation was voluntary with an option to withdraw from research within a 'cooling-off' period of two weeks after the interview took place. All interviews were recorded, transcribed and subsequently anonymised.

4. Results and Discussion

Using the themes and sub-themes generated by the analysis, along with selected verbatim quotes (edited for ease of reading with edits indicated in square brackets), the findings of the study are presented below under two main section headings: (a) Participants' demographics and backgrounds; and (b) Identified themes. To protect the anonymity of the participants, no personal information about the participants has been directly attributed to any of the direct comments included.

4.1 Participant demographics and backgrounds

Seven participants from real estate companies located across different European nations, and beyond, took part in the study. This number, which may seem small, aligns with what is expected of a phenomenological study (i.e. between six and eight participants (Gauntlett *et al*., 2017)) and, as such, accords with previous studies, including those of Ball *et al*. (2023), Booth *et al*. (2023) and Horry *et al*. (2023) who used six, seven and eight participants, respectively.

Participants had varying sector responsibilities and experience within the real estate industry, with an average of ten years' relevant professional experience and an average of five years' experience collaborating directly with GRESB (Table 3). The eighth participant was a GRESB representative who provided comments on the findings gathered from the interviews with the seven participants (Table 4). All participants' organisations have formal ESG policies and as per OECD (2022) can be classified as mid-size (50-250 staff) or large-size enterprises (>250 staff). The majority of participants had a high level of education, and notably one was a member of a professional organisation (Alternative Investment Management Association).

Table 3: Profiles of the participants who engaged with the study

Participant	Sector	Job title	Professional sector experience / GRESB collaboration (years)	Highest academic achievement	Company size
P1	Development & Management	Senior Manager - Operations and Sustainability	10/9	Masters	Large
P2	Development & Management	Head of Sustainability	25/10	Masters	Large
P3	Investment Management	Investor Relations, Communication Manager	5/3	Bachelor	Midsize
P4	Construction & Development	Sustainability Reporting Manager	4/2	Bachelor	Large
P5	Investment	ESG Associate	2/2	Masters	Large
P6	Construction & Management	CSR Project Manager	14/8	High School Diploma	Midsize
P7	Asset Management	Head of Sustainability	11/2	Masters	Midsize

Table 4: Profile of the GRESB representative

Participant	Sector	Job title	Professional sector experience / GRESB collaboration (years)	Highest academic achievement	Company size
P8	GRESB	Real Estate Analyst	1/1	Masters	N/A

4.2 Identified themes

The findings from the analyses are surmised in Figures 1a and 1b, with the themes extracted from the conversations listed in ranked order, and are now presented and discussed beneath.

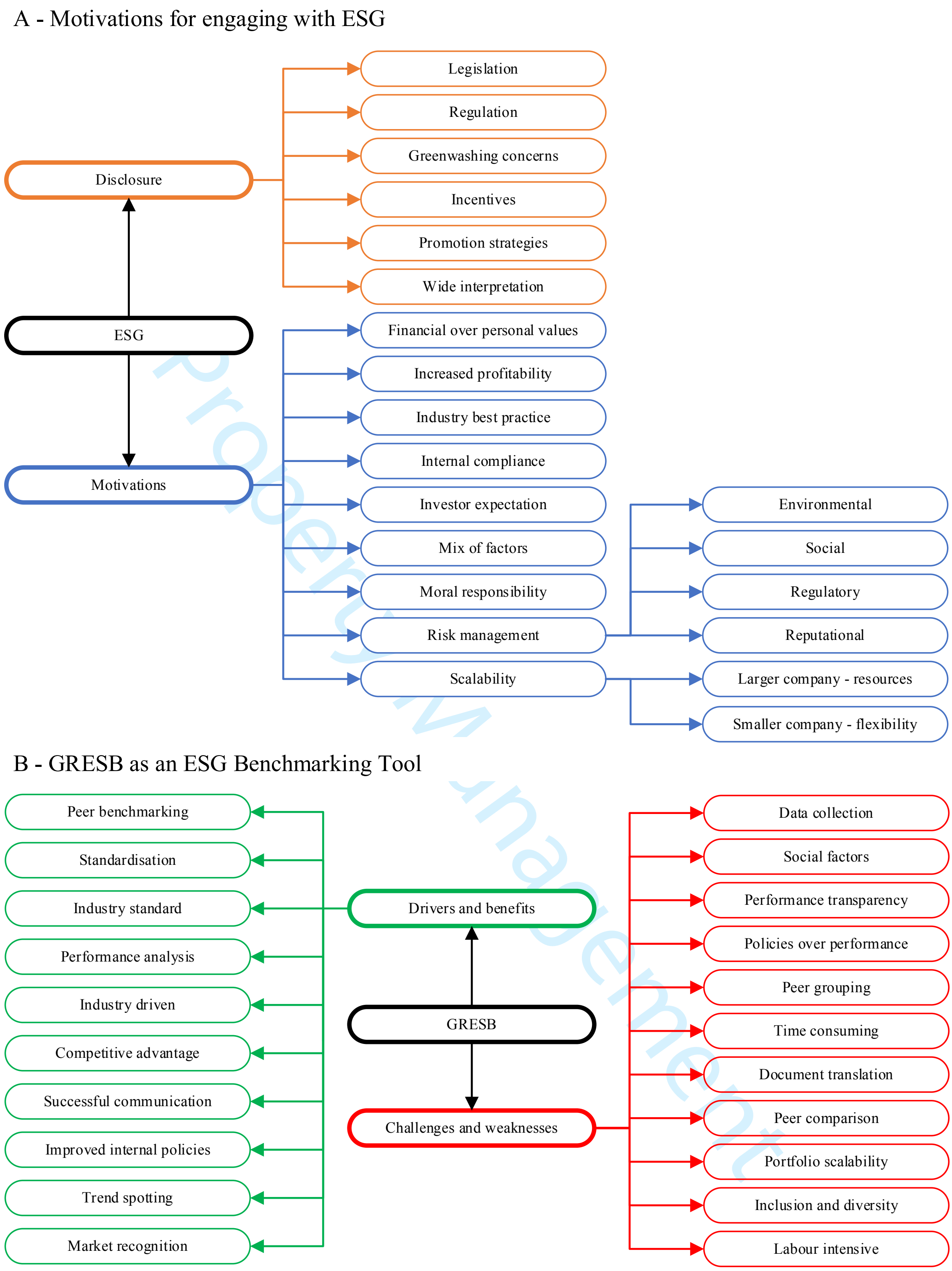

Figure 1: A summary of the themes and sub-themes extracted from the analyses

ESG organisation motivations

All participants declared that their organisations' main motivation to engage with ESG is important with three indicating engagement driven by investors wanting to be seen to work with companies of good sustainability credentials. Many responses centred around risk management and the reputational concerns like *"I think for the executive committee especially, it is the risk, the risk of not doing"* (P5). This supports Hebb *et al.* (2010) and

Chambers *et al.* (2021) conclusion that RPI, when viewed in the wider context of ESG, enhances corporate reputation and confirms the notion of negative reputational risks associated with not engaging with ESG (Shea and Hutchin, 2013; Krueger *et al.,* 2020; Bhaskaran *et al.*,2020; Brounen *et al.*, 2021). Only one participant, however, viewed engaging in ESG as being *"one of the most efficient ways to increase [...] profitability"* (P2).

In line with De Castro *et al.* (2020), participants explained that the concept of *"sustainability aligns very well with the values and objectives of the organization"* (P7). This demonstrates that a full commitment to ESG can be made despite claims that integrating ESG priorities into corporate strategies does not have any impact on financial performance (Espahbodi *et al.*, 2019). Other participants, however, suggested that the focus on ESG *"started 10 years ago with more personal beliefs, but now [...] it has moved away from personal values",* but *"it's quite hard to separate those two. Just because I do believe that even if there was no investment requirement, the business would still want to do these things"* (P2). Many participants observed that there is *"an overall commitment to ESG and being a right kind of moral actor, and good corporate citizen"* (P1) seeing themselves as having a fiduciary responsibility when considering ESG.

ESG investor motivations

When addressing the perception of investor's motivations towards ESG engagement, most participants spoke of risk management informing decision-making. While the environmental risks are more self-evident, many participants argued that *"real estate investments and real estate activities are also related to social risks, but they are typically not easy to identify"* (P2) and pointed out investors' reputational risk as *"pressure to engage with ESG"* (P5). This confirms that investors consider a wider range of risk management aspects when seeking greater risk-adjusted returns and diversification benefits (Marzuki and Newell, 2019; Camilleri, 2020; Jadevicius, 2020; Kanuri, 2020; Morri *et al.*, 2020). Some participants observed that investors are also concerned about preserving value in the long term and that *"there's some great evidence that [...] companies and investors that consider ESG perform better"* (P7). While this contrasts with Diouf *et al.* (2016) who found that prioritising short-term profits over long-term value was another barrier to ESG, this confirms past research suggesting that RPI in the wider context of ESG increases financial performance (Hebb *et al.,* 2010; Chambers *et al.*, 2021) and that there is a positive correlation between ESG and financial performance (Friede *et al.*, 2015; Khemir *et al.*, 2019; Kanuri, 2020; Oprean-Stan *et al.*, 2020; Feng and Wu, 2023). Overall, participants believe investors are also engaging for legislative and internal compliance reasons, but *"it depends on the region. In Europe there's a lot more recognition of the issue and I think it's a mixture of regulatory pressure from the EU"*(P5).

All the participants had concerns over greenwashing *"because it is so easy to do"* (P3) and that *"there's a lot of grey area, especially around carbon offsetting. What is considered to be net zero? What is carbon neutrality? I think a lot of that can be used to sway investors certainly"* (P4). Although investors are becoming more aware of greenwashing, and there is more scrutiny over public disclosures, participants expressed their doubts through observations such as *"to be completely honest with you, I don't know that there are enough investors who can detect greenwashing. So, I think a lot of companies and people can get away with it"* (P5), or *"I can't say they [investors] are precisely looking into this matter and verifying that what we say is true or not"* (P6). This confirms Espahbodi *et al.* (2019) view that there is a need to improve the perception of ESG data reliability and improving trust in the data (Busch *et al.,* 2016; Camilleri, 2020).

ESG disclosures

Historically there has been a general lack of legislation and regulation requiring companies to report detailed ESG information (Siew *et al.*, 2013; Ochi, 2018; Fyodorova *et al.*, 2019; De Castro *et al.*, 2020). Yet, all participants firmly felt that there is a big legislative and regulatory impact upon ESG disclosure and *"we're getting more legislation and regulation in terms of what needs to be disclosed"* (P7) but this varies across the globe. *"In the EU and Australia, legislation is much more stringent when it comes to carbon reporting and transparency and we're not quite there yet in North America"* (P4). This was backed by other participants who stated that *"regulation is really big [when speaking] about Europe because it has the most progressive regulation, in the US and APAC it's not the same."* (P5).

All participants held mixed views on the impact of promotion strategies observing that *"certainly we've seen a sophistication in the types of ESG disclosures that have happened looking at corporate social responsibility reporting in 2011, let's say versus 2021"* (P1) but *"marketing possibilities are not related to actual disclosure, because I think we see quite a lot of fluffy green claims in the industry that are not always backed up with facts"* (P2). This undermines the perspective of Diouf *et al.* (2016) that increasing the role of the institution through promotion strategies will further increase public awareness and interest in SRI.

Many participants argued that there was a scalability issue and that *"smaller companies don't have specialist departments, so it takes a lot longer to get things moving, and large companies have seen an impact much quicker"* (P3) and complained that disclosures are *"generally still aimed at large organizations, so [we are] certainly seeing the big organizations with ESG teams doing more of that"* (P7). This confirms suggestions of a positive relationship between capital expenditure, internal governance and carbon emission disclosures pointing towards expenditure being positively associated with the level of disclosure (Karim *et al.,* 2021). In line with Cho *et al.* (2020), participants stated that they are *"disclosing over and above what [they are] required to, but a lot of the disclosure [...] relates to different initiatives"* (P4). This emphasises that voluntary non-financial disclosures while informative about the business, would not necessarily add transparency about environmental sustainability in the built environment

All participants felt that in the future disclosures would eventually become mandatory across sectors, but these would have to be *"greenwash proof [and] as much as possible standardized across the globe"*(P5). Instead of incentivising, participants expected "*more standards and guidelines"* or a legal "*stick rather than a carrot"* (P4) arguing that there are enough incentives via ethical investments. Consequently, the above contradicts research calling for legislation to provide incentives for disclosure (Eichholtz *et al.,* 2019a), and does not suggest that incentive-making would encourage companies to tackle negative externalities (Ochi, 2018).

GRESB drivers

Green building certification has been shown to lower risk, and improve energy and financial performance (Eichholtz *et al.*, 2019b; Holtermans and Kok, 2019; Brounen *et al.*, 2021). None of the participants, however, indicated direct financial performance as a driver for involvement with GRESB. There was, however, agreement on the aim for favourable risk-return trade-off. Some participants believed their companies were investor-driven: *"investors are constantly asking, and it is a topic that is followed up all the time. At the beginning, we were simply asked do you participate in GRESB? And now the questions have moved to what was your last score?"* (P5). Only one participant stated that *"we wanted to do it because we felt it was important and rather than investors asking for it"* (P5) indicating a sense of moral responsibility towards sustainability (Christensen *et al.*, 2018). Many participants used GRESB to prove their sustainability credentials and *"to standardize the performance of all our assets across our different portfolio of companies"* (P4) and stressed that they *"understood what [they]needed to do, what was required, which allowed [them] to work on a gap analysis and steps program to see how [they] could improve"* (P3). Another key driver highlighted by many participants was the ability to establish how they *"actually benchmarked towards [their] peers"* (P2). This was particularly important for participants whose companies were the first company to take part in the benchmark in their region and gave them a competitive advantage over their peers and ultimately led to other organisations in the region following in their footsteps.

GRESB benefits

When discussing the benefits of GRESB benchmarking, participants compared GRESB to green building certification: *"We consider GRESB to be the portfolio version of green building certifications like BREEAM, LEED, WELL, which is just basically a very easy stamp to say this building is more sustainable than the average building. We use GRESB in a similar way to put that stamp to say this portfolio is this much better than our peers, or much better than our other funds etc"* (P5).

All participants stated that the overriding benefit from participating in GRESB is the ability to benchmark their performance against their peers and *"it's been nice to have some insight as to how you how you're performing at a portfolio level compared to others around the globe"* (P1). These benefits, however, are declining as participants observed that *"we have moved towards the benefits not being as high as they need to be to justify all the work that is behind the participation"* (P2).

A further key benefit identified by most participants has been their performance analysis as a *"useful measure of assets, database performance, and the sustainability performance of our portfolio"* and *"a really clear analysis of what [they were] doing well, what [they were] not doing well and how [they] can improve"* (P7). Participants also appreciated GRESB for improving communication and internal policies confirming that they *"did use GRESB to try to improve [their] internal policies and open [their] mind to further improvement [they] could make"* (P6). Another benefit is that GRESB can spot market trends and *"if GRESB [starts] to talk about it and integrate it, then [it will become] important to the investors"* (P3).

Most participants agreed that GRESB has become a global real asset industry standard for ESG reporting as it has *"helped move the industry towards being more sustainable"* (P2) and due to its *"market recognition, longevity and being consistent"* (P7). Ultimately, the high number of participants *"makes it a worthwhile benchmark because it is easier to compare against peers"* (P6). Another key observation was that GRESB successfully brings together ESG components under one benchmark covering a wide range of ESG matters. Participants also felt that performance analysis while evolving, has been very useful even though *GRESB "just brought in asset level performance data in the last couple of years, previously it was just portfolio level"* (P4). Finally, participants expressed that *"GREBS customer service helped them get to the point of submission and" has been helpful when [they had] questions"* (P5).

GRESB challenges

The main challenges to GRESB's implementation include: (1) data collection; (2) effort (labour intensity and time); (3) peer grouping and peer comparison; and (4) translation of documentation. Four participants saw data collection as the biggest challenge for GRESB implementation. Another issue is the access to data especially when buildings are managed by tenants or a separate entity particularly in relation to the environmental management system of the building. Overall, participants agreed that the whole process was time-consuming and labour-intensive to the extent that one of the participants stated that they have *"become a little sceptical about participating in GRESB and [they] had some discussions with investors maybe to quit because [it was] maybe too time consuming in relation to the benefit it gives"* (P2). Participants also noted that the biggest challenge was in the first year was that they were asked about indicators that wouldn't have followed.

Peer group composition GRESB assigned to the participants and peer comparison seem to be problematic as it is "*challenging to understand how GRESB determines who the peer group is, based on the size of the portfolio or the types of submitted assets"* (P1). *"It also sometimes very tricky to benchmark such different assets, even with peers it sometimes appears to be completely different as age, asset type, or location"* (P3) therefore not easily comparable. Finally, for non-English language organisations language is a challenge as companies *"need to upload all the documentation in English"* (P2) and that requires translation of lengthy documents.

GRESB weaknesses

Most participants suggested that the social component of the benchmark was underdeveloped and required more focus noting that they have *"been doing a lot of work into inclusion and diversity, but there is very little of that within GRESB. It will be really useful to have one benchmark that has a lot more E, S and G in one place"* (P3). Participants also observed that the social aspect only contributes indirectly through the workers' satisfaction survey in the benchmark and that the social factors over-rely on policies rather than actual outcome data and recommended that *"factoring in a social value metric, or something similar would be helpful to have a more cohesive look at the ESG performance"* (P4). That, however, does not mean that GRESB *"should start from scratch and try to build it themselves as there's a lot of other standards out there that they can rely on and partner with"* (P5). The above corroborates with Kempeneer *et al.* (2021) conclusions that the social dimension of ESG is underconceptualised and should include elements of user well-being as critical for user behaviour. All participants would welcome more transparency around the performance data: *"whether it's at portfolio level, or asset level, you're not sure what's going to come out in terms of score"* (P1).

Participants also indicated that there is an issue of overreliance on policies and concluded that *"maybe having a weighting that's a little more performance heavy and less policy heavy would be preferable"* (P1) but they were sceptical about very high scores which *"sometimes [...] makes one wonder, how much digging [has been done] into the actual implementation of these policies"* (P1) and suggested that there is "*a lot of questions, [one] can upload almost anything, and as long as the policy itself covers the items or topics, [the building is] awarded full points"* (P2). Thus, participants suggested that it should be GRESB's responsibility to check claims (e.g. via other disclosures) *"but it seems like they are not doing that analysis"* (P2). Moreover, participants questioned the rationale behind being able to score 100% in the management component year on year, raising greenwashing concerns as *"there are a lot more ways to be greenwash-proof and put more weight on whether or not one has science-based targets"* (P5) and concluded that even though they did have a science-based target they scored 100%. Participants felt that GRESB is more suited to companies with portfolios of larger buildings: *"I think it just means it's a bit harder to collect, submit all the data and* *potentially lose points by not having particular plans, BMS building managers, for the likes of individual building versus doing at a corporate level and being difficult to report"* (P7).

With respect to experience with other sustainability benchmarks, most of the participants confirmed that they were working with sustainability benchmarks such as Sustainalytics, ISS ESG, CPD and Gaia Rating. The main difference was that as opposed to GRESB, neither Sustainalytics nor ISS ESG were industry-specific. GRESB was noted as superior to CPD due to its benchmarking for operational performance. On the other hand, the Gaia rating was observed to be *"much less complicated [as it] has less questions and the process is less heavy to handle"* (P6).

4.3 Verification of the GRESB findings

To validate the above observations, a GRESB representative in a follow-up exploratory conversation provided insights on the main challenges and weaknesses identified by the study participants to highlight potential areas for improvements. Participants were concerned about the perceived greenwashing that affects investor behaviour, to which GRESB's response centred around the integrity of the participants and the granularity of the questions and evidence to responses: *"We don't just ask do you have ESG policies in place, if so, who is responsible for them? How do you reward policies relating to our targets? What are the metrics you use? So, for most of these questions we ask for further evidence and this does prevent a lot of participants that would try to engage in this type of behaviour"* (P8). In respect to the transparency of the benchmarking process and performance and management scoring, GRESB confirmed that this is problematic as it is easier to achieve higher scores in the management section and stressed that *"GRESB tries to measure […] not just [the] policy, but also what kind of impact does this entity have on its community"* (P8).

Peer groupings and comparisons have been observed to be problematic especially in terms of international or subsidiary comparisons. As peer-grouping is based on location, property subtype, investment style and depending on the location, *"a company can have two different submissions […]. So even if you are in the same company, we will compare you [to] where you are located, and we try to make the peer group as close as possible to the entity that is being scored"* (P8). The social aspect of ESG requires more focus, in particular regarding health and wellbeing, diversity and inclusion, and other sustainability benchmarks focusing on the social and governance characteristics, which GRESB acknowledged as one of their priority areas.

The time-consuming and labour-intensive process was seen as giving the impression that GRESB would be targeting larger companies with more time and resources, which was acknowledged by GRESB. GRESB also noted that participants are allowed to outsource submission preparation and that the following year *"existing data entered is prefilled and recycled automatically and can be adjusted manually, on an ad-hoc basis [which] drops the reporting burden significantly [and] our guidance is very clear. We always encourage our participants to read the instructions, everything is there, and we try to make the portal very user-friendly"* (P8). An additional challenge was non-English language documentation. To which GRESB clarified that complete translation was not required as *"the evidence can be in a different language, but you need to write in a text box in English an explanation on which page you can find the relevant data and translate some relevant sentences"* (P8).

5. Conclusion

This study aimed to gather the lived-experiences of real estate professionals involved in the use of GRESB as an ESG tool. It is surmised that the primary reasons for engaging with ESG are risk management and in particular reputational risk of the corporate brand; financial considerations and preserving long-term value; and, particularly in Europe, the tightening legislation and regulations governing ESG reporting. For GRESB's uptake the major reasons include investor expectations and credentialing a competitive advantage, peer benchmarking and performance analysis, and improved internal policies. GRESB, however, does not come without challenges such as data integrity and collection; unclear peer grouping and comparison, labour-intensive and time-consuming process which effectively privilege larger companies, underdeveloped social component (insufficiently addressing inclusion and diversity), overreliance on policies over performance, and benchmark transparency. Thus, the benchmark leaves users concerned with the ease at which greenwashing can occur.

Overall, while ESG data reliability remains a large obstacle due to the absence of global reporting standards, in the sustainability reporting landscape, significant improvements have been made over the last fifteen years, particularly with improved regulations. It is still, however, critically important for policymakers to develop globally recognized reporting standards to increase the quality, accuracy, and comparability of ESG information. As other sustainability benchmarks used in the real estate sector are not industry-specific and the wider ESG reporting scene is fragmented, GRESB has the potential to become the *"standard"* tool but for that to happen, it needs to address the above challenges and prove that they have delivered their roadmap (GRESB, 2023). Finally, regardless of making any recommended changes, GRESB should provide better guidance to their participants struggling to cope with rating preparations.

The approach adopted in this study means that the findings cannot be generalised to the wider GRESB participant community and instead should be used to contribute to further research on GRESB. Moreover, future research should explore to what extent other sustainability benchmarks are adopting science-based targets over policy-based approaches for each ESG component, and suggest changes to the current reporting.

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Insights into the use of GRESB as an ESG Benchmarking Tool

4 October 2024

Abstract

Purpose - Sustainability practices and reporting have consistently evolved over the years with trends towards more holistic approaches with respect to environmental, social, and corporate governance (ESG). In the real estate sector over the last decade, GRESB (formerly known as Global Real Estate Sustainability Benchmark) has become the leading global ESG benchmarking tool for real asset investments. However, it has attracted limited research, and this underpins this works' motivation for the exploration of the perspectives of real estate stakeholders relating to the uptake and use of GRESB.
Design/methodology/approach - The approach used in this study is qualitative in nature, adopting a phenomenological research design to capture the essence of the lived experiences of purposely sampled participants. This is done through an interpretative phenomenological analysis of semi-structured interviews.
Findings - Legislation, regulation and risk management are the main motivations for engaging with ESG-related issues. The main benefit of GRESB is benchmarking, while the main weaknesses lie in the data collection and the undeveloped social component. Within data, the major challenges are observed for the transparency of performance data and overreliance on policies instead of performance. GRESB would benefit from the inclusion of (1) more detailed sustainability benchmarks relating to social and governance components, and (2) social value metrics in their overall assessment.
Practical implications - Policymakers need to develop or support globally recognized reporting standards to increase the quality, accuracy, and comparability of ESG information.
Originality - This is the first study on ESG reporting using a phenomenological research design.

1. Introduction

To transition to a more sustainable world, the international community is aiming for net-zero emissions by 2050 (United Nations, 2020). Sustainable investment is necessary if the real estate industry is to reach the proposed current climate and environmental sustainability targets. Thus, to accurately evaluate building sustainability performance, stricter quantification requirements are needed.

Over the last decade, GRESB has become the leading global ESG rating tool to benchmark real asset investments, and for reporting data metrics and measures in the real estate industry. What makes GRESB different from other eco-certifications (e.g. BREEAM, LEED) is that it encompasses a holistic sustainability measurement of a company's real asset holdings (Christensen *et al.*, 2018). To date, there is a scarcity of studies that focus on GRESB. Therefore, this is the first known study that uses a phenomenological methodology to explore the lived experiences of real estate professionals using GRESB. Such exploration of the GRESB experience enables identification of the benefits of adopting it as an ESG benchmarking tool.

Many built environment assessment tools have been designed to measure projects' environmental and/or sustainability performance, with the ultimate goal of improving buildings and infrastructure (Euromoney, 2020). Several countries have developed independent certification green building rating systems, such as BREEAM (Building Research Establishment Environmental Assessment Methodology), CASBEE (Comprehensive Assessment System for Built Environment Efficiency), Green Star, ITACA, LEED and DGNB (Barman, 2018; Mattoni *et al.*, 2018; Hodges *et al.,* 2022), that address energy consumption and environmental impacts during the construction, management, and operational phases of a building. They, however, rate buildings in isolation and do not consider sustainable performance in line with sustainable business policies, such as transparency, human rights, good labour practices, corporate social responsibility (CSR), supply chains, and environmental protection, which requires more holistic approaches (De Castro *et al.*, 2020).

Sustainability reporting includes CSR, socially responsible investing (SRI), sustainable development, non-financial, responsible property investment (RPI), triple bottom line, and environmental, social and governance (ESG), all different yet often used interchangeably (Siew *et al.*, 2013). The ESG criteria are a set of standards that socially aware companies and investors use to screen potential investments and practices to adopt. The environmental criteria describe the impact a company has on its surroundings; the social criteria account for how it manages relationships with people, while the governance deals with how a company operates (Ribando and Bonne, 2010)

The ESG benchmark universe is diverse (Mattoni *et al.*, 2018) and is still expanding. Despite that, there is confusion about the consistency of ESG definitions, scores and actual practices (Clément, 2023). Several other researchers note that there is no universal approach covering all the ESG issues for all companies (Brandstetter and Lehner, 2015; Auer and Schuhmacher, 2016; Barman, 2018). The rating market is highly fragmented - *"The reality is, that today it's a bit of a zoo"* with over 600 ratings and over 4,500 ESG KPIs (Euromoney, 2020). While this would suggest a solid basis for reliable benchmarking, for this to be true, ESG KPIs need compression and standardisation (Deloitte, 2021) and must be relevant and faithfully represent what they purport to represent (IFRS, 2023). Investors' demands for ESG ratings are strong and growing but investors are frustrated about the shortcomings of ESG ratings and question both methodologies and data accuracy, which results in low confidence in ESG ratings (ERM, 2023). At the same time, regulators are asking for improved transparency (IFRS, 2023).

The ratings must evolve to meet the increasing expectations of investors and regulators (Bernardi *et al.*, 2017).

The next section reviews the literature on ESG considerations from the corporate and investors perspectives, discusses ESG disclosures, reporting and elaborates on GRESB. Section three presents our methodology, which is followed by section four which includes detailed results of the analysis and discussion on identified themes. Section five provides concluding remarks and practical implications.

2. Literature

Studies on ESGs within the real estate sector only really began ~2008 (Pivo and UNEP, 2008) and gained momentum in the late 2010s following the debates sparked by the Paris Agreement (United Nations, 2015). While expectations of abnormal returns, and to address climate emergency, are increasing, to date there are mixed views on the benefits and barriers to the implementation of ESG ratings. Perspectives of investors differ from what the managers can or may deliver. The multitude of ESG KPIs is confusing and does not enable clear decisions to be made. GRESB has the potential to clarify some of this confusion. Thus, firstly ESG considerations are reviewed from the companies' and then from the investors' perspectives, and this is followed by a discussion on the nature of ESG disclosures and key characteristics of GRESB.

2.1 ESG company considerations

In recent years, an increasing amount of research has emerged on motivations for adopting stronger ESG commitments and the effects of rising societal awareness of ESG, urging companies to incorporate sustainability into their corporate strategies. De Castro *et al.* (2020) argue that in real estate corporations, cultural change and advances in business planning are required, focusing on (1) core premises helping to organise the collection, monitoring and controlling of sustainability goals at corporate, portfolio, and single building levels; and (2) data collection, input, and reading on sustainability issues to analyse opportunities and risks.

Wong *et al.* (2021) found a positive correlation between green indicators and operating performance as ESG certification lowers the cost of capital, encouraging investors to pursue responsible investment practices. It has been noted that RPI can reduce the environmental impact of the existing buildings, as green buildings are expected to become more valuable relative to conventional ones (Pivo and UNEP, 2008). Green building certification is also shown to lower risk, while improving energy and financial performance through lower cost of debt (Eichholtz *et al.*, 2019a). Sustainability governance and stakeholder collaboration have been suggested to improve operating performance (Husted and Sousa-Filho, 2017). Also, high ESG firms have lower systematic risk and tend to create more value when compared to lower ESG firms (Bhaskaran *et al.*, 2020). By contrast, the lack of collaboration across countries and sectors is a challenge for impact investments to be truly effective (Brandstetter and Lehner, 2015). This is particularly apparent for niche investment sectors where it is critical to develop global strategies for promoting social value.

Key risks around ESG engagement relate to the reputation of the entity choosing to proceed (or not) with specific ESG actions (Hebb *et al.*, 2010; Bhaskaran *et al.*, 2020; Krueger *et al.*, 2020; Chambers *et al.*, 2021). ESG risk management has the potential for value creation. Shea and Hutchin (2013), however, found that the insurance industry is vulnerable to emerging risks from ESG factors of sustainability and requires a systematic integration of various stakeholders' perspectives. The issue is that ESG factors appear to have a detrimental effect on value in the insurance industry with mismanagement of these factors causing reputational harm, which could be avoided and with improved management lead to greater financial benefits. In contrast, user well-being appears to improve user satisfaction and leads to increased returns. Kempeneer *et al.* (2021) argue that the social dimension of ESG is under-conceptualised and should include elements of user well-being, as it is crucial to understand user behaviour when trying to reduce the environmental impact of buildings. Further, Diouf *et al.* (2016) observe that social values, ESG issues, financial return, and the role of the institution are all complexly associated with SRI portfolios and that investment decisions depend on individual motivations and the socio-cultural context within which they are made. These observations prove the weak role of institutions and thus increasing the role of the institutions through promotion strategies and education should further increase public awareness and interest in SRI.

2.2 ESG investor considerations

Institutional investors drive increases in the adoption of ESG reporting, as strong ESG performance leads to better financial performance (Friede *et al.*, 2015; Khemir *et al.*, 2019; Kanuri, 2020; Feng and Wu, 2023). Hebb *et al.* (2010) also note that a *"high"* ESG portfolio outperforms a *"low"* ESG portfolio and that ESG standards have an indirect effect on financial out-performance through risk reduction and enhanced corporate reputation. In contrast, Kanuri (2020) observes that ESG ETFs have underperformed, and investors may simply allocate a proportion of their portfolio to ESG investing to add diversification benefits. It is not clear, however, to what extent investors are driven by personal values compared to those who believe that investing in ESG will simply produce a favourable risk-adjusted return. Friede *et al.* (2015) indicate a positive correlation between ESG and corporate financial performance, which reinforces the business case for ESG investments, contradicting previous common perceptions among investors perhaps biased towards the ESG-CFP relation being at best neutral.

Wider ESG rating benefits suggest that higher ESG firms score better for firms' value (Cajias *et al.*, 2014; Bhaskaran *et al.,* 2020; Broungen *et al.*, 2021; Chambers *et al.*, 2021). Another key aspect relating to financial performance is that companies and investors engaging with ESG disclosures tend to financially outperform non-disclosing ones (Siew *et al.*, 2013) and that ESG disclosures have a significant positive impact on all firms' operational, financial and market performance (Alareeni and Hamdan, 2020). Others have suggested that investing in CSR can lead to desirable abnormal returns and provide greater risk-adjusted returns and diversification benefits for investors (Garcia *et al.*, 2019; Marzuki and Newell, 2019; Jadevicius, 2020).

Nguyen *et al.* (2019) suggest that when selecting investment portfolios CSR can promote responsible finance in addition to maximising returns. Furthermore, Camilleri (2020) based on a systematic review of the extent of theory and regulatory issues on SRI highlights that the SRI market has increased the number of stakeholders involved in the scrutinization of the businesses' ESG behaviours. Conversely, high ESG scores can impact negatively returns or at best provide similar market returns (Cajias *et al.*, 2014; Chacon *et al.*, 2024). For Cajias *et al.* (2014) the link between ESG performance and listed real estate companies is dependent on long and short-term costs and the benefits created by the allocation of resources to ESG activities. More recently, Chacon *et al.* (2024) observed that Real Estate Investment Trust (REIT) managers may overinvest in ESG activities at the expense of shareholder value.

Regardless of region, industry, or ESG criterion, the interests of profit-seeking investors cannot be met by ESG-based stock selection. This has been shown to at best provide market-level performance (Auer and Schuhmacher 2016). Siew *et al.* (2013) and

Alareeni and Hamdan (2020) conclude that sustainability disclosures can also decrease market performance. This is further supported by Oprean-Stan *et al.* (2020) who confirm that a lack of consistency in reporting on sustainability matters negatively affects the companies' market performance and this is due to the challenges with the quality of data reported and ways in which organisations disclose particular sustainability information.

Another obstacle for investors adopting ESG practices is that short-term profits are prioritised over long-term value (Busch *et al.*, 2016), which links to banks' and investors' rating approaches. While integrating ESG priorities into corporate strategy does not seem to have a significant impact on financial performance (Espahbodi *et al.*, 2019), this has a stronger effect on long-term price assessments and the perceived relevance and reliability of ESG disclosures. Further, real estate investors need to be aware of the potential obstacles posed by climate risks, geographical and sector allocations that can have a significant impact on financial performance. Dopierała *et al.* (2020) noted that climate-friendly funds achieve higher returns when the investment portfolio is divided between different geographical areas of investment and industries.

2.3 ESG disclosures and reporting

There has been a general lack of legislation and regulation requiring companies to report detailed ESG information (Siew, 2015; Ochi, 2018; Karim *et al.*, 2021) and in many areas of the real estate sector, the reporting is limited (Weinfeld *et al.*, 2023). Over the years, various regulatory pronouncements have taken the market a long way in understanding the ESG factors, but much remains to be done (Morphett *et al.*, 2023). In line with market expectations, many companies voluntarily make ESG disclosures (Siew *et al.*, 2013) however, these are inconsistent and fragmented (Billio *et al.*, 2021). Christensen *et al.* (2018) confirmed that opportunities exist for energy-related features and initiatives for value creation at acquisition, during the holding period, and through superior management. While eco-labels and energy ratings add value, eco-investments are fuelled by finance-driven cost-benefit analysis over sustainability-related motivations.

Khemir *et al.* (2019) suggest that social and corporate governance has more influence on investment decisions compared to environmental. In the absence of a legal obligation, many firms believe that ESG information, as a positive voluntary disclosure, should have a positive impact on financial performance. The challenge is that ESG reporting suffers from data limitations (i.e. accuracy, reliability and comparability) and usefulness for specific stakeholders, as companies can choose how to collect and what ESG information to disclose (Busch *et al.*, 2016; Espahbodi *et al.*, 2019; Camilleri, 2020).

As proposed by Slapikaite and Tamosiuniene (2013), SRI needs to be supported through legislation, education, and promotion strategies. Additionally, there may be a need for legislation to provide incentives for disclosure (Eichholtz *et al.*, 2019a). An ESG strategy can enable companies to legitimise the decision-making process (Ochi, 2018). It is necessary, however, to facilitate a system for sector-specific comparison and evaluation by announcing non-financial disclosure criteria. In the absence of clear legislation for mandatory disclosures, there cannot be an expectation that the quality of reporting will be consistent (Cho *et al.,* 2020). Thus, it is not surprising to observe international divergence in terms of the influence of mandatory ESG reporting on disclosures across stock markets (Fyodorova *et al.*, 2019). This lack of clarity is particularly important for smaller companies facing competition from large companies using ESG as a quality signal. The rapid growth of the SRI market requires a universal rating model evaluating both the financial and sustainability performances of mutual funds and SRI should be encouraged further by fund managers and governments (Slapikaite and Tamosiuniene, 2013).

Another challenge to ESG disclosures relates to capital expenditures by larger companies. Varyash *et al.* (2020) show that environmental innovations and ESG levels are positively linked to the company size and certain industry sectors, which may suggest greenwashing. Furthermore, firm-level cost of debt is negatively associated with ESG disclosure level and REITs with higher disclosure levels have more flexibility and higher market value (Feng and Wu, 2023). Hence, REITs that do not disclose ESG information may suffer compared to their peers who use ESG disclosures to gain competitive advantage through differentiation. Moreover, Karim *et al.* (2021) stated that there is a positive relationship between capital expenditure, internal governance and carbon emission disclosures. As the expenditures, however, are positively associated with the level of disclosures, this negatively affects the value of the firm.

Another major obstacle to overcome is the general lack of trust due to concerns over greenwashing (Busch *et al.*, 2016; Espahbodi *et al.*, 2019; Camilleri, 2020; Morphett *et al.*, 2023), resulting in the need for improved reliability of ESG data (Espahbodi *et al.*, 2019). Brounen *et al.* (2021) observed that firms scoring highly on ESG also tend to score higher than average on performance, which indicates that poorly performing firms shy away from reporting, signalling perhaps lower quality of data. However, Chacon *et al.* (2024) do not support this observation, stating that REITs with higher ESG performance scores have lower firm value and lower operating cashflows.

2.4 GRESB

GRESB underpins investor-driven ESG benchmarking and reporting frameworks for companies investing directly in real estate. The assessment is shaped by what investors and the industry consider to be material issues in sustainability performance. The GRESB methodology, contrary to some other tools, is consistent across regions, property types, and investment vehicles (GRESB, 2022a). The Real Estate Assessment (REA) generates two benchmarks: the GRESB Real Estate Benchmark and the GRESB Development Benchmark. REA consists of two components: *"Management"* – measuring at organisational level: strategy, leadership, policies and processes, risk management, and stakeholder engagement, and *"Performance"* – looking at asset and portfolio performance indicators, such as energy consumption, GHG emissions, water consumption and waste (GRESB, 2022a). Over recent years substantial growth in GRESB uptake has been observed (Devine *et al.*, 2024; GRESB, 2024). Currently, GRESB covers some 170 thousand assets valued at some USD7.2trillion (GRESB, 2024). The rating outcomes are continuously improving, with buildings (rated in 2023) scoring 85%. The comparison basis, however, is not representative of the whole building supply and the scores are uneven with the poorest performance being seen in Governance - Board Oversight and Metrics & Targets - GHG emissions (GRESB, 2024).

Research on GRESB remains scarce. Morri *et al.* (2020) based on European REITSs suggest that GRESB's *"greenness"* is significant in explaining operational performance, returns on equity and assets. Devine *et al.* (2024), however, looking at the US real estate investment funds, concluded that GRESB participation and performance are associated with the value appreciation component of total returns but not with the income component and independent of local economic conditions. While GRESB appears to be effective in providing transparency and comparability across the global real estate industry (Feng and Wu, 2023), it is criticised for its limited alignment with the 2030 Agenda for Sustainable Development, especially in terms of transformative change implicit in the SDGs (Goubran *et al.*, 2023). Hence, claims that GRESB is effective in advancing the SDGs are overstated and increase the risk of sustainability greenwashing in development and in even areas such as structured debt finance (Morphett *et al.*, 2023).

With GRESB taking a more holistic approach than other eco-certifications, and becoming the leading sustainability benchmarking standard, it has the potential to inform reporting guidelines. It would, however, benefit from repositioning to adopt transformation-focused indicators for long-term impacts. Thus, given the limited research on GRESB, exploration of the experiences of those who are engaged in GRESB is needed to create a richer picture of the benefits and weaknesses of this benchmark.

3. Material and methods

Analysis of ESG-related issues suggests that investors focus on financial performance, but they are the driving force behind the adoption of ESG reporting. In doing so, they face obstacles relating to a general historical lack of global reporting standardization, legislation, and transparency (Morphett *et al.*, 2023). Newell *et al.* (2023) are adamant that there is a need for clear ESG strategies to be well embedded in company culture and decision-making, which effectively use external and internal benchmarks and are communicated externally through informative ESG reporting. For that, a universal ESG rating model is required (Slapikaite and Tamosiuniene, 2013). With GRESB emerging as the leading real estate and infrastructure ESG benchmark, this study seeks to address the lived experience of practitioners in their interaction with GRESB.

To address the aim of the study, exploring lived experiences (i.e. feelings, beliefs and individual perceptions), a phenomenological methodology was adopted (Smith *et al.*, 2022). This approach is centred around understanding the personal experiences of GRESB users. This methodology is gaining popularity amongst built environment researchers, with several recent studies adopting a phenomenological approach to understanding built environment issues (Sewell and Fraser, 2019; Sudhakaran *et al.*, 2023; Horry *et al.*, 2023) To date, and to the best of our knowledge, no previous studies have taken this stance for ESG benchmarking.

3.1 Sample selection

GRESB is a complex ESG benchmarking tool; thus, only experts who are experienced with this tool were invited to engage with this study. Hence, a purposive homogeneous non-probability sampling technique was adopted, using the following explicit inclusion criteria: (1) participants must operate in the real estate sector; (2) participants' company must have an ESG policy; and (3) participants must be experienced with GRESB, i.e. they would have submitted a GRESB assessment. These criteria enabled the selection of a small, homogenous, and specifically targeted group of participants (Smith *et al.*, 2022). Potential participants (n=239) were identified as individuals who have taken part in the latest GRESB assessment (GRESB, 2022b) and all were invited via e-mail to participate in the study. Participants were invited to take part in a 30-minute-long online interview (using MS Teams). A further interview was conducted to validate the interpretation of the evidence provided by the participants.

3.2 Expert interviews

The semi-structured interviews consisted of two parts: (a) characteristics of participants and their organisations (sector, job role, type and size of the organisation; years of relevant experience; education background; professional membership; organisations' ESG policies; years of work with GRESB); and (b) participants' lived experience and feelings towards GRESB based on their participants' and participant organisations' engagement with ESG-related issues including (1) Factors motivating investors to incorporate ESG into their decision-making process; (2) Impact of legislation, regulation and promotion strategies upon ESG disclosures; (3) Drivers for getting involved with GRESB; (4) Benefits of getting involved with GRESB; (5) Challenges faced using GRESB; and (6) Weaknesses of GRESB as an ESG benchmarking tool.

3.3 Interview process

Each interview comprised for the most part standard interview questions. Some questions were modified in line with the phenomenological approach, to explore emerging themes, enable interviewees to expand when appropriate and to clarify responses (Brinkmann and Kvale, 2005). The nature of semi-structured interviews permitted open discussion on less explicit matters, to further explore participant feelings and opinions on whether or not personal values or favourable risk-return trade-offs drive investment-making decisions, and if perceived greenwashing, done by some companies, had any impact when considering ESG-related issues. This was done by starting with exploratory questions on personal experiences and dwelling on the associated feelings and impressions (Table 1).

Table 1: List of the questions posed to the interviewees

#	**Interview Questions**
	Drawing on your personal experiences and feelings…
1	What factors motivated your organisation to engage with ESG related issues?
2	What factors motivate investors to incorporate ESG into their decision-making process?
3	In what way, if any, does legislation, regulation, and promotion strategies (e.g. advertising, marketing, etc.) impact ESG disclosure in your industry?
4	What are the main drivers for your organisation opting to use GRESB?
5	What are the main benefits an organisation can expect from using GRESB?
6	What are the challenges your organisation faced using GRESB?
7	What do you consider to be the most successful and/or unsuccessful feature(s) of using GRESB as an ESG benchmarking tool?

3.4 Data analysis

Analysis allows the identification of recurring themes and sub-themes to seek commonalities, relationships, and principles (Smith *et al.*, 2022). As with other phenomenological studies, no computer data analysis software was used to interrogate the data sets (Capodanno *et al.*, 2020). Moreover, the transcripts are scrutinised using a stepwise process (Table 2), which involves a repeated reading of the transcripts to extract interrelated themes and meanings, to describe the assembly of the phenomenon being investigated (Osborn and Smith, 1998; Smith, 1995). This is conceivable because the small sample size of most phenomenological studies permits micro-level reading of participants' narratives (Booth *et al.*, 2023).

Table 2: Description of the stepwise process used to analyse the participant interview narratives (based on Smith (1995) and Osborn and Smith (1998))

Step	Description
1	Interview transcripts were read, and reread several times, to ensure that a general sense was obtained of the whole nature of participants' narratives.
2	Returning to the beginning, the transcripts were reread, and any emerging themes identified and organised tentatively.
3	Attention was then focused on the themes themselves to group and define them in more detail and establish their interrelationships.
4	The shared themes were then organised to formulate consistent and meaningful statements, which contribute to an account of the meaning and essence of the participants' experience grounded in their own words.
5	The superordinate themes and statements were then referred back to the original transcripts to verify their occurrence.

The researchers involved in the study set aside their own preunderstandings to accord with the phenomenological principle of *epoche* (or bracketing), which attempts to circumvent any preconceptions or expectations to facilitate the phenomenon of the study objectively. As none of the researchers involved in the study had been involved in the creation or in the use of GRESB, the researchers' own values should not threaten the interpretations reported.

3.5 Ethical considerations and data management

The study is compliant with the expectations of university research ethics regulations in the UK (Universities UK, 2019). Ethical approval was sought before the interviews were conducted; whereby, prior to the interviews, participants were e-mailed a cover letter, a participant information sheet detailing the research design and interview process; a privacy notice explaining how data is collected and managed prior, during and after participation; and a consent form. Participation was voluntary with an option to withdraw from research within a 'cooling-off' period of two weeks after the interview took place. All interviews were recorded, transcribed, and subsequently anonymised.

4. Results and Discussion

Using the themes and sub-themes generated by the analysis, along with selected verbatim quotes (edited for ease of reading with edits indicated in square brackets), the findings of the study are presented below under two main section headings: (a) Participant demographics and backgrounds; and (b) Identified themes. To protect the anonymity of the participants, no personal information about the participants has been directly attributed to any of the direct comments included.

4.1 Participant demographics and backgrounds

Seven participants from real estate companies located across different European nations, and beyond, took part in the study. This number, which may seem small, aligns with what is expected of a phenomenological study (i.e. between six and eight participants (Gauntlett *et al.*, 2017)) and, as such, accords with previous studies, including those of Ball *et al.* (2023), Booth *et al.* (2023) and Horry *et al.* (2023) who used six, seven and eight participants, respectively.

Participants had varying sector responsibilities and experience within the real estate industry, with an average of ten years' of relevant professional experience and an average of five years' of experience collaborating directly with GRESB (Table 3). The eighth participant was a GRESB representative who provided comments on the findings gathered from the interviews with the seven participants (Table 4). All participants' organisations have formal ESG policies and as per OECD (2022) can be classified as mid-size (50-250 staff) or large-size enterprises (>250 staff). Most participants had a high level of education, and notably one was a member of a professional organisation (Alternative Investment Management Association).

Table 3: Profiles of the participants who engaged with the study

Participant	Sector	Job title	Professional sector experience / GRESB collaboration (years)	Highest academic achievement	Company size
P1	Development & Management	Senior Manager - Operations and Sustainability	10/9	Masters	Large
P2	Development & Management	Head of Sustainability	25/10	Masters	Large
P3	Investment Management	Investor Relations, Communication Manager	5/3	Bachelor	Midsize
P4	Construction & Development	Sustainability Reporting Manager	4/2	Bachelor	Large
P5	Investment	ESG Associate	2/2	Masters	Large
P6	Construction & Management	CSR Project Manager	14/8	High School Diploma	Midsize
P7	Asset Management	Head of Sustainability	11/2	Masters	Midsize

Table 4: Profile of the GRESB representative

Participant	Sector	Job title	Professional sector experience / GRESB collaboration (years)	Highest academic achievement	Company size
P8	GRESB	Real Estate Analyst	1/1	Masters	N/A

4.2 Identified themes

The findings from the analyses are surmised in Figures 1a and 1b, with the themes extracted from the conversations listed in ranked order (according to their cited frequency) and are now presented and discussed beneath.

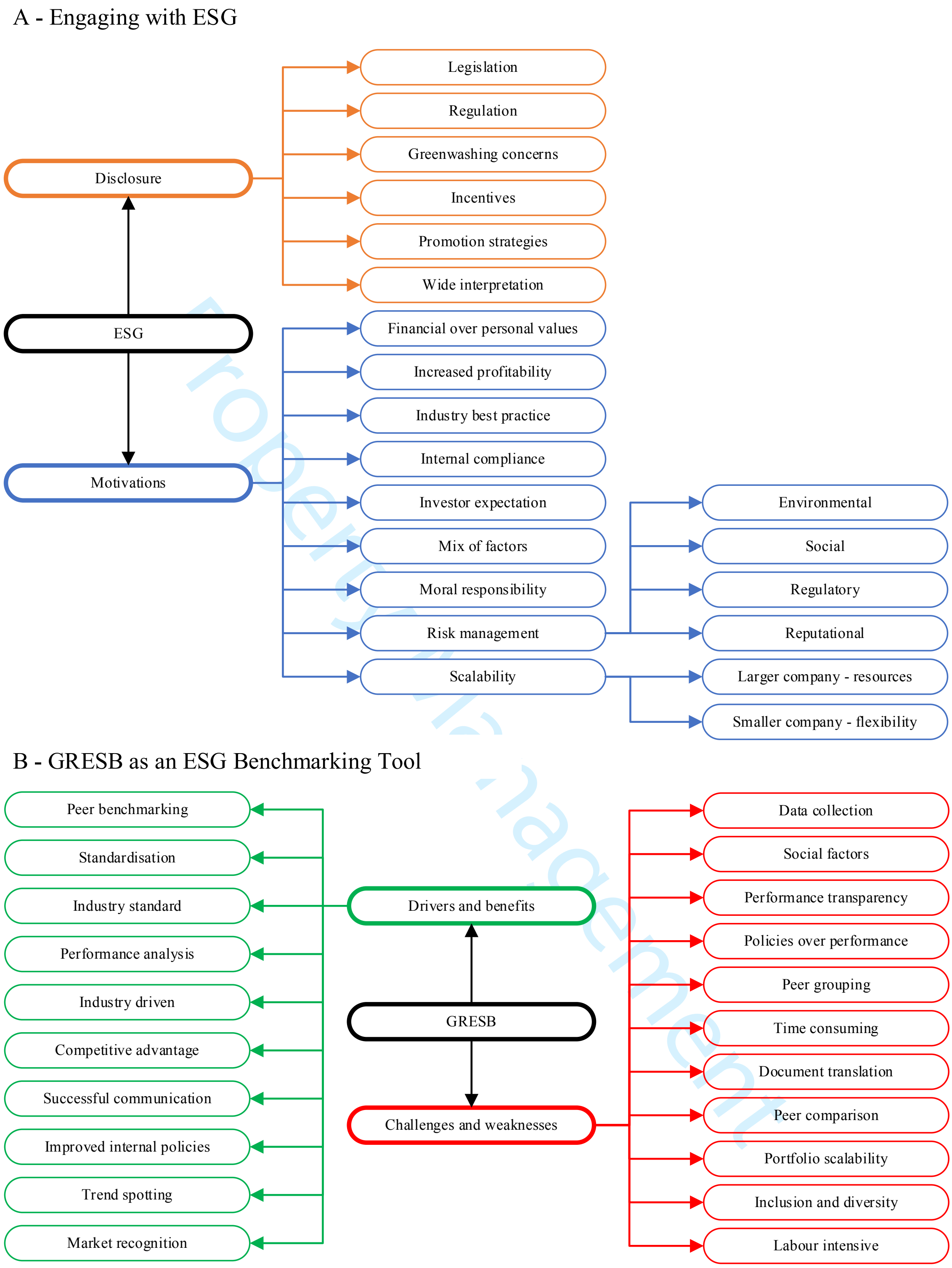

Figure 1: A summary of the themes and sub-themes extracted from the analyses

ESG organisation motivations

All participants declared that their organisations' main motivation to engage with ESG is important with three indicating engagement driven by investors wanting to be seen to work with companies of good sustainability credentials. Many responses centred around risk management and reputational concerns like *"I think for the executive committee* *especially, it is the risk, the risk of not doing"* (P5). This supports Hebb *et al.* (2010) and Chambers *et al.* (2021) conclusion that RPI when viewed in the wider context of ESG, enhances corporate reputation and confirms the notion of negative reputational risks associated with not engaging with ESG (Shea and Hutchin, 2013; Krueger *et al.,* 2020; Bhaskaran *et al.*,2020; Brounen *et al.*, 2021). Only one participant, however, passionately expressed that engaging in ESG is *"one of the most efficient ways to increase […] profitability"* (P2).

In line with De Castro *et al.* (2020), participants explained that the concept of *"sustainability aligns very well with the values and objectives of the organization"* (P7). This demonstrates that a full commitment to ESG can be made despite claims that integrating ESG priorities into corporate strategies does not have any impact on financial performance (Espahbodi *et al.*, 2019). Other participants, however, nostalgically suggested that the focus on ESG *"started 10 years ago with more personal beliefs, but now […] it has moved away from personal values",* but *"it's quite hard to separate those two* (P2). Then the same participant with irritation added that *"[j]ust because I do believe that even if there was no investment requirement, the business would still want to do these things"*. P1 in a stern voice observed that there is *"an overall commitment to ESG and being a right kind of moral actor, and good corporate citizen".* They then went on to stress having a personal fiduciary responsibility when considering ESG. This perception was revealed particularly through emotionally loaded statements suggesting participants' attachment to ESG values.

ESG investor motivations

When addressing the perception of investors' motivations towards ESG engagement, most participants spoke of risk management informing decision-making. While the environmental risks are more self-evident, many participants complained that *"real estate investments and real estate activities are also related to social risks, but they are typically not easy to identify"* (P2) and pointed out investors' reputational risk as *"pressure to engage with ESG"* (P5). This confirms that investors consider a wider range of risk management aspects when seeking greater risk-adjusted returns and diversification benefits (Marzuki and Newell, 2019; Camilleri, 2020; Jadevicius, 2020; Kanuri, 2020; Morri *et al.*, 2020). Some participants somewhat reluctantly observed that investors are also concerned about preserving value in the long term and that *"there's some great evidence that […] companies and investors that consider ESG perform better"* (P7). While this contrasts with Diouf *et al.* (2016) who found that prioritising short-term profits over long-term value was another barrier to ESG, this corroborates past research suggesting that RPI in the wider context of ESG increases financial performance (Hebb *et al.,* 2010; Chambers *et al.*, 2021) and that there is a positive correlation between ESG and financial performance (Friede *et al.*, 2015; Khemir *et al.*, 2019; Kanuri, 2020; Oprean-Stan *et al.*, 2020; Feng and Wu, 2023). Overall, participants believe investors are also engaging for legislative and internal compliance reasons, but *"it depends on the region. In Europe there's a lot more recognition of the issue and I think it's a mixture of regulatory pressure from the EU"* (P5).

All the participants appeared to feel somewhat disgusted or irritated and concerned about greenwashing *"because it is so easy to do"* (P3) and that *"there's a lot of grey area, especially around carbon offsetting. What is considered to be net zero? What is carbon neutrality? I think a lot of that can be used to sway investors certainly"* (P4). Although investors are becoming more aware of greenwashing, and there is more scrutiny over public disclosures, participants hesitantly expressed their doubts through observations such as *"to be completely honest with you, I don't know that there are* *enough investors who can detect greenwashing. So, I think a lot of companies and people can get away with it"* (P5), or *"I can't say they [investors] are precisely looking into this matter and verifying that what we say is true or not"* (P6). This confirms Espahbodi *et al.* (2019) view that there is a need to improve the perception of ESG data reliability and improve trust in the data (Busch *et al.,* 2016; Camilleri, 2020).

ESG disclosures

Historically there has been a general lack of legislation and regulation requiring companies to report detailed ESG information (Siew *et al.*, 2013; Ochi, 2018; Fyodorova *et al.*, 2019; De Castro *et al.*, 2020). Yet, all participants firmly felt that there is a big legislative and regulatory impact upon ESG disclosure and *"we're getting more legislation and regulation in terms of what needs to be disclosed"* (P7) but this varies across the globe. P4 with disgust expressed that *"in the EU and Australia, legislation is much more stringent when it comes to carbon reporting and transparency and we're not quite there yet in North America"*. This was backed by other participants who stated that *"regulation is really big [when speaking] about Europe because it has the most progressive regulation, in the US and APAC it's not the same."* (P5).

All participants appeared to have mixed feelings on the impact of promotion strategies observing that *"certainly we've seen a sophistication in the types of ESG disclosures that have happened looking at corporate social responsibility reporting in 2011, let's say versus 2021"* (P1). P2 lamented that *"marketing possibilities are not related to actual disclosure, because [...] we see quite a lot of fluffy green claims in the industry that are not always backed up with facts"*. This undermines the perspective of Diouf *et al.* (2016) that increasing the role of the institution through promotion strategies will further increase public awareness and interest in SRI.

Many participants argued that there was a scalability issue and complained that *"smaller companies don't have specialist departments, so it takes a lot longer to get things moving, and large companies have seen an impact much quicker"* (P3) and in a whining tone expressed that disclosures are *"generally still aimed at large organizations, so [we are] certainly seeing the big organizations with ESG teams doing more of that"* (P7). This supports suggestions of a positive relationship between capital expenditure, internal governance and carbon emission disclosures pointing towards expenditure being positively associated with the level of disclosure (Karim *et al.,* 2021). In line with Cho *et al.* (2020), one of the participants nodded that they are *"disclosing over and above what [they are] required to, but a lot of the disclosure [...] relates to different initiatives"* (P4). This emphasises that voluntary non-financial disclosures, while informative about the business, would not necessarily add transparency about environmental sustainability in the built environment.

All participants felt that in the future disclosures would eventually become mandatory across sectors, but they were eminent that these would have to be *"greenwash proof [and] as much as possible standardized across the globe"* (P5). Instead of incentivising, participants expected "*more standards and guidelines"* or a legal "*stick rather than a carrot"* (P4) arguing that there are enough incentives via ethical investments. Consequently, the above contradicts research calling for legislation to provide incentives for disclosure (Eichholtz *et al.,* 2019a), and does not suggest that incentive-making would encourage companies to tackle negative externalities (Ochi, 2018).

GRESB drivers

Green building certification has been shown to lower risk and improve energy and financial performance (Eichholtz *et al.*, 2019b; Holtermans and Kok, 2019; Brounen *et al.*, 2021). None of the participants, however, indicated direct financial performance as a driver for involvement with GRESB. There was, however, agreement on the aim for a favourable risk-return trade-off. Some participants felt that their companies were investor-driven: *"investors are constantly asking, and it is a topic that is followed up all the time. At the beginning, we were simply asked do you participate in GRESB? And now the questions have moved to what was your last score."* (P5). Only one participant beaming with pride stated that they *"wanted to do it because [they] felt it was important and rather than investors asking for it"* (P5) indicating their sense of moral responsibility towards sustainability (Christensen *et al.*, 2018). Many participants were less emotionally driven and used GRESB to prove their sustainability credentials and *"to standardize the performance of all our assets across our different portfolio of companies"* (P4) and stressed that they *"understood what [they]needed to do, what was required, which allowed [them] to work on a gap analysis and steps program to see how [they] could improve"* (P3). Another key driver highlighted by many participants was the ability to establish how they *"actually benchmarked towards [their] peers"* (P2). This was particularly important for participants whose companies were the first company to take part in the benchmark in their region and gave them a competitive advantage over their peers and ultimately led to other organisations in the region following in their footsteps.

GRESB benefits

When discussing the benefits of GRESB benchmarking, participants compared GRESB to green building certification. P5 ironically summarised that: *"We consider GRESB to be the portfolio version of green building certifications like BREEAM, LEED, WELL, which is just basically a very easy stamp to say this building is more sustainable than the average building. We use GRESB in a similar way to put that stamp to say this portfolio is this much better than our peers, or much better than our other funds etc."*

All participants felt that the overriding benefit from participating in GRESB was the ability to benchmark their performance against their peers and *"it's been nice to have some insight as to how you're performing at a portfolio level compared to others around the globe"* (P1). These benefits, however, are declining as participants observed that they *"have moved towards the benefits not being as high as they need to be to justify all the work that is behind the participation"* (P2).

A further key benefit identified by most participants has been their performance analysis as a *"useful measure of assets, database performance, and the sustainability performance of our portfolio"* and *"a really clear analysis of what [they were] doing well, what [they were] not doing well and how [they] can improve"* (P7). Participants also appreciated GRESB for improving communication and internal policies and confidently confirmed that they *"did use GRESB to try to improve [their] internal policies and open [their] mind to further improvement [they] could make"* (P6). Another benefit was that GRESB can spot market trends and *"if GRESB [starts] to talk about it and integrate it, then [it will become] important to the investors"* (P3).

Most participants agreed that GRESB has become a global real asset industry standard for ESG reporting as it has *"helped move the industry towards being more sustainable"* (P2) because of its *"market recognition, longevity and being consistent"* (P7). Ultimately, the high number of participants *"makes it a worthwhile benchmark because it is easier to compare against peers"* (P6). Another key observation was that GRESB successfully brings together ESG components under one benchmark covering a wide range of ESG matters. Participants also felt that performance analysis while evolving, has been very useful even though *GRESB "just brought in asset level performance data in the last couple of years, previously it was just portfolio level"* (P4). Finally, participants felt that *"GRESB customer service helped them get to the point of submission and has been helpful when [they had] questions"* (P5).

GRESB challenges

The main challenges to GRESB's implementation include: (1) data collection; (2) effort (labour intensity and time); (3) peer grouping and peer comparison; and (4) translation of documentation. Four participants saw data collection as the biggest challenge for GRESB implementation. Another issue is the access to data especially when buildings are managed by tenants or a separate entity, particularly in relation to the environmental management system of the building. Overall, participants agreed that the whole process was time-consuming and labour-intensive to the extent that one of the participants felt that they had *"become a little sceptical about participating in GRESB and [they] had some discussions with investors maybe to quit because [it was] maybe too time consuming in relation to the benefit it gives"* (P2). Participants also appeared to feel that the biggest challenge was in the first year when they were asked about indicators that they would not have followed.

Peer group composition GRESB assigned to the participants and peer comparison were seen as problematic with participants feeling that it was *"challenging to understand how GRESB determines who the peer group is, based on the size of the portfolio or the types of submitted assets"* (P1). *"It also [is] sometimes very tricky to benchmark such different assets. Even with peers, [portfolios] sometimes appear to be completely different [in terms of] age, asset type, or location"* (P3) and therefore not easily comparable. Finally, for non-English language organisations language is a challenge as companies *"need to upload all the documentation in English"* (P2) and that requires translation of lengthy documents.

GRESB weaknesses

Most participants observed that the social component of the benchmark was underdeveloped and required more focus noting that they have *"been doing a lot of work into inclusion and diversity, but there is very little of that within GRESB. It will be really useful to have one benchmark that has a lot more E, S and G in one place"* (P3). Participants also felt that the social aspect only contributes indirectly through the workers' satisfaction survey in the benchmark and that the social factors over-rely on policies rather than actual outcome data. Thus, they recommended that *"factoring in a social value metric, or something similar would be helpful to have a more cohesive look at the ESG performance"* (P4). That, however, does not mean that GRESB *"should start from scratch and try to build it themselves as there's a lot of other standards out there that they can rely on and partner with"* (P5). The above corroborates with Kempeneer *et al.* (2021) conclusions that the social dimension of ESG is under-conceptualised and should include elements of user well-being as critical for user behaviour. All participants seemed to feel a bit lost and would welcome more transparency around the performance data: *"whether it's at portfolio level, or asset level, you're not sure what's going to come out in terms of score"* (P1).

Participants also anxious that there is an issue of overreliance on policies. P1 after a pause hesitantly concluded that *"maybe having a weighting that's a little more performance heavy and less policy heavy would be preferable"*. However, P1 was also sceptical about very high scores which *"sometimes [...] makes one wonder, how much* *digging [has been done] into the actual implementation of these policies"*. P2 shrugging his arms with disappointment suggested that there are "*a lot of questions, [one] can upload almost anything, and as long as the policy itself covers the items or topics, [the building is] awarded full points"* (P2). Thus, participants were clear that it should be GRESB's responsibility to check claims (e.g. via other disclosures) but as P2 complained that *"it seems like [GRESB is] not doing that analysis"*. Moreover, participants felt disappointed and questioned the rationale behind being able to score 100% in the management component year on year, raising greenwashing concerns as *"there are a lot more ways to be greenwash-proof and put more weight on whether or not one has science-based targets"* (P5) and concluded that even though they did have a science-based target they scored 100%. Participants felt that GRESB is more suited to companies with portfolios of larger buildings: *"I think it just means it's a bit harder to collect, submit all the data and potentially lose points by not having particular plans, BMS building managers, for the likes of individual building versus doing at a corporate level and being difficult to report"* (P7).

With respect to experience with other sustainability benchmarks, most of the participants confirmed that they were working with sustainability benchmarks such as Sustainalytics, ISS ESG, CPD and Gaia Rating. The main difference was that as opposed to GRESB, neither Sustainalytics nor ISS ESG were industry specific. GRESB was noted as superior to CPD due to its benchmarking for operational performance. On the other hand, P6 confidently praised the Gaia rating for being *"much less complicated [as it] has less questions and the process is less heavy to handle"*.

Overall reflection on GRESB

While explicit questions regarding participant's overall reflections on the use of GRESB were not asked, in general, participants were upbeat and positive about the use of GRESB and saw it as a remedy for *"fluffy sustainability reports"* (P2). As one of the participants noted: *"To us as an organization [GRESB is] both challenging and inspiring. […]. I think it has helped us maybe move faster than we would have done otherwise because [of] the competition element"* (P2). Further, participants felt that "*whatever they're doing to permeate the industry it seems to be working"* (P1) and that it is *"handy knowing that many of our peers are all on board with the same ESG benchmark"* (P1). This explains why despite GRESB weaknesses, the participants have not suggested alternatives to GRESB and instead were somewhat forgiving expecting that desired changes can be easily made to ensure that this benchmark is fit for purpose and worth the effort.

4.3 Verification of the GRESB findings

To validate the above observations, a GRESB representative in a follow-up exploratory conversation provided insights on the main challenges and weaknesses identified by the study participants to highlight potential areas for improvements. Participants were concerned about the perceived greenwashing that affects investor behaviour, to which GRESB's response centred around the integrity of the participants and the granularity of the questions and evidence to responses: *"We don't just ask do you have ESG policies in place, if so, who is responsible for them? How do you reward policies relating to our targets? What are the metrics you use? So, for most of these questions we ask for further evidence and this does prevent a lot of participants that would try to engage in this type of behaviour"* (P8). With respect to the transparency of the benchmarking process and performance and management scoring, GRESB confirmed that this is problematic as it is easier to achieve higher scores in the management section and stressed that *"GRESB tries* *to measure […] not just [the] policy, but also what kind of impact does this entity have on its community"* (P8).

Peer groupings and comparisons have been observed to be problematic especially in terms of international or subsidiary comparisons. As peer-grouping is based on location, property subtype, investment style and depending on the location, *"a company can have two different submissions […]. So even if you are in the same company, we will compare you [to] where you are located, and we try to make the peer group as close as possible to the entity that is being scored"* (P8). The social aspect of ESG requires more focus, in particular regarding health and wellbeing, diversity and inclusion, and other sustainability benchmarks focusing on the social and governance characteristics, which GRESB acknowledged as one of their priority areas.

The time-consuming and labour-intensive process was seen as giving the impression that GRESB would be targeting larger companies with more time and resources, which was acknowledged by GRESB. GRESB also noted that participants are allowed to outsource submission preparation and that the following year *"existing data entered is prefilled and recycled automatically and can be adjusted manually, on an ad-hoc basis [which] drops the reporting burden significantly [and] our guidance is very clear.* They then proudly and confidently confirmed that they *"always encourage our participants to read the instructions, everything is there, and we try to make the portal very user-friendly"* (P8). An additional challenge was non-English language documentation. To which GRESB with surprise clarified that complete translation was not required as *"the evidence can be in a different language, but you need to write in a text box in English an explanation on which page you can find the relevant data and translate some relevant sentences"* (P8).

5. Conclusion

This study aimed to gather the lived experiences of real estate professionals involved in the use of GRESB as an ESG tool. The primary reasons for engaging with ESG are financial considerations; internal compliance and risk management (in particular reputational risk of the corporate brand); investors' expectations and preserving long-term value; and, particularly in Europe, the tightening legislation and regulations governing ESG reporting.

When it comes to ESG disclosures, research participants were clear about the critical role legislation and regulations play in ensuring that consistent and reliable data is published. In this sense, they raised concerns about the current scale of greenwashing and the need to promote or incentivise disclosures that are easily interpretable.

For GRESB's uptake, the major reasons include investor expectations and credentialing a competitive advantage, peer benchmarking and performance analysis, and improved internal policies. GRESB, however, does not come without challenges such as data integrity and collection; unclear peer grouping and comparison, labour-intensive and time-consuming process that effectively privileges larger companies, underdeveloped social component (insufficiently addressing inclusion and diversity), overreliance on policies over performance, and limited benchmark transparency. Thus, even GRESB leaves users worried about the ease at which greenwashing can occur.

Overall, while ESG data reliability remains a large obstacle due to the absence of global reporting standards, in the sustainability reporting landscape, significant improvements have been made over the last fifteen years, particularly with improved regulations. It is still, however, critically important for policymakers to develop globally recognized reporting standards to increase the quality, accuracy, and comparability of ESG information. As other sustainability benchmarks used in the real estate sector are not industry-specific and the wider ESG reporting scene is fragmented, GRESB has the potential to become the *"standard"* tool but for that to happen, it needs to address the above challenges and prove that they have delivered their roadmap (GRESB, 2023). Irrespective of this, there may be potential for greater collaboration between GRESB and other institutions that use or promote different ESG benchmarks. Consequently, as predicted by Deloitte (2021), this may result in market consolidation for ESG benchmarking. Finally, regardless of making any recommended changes, GRESB should provide better guidance to their participants struggling to cope with rating preparations.

The approach adopted in this study means that the findings cannot be generalised to the wider GRESB participant community. Instead, these results should be used to contribute to further research on GRESB using larger samples of participants engaged in international real estate investments and dealing with building adaptations that address current sustainability issues. Moreover, future research should explore to what extent other sustainability benchmarks are, should or could adopt science-based targets over policy-based approaches for each ESG component, and suggest changes to the current benchmarking and its reporting.

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Insights into the use of GRESB as an ESG Benchmarking Tool

Abstract

Purpose - Sustainability practices and reporting have consistently evolved over the years with trends towards more holistic approaches with respect to~~in terms of~~ environmental, social, and corporate governance (ESG)~~ reporting~~. In the real estate sector over the last decade, GRESB (formerly known as Global Real Estate Sustainability Benchmark) has become the leading global ESG~~ rating tool and~~ benchmarking tool for real asset investments. However, it~~It~~ has attracted~~, however,~~ limited research, and this ~~is ~~underpins ~~the ~~this works' ~~reason ~~motivation for the exploration of the perspectives of real estate stakeholders relating to the uptake and use of GRESB~~ in this work~~.
Design/methodology/approach - The approach used in this study is qualitative in nature, adopting a phenomenological research design to capture the essence of the lived experiences of purposely sampled participants. This is done through an i~~I~~nterpretative p~~P~~henomenological a~~A~~nalysis of~~ several~~ semi-structured interviews.
Findings - Legislation, regulation and risk management are the main motivations for engaging with ESG-related issues. The main benefit of GRESB is benchmarking, while the main weaknesses ~~lies ~~lie in the data collection and the undeveloped social component. Within data, the major challenges are observed for the transparency of performance data and overreliance on policies instead of performance. GRESB would benefit from the inclusion of~~ding:~~ –(1) more detailed sustainability benchmarks relating to social and governance components,~~;~~ and ~~from adding a~~(2) social value metrics in their overall assessment.
Practical implications - Policymakers need to develop or support globally recognized reporting standards to increase the quality, accuracy, and comparability of ESG information.
Originality ~~-~~– This is the~~e~~ first study on ESG reporting using a phenomenological research design.

1. Introduction

To transition to a more sustainable world, the international community is aiming for net-zero emissions by 2050 (United Nations, 2020). Sustainable investment is necessary if the real estate industry is to reach the proposed current climate and environmental sustainability targets. Thus, ~~it is necessary~~ to accurately evaluate building sustainability performance,~~, which has resulted in an increase~~ stricter quantification requirements are needed~~ quantify sustainability within sectors~~.

Over the last decade, GRESB has become the leading global ESG rating tool to benchmark real asset investments, and for reporting data metrics and measures in the real estate industry. What makes GRESB different from other eco-certifications (e.g. BREEAM, LEED) is that it encompasses a holistic sustainability measurement of a company's real asset holdings (Christensen *et al.*, 2018). To date, there is a scarcity of studies ~~which~~ that focus on GRESB. Therefore, this is the first known study that uses a phenomenological methodology to explore the ~~lived-experiences~~lived experiences of real estate professionals ~~,~~ using GRESB. Such exploration of the GRESB experience enables~~the~~ ~~, to~~ identification of~~y~~ the benefits ~~and benefits~~ of adopting it as an ESG benchmarking tool.

Many built environment assessment tools have been designed to measure ~~projects~~ projects' environmental and/or sustainability performance, with the ultimate goal of improving buildings and infrastructure (Euromoney, 2020). Several countries have developed independent certification green building rating systems, such as BREEAM (Building Research Establishment Environmental Assessment Methodology), CASBEE (Comprehensive Assessment System for Built Environment Efficiency), Green Star, ITACA, LEED and DGNB (Barman, 2018; Mattoni *et al.*, 2018; Hodges *et al.,* 2022), that address energy consumption and environmental impacts during the construction, management, and operational phases of a building. They, however, rate buildings in isolation and do not consider sustainable performance in line with sustainable business policies, such as transparency, human rights, good labour practices, corporate social responsibility (CSR), supply chains, and environmental protection, which requires more holistic approaches (De Castro *et al.*, 2020).

Sustainability reporting includes CSR, socially responsible investing (SRI), sustainable development, non-financial, responsible property investment (RPI), triple bottom line, and environmental, social and governance (ESG), all different yet often used interchangeably (Siew *et al.*, 2013). The ESG criteria are a set of standards that socially aware companies and investors use to screen potential investments and practices to adopt. The environmental criteria describe the impact a company has on its surroundings; the social criteria account for how it manages relationships with people, while the governance deals with how a company ~~operates(~~operates (Ribando and Bonne, 2010)

The ESG benchmark universe is diverse (Mattoni *et al.*, 2018) and is still expanding. Despite that, t~~T~~here is confusion about the consistency of ESG definitions, scores and actual practices (Clément, 2023) ~~(Clément, 2023)~~. Several other researchers note that t~~T~~here is no universal approach covering all the ESG issues for all companies (Brandstetter and Lehner, 2015; Auer and Schuhmacher, 2016; Barman, 2018). ~~The ESG benchmark universe is diverse (Mattoni *et al.*, 2018) and still expanding.~~ The rating market is highly fragmented ~~–“~~– "*The reality is, that today it's a bit of a zoo*" – with over 600 ratings and over 4,500 ESG KPIs (Euromoney, 2020). While this would suggest a solid basis for reliable benchmarking, ~~The it is clear that for~~for this to be true, ESG KPIs need compression and standardisation (Deloitte, 2021) and must be relevant and faithfully represent what they purport to represent (IFRS, 2023). Investors' demands for ESG ratings are strong and growing but investors are frustrated about the shortcomings of ESG ratings and question both methodologies and data accuracy, which results in low confidence in ESG ratings (ERM, 2023). At the same time, regulators are asking for improved transparency (IFRS, 2023). The ratings must evolve to meet the increasing expectations of investors and regulators (Bernardi *et al.*, 2017).~~.~~

The next section reviews the literature on ESG considerations from the corporate and investors perspectives, discusses ESG disclosures, reporting and elaborates on GRESB. Section three presents our methodology, which is followed by section four which includes detailed results of the analysis and discussion on identified themes. Section five provides concluding remarks and practical implications.

2. Literature

Studies on ESGs within the real estate sector only really began ~2008 (Pivo and UNEP, 2008) and gained momentum in the late 2010s following the debates sparked by the Paris Agreement (United Nations, 2015). While expectations of abnormal returns, and to address climate emergency, are increasing, to date~~,~~ there are mixed views on the benefits and barriers to the implementation of ESG ratings. Perspectives of investors differ from what the managers can or ~~potentially could~~may deliver. The multitude of ESG KPIs is confusing and does not ~~help~~ enable clear decisions to be made. GRESB has ~~a~~ the potential to clarify some of this confusion. Thus, firstly ESG considerations are reviewed from the companies' and then from the investors' perspectives, and this is followed by a discussion on the nature of ESG disclosures and key characteristics of GRESB.

2.1 ESG company considerations

In recent years, an increasing amount of research has emerged on ~~the~~ motivations for adopting stronger ESG commitments and the effects of rising societal awareness of ESG, urging companies to incorporate sustainability into their corporate strategies. De Castro *et al.* (2020) ~~argues~~ argue that in real estate corporations, ~~a~~ cultural change and advances in business planning are required, focusing on~~:~~ (1) core premises helping to organise the collection, monitoring and controlling of sustainability goals at corporate, portfolio, and single building levels; and (2) data collection, input, and reading on sustainability issues to analyse opportunities and risks.

Wong *et al.* (2021) ~~finds~~ foun~~in~~d a positive correlation between green indicators and operating performance as ESG certification lowers the cost of capital, encouraging investors to pursue responsible investment practices. It has been noted that RPI can reduce the environmental impact of the existing buildings, as green buildings are expected to become more valuable relative to conventional ones (Pivo and UNEP, 2008). Green building certification is also shown to lower risk~~,~~ while improving energy and financial performance through~~by~~ lower~~ing the~~ cost of debt (Eichholtz *et al.*, 2019a). S~~While s~~ustainability governance and stakeholder collaboration ha~~ve~~s been suggested to improve operating performance (Husted and Sousa-Filho, 2017). Also, high ESG firms have lower systematic risk and tend to create more value when compared to lower ESG firms (Bhaskaran *et al.*, 2020). By contrast, the~~a~~ lack of collaboration across countries and sectors is a challenge for impact investments to be truly effective (Brandstetter and Lehner, 2015). This is particularly apparent for~~ and this hinders this~~ niche investment sectors where ~~from~~ it is critical to develop~~ing~~ global strategies for ~~incorporating~~ promoting social value~~financial and social values and collaboration~~.

Key risks around ESG engagement relate to the reputation of the entity choosing to proceed (or not) with specific ESG actions (Hebb *et al.*, 2010; Bhaskaran *et al.*, 2020; Krueger *et al.*, 2020; Chambers *et al.*, 2021). ESG risk management has the potential for value creation. Shea and Hutchin (2013), however, found that the insurance industry is vulnerable to emerging risks from ESG factors of sustainability and requires a systematic integration of various stakeholders' perspectives. The issue is that ESG factors appear to have a detrimental effect on value in the insurance industry with mismanagement of these factors causing reputational harm, which could be avoided and with improved management lead to greater financial benefits. In contrast, user well-being appears to improve user satisfaction and leads to increased returns. Kempeneer *et al.* (2021) argue that the social dimension of ESG is under-conceptualised and should include elements of user well-being, as it is crucial to understand user behaviour when trying to reduce the environmental impact of buildings. Further, Diouf *et al.* (2016) observe that social values, ESG issues, financial return, and the role of the institution are all complexly associated with SRI portfolios and that investment decisions depend on individual motivations and the socio-cultural context within which they are made. These observations prove the weak role of institutions and thus increasing the role of the institutions through promotion strategies and education should further increase public awareness and interest ~~around~~ in SRI.

2.2 ESG investor considerations

Institutional investors drive ~~the~~ increases in the adoption of ESG reporting, as strong ESG performance leads to better financial performance (Friede *et al.*, 2015; Khemir *et al.*, 2019; Kanuri, 2020; Feng and Wu, 2023). Hebb *et al.* (2010) also note that a *"high"* ESG portfolio outperforms a *"low"* ESG portfolio and that ESG standards have an indirect effect on financial out-performance through risk reduction and enhanced corporate reputation. In contrast, Kanuri (2020) observes that ESG ETFs have underperformed, and investors may simply allocate a proportion of their portfolio to ESG investing to add diversification benefits. It is not clear, however, to what extent investors are driven by personal values compared to those who believe that investing in ESG will simply produce a favourable risk-adjusted return. Friede *et al.* (2015) indicate a positive correlation between ESG and corporate financial performance, which reinforces the business case for ESG investments, contradicting previous common perceptions among investors perhaps biased towards the ESG-CFP relation being at best neutral.

Wider ESG rating benefits suggest that higher ESG firms score better for firm~~'~~s' value (Cajias *et al.*, 2014; Bhaskaran *et al.,* 2020; Broungen *et al.*, 2021; Chambers *et al.*, 2021). Another key aspect relating to financial performance is that companies and investors engaging with ESG disclosures tend to financially outperform non-disclosing ones (Siew *et al.*, 2013) and that ESG disclosures have a significant positive impact on all firms' operational, financial and market performance (Alareeni and Hamdan, 2020). Others have suggested that investing in CSR can lead to desirable abnormal returns~~,~~ and provide greater risk-adjusted returns and diversification benefits for investors (Garcia *et al.*, 2019; Marzuki and Newell, 2019; Jadevicius, 2020).

Nguyen *et al.* (2019) suggest that when selecting investment portfolios CSR can promote responsible finance in addition to maximising returns. Furthermore, Camilleri (2020) based on a systematic review of the extent of theory and regulatory issues on SRI highlights that the SRI market has increased the number of stakeholders involved in the scrutinization of the businesses' ESG behaviours. Conversely, high ESG scores can impact negatively ~~on~~ returns or at best provide similar market returns (Cajias *et al.*, 2014; Chacon *et al.*, 2024). For Cajias *et al.* (2014) the link between ESG performance and listed real estate companies is dependent on long and short-term costs and the benefits created by the allocation of resources to ESG activities. ~~While~~ More recently, Chacon *et* *al.* (2024) observed~~suggest~~ that Real Estate Investment Trust (REIT) managers~~ment~~ may overinvest in ESG activities at the expense of shareholder value.

Regardless of region, industry, or ESG criterion, ~~though~~ the interests of profit-seeking investors cannot be met by ESG-based stock selection. This has been shown ~~proven~~ to~~, which~~ at best provide~~s~~ ~~market level~~market-level performance (Auer and Schuhmacher~~,~~ 2016). Siew *et al.* (2013) and Alareeni and Hamdan (2020) conclude that sustainability disclosures can also decrease market performance. ~~which is~~This is further supported by Oprean-Stan *et al.* (2020) who confirm that a lack of consistency in reporting on sustainability matters negatively affects the companies' market performance and this is due to ~~impacts on~~ the challenges with the quality of data reported and ways in which organisations ~~that~~ disclose particular sustainability information ~~can decrease their market performance~~.

Another obstacle for investors adopting ESG practices is that short-term profits are prioritised over long-term value (Busch *et al.*, 2016), which links to banks' and investors' rating approaches. While integrating ESG priorities into corporate strategy does not seem to have a significant impact on financial performance (Espahbodi *et al.*, 2019), this has a stronger effect on long-term price assessments and the perceived relevance and reliability of ESG disclosures. Further, real estate investors need to be aware of the potential obstacles posed by climate risks, geographical and sector allocations that can have a significant impact on financial performance. Dopierała *et al.* (2020) noted that climate-friendly funds achieve higher returns when the investment portfolio is divided between different geographical areas of investment and industries.

2.3 ESG disclosures and reporting

There has been a general lack of legislation and regulation requiring companies to report detailed ESG information (Siew, 2015; Ochi, 2018; Karim *et al.*, 2021) and in many areas ~~at least in~~of the real estate sector, the reporting is ~~very limited~~limited (Weinfeld *et al.*, 2023). Over the years, various regulatory pronouncements have taken the market a long way in understanding the ESG factors, but much remains to be done (Morphett *et al.*, 2023). In line with market expectations, many companies voluntarily make ESG disclosures (Siew *et al.*, 2013) however, these are inconsistent and fragmented (Billio *et al.*, 2021). Christensen *et al.* (2018) confirmed that opportunities exist for energy-related features and initiatives for value creation at acquisition, during the holding period, and through superior management. While eco-labels and energy ratings add value, eco-investments are fuelled by finance-driven cost-benefit analysis over sustainability-related motivations.

Khemir *et al.* (2019) suggest that social and corporate governance ~~have~~ has more influence on investment decisions compared to environmental. In the absence of a legal obligation, many firms believe that ESG information, as a positive voluntary disclosure, should have a positive impact on financial performance. The challenge is that ESG reporting suffers from data limitations (i.e. accuracy, ~~reliability~~reliability~~,~~ and comparability) and usefulness for specific stakeholders, as companies can choose how to collect and what ESG information to disclose (Busch *et al.*, 2016; Espahbodi *et al.*, 2019; Camilleri, 2020).

As proposed by Slapikaite and Tamosiuniene (2013)~~,~~ SRI needs to be supported through legislation, education, and promotion strategies. Additionally, there may be a need for legislation to provide incentives for disclosure (Eichholtz *et al.*, 2019a). An ESG strategy can enable companies to legitimise the decision-making process (Ochi, 2018). It is necessary, however, to facilitate a system for sector-specific comparison and evaluation by announcing non-financial disclosure criteria. In the absence of clear legislation for mandatory disclosures, there cannot be an expectation that the quality of reporting will be consistent (Cho *et al.,* 2020). Thus, it is not surprising to observe international divergence in terms of the influence of mandatory ESG reporting on disclosures across stock markets (Fyodorova *et al.*, 2019). This lack of clarity is particularly important for smaller companies facing competition from large companies using ESG as a quality signal. The rapid growth of the SRI market requires a universal rating model evaluating both the financial and sustainability performances of mutual funds~~,~~ and SRI should be encouraged further by fund managers and governments (Slapikaite and Tamosiuniene, 2013).

Another challenge to ESG disclosures relates to capital expenditures by larger companies. Varyash *et al.* (2020) show that environmental innovations and ESG levels are positively linked to the company size and certain industry sectors, which may suggest greenwashing. Furthermore, firm-level cost of debt is negatively associated with ESG disclosure level and REITs with higher disclosure levels have more flexibility and higher market value (Feng and Wu, 2023). Hence, ~~the~~ REITs that do not disclose ESG information may suffer compared to their peers who use ESG disclosures to gain competitive advantage through differentiation. Moreover, Karim *et al.* (2021) stated that there is a positive relationship between capital expenditure, internal governance~~,~~ and carbon emission disclosures. As the expenditures, however, are positively associated with the level of disclosures, this negatively affects the value of the firm.

Another major obstacle to overcome is the general lack of trust due to concerns over greenwashing (Busch *et al.*, 2016; Espahbodi *et al.*, 2019; Camilleri, 2020; Morphett *et al.*, 2023), resulting in the need for improved reliability of ESG data (Espahbodi *et al.*, 2019). Brounen *et al.* (2021) observed that firms scoring highly on ESG also tend to score higher than average on performance, which indicates that poorly performing firms shy away from reporting, signalling perhaps lower quality of data. However, Chacon *et al.* (2024) ~~does~~ do not support this observation, stating that REITs with higher ESG performance scores have lower firm value and low~~v~~er operating cashflows.

2.4 GRESB

GRESB underpins investor-driven ESG benchmarking and reporting frameworks for companies investing directly in real estate. The assessment is shaped by what investors and the industry consider to be material issues in ~~the~~ sustainability performance. The GRESB methodology, contrar~~t~~y to some other tools, is consistent across regions, property types, and investment vehicles (GRESB, 2022a). The Real Estate Assessment (REA) generates two benchmarks: the GRESB Real Estate Benchmark and the GRESB Development Benchmark. REA consists of two components: *"Management"* – measuring at organisational level: strategy, leadership, policies and processes, risk management, and stakeholder engagement, and *"Performance"* – looking at asset and portfolio performance indicators, such as energy consumption, GHG emissions, water consumption and waste (GRESB, 2022a). Over recent years substantial growth in ~~the~~ GRESB uptake has been observed (Devine *et al.*, 2024; GRESB, 2024). Currently, GRESB covers some 170 thousand assets valued at some USD7.2trillion (GRESB, 2024). The rating outcomes are continuously improving, with ~~the 2023 rated~~ buildings (rated in 2023) scoring 85%. The comparison basis, however, is not representative of the whole building supply and the scores are uneven with the poorest performance being seen in Governance - Board Oversight and Metrics & Targets - GHG emissions (GRESB, 2024).

Research on GRESB remains scarce. Morri *et al.* (2020) based on European REITSs suggest that GRESB's *"greenness"* is significant in explaining operational performance, returns on equity and assets. Devine *et al.* (2024), however, looking at the

US real estate investment funds, concluded that GRESB participation and performance are associated with the value appreciation component of total returns but not with the income component and independent of local economic conditions. While GRESB appears to be effective in providing transparency and comparability across the global real estate industry (Feng and Wu, 2023), it is criticised for its limited alignment with the 2030 Agenda for Sustainable Development, especially in terms of transformative change implicit in the SDGs (Goubran *et al.*, 2023). Hence, claims that ~~the~~ GRESB is effective in advancing the SDGs are overstated and increase~~s~~ the risk of sustainability~~le~~ greenwashing in development and in even areas such as structured debt finance (Morphett *et al.*, 2023). With GRESB taking a more holistic approach than other eco-certifications, and becoming the leading sustainability benchmarking standard, it has the potential to inform reporting guidelines. It would, however, benefit from repositioning to adopt transformation-focused indicators for long-term impacts. Thus, given the limited research on GRESB, exploration of the experiences of those who are engaged in GRESB is needed to create a richer picture of the benefits and weaknesses of this benchmark.

3. Material and methods

Analysis of ESG-related ~~-~~issues suggests that investors focus ~~mainly on~~on financial performance, but they are the driving force behind the adoption of ESG reporting. In doing so, they face obstacles relating to a general historical lack of global reporting standardization, legislation, and transparency (Morphett *et al.*, 2023). Newell *et al.* (2023) are adamant that there is a need for~~to be~~ clear ESG strategies to be well embedded in company culture and decision-making, which effectively use external and internal benchmarks and are communicated externally through informative ESG reporting. For that, a universal ESG rating model is required (Slapikaite and Tamosiuniene, 2013). With GRESB emerging as the leading real estate and infrastructure ESG benchmark, this study seeks to address the lived ~~-~~experience of practitioners in their interaction with GRESB.

To address the aim of the study, exploring lived ~~-~~experiences (i.e. feelings, ~~beliefs~~beliefs~~,~~ and individual perceptions), a phenomenological methodology was adopted (Smith *et al.*, 2022). This approach is centred around understanding the personal experiences of GRESB users ~~as an ESG benchmarking tool~~. This methodology is gaining popularity amongst built environment researchers, with several recent studies adopting a phenomenological approach to understanding built environment issues (Sewell and Fraser, 2019; Sudhakaran *et al.*, 2023; Horry *et al.*, 2023) To date, and to the best of our knowledge, no previous studies have taken this stance for ESG benchmarking.

3.1 Sample selection

GRESB is a complex ESG benchmarking tool; thus, only experts who are experienced with this tool were invited to engage with this study. Hence, a purposive homogeneous non-probability sampling technique was adopted, using the following explicit inclusion criteria: (1) participants must operate in the real estate sector; (2) participants' company must have an ESG policy; and (3) participants must be experienced with GRESB, i.e. they would have submitted a GRESB assessment. These criteria enabled the selection of a small, homogenous, and specifically targeted group of participants (Smith *et al.*, 2022). Potential participants (n=239) were identified as individuals who have taken part in the latest GRESB assessment (GRESB, 2022b) and all were invited via e-mail to participate in the study. Participants were invited to take part in a 30-minute-long on~~-~~line interview (using MS ~~-~~Teams). A further interview was conducted to validate the interpretation of the evidence provided by the participants.

3.2 Expert interviews

The semi-structured interviews consisted of two parts: (a) characteristics of participants and their organisations (sector, job role, type and size of the organisation; years of relevant experience; education background; professional membership; organisations' ESG policies; years of work with GRESB); and (b) participants' lived experience and feelings towards~~of~~ GRESB based on their~~: Factors motivating~~ participants' and participant organisations' ~~to~~ engagement with ESG-related issues including~~:~~ (1) Factors motivating investors to incorporate ESG into their decision-making process; (2) Impact of legislation, regulation and promotion strategies upon ESG disclosures; (3) Drivers for getting involved with GRESB; (4) Benefits of getting involved with GRESB; (5) Challenges faced using GRESB; and (6) Weaknesses of GRESB as an ESG benchmarking tool.

3.3 Interview process

Each interview comprised for the most part standard interview questions. Some questions were modified in line with the phenomenological approach, to explore emerging themes, enable interviewees to expand when appropriate and to clarify responses (Brinkmann and Kvale, 2005). The nature of semi-structured interviews permitted open discussion on less explicit matters, to further explore participant feelings and opinions on whether or not personal values or favourable risk-return trade-offs drive investment-making decisions, and if perceived greenwashing, done by some companies, had any impact when considering ESG~~-~~-related issues. This was done by starting with exploratory questions ~~to~~ on personal experiences and dwelling on the associated feelings and impressions (Table 1).

Table 1: List of the questions posed to the interviewees

#	**Interview Questions**
	Drawing on your personal experiences and feelings…
1	What factor~~(s)~~ motivated your organisation to engage with ESG related issues?
2	What factor~~(s)~~ motivate investors to incorporate ESG into their decision-making process?
3	In what way, if any, does legislation, ~~regulation~~regulation, and promotion strategies (e.g. advertising, marketing, etc.) impact ESG disclosure in your industry?
4	What are the main driver~~(s)~~ for your organisation opting to use GRESB?
5	What are the main benefits an organisation can expect from using GRESB?
6	What are the challenges your organisation faced using GRESB?
7	What do you consider to be the most successful and/or unsuccessful feature(s) of using GRESB as an ESG benchmarking tool?

3.4 Data analysis

Analysis allows the identification of recurring themes and sub-themes to seek commonalities, relationships, and principles (Smith *et al.*, 2022). As with other phenomenological studies, no computer data analysis software was used to interrogate the data sets (Capodanno *et al.*, 2020). Moreover, the transcripts are scrutinised using a stepwise process (Table 2), which involves a repeated reading of the transcripts to extract interrelated themes and meanings, ~~so as to~~to describe the assembly of the phenomenon being investigated (Osborn and Smith, 1998; Smith, 1995). This is conceivable because the small sample size of most phenomenological studies permits micro-level reading of participants' narratives (Booth *et al.*, 2023).

Table 2: Description of the stepwise process used to analyse the participant interview narratives (based on Smith (1995) and Osborn and Smith (1998))

Step	Description
1	Interview transcripts were read, and reread several times, to ensure that a general sense was obtained of the whole nature of participants' narratives.
2	Returning to the beginning, the transcripts were reread, and any emerging themes identified and organised tentatively.
3	Attention was then focused on the themes themselves to group and define them in more detail and establish their interrelationships.
4	The shared themes were then organised to formulate consistent and meaningful statements, which contribute to an account of the meaning and essence of the participants' experience grounded in their own words.
5	The superordinate themes and statements were then referred back to the original transcripts to verify their occurrence.

The researchers involved in the study set aside their own preunderstandings ~~so as to~~to accord with the phenomenological principle of *epoche* (or bracketing), which attempts to circumvent any preconceptions or expectations to facilitate the phenomenon of the study objectively. As none of the researchers involved in the study had been involved in the creation or in the use of GRESB, the researchers' own values should not threaten the interpretations reported.

3.5 Ethical considerations and data management

The study is compliant with the expectations of university research ethics regulations in the UK (Universities UK, 2019). Ethical approval was sought before the interviews were conducted; whereby, prior to the interviews, participants were e-mailed a cover letter, a participant information sheet detailing the research design and interview process; a privacy notice explaining how data is collected and managed prior, during and after participation; and a consent form. Participation was voluntary with an option to withdraw from research within a 'cooling-off' period of two weeks after the interview took place. All interviews were recorded, ~~transcribed~~transcribed, and subsequently anonymised.

4. Results and Discussion

Using the themes and sub-themes generated by the analysis, along with selected verbatim quotes (edited for ease of reading with edits indicated in square brackets), the findings of the study are presented below under two main section headings: (a) Participant~~s'~~ demographics and backgrounds; and (b) Identified themes. To protect the anonymity of the participants, no personal information about the participants has been directly attributed to any of the direct comments included.

4.1 Participant demographics and backgrounds

Seven participants from real estate companies located across different European nations, and beyond, took part in the study. This number, which may seem small, aligns with what is expected of a phenomenological study (i.e. between six and eight participants (Gauntlett *et al.*, 2017)) and, as such, accords with previous studies, including those of Ball *et al.* (2023), Booth *et al.* (2023) and Horry *et al.* (2023) who used six, seven and eight participants, respectively.

Participants had varying sector responsibilities and experience within the real estate industry, with an average of ten years' of relevant professional experience and an average of five years' of experience collaborating directly with GRESB (Table 3). The eighth participant was a GRESB representative who provided comments on the findings gathered from the interviews with the seven participants (Table 4). All participants' organisations have formal ESG policies and as per OECD (2022) can be classified as mid-size (50-250 staff) or large-size enterprises (>250 staff). ~~The majority of~~Most participants had a high level of education, and notably one was a member of a professional organisation (Alternative Investment Management Association).

Table 3: Profiles of the participants who engaged with the study

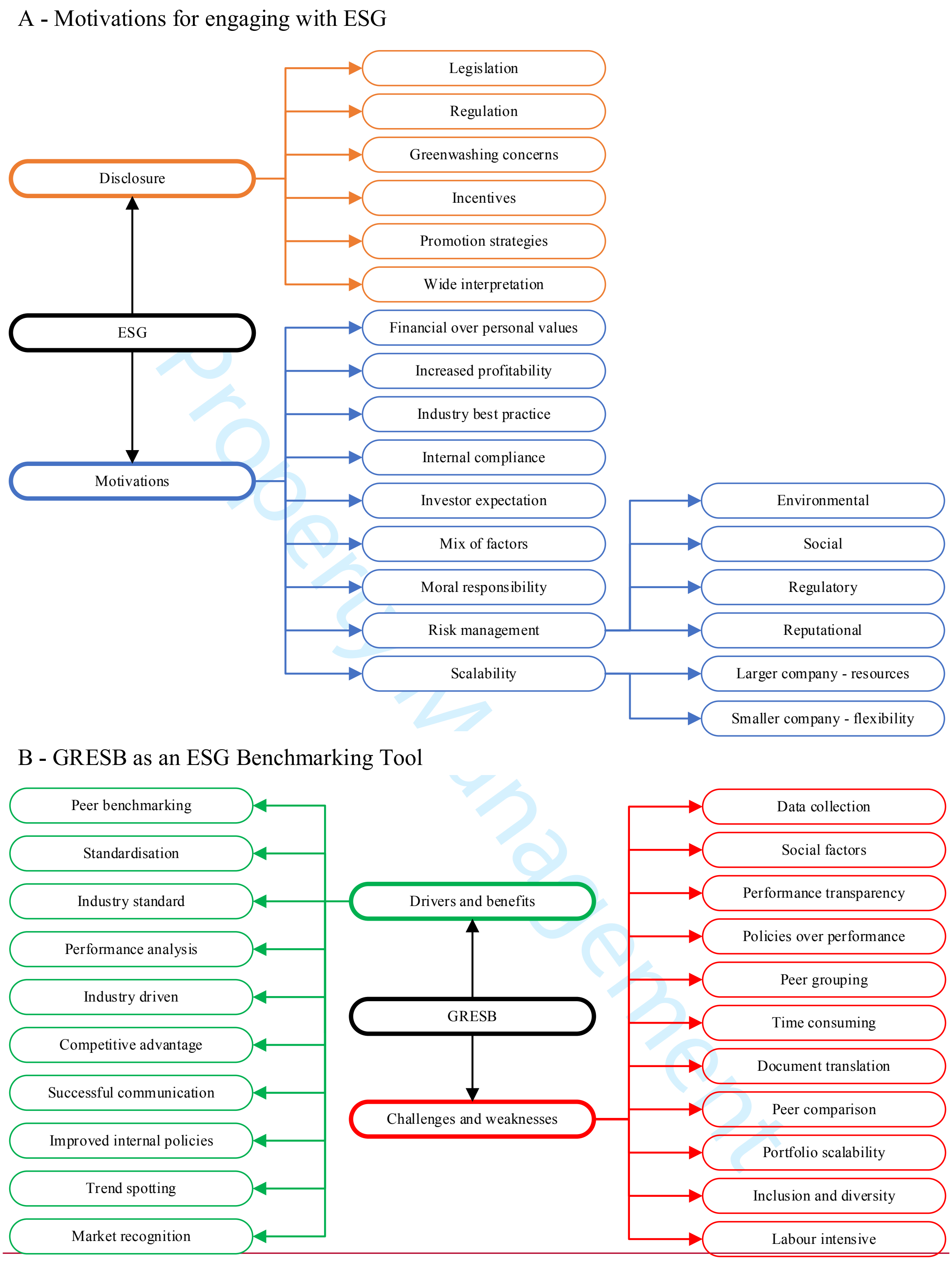
Participant	Sector	Job title	Professional sector experience / GRESB collaboration (years)	Highest academic achievement	Company size
P1	Development & Management	Senior Manager - Operations and Sustainability	10/9	Masters	Large
P2	Development & Management	Head of Sustainability	25/10	Masters	Large
P3	Investment Management	Investor Relations, Communication Manager	5/3	Bachelor	Midsize
P4	Construction & Development	Sustainability Reporting Manager	4/2	Bachelor	Large
P5	Investment	ESG Associate	2/2	Masters	Large
P6	Construction & Management	CSR Project Manager	14/8	High School Diploma	Midsize
P7	Asset Management	Head of Sustainability	11/2	Masters	Midsize

Table 4: Profile of the GRESB representative

Participant	Sector	Job title	Professional sector experience / GRESB collaboration (years)	Highest academic achievement	Company size
P8	GRESB	Real Estate Analyst	1/1	Masters	N/A

4.2 Identified themes

The findings from the analyses are surmised in Figures 1a and 1b, with the themes extracted from the conversations listed in ranked ~~order, and~~order (according to their cited frequency) and are now presented and discussed beneath.


A - Motivations for engaging with ESG
Disclosure
ESG
Motivations
Legislation
Regulation
Greenwashing concerns
Incentives
Promotion strategies
Wide interpretation
Financial over personal values
Increased profitability
Industry best practice
Internal compliance
Investor expectation
Mix of factors
Moral responsibility
Risk management
Scalability
Environmental
Social
Regulatory
Reputational
Larger company - resources
Smaller company - flexibility
B - GRESB as an ESG Benchmarking Tool
Drivers and benefits
GRESB
Challenges and weaknesses
Peer benchmarking
Standardisation
Industry standard
Performance analysis
Industry driven
Competitive advantage
Successful communication
Improved internal policies
Trend spotting
Market recognition
Data collection
Social factors
Performance transparency
Policies over performance
Peer grouping
Time consuming
Document translation
Peer comparison
Portfolio scalability
Inclusion and diversity
Labour intensive

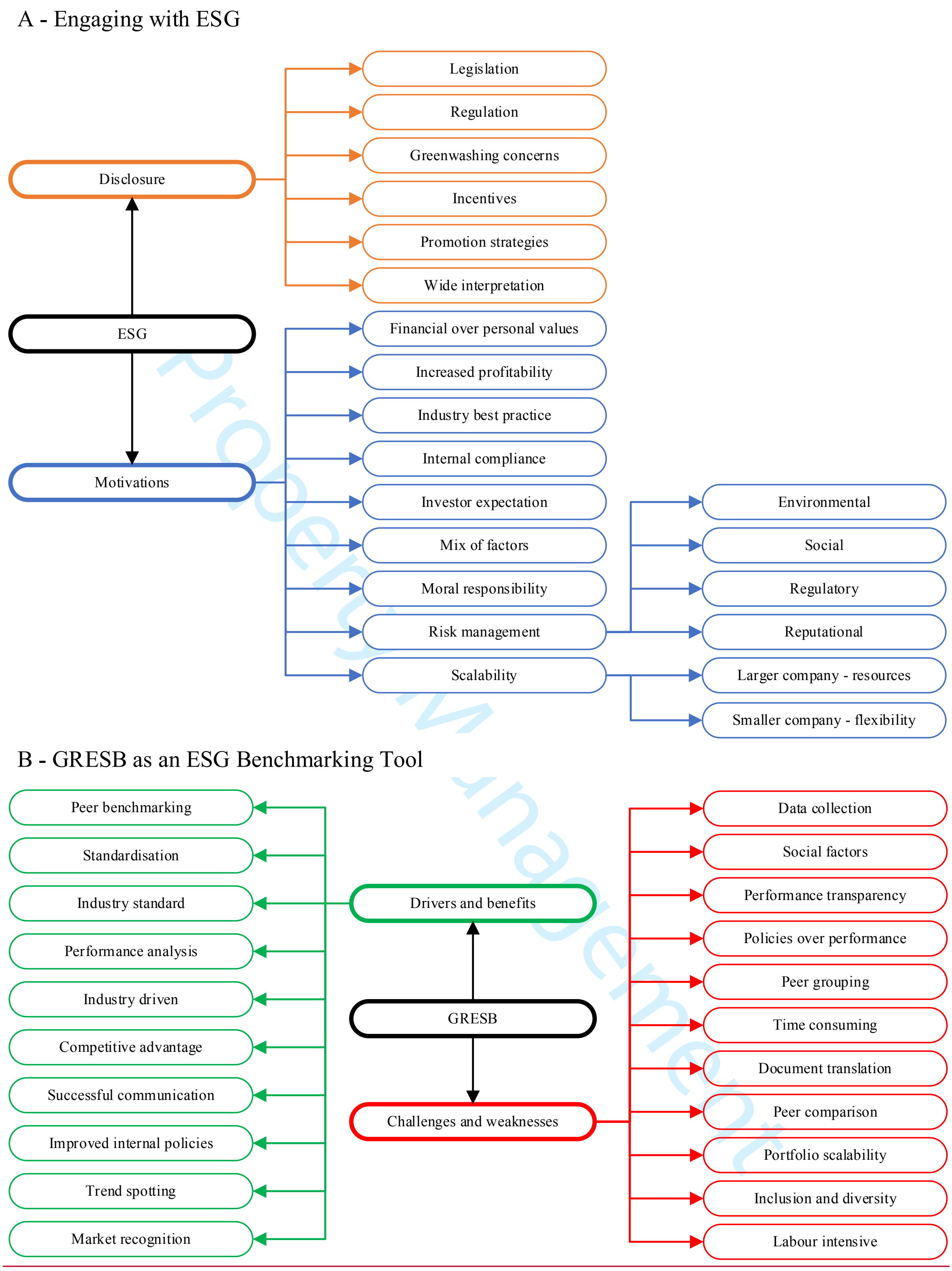


Figure 1: A summary of the themes and sub-themes extracted from the analyses

ESG organisation motivations

All participants declared that their organisations' main motivation to engage with ESG is important with three indicating engagement driven by investors wanting to be seen to work with companies of good sustainability credentials. Many responses centred around risk management and ~~the~~ reputational concerns like *"I think for the executive committee especially, it is the risk, the risk of not doing"* (P5). This supports Hebb *et al.* (2010) and

Chambers *et al.* (2021) conclusion that RPI~~,~~ when viewed in the wider context of ESG, enhances corporate reputation and confirms the notion of negative reputational risks associated with not engaging with ESG (Shea and Hutchin, 2013; Krueger *et al.,* 2020; Bhaskaran *et al.*,2020; Brounen *et al.*, 2021). Only one participant, however, ~~viewed~~ passionately expressed that engaging in ESG is~~as being~~ *“one of the most efficient ways to increase [...] profitability”* (P2).

In line with De Castro *et al.* (2020), participants explained that the concept of *“sustainability aligns very well with the values and objectives of the organization”* (P7). This demonstrates that a full commitment to ESG can be made despite claims that integrating ESG priorities into corporate strategies does not have any impact on financial performance (Espahbodi *et al.*, 2019). Other participants, however, nostalgically suggested that the focus on ESG *“started 10 years ago with more personal beliefs, but now [...] it has moved away from personal values”*, but *“it's quite hard to separate those two* (P2). Then the same participant with irritation added that *”[j]~~J~~ust because I do believe that even if there was no investment requirement, the business would still want to do these things”* ~~(P2)~~. ~~Many participants~~ P1 in a stern voice observed that there is *“an overall commitment to ESG and being a right kind of moral actor, and good corporate citizen”*. They then went on to ~~(P1) seeing themselves as~~ stress having a personal fiduciary responsibility when considering ESG. This perception was revealed particularly through emotionally loaded statements suggesting participants’ attachment to ESG values.

ESG investor motivations

When addressing the perception of investors’~~s~~ motivations towards ESG engagement, most participants spoke of risk management informing decision-making. While the environmental risks are more self-evident, many participants complained~~argued~~ that *“real estate investments and real estate activities are also related to social risks, but they are typically not easy to identify”* (P2) and pointed out investors’ reputational risk as *“pressure to engage with ESG”* (P5). This confirms that investors consider a wider range of risk management aspects when seeking greater risk-adjusted returns and diversification benefits (Marzuki and Newell, 2019; Camilleri, 2020; Jadevicius, 2020; Kanuri, 2020; Morri *et al.*, 2020). Some participants somewhat reluctantly observed that investors are also concerned about preserving value in the long term and that *“there's some great evidence that [...] companies and investors that consider ESG perform better”* (P7). While this contrasts with Diouf *et al.* (2016) who found that prioritising short-term profits over long-term value was another barrier to ESG, this ~~confirms~~ corroborates past research suggesting that RPI in the wider context of ESG increases financial performance (Hebb *et al.,* 2010; Chambers *et al.*, 2021) and that there is a positive correlation between ESG and financial performance (Friede *et al.*, 2015; Khemir *et al.*, 2019; Kanuri, 2020; Oprean-Stan *et al.*, 2020; Feng and Wu, 2023). Overall, participants believe investors are also engaging for legislative and internal compliance reasons, but *“it depends on the region. In Europe there's a lot more recognition of the issue and I think it's a mixture of regulatory pressure from the ~~EU”~~(EU”* (P5).

All the participants appeared to feel somewhat disgusted or irritated and ~~had~~ concerned~~s~~ about~~over~~ greenwashing *“because it is so easy to do”* (P3) and that *“there's a lot of grey area, especially around carbon offsetting. What is considered to be net zero? What is carbon neutrality? I think a lot of that can be used to sway investors certainly”* (P4). Although investors are becoming more aware of greenwashing, and there is more scrutiny over public disclosures, participants hesitantly expressed their doubts through observations such as *“to be completely honest with you, I don't know that there are enough investors who can detect greenwashing. So, I think a lot of companies and people* *can get away with it"* (P5), or *"I can't say they [investors] are precisely looking into this matter and verifying that what we say is true or not"* (P6). This confirms Espahbodi *et al.* (2019) view that there is a need to improve the perception of ESG data reliability and ~~improving~~ improve trust in the data (Busch *et al.,* 2016; Camilleri, 2020).

ESG disclosures

Historically there has been a general lack of legislation and regulation requiring companies to report detailed ESG information (Siew *et al.*, 2013; Ochi, 2018; Fyodorova *et al.*, 2019; De Castro *et al.*, 2020). Yet, all participants firmly felt that there is a big legislative and regulatory impact upon ESG disclosure and *"we're getting more legislation and regulation in terms of what needs to be disclosed"* (P7) but this varies across the globe. P4 with disgust expressed that *"i~~I~~n the EU and Australia, legislation is much more stringent when it comes to carbon reporting and transparency and we're not quite there yet in North America"* ~~(P4)~~. This was backed by other participants who stated that *"regulation is really big [when speaking] about Europe because it has the most progressive regulation, in the US and APAC it's not the same."* (P5).

All participants appeared to have~~held~~ mixed feelings~~views~~ on the impact of promotion strategies observing that *"certainly we've seen a sophistication in the types of ESG disclosures that have happened looking at corporate social responsibility reporting in 2011, let's say versus 2021"* (P1). P2 lamented that ~~but~~ *"marketing possibilities are not related to actual disclosure, because ~~I think~~[…] we see quite a lot of fluffy green claims in the industry that are not always backed up with facts"* ~~(P2)~~. This undermines the perspective of Diouf *et al.* (2016) that increasing the role of the institution through promotion strategies will further increase public awareness and interest in SRI.

Many participants argued that there was a scalability issue and complained that *"smaller companies don't have specialist departments, so it takes a lot longer to get things moving, and large companies have seen an impact much quicker"* (P3) and in a ~~complained~~whining tone expressed that disclosures are *"generally still aimed at large organizations, so [we are] certainly seeing the big organizations with ESG teams doing more of that"* (P7). This ~~confirms~~ supports suggestions of a positive relationship between capital expenditure, internal governance and carbon emission disclosures pointing towards expenditure being positively associated with the level of disclosure (Karim *et al.,* 2021). In line with Cho *et al.* (2020), one of the participants nodded~~stated~~ that they are *"disclosing over and above what [they are] required to, but a lot of the disclosure […] relates to different initiatives"* (P4). This emphasises that voluntary non-financial disclosures, while informative about the business, would not necessarily add transparency about environmental sustainability in the built ~~environment~~environment.

All participants felt that in the future disclosures would eventually become mandatory across sectors, but they were eminent that these would have to be *"greenwash proof [and] as much as possible standardized across the ~~globe"(~~globe"* (P5). Instead of incentivising, participants expected "*more standards and guidelines"* or a legal "*stick rather than a carrot"* (P4) arguing that there are enough incentives via ethical investments. Consequently, the above contradicts research calling for legislation to provide incentives for disclosure (Eichholtz *et al.,* 2019a), and does not suggest that incentive-making would encourage companies to tackle negative externalities (Ochi, 2018).

GRESB drivers

Green building certification has been shown to lower risk~~,~~ and improve energy and financial performance (Eichholtz *et al.*, 2019b; Holtermans and Kok, 2019; Brounen *et al.*, 2021). None of the participants, however, indicated direct financial performance as a driver for involvement with GRESB. There was, however, agreement on the aim for a favourable risk-return trade-off. Some participants felt that ~~believed~~ their companies were investor-driven: *"investors are constantly asking, and it is a topic that is followed up all the time. At the beginning, we were simply asked do you participate in GRESB? And now the questions have moved to what was your last score.~~?~~"* (P5). Only one participant beaming with pride stated that they ~~"we~~ *"wanted to do it because [they]~~we~~ felt it was important and rather than investors asking for it"* (P5) indicating their~~a~~ sense of moral responsibility towards sustainability (Christensen *et al.*, 2018). Many participants were less emotionally driven and used GRESB to prove their sustainability credentials and *"to standardize the performance of all our assets across our different portfolio of companies"* (P4) and stressed that they *"understood what [they]needed to do, what was required, which allowed [them] to work on a gap analysis and steps program to see how [they] could improve"* (P3). Another key driver highlighted by many participants was the ability to establish how they *"actually benchmarked towards [their] peers"* (P2). This was particularly important for participants whose companies were the first company to take part in the benchmark in their region and gave them a competitive advantage over their peers and ultimately led to other organisations in the region following in their footsteps.

GRESB benefits

When discussing the benefits of GRESB benchmarking, participants compared GRESB to green building certification. P5 ironically summarised that:~~:~~ *"We consider GRESB to be the portfolio version of green building certifications like BREEAM, LEED, WELL, which is just basically a very easy stamp to say this building is more sustainable than the average building. We use GRESB in a similar way to put that stamp to say this portfolio is this much better than our peers, or much better than our other funds etc."* ~~(P5).~~

All participants felt~~stated~~ that the overriding benefit from participating in GRESB was~~is~~ the ability to benchmark their performance against their peers and *"it's been nice to have some insight as to ~~how you~~ how you're performing at a portfolio level compared to others around the globe"* (P1). These benefits, however, are declining as participants observed that they ~~"we~~ *"have moved towards the benefits not being as high as they need to be to justify all the work that is behind the participation"* (P2).

A further key benefit identified by most participants has been their performance analysis as a *"useful measure of assets, database performance, and the sustainability performance of our portfolio"* and *"a really clear analysis of what [they were] doing well, what [they were] not doing well and how [they] can improve"* (P7). Participants also appreciated GRESB for improving communication and internal policies and confidently confirmed~~ing~~ that they *"did use GRESB to try to improve [their] internal policies and open [their] mind to further improvement [they] could make"* (P6). Another benefit was~~is~~ that GRESB can spot market trends and *"if GRESB [starts] to talk about it and integrate it, then [it will become] important to the investors"* (P3).

Most participants agreed that GRESB has become a global real asset industry standard for ESG reporting as it has *"helped move the industry towards being more sustainable"* (P2) ~~and due to~~ because of its *"market recognition, longevity and being consistent"* (P7). Ultimately, the high number of participants *"makes it a worthwhile benchmark because it is easier to compare against peers"* (P6). Another key observation was that GRESB successfully brings together ESG components under one benchmark covering a wide range of ESG matters. Participants also felt that performance analysis while evolving, has been very useful even though *GRESB “just brought in asset level performance data in the last couple of years, previously it was just portfolio level”* (P4). Finally, participants felt~~expressed~~ that *“GRE~~B~~SB customer service helped them get to the point of submission ~~and“ has~~and ~~“~~has been helpful when [they had] questions”* (P5).

GRESB challenges

The main challenges to GRESB’s implementation include: (1) data collection; (2) effort (labour intensity and time); (3) peer grouping and peer comparison; and (4) translation of documentation. Four participants saw data collection as the biggest challenge for GRESB implementation. Another issue is the access to data especially when buildings are managed by tenants or a separate entity, particularly in relation to the environmental management system of the building. Overall, participants agreed that the whole process was time-consuming and labour-intensive to the extent that one of the participants ~~stated that~~ felt that they had~~ve~~ *“become a little sceptical about participating in GRESB and [they] had some discussions with investors maybe to quit because [it was] maybe too time consuming in relation to the benefit it gives”* (P2). Participants also appeared to feel~~noted~~ that the biggest challenge was in the first year when~~as that~~ they were asked about indicators that they would not~~n’t~~ have followed.

Peer group composition GRESB assigned to the participants and peer comparison ~~seem to be~~were seen as problematic with participants feeling that it was~~as it is~~ *“challenging to understand how GRESB determines who the peer group is, based on the size of the portfolio or the types of submitted assets”* (P1). *“It also [is] sometimes very tricky to benchmark such different assets. E~~, e~~ven with peers, [portfolios]~~it~~ sometimes appear~~s~~ to be completely different [in terms of]~~as~~ age, asset type, or location”* (P3) and therefore not easily comparable. Finally, for non-English language organisations language is a challenge as companies *“need to upload all the documentation in English”* (P2) and that requires translation of lengthy documents.

GRESB weaknesses

Most participants observed~~suggested~~ that the social component of the benchmark was underdeveloped and required more focus noting that they have *“been doing a lot of work into inclusion and diversity, but there is very little of that within GRESB. It will be really useful to have one benchmark that has a lot more E, S and G in one place”* (P3). Participants also felt~~observed~~ that the social aspect only contributes indirectly through the workers’ satisfaction survey in the benchmark and that the social factors over-rely on policies rather than actual outcome data. Thus, they ~~and~~ recommended that *“factoring in a social value metric, or something similar would be helpful to have a more cohesive look at the ESG performance”* (P4). That, however, does not mean that GRESB *“should start from scratch and try to build it themselves as there's a lot of other standards out there that they can rely on and partner with”* (P5). The above corroborates with Kempeneer *et al.* (2021) conclusions that the social dimension of ESG is under-conceptualised and should include elements of user well-being as critical for user behaviour. All participants seemed to feel a bit lost and would welcome more transparency around the performance data: *“whether it's at portfolio level, or asset level, you're not sure what's going to come out in terms of score”* (P1).

Participants also anxious ~~indicated~~ that there is an issue of overreliance on policies. P1 ~~and~~ after a pause hesitantly concluded that *“maybe having a weighting that's a little more performance heavy and less policy heavy would be preferable”*~~-~~. However, ~~(~~P1 was also~~)~~ ~~but they were~~ sceptical about very high scores which *“sometimes [...]*

makes one wonder, how much digging [has been done] into the actual implementation of these policies". P2 shrugging his arms with disappointment ~~(P1) and~~ suggested that there are~~is~~ "*a lot of questions, [one] can upload almost anything, and as long as the policy itself covers the items or topics, [the building is] awarded full points"* (P2). Thus, participants were clear~~suggested~~ that it should be GRESB's responsibility to check claims (e.g. via other disclosures) but as P2 complained that *"~~but~~ it seems like [GRESB is]~~they are~~ not doing that analysis"* ~~(P2)~~. Moreover, participants felt disappointed and questioned the rationale behind being able to score 100% in the management component year on year, raising greenwashing concerns as *"there are a lot more ways to be greenwash-proof and put more weight on whether or not one has science-based targets"* (P5) and concluded that even though they did have a science-based target they scored 100%. Participants felt that GRESB is more suited to companies with portfolios of larger buildings: *"I think it just means it's a bit harder to collect, submit all the data and potentially lose points by not having particular plans, BMS building managers, for the likes of individual building versus doing at a corporate level and being difficult to report"* (P7).

With respect to experience with other sustainability benchmarks, most of the participants confirmed that they were working with sustainability benchmarks such as Sustainalytics, ISS ESG, CPD and Gaia Rating. The main difference was that as opposed to GRESB, neither Sustainalytics nor ISS ESG were ~~industry-specific~~industry specific. GRESB was noted as superior to CPD due to its benchmarking for operational performance. On the other hand, P6 confidently praised the Gaia rating ~~was observed to be~~ for being *"much less complicated [as it] has less questions and the process is less heavy to handle"* ~~(P6)~~.

Overall reflection on GRESB

While explicit questions regarding participant's overall reflections on the use of GRESB were not asked, in general, p~~P~~articipants were upbeat and positive about the use of GRESB and saw it as a remedy for *"fluffy sustainability reports"* (P2). As one of the participants noted: *"To us as an organization [GRESB is] both challenging and inspiring. […]. I think it has helped us maybe move faster than we would have done otherwise because [of] the competition element"* (P2). Further, participants felt that *"whatever they're doing to permeate the industry it seems to be working"* (P1) and that it is *"handy knowing that many of our peers are all on board with the same ESG benchmark"* (P1). This explains why despite GRESB weaknesses, the participants have not suggested alternatives to GRESB and instead were somewhat forgiving expecting that desired changes can be easily made to ensure that this benchmark is fit for purpose and worth the effort.

4.3 Verification of the GRESB findings

To validate the above observations, a GRESB representative in a follow-up exploratory conversation provided insights on the main challenges and weaknesses identified by the study participants to highlight potential areas for improvements. Participants were concerned about the perceived greenwashing that affects investor behaviour, to which GRESB's response centred around the integrity of the participants and the granularity of the questions and evidence to responses: *"We don't just ask do you have ESG policies in place, if so, who is responsible for them? How do you reward policies relating to our targets? What are the metrics you use? So, for most of these questions we ask for further evidence and this does prevent a lot of participants that would try to engage in this type* *of behaviour"* (P8). With~~In~~ respect to the transparency of the benchmarking process and performance and management scoring, GRESB confirmed that this is problematic as it is easier to achieve higher scores in the management section and stressed that *"GRESB tries to measure […] not just [the] policy, but also what kind of impact does this entity have on its community"* (P8).

Peer groupings and comparisons have been observed to be problematic especially in terms of international or subsidiary comparisons. As peer-grouping is based on location, property subtype, investment style and depending on the location, *"a company can have two different submissions […]. So even if you are in the same company, we will compare you [to] where you are located, and we try to make the peer group as close as possible to the entity that is being scored"* (P8). The social aspect of ESG requires more focus, in particular regarding health and wellbeing, diversity and inclusion, and other sustainability benchmarks focusing on the social and governance characteristics, which GRESB acknowledged as one of their priority areas.

The time-consuming and labour-intensive process was seen as giving the impression that GRESB would be targeting larger companies with more time and resources, which was acknowledged by GRESB. GRESB also noted that participants are allowed to outsource submission preparation and that the following year *"existing data entered is prefilled and recycled automatically and can be adjusted manually, on an ad-hoc basis [which] drops the reporting burden significantly [and] our guidance is very clear.* They then proudly and confidently confirmed that they *"~~We~~ always encourage our participants to read the instructions, everything is there, and we try to make the portal very user-friendly"* (P8). An additional challenge was non-English language documentation. To which GRESB with surprise clarified that complete translation was not required as *"the evidence can be in a different language, but you need to write in a text box in English an explanation on which page you can find the relevant data and translate some relevant sentences"* (P8).

5. Conclusion

This study aimed to gather the lived ~~-~~experiences of real estate professionals involved in the use of GRESB as an ESG tool. ~~It is surmised that t~~The primary reasons for engaging with ESG are financial considerations; internal compliance and risk management (~~and~~ in particular reputational risk of the corporate brand); ~~financial considera~~investors' expectations and preserving long-term value; and, particularly in Europe, the tightening legislation and regulations governing ESG reporting.

When it comes to ESG disclosures, research participants were clear about the critical role legislation and regulations play in ensuring that consistent and reliable data is published. In this sense, they raised concerns about the current scale of greenwashing and the need to promote or ~~perhaps incentivise~~incentivise disclosures that are easily interpretable.

For GRESB's uptake, the major reasons include investor expectations and credentialing a competitive advantage, peer benchmarking and performance analysis, and improved internal policies.

GRESB, however, does not come without challenges such as data integrity and collection; unclear peer grouping and comparison, labour-intensive and time-consuming process ~~which~~ that effectively privileges larger companies, underdeveloped social component (insufficiently addressing inclusion and diversity), overreliance on policies over performance, and ~~somewhat limited~~limited benchmark transparency. Thus, even GRESB ~~the benchmark~~ leaves users ~~concerned~~ worried about~~with~~ the ease at which greenwashing can occur.

Overall, while ESG data reliability remains a large obstacle due to the absence of global reporting standards, in the sustainability reporting landscape, significant improvements have been made over the last fifteen years, particularly with improved regulations. It is still, however, critically important for policymakers to develop globally recognized reporting standards to increase the quality, accuracy, and comparability of ESG information. As other sustainability benchmarks used in the real estate sector are not industry-specific and the wider ESG reporting scene is fragmented, GRESB has the potential to become the *"standard"* tool but for that to happen, it needs to address the above challenges and prove that they have delivered their roadmap (GRESB, 2023). Irrespective of this, there may be potential for greater collaboration between GRESB and other institutions that use or promote different ESG benchmarks. Consequently, as predicted by Deloitte (2021), this may result in market consolidation for ESG benchmarking. Finally, regardless of making any recommended changes, GRESB should provide better guidance to their participants struggling to cope with rating preparations.

The approach adopted in this study means that the findings cannot be generalised to the wider GRESB participant community. I~~and i~~nstead, these results should be used to contribute to further research on GRESB using larger samples of participants engaged in international real estate investments and dealing with building adaptations that addressi~~ng~~ current sustainability issues. Moreover, future research should explore to what extent other sustainability benchmarks are, should or– could adopt~~ing~~ science-based targets over policy-based approaches for each ESG component, and suggest changes to the current benchmarking and its reporting.

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