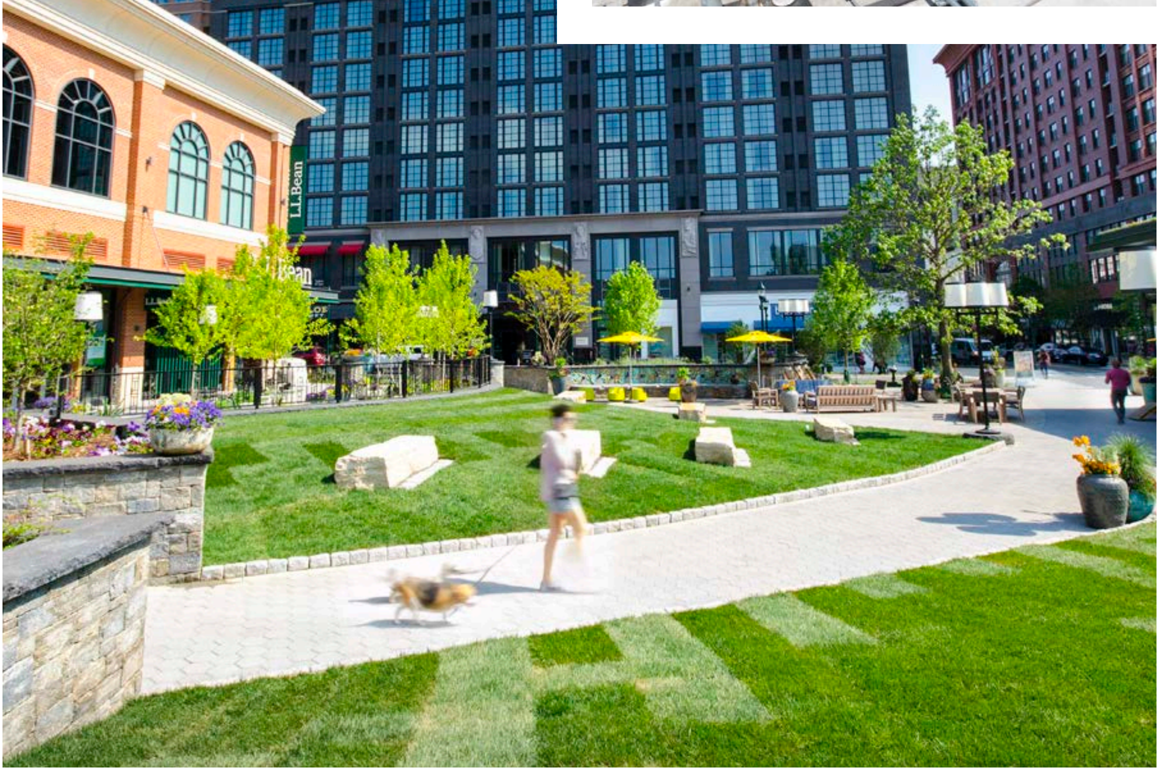
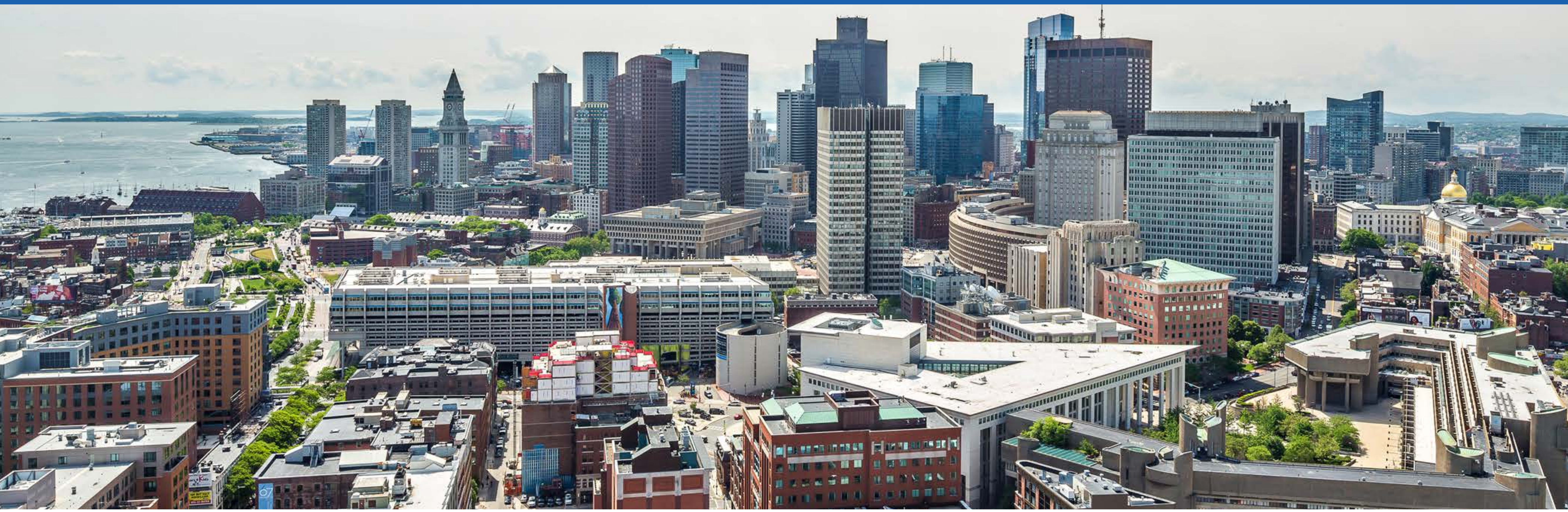
Nareit Real estate working for you®

REIT Industry ESG Report

June 2020



Leadership Statement



ABOVE:
AvalonBay Communities, View from Avalon Salon North

COVER TOP:
AvalonBay Communities, Community Volunteers

COVER MIDDLE:
AvalonBay Communities, Avalon at Foxhall

COVER BOTTOM:
Federal Reality Investment Trust, Pike and Rose

Nareit's second-annual REIT Industry ESG Report appears in the midst of the novel coronavirus crisis. Activities and developments highlighted in this report took place in 2019, largely before the onset of COVID-19. Yet, the twin health and economic challenges brought about by SARS-CoV-2, together with the killing of George Floyd and resulting protests in favor of social justice and racial equality in communities across the nation and world, underline boldly the fundamental and growing importance of ESG in all of its manifestations.

Environmental Stewardship

Environmental stewardship has long been a focus area for the REIT industry, with investments in energy-saving and waste-mitigating technology, sustainable building materials, and responsible environmental management processes prioritized by nearly 100% of the industry. In recent years, REITs began tracking the impact of these environmental efforts, and have found significant cost savings, solid tenant and community engagement, strong executive and board commitment, and effective risk management to be some of the lasting, value-added benefits.

Social Responsibility

As developers, owners, and operators of the built spaces which the full range of communities and societies use each and every day, the REIT industry has long been focused on its social responsibility. Last year, we observed a variety of impactful and innovative partnerships and programs that address customer needs, engage employees, and promote community well-being. Yet, needless to say, there is much more work to be done, both in terms of effective, transparent reporting and community engagement, especially with respect to bringing African Americans and other people of color into the REIT and real estate investment industry.

Good Governance

REITs have a long history of good governance practices, but there is always room for improvement. Over the past year, the growing use of cross-functional ESG teams, ESG executive compensation policies, diversity and inclusion initiatives, cybersecurity programs, and oversight committees became mainstream discussions in the corporate world, with leaders in the REIT community embracing a number of these increasingly important governance practices.

All the best.

Steven A. Wechsler
President & CEO

LEFT: Federal Realty Investment Trust, Pike & Rose, North Bethesda, MD

MIDDLE: Hersha Hospitality Trust, Clean the World Partnership

TOP RIGHT: Hudson Pacific Properties, Epic Building in Hollywood

BOTTOM RIGHT: Federal Reality Investment Trust, Pike and Rose, Solar Panels

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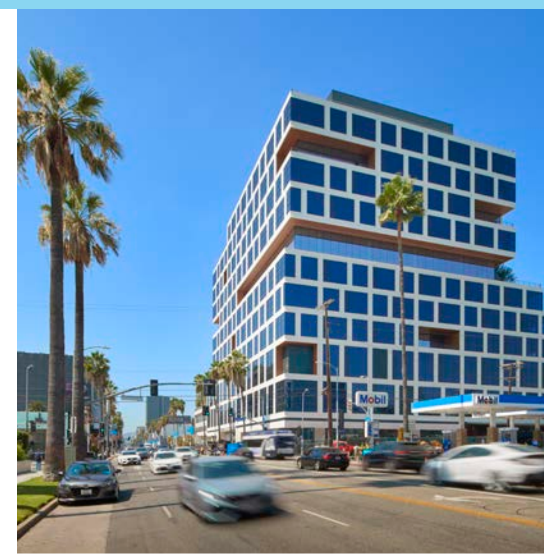
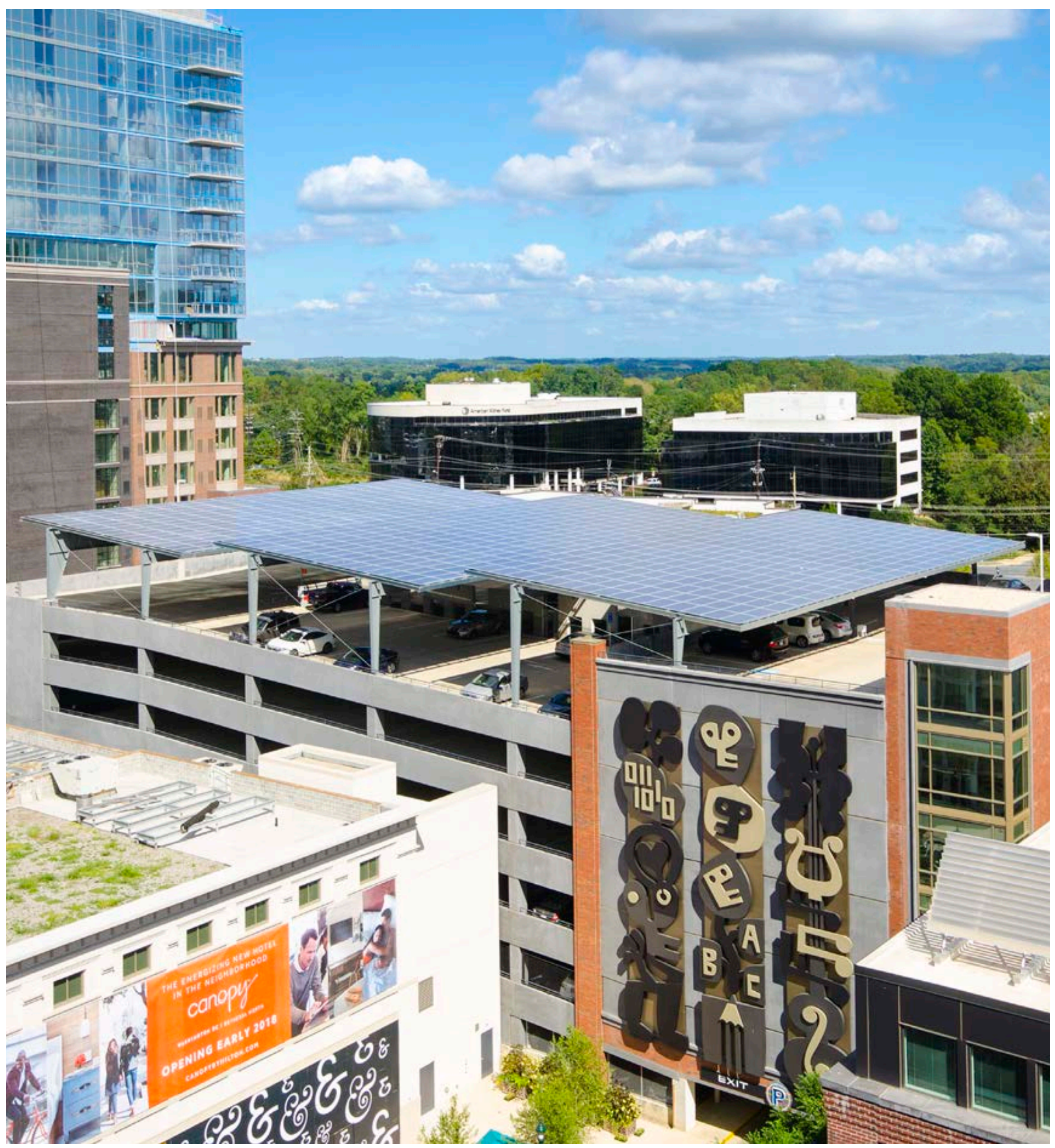




About This Report

This second-annual report of the REIT industry's environmental, social, and governance (ESG) efforts provides an overview of the state of sustainability efforts in the publicly traded U.S. REIT industry.

Building off the baselines established in 2019 for REIT industry performance, this report serves as a practical tool for stakeholders to assess the scale and impact of the REIT industry's ESG commitments and initiatives.

How Do We Define ESG?

Nareit defines "ESG" as environmental stewardship, social responsibility, and good governance. This report encompasses all components of an organization's environmental, social, and governance policies, practices, and disclosures.

In this report, "ESG" is also used synonymously with "sustainability".

The REIT industry prioritizes responsible and effective management of environmental, social, and governance issues to help drive return on investment for shareholders and long-term value for employees and communities.

AT A GLANCE:

REITs & Real Estate

What is a REIT?

A REIT is a company that owns, operates, or finances income-producing real estate. Collectively, REITs own real estate assets across a broad range of property sectors. Some REITs specialize on a specific property type, while others own a diversified portfolio of various property types. REITs provide all investors the chance to own valuable real estate, present the opportunity to access dividend-based income and total returns, and help communities grow, thrive, and revitalize.[1]

$2 Trillion

U.S. stock exchange-listed REITs own approximately $2 trillion in assets, representing more than 520,000 properties, categorized across 12 property sectors.[2]

2.8 Million

REITs help finance 2.8 million homes in the U.S.[4]

25 Years

REITs have historically provided total returns above the S&P 500 over the past 25 years.[5]

87 Million

Approximately 87 million Americans invest in REIT stocks through their 401(k) and other investment funds.[3]

$109.4 Billion

REITs raised $109.4 billion in public market offerings in 2019.[6]

What Are ESG Criteria?

ESG criteria are sets of widely recognized topic areas and metrics used to manage, monitor, and report on an organization's sustainability performance.

Environmental refers to an organization's processes, policies, practices, and impact related to the natural environment.

Social refers to an organization's processes, policies, practices, and impact with regard to the people—both internal and external—with whom it interacts.

Governance refers to an organization's processes, policies, practices, and impact regarding its organizational design, transparency measures, policies, protocols and procedures, and formalized governing bodies, roles and responsibilities.[7]

Report Methodology

The following primary data sources were used, supplemented by industry research, as cited throughout the report.

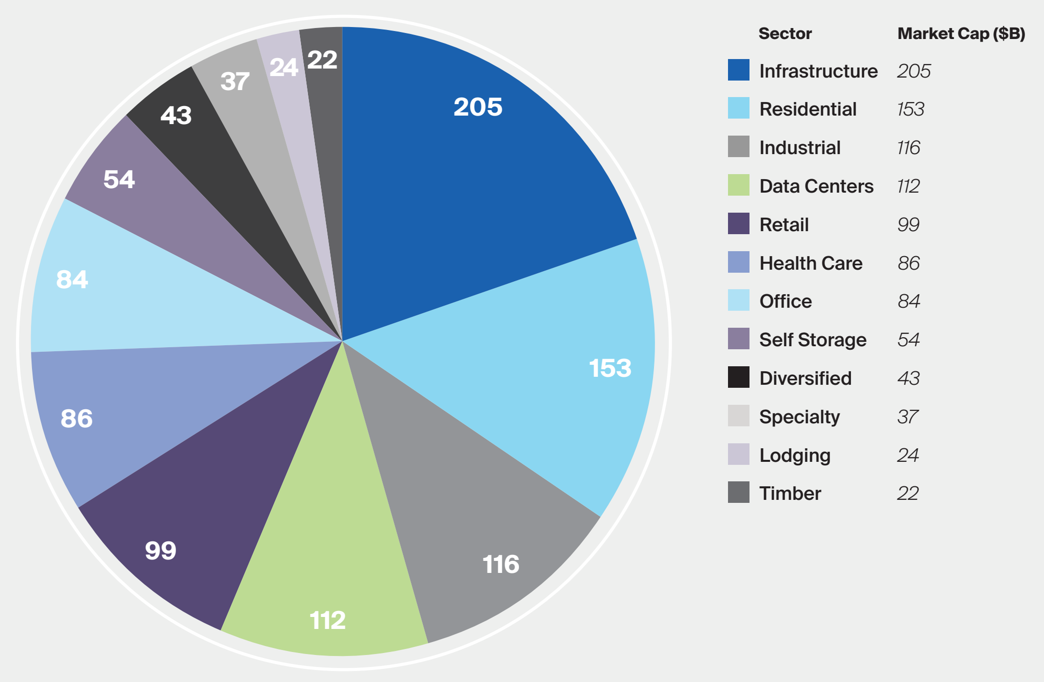
2019 Nareit REIT ESG Dashboard
ESG performance metrics from the top 100 U.S. equity REITs by equity market capitalization, based on publicly available and voluntarily disclosed data.

2019 GRESB U.S. Portfolio Analysis Report
Industry-leading benchmark of ESG performance based on voluntarily reported data from 43 U.S. equity REITs.

2019 Nareit Member Survey
Voluntarily reported data from 61 Nareit-member U.S. equity REITs via an electronic survey.

2019 Nareit Diversity and Inclusion Survey
Voluntarily reported diversity and inclusion data from 105 Nareit-member U.S. equity REITs via an electronic survey.

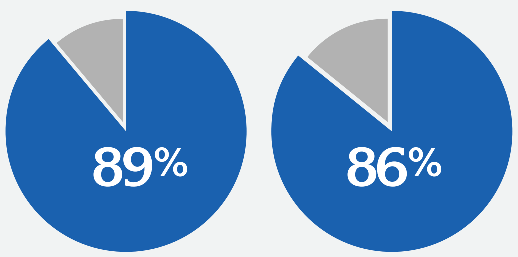
Total REIT Equity Market Cap by Sector ($B)



Source: Nareit

ESG Reporting & Disclosure

REITs Continue to Increase ESG Reporting and Disclosure Rates



89% of the top 100 REITs report ESG publicly

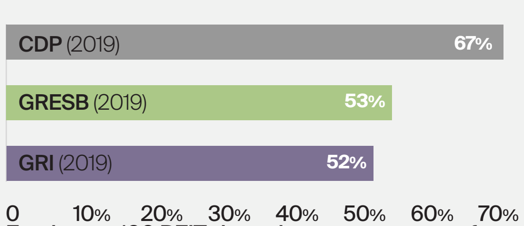
86% of S&P 500 companies report ESG through sustainability reporting[8]

84 of the top 100 REITs, representing **89%** of the total equity market capitalization[9], report ESG publicly, with over half issuing stand-alone sustainability reports. This is up from 78% in 2018.

In 2019, U.S. REITs continued to make great strides in improving the breadth and depth of their ESG reporting and disclosure. A growing percentage of both institutional and individual investors expect companies to report on ESG issues,[10] and over two-thirds of Nareit members surveyed said demand by investors for ESG reporting has continued to increase over the past year.[11]

In 2019, a growing number of REITs aligned their ESG reporting with voluntary disclosure standards and guidance frameworks, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). At least one REIT this year has made their ESG reporting part of their quarterly 8(k) SEC filings, becoming the first in the industry to do so.

Percentage of REITs Reporting to Disclosure Standards & Frameworks



For the top 100 REITs based on a percentage of equity market capitalization, 67% aligned ESG reporting to CDP, 53% to GRESB, and 52% to GRI.[12]

Beyond reporting and disclosure, ESG frameworks and standards have been increasingly leveraged by REITs to structure corporate strategy and objectives around ESG issues and goals. In 2019, 36% of respondents to the 2019 Nareit Member Survey reported that their organizations developed strategic goals and commitments in line with the UN Sustainable Development Goals (SDGs).[13]

SUSTAINABLE DEVELOPMENT GOALS

REITs Align ESG Efforts to Sustainable Development Goals (SDGs)

In 2015, United Nations member states adopted the 2030 Agenda for Sustainable Development, which is a plan of action for peace and prosperity for all people and the planet.[14] Included in the agenda are 17 Sustainable Development Goals (SDGs) which call for global partnerships to help end poverty and hunger, reduce inequality, protect the planet and natural resources, and build thriving economies and peaceful societies.[15] Leading REITs, like many organizations worldwide, have committed to support the SDGs and are increasingly aligning their ESG initiatives to the specific goals for which their business can create the greatest lasting impact.

Leading REITs are Submitting Targets to the Science Based Targets Initiative (SBTi)

The Science Based Targets initiative (SBTi) is a collaborative partnership that champions the use of science-based targets to help companies improve their competitive advantage in the transition to the low-carbon economy.[16] According to SBTi, "targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered 'science-based' if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement—to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C."[17]

The trend toward better and more common application of ESG frameworks and standards—both for reporting and disclosure and for strategy development—demonstrates the commitment of the REIT community to answering the growing demand from investors and the public for transparent and precise ESG reporting on responsible and sustainable practices in every aspect of their operations.

ESG Topics Most Frequently Considered for Evaluation

In February 2019, Nareit published its Guide to ESG Reporting Frameworks, a resource to guide reporting and disclosure efforts. In a comprehensive review of the 12 most relevant and commonly used ESG frameworks, Nareit identified the environmental, social, and governance topics most frequently considered for evaluation.[18]

The reporting and disclosure improvements over the past year continue to show alignment to the following key performance indicators (KPIs)*:

**Full descriptions of each KPI may be found in the Glossary on pages 44–45*

ENVIRONMENT

- Climate Change Opportunities and Risk
- Emissions—Green House Gas Emissions
- Environmental Policy
- Energy
- Environmental Management Systems

SOCIAL

- Supply Chain—Social
- Stakeholder Engagement
- Health and Safety
- Workforce Development/ Human Capital
- Diversity and Inclusion

GOVERNANCE

- Compensation Policy
- ESG Reporting Standards
- Board Level Oversight—ESG
- Governance Policy
- Governance Risk Assessment

CASE STUDY

VORNADO REALTY TRUST

Leveraging Investor Engagement for Industry-leading ESG Reporting and Disclosure

Vornado Realty Trust (NYSE: VNO) owns and operates nearly 30 million square feet of prime office properties and is the largest owner of LEED-certified property in the United States, with more than 26 million square feet under management.

Vornado is a recognized ESG leader, having earned a GRESB Green Star rating seven years in a row, and is committed to creating value for its investors, tenants, and communities by implementing leading practice measures for energy and water conservation, carbon reduction, resource and waste management, ecologically sensitive procurement programs, and reporting and disclosure practices.

Knowing that stakeholders require clear and comprehensive disclosure of ESG initiatives and impact, Vornado engaged its investors to better understand how it could enhance its ESG reporting. Through these effective engagements, Vornado gained insights from its investors regarding their use of four primary ESG frameworks to guide their assessments of the company:

- The Sustainability Accounting Standards Board (SASB);
- The Task force on Climate-related Financial Disclosures (TCFD);
- GRESB; and,
- The Global Reporting Initiative (GRI).

Vornado applied the feedback from its engagements with investors and added a SASB disclosure section to its 2019 ESG Report, which was subject to third-party assurance by Deloitte and Touche, LLC. Additionally, to emphasize the company's commitment to transparency and the rigor applied to its ESG disclosures, Vornado furnished its 2019 ESG Report to the Securities and Exchange Commission (SEC) with an 8-K filing. This novel approach has been recognized broadly for its innovation and well-received by the company's investors, industry peers, and the accounting industry. It also illustrates one of the ways in which REITs such as Vornado can meet stakeholders' demands for transparent and robust ESG reporting and disclosure.

LEFT: Vornado Realty Trust, Rendering of The Farley Building, New York, NY

Environmental Stewardship

Developing Environmental Goals for Action & Impact

ENVIRONMENTAL

Environmental stewardship refers to an organization's processes, policies, practices, and impact related to the natural environment.[19]

As environmental issues such as energy, water, and waste management have direct financial implications for business performance of real estate assets, most of the industry has adopted an increasingly sophisticated and integrated approach to managing and measuring environmental impacts and risks.

As custodians of the built environment, representing nearly $2 trillion in gross real estate assets,[20] publicly traded REITs are uniquely positioned to put tangible, visible, and effective environmental goals into action. REIT environmental initiatives can have a profound impact—due to both the significant physical footprint they represent and the sheer number of people exposed to their good practices.

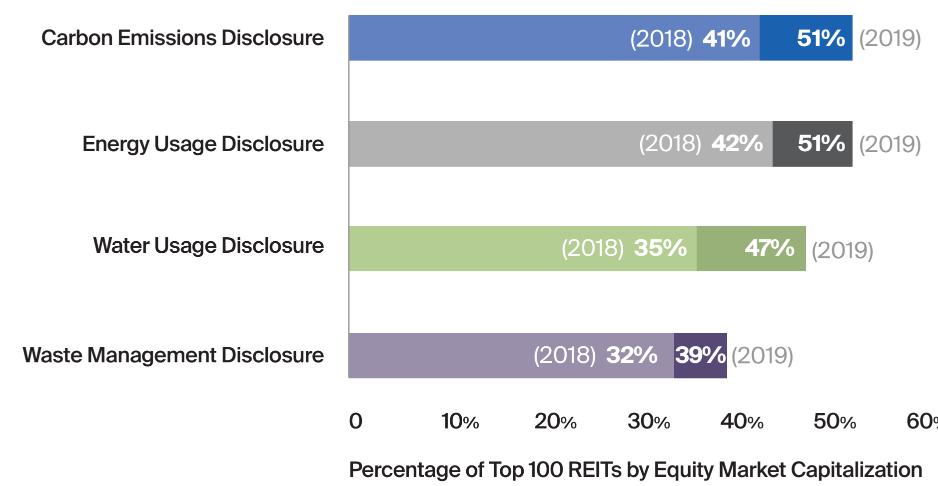
Through targeted educational efforts, such as training tenants and staff on recycling and waste management practices, REITs can drive behavior change and inspire positive environmental management practices across the communities they serve.

REITs have continued to improve disclosure on key environmental performance areas, demonstrating recognition of the environmental impact of their businesses on the long-term sustainability and health of surrounding communities.

Furthermore, REITs have been increasingly intentional about aligning environmental goals and targets with frameworks, such as the UN SDGs listed below.

Aligning Environmental Stewardship to the UN SDGs

REITs with Environmental Performance Disclosure (2018-2019)[21]



Source: 2019 Nareit REIT ESG Dashboard

LEFT: Equinix, NextEra Energy, Rush Springs Wind Energy Center, Rush Springs, OK

Assessing Climate Change Opportunities & Risk

58%

Percentage of Nareit members that stated that their organization incorporates climate change risk into their core business processes, and 35% of those REITs conduct climate-related risk assessments on an annual basis[22]

Physical, regulatory, financial, and market risks associated with climate change have the potential to significantly disrupt all businesses, including the REIT and real estate industries in coming years. In order to effectively prepare and identify opportunities for and methods to achieve resiliency, REITs have begun to prioritize the evaluation and disclosure of climate change risk as a core aspect of their governance, management, reporting, and operating processes, as factoring in climate change risk becomes the new normal for the industry.[23]

REIT participation in the GRESB Climate Change Resilience Module, a tool used to evaluate how real estate and infrastructure companies and funds are preparing for potentially disruptive events and changing conditions by assessing long-term trends and becoming more resilient over time, increased by nearly double, to 316 participants, in 2019.[24] Demonstrating their commitment to identifying climate threats and building resiliency at the asset level, participating REITs help protect not just their individual properties, but also their communities, from climate-related impacts on essential infrastructure and services.

At least two REITs have also signed on as National Oceanographic and Atmospheric Administration (NOAA) Weather-Ready Ambassadors, a program that seeks to share preparedness and resiliency success stories and educate employees and citizens on severe-weather preparedness.

By engaging in climate resiliency and weather-preparedness initiatives and working to better integrate leading practices for risk assessment, mitigation, and disclosure into operational processes, REITs can plan effectively and positively impact their businesses and communities.

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

In alignment with Goals 11 and 13, REITs prioritize climate resiliency for their companies and the communities in which they operate.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

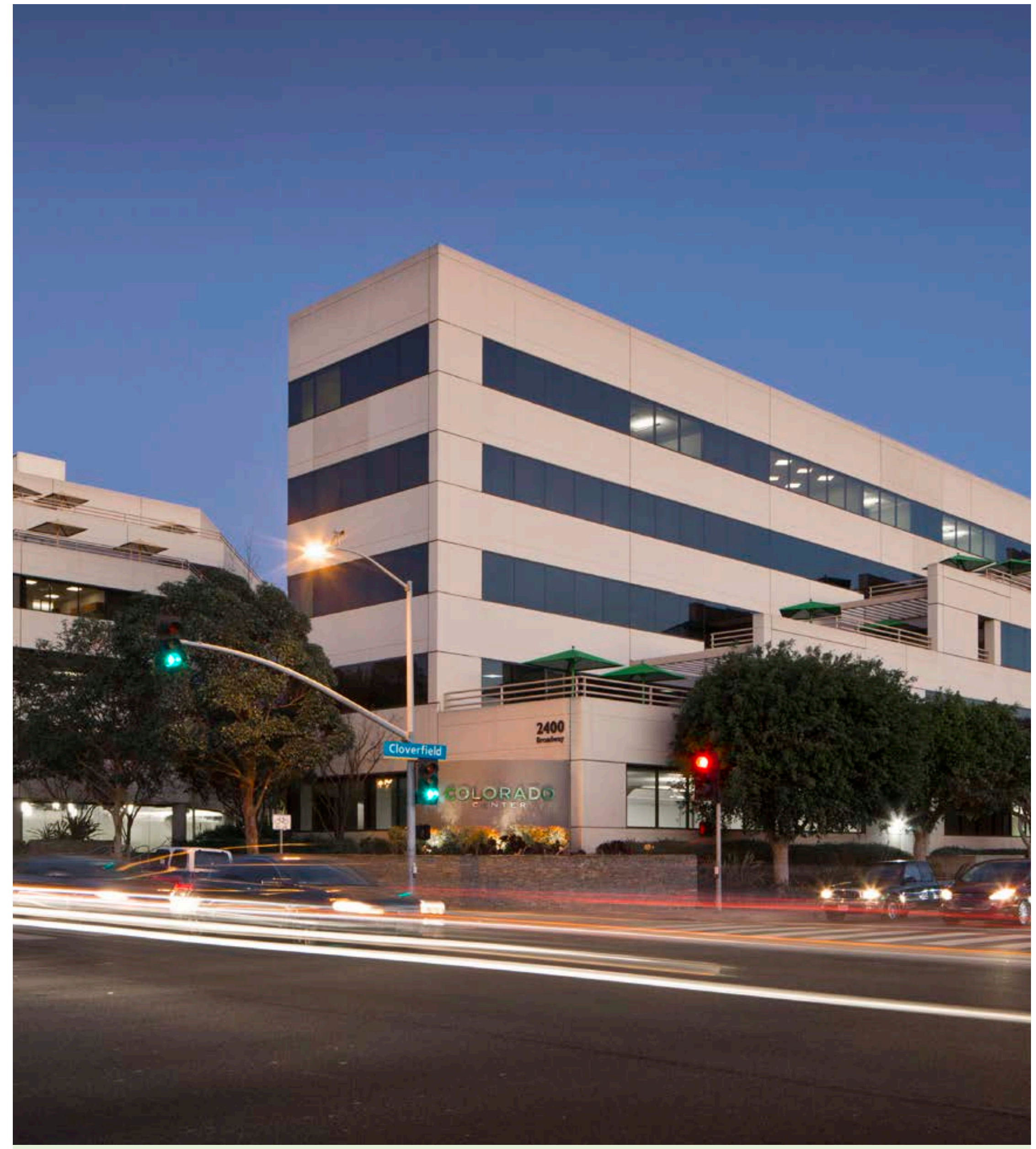
Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) was established to develop standardized recommendations for companies to report on climate-related risks. The goal is for companies and their stakeholders, including investors, lenders, and insurers, to better understand the financial risks facing businesses under different climate scenarios.

As of February 2020, seven U.S. REITs were among the more than 1,020 global organizations, representing a market capitalization of over $12 trillion, that had signed on as official supporters of TCFD.[25] Additionally, in 2019, several REITs addressed TCFD recommendations in their annual sustainability reports and 19% of Nareit members disclosed specific climate risk and resilience targets or goals during the annual reporting period.[26]

LEFT: Vornado Realty Trust, Rendering of PENN 1 and PENN 2, New York, NY

CASE STUDY



BOSTON PROPERTIES, INC.

Battery-powered Innovation

Boston Properties, Inc. (NYSE: BXP), a REIT with a portfolio of approximately 52 million square feet of primarily Class A office space, has fully embedded sustainability into its business strategy. The company's ESG strategy is underpinned by three pillars that guide its sustainability initiatives: climate action, resilience, and human health and wellness.

The company's ongoing sustainability efforts include public goals, significant energy, water, and carbon emissions reductions, and the issuance of $1.85 billion of green bonds with impact reporting on use of proceeds. In the 2019 GRESB assessment, Boston Properties ranked among the top 4% of all participants, achieved the highest 5-Star rating and a Green Star for the eighth consecutive year.

ABOVE : Boston Properties, Colorado Center, Santa Monica, CA

Recently, at its 1.2 million square foot Colorado Center in Santa Monica, California, Boston Properties installed a 3.7 megawatt-hour lithium ion battery energy storage system, the largest indoor energy storage system of its type in the U.S. when it was delivered. The on-site battery storage system mitigates the effects of increased grid demand by enabling peak load shedding, the ability to buy and store electricity during off-peak hours and then use the stored energy strategically throughout the day.

The project delivers direct energy cost savings while also making the local grid more resilient and less susceptible to brownouts. Boston Properties believes that the adoption of behind-the-meter storage technology is necessary for grid modernization and the addition of more renewable generation. As more buildings electrify and electric vehicle charging demand grows, operators will be better able to manage congestion and peak-demand requirements, issues that are becoming increasingly critical in densely populated metropolitan areas.

Environmental Policies & Management Systems Guide Progress & Reporting

Companywide environmental policies and environmental management systems (EMS) enable the effective monitoring and reporting of environmental performance and help guide compliance with environmental laws and regulations. In 2019, 98% of Nareit members reported to GRESB that they have a policy on environmental issues and 100% of those reporting actively monitor energy and water consumption through either a data or environmental management system.[27]

Establishing such clear, publicly disclosed policies and reporting on environmental impacts can help REITs foster positive relationships with tenants, communities of operation, investors, and other key stakeholders.

CASE STUDY

HOST HOTELS & RESORTS, INC.

Structuring a Successful Environmental Management System

Host Hotels & Resorts, Inc. (NYSE: HST) is the largest U.S. lodging REIT by market cap, with 80 hotels and approximately 46,500 rooms in its portfolio, consisting primarily of luxury and upscale hotels.

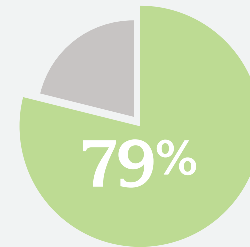
Host is committed to sustainable business practices and works closely with its third-party management companies to review, monitor, and provide input on specific market risks in order to identify sustainable initiatives and invest in green building technologies. Having achieved its 2020 corporate responsibility goals, Host has set ambitious 2025 goals, including a new Science Based Target-aligned greenhouse gas emissions target and energy, water, renewable energy and waste diversion targets.

Host's cross-functional corporate responsibility team, including senior management and board oversight, assembled a robust environmental management system (EMS) for the company to identify risks, and monitor operations and progress against goals. The EMS provides a systematic approach to managing environmental impacts and improving operating efficiencies, with a focus on:

- Return on investment through energy and water savings technologies;
- Reduced GHG emissions with renewable energy;
- Improved resilience of hotel properties against extreme weather and climate-related events;
- Increased waste diversion in major renovations; and,
- Continuous improvement to mitigate significant environmental risks and increase operational efficiencies.

In January 2017, Host's EMS attained ISO 14001 certification, which required implementation of ISO-recommended policies and procedures, and completion of an independent, third-party assessment. The ISO 14001-certified EMS has resulted in enhanced ongoing engagement with internal and external stakeholders, a standard against which to codify, organize, and implement ESG initiatives, and continuous improvement driven by the annual assessment process.

ABOVE: Host Hotels & Resorts, Hotel South Beach, Miami, FL



Percentage of Nareit members that participated in the GRESB survey and indicated that their company utilizes an Environmental Management System[28]

REITs employ a variety of leading environmental management practices in order to support the growth of sustainable communities with access to clean and affordable energy.

CASE STUDY

EQUINIX, INC.

Internal Policies and Industry Advocacy Drive Renewable Energy Goals

Equinix, Inc. (NASDAQ: EQIX) is the world's largest global data center REIT. The company currently operates 210 International Business Exchange™ (IBX®) data centers in 55 markets that spread across 26 countries and five continents.

Equinix is committed to connecting, protecting, and powering a more sustainable digital world and positively impacting its customers, partners, investors, and employees. A primary goal for the company is to achieve 100% clean and renewable energy usage across its global portfolio, which requires both internal initiatives as well as partnerships with customers, industry peers, and policymakers.

In order to address energy usage across its value chain, Equinix has established targeted procurement policies and data disclosure practices, while also working to help its customers understand their energy usage and climate impact. Since many of its customers also have renewable energy and climate goals or ESG disclosure requirements, Equinix developed customized templates, referred to as Green Power Reports or Attestation Statements, to help customers monitor their energy and carbon data. Combined with frequent customer engagement and willingness to share insight into its strategies, this approach by Equinix creates greater transparency and has been a key differentiator for the company—giving its sales team a powerful tool to use when communicating to current and prospective customers. Equinix believes the transparency drives ESG progress. The evidence is clear that customers and investors are looking to partner with responsible companies, as we continue to receive an increasing number of requests for information with sustainability requirements.

Equinix also collaborates with peers, industry groups, and local regulatory bodies to foster renewable energy investment beyond its own purchasing capabilities. Equinix holds a seat on the Board of Directors of the Renewable Energy Buyers Alliance (REBA) to help champion the renewable energy transition across industries. Through REBA, the company acts as an educator at their Renewable Energy Bootcamps to share lessons learned and educate future renewable energy buyers.

ABOVE: Equinix, Jennifer Ruch, Equinix Director of Sustainability, 2019 EPA Green Power Partnership Award Ceremony

An Integrated Approach to Green Buildings

2,000+

Over 2,000 REIT-owned properties* in the U.S. are green certified, which equals more than 606 million square feet, up from 569 million square feet in 2018[29]

**based on the top 100 REITs by equity market capitalization*

Green building certifications provide important visibility into the industry's commitment to environmental stewardship. Through their design, construction, and/or operation, green buildings mitigate negative impacts and create positive value for the world's climate and natural environment, as well as economies and quality of life.[30] According to a 2018 Harvard University study, green certified buildings provide approximately $6 billion in health and climate benefits, in addition to $7.5 billion in energy savings.[31]

Green buildings also deliver financial benefits to REITs, including reduced operating costs and increased property value. By making properties more attractive to investors and tenants alike, green building certifications can lead to up to 23% higher occupancy rates, 8% higher rental income and up to 31% higher sale premiums than realized for traditional buildings.[32] The consistent demand is also reflected by greater tenant retention and lower vacancy rates. [33]

CASE STUDY

FEDERAL REALTY INVESTMENT TRUST

Building a LEED-Certified Neighborhood Development

Federal Realty Investment Trust (NYSE: FRT) is a recognized leader in the ownership, operation, and redevelopment of high-quality, retail-based properties located primarily in the United States' major coastal markets. Federal Realty's 104 properties include over 24 million square feet, more than 3,000 tenants, as well as 2,700 residential units.

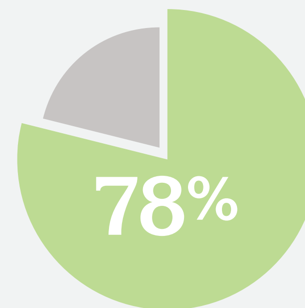
At Federal Realty, ESG is considered integral to the company's business model and values, and is incorporated into everything from its daily operations to green building-focused property development and redevelopment.

Federal Realty has recently achieved a major green building milestone for Pike & Rose, its 1.7 million square foot mixed-use redevelopment property in Bethesda, Maryland, which is the first REIT-owned LEED for Neighborhood Development Stage 3 Gold-certified project in the U.S.

Pike & Rose features a 350,000 kWh solar array, low water-use green landscaping with wide sidewalks and tree-lined streets, and the Mid-Atlantic's largest rooftop farm. There is also an abundance of alternative transportation options, including bike sharing and parking, EV charging stations, a metro station across the street, and several bus lines that stop at the property. The result has been a 250% year-over-year increase in foot traffic in just four years, driven in no small part by the community's perception that Pike & Rose is not just another project, but a neighborhood and destination in the community.

Federal Realty believes Pike & Rose—which enhances the local economy, provides access to food, entertainment, and living spaces, and is built in consideration of the environment—is an example of the future of real estate.

ABOVE: Federal Realty Investment Trust, Pike & Rose, North Bethesda, MD



Percentage of top 100 REITs with green certified buildings in their portfolios[34]

The most noteworthy green building projects, however, go beyond just achieving energy and cost savings, becoming centerpieces of neighborhoods and communities, and serving as examples of the benefits intelligently planned infrastructure can deliver. Green roofs, urban gardens, landscaped public atriums, and low maintenance green-scaping are the kinds of amenities that turn buildings and developments into urban green space destinations.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Green buildings directly contribute to the UN's targets for sustainable industry, innovation, and infrastructure.

CASE STUDY

WASHREIT

Showcasing Sustainable Practices in the Urban Ecosystem

WashREIT (NYSE: WRE) owns and operates real estate assets in the greater Washington, D.C., market with a portfolio that includes 46 properties, more than 3.9 million square feet of commercial space, and more than 6,861 multifamily apartment units.

WashREIT works to transform environmentally and socially responsible strategies into sustainable actions that deliver value to its tenants and local communities. At the Army Navy Club Building, an iconic office building located near the White House, WashREIT worked with Love & Carrots, a local pioneer in urban organic gardening, to install a 700 square foot raised bed garden and a beehive on the roof. The bees pollinate the garden, and produce grown in the garden is featured on the menu of the Army Navy Club's restaurant.

With Compost Crew, a local company dedicated to "closing the food cycle," WashREIT takes over two tons of food and other organic waste for compositing and returns it to the Army Navy Club garden as organic soil.

Through local partnerships with sustainability organizations and regular private and public events that engage tenants and vendors, the Army Navy Club garden has become emblematic of WashREIT's dedication to sustainable development of the urban built environment, and has inspired other community gardening and composting efforts across the organization.

For these and other efforts, WashREIT was recognized as a leader in sustainability in Washington, D.C., being awarded the 2019 District Sustainability Award and designation as a Green Lease Leader, as well as the GRESB Green Star Rating four years running.

ABOVE: WashREIT, Army Navy Building, Washington, D.C.

Emission Reduction Efforts Create Shared Value

86,491 tonnes

The amount in 2018 that REITs reduced their overall greenhouse gas emissions, which is the equivalent of a lifetime of emissions from

18,286 automobiles[35]

Recognizing both the benefits and necessity of curtailing greenhouse gas (GHG) emissions globally, REITs have steadily reduced emissions from their portfolio properties. Acknowledging commercial real estate's sizable environmental footprint, the REIT industry is committed to making continued progress toward emission reduction. Last year, 58% of respondents to the 2019 Nareit Member Survey said they have reduced their like-for-like, year-over-year GHG emissions, with 53% reducing their GHG emissions by between 5% and 20%.[36]

REITs also strive to align GHG emissions targets to leading global initiatives, such as Science Based Targets (SBTi) and the Sustainable Development Goals (SDGs), specifically SDG 13, Climate Action. In 2019, several U.S. REITs achieved a significant milestone after receiving approval by SBTi for their emissions reduction targets.[37]

REITs are increasingly addressing Scope 1 emissions—direct emissions from owned or controlled sources— and indirect Scope 2 emissions—indirect emissions from the generation of purchased energy—through energy efficiency measures, such as upgrading HVAC and lighting systems, as well as replacement of fossil fuel electricity with on-site or grid-sourced renewables. Looking beyond Scope 1 and 2, REITs have introduced innovative measures to begin addressing Scope 3 emissions—indirect third-party emissions that businesses often have limited control over and are therefore widely considered to be the most difficult to address. Locating near—or building new—transit hubs, installing bike lanes and electric vehicle charging stations, REITs seek to reduce Scope 3 emissions by supporting new habits in tenants and patrons, such as installing bike lanes and electric vehicle charging stations.

58%

Percentage of respondents to the 2019 Nareit Member Survey who indicated they reduced like-for-like, year-over-year GHG emissions [38]

Source: 2019 Nareit Member Survey

CASE STUDY

SIMON PROPERTY GROUP, INC.

Reducing Emissions Through Electric Vehicle Infrastructure

Simon Property Group, Inc. (NYSE: SPG) is a REIT engaged in the ownership of premier shopping, dining, entertainment, and mixed-use destinations, with a portfolio of 230+ iconic properties, comprising 181 million square feet in North America, Europe, and Asia, serving more than 2 billion shopper visits annually. Simon has been recognized as an ESG leader in retail real estate in the U.S., receiving the GRESB Green Star Rating six years in a row, and the CDP Leadership for Sustainability Performance Rating for the last five years.

Having set and achieved aggressive five-year goals for emissions, energy, water, and waste reduction, Simon recently announced that the company is setting its 2035 goals in alignment with the Science-Based Targets initiative, and is committed to achieving aggressive levels of decarbonization by 2035 in support of global goals to prevent continued climate change.

As part of its 2020 sustainability goals, Simon has installed electric vehicle charging stations (EVCs) at all relevant properties. By the end of 2019, Simon had installed over 740 EVCs at 115 U.S. properties, including Level 3 fast charging and Tesla stations.

The initiative has enhanced Simon's reputation as an innovative developer, operator and owner at the forefront of the transition to electric transportation, while providing an important amenity for customers and employees.

ABOVE: Simon Property Group, Tesla Charging Stations at Desert Hills Premium Outlets, Cabazon, CA

CASE STUDY

SITE CENTERS CORP.

Reimagining Land Use and Stakeholder Engagement Through Partnership and Technology

SITE Centers Corp. (NYSE: SITC) is a self-administered and self-managed REIT, in the business of acquiring, owning, developing, redeveloping, expanding, leasing, financing, and managing shopping centers. The company's current portfolio includes 69 wholly-owned and 101 joint venture shopping centers.

SITE Centers considers ESG as integral to business development, community partnerships, employee health and wellness, effective governance, and efficient property operations. Due to its ESG efforts, SITE Centers was included in the Bloomberg Gender-Equality Index, is recognized as a GRESB Green Star company, and is recognized by the Institute for Market Transformation and the U.S. Department of Energy's Better Buildings Alliance as a Silver Green Lease Leader.

In 2018, SITE Centers began a strategic partnership with Waymo, formerly Google's self-driving car project, with the goal of making it safer and easier for people to get to and move around its Ahwatukee Foothills Towne Center in Chandler, Arizona. Starting as a small pilot initiative, the program has already provided thousands of rides to Ahwatukee customers.

The Waymo rides have proven to be a popular and cost-effective option for many customers, as well as an excellent opportunity for SITE Centers to engage with tenants and customers in order to make effective business decisions based on crucial stakeholder input. At a moment when SITE Centers is exploring infilling portions of its properties with alternate uses, the Waymo program has provided crucial insights into how emerging technologies, such as self-driving cars, can help property owners and managers reimagine land use and, in this case, reduce unproductive parking areas, idling cars, and the associated Scope 3 GHG emissions from car traffic.

ABOVE: SITE Centers, Waymo Partnership, Phoenix, AZ

Identifying Opportunities to Increase Energy Efficiency & Utilize Renewables

Supporting U.N. SDG Target 7.3, to double energy efficiency by 2030, energy efficiency has proven to be among the highest priorities for REITs, as well as their investors and tenants. Improved building efficiency can significantly reduce pollution and save companies millions of dollars in energy costs.[39] In fact, one estimate predicts that the implementation of better building efficiency policies around the world could result in a global reduction in energy demand from the built environment by 25% to 50%.[40]

7 AFFORDABLE AND CLEAN ENERGY

The REIT industry's clean energy efforts significantly contribute to Goal 7.

REITs have implemented a variety of innovative energy efficiency solutions, both through operational and capital investments. In addition to upgrading, or retrofitting, existing lighting and energy-intensive equipment to more efficient alternatives, the use of sensors, smart meters and building management systems enable property managers and owners to schedule, automate, and optimize buildingwide energy use, further increasing efficiency.

REIT investment in on-site renewables further reduces reliance on grid electricity, often serving as a cleaner alternative to utility power and offering greater resiliency in the face of increasingly frequent utility brown and blackouts. Global solar, wind, hydro, and biofuel usage currently represent 26% of all electrical generation,[41] and 23% of REITs reported having on-site renewables, up from 18% in 2018.[42]

CASE STUDY

JBG SMITH

A Systematic Approach to Energy Audits

JBG SMITH (NYSE: JBGS) owns, operates, develops, and invests in a portfolio of mixed-use properties in and around Washington, D.C. The company's operating portfolio currently comprises 20.6 million square feet of office, multifamily, and retail assets.

As part of the company's broader ESG initiatives to foster growth, improve efficiency, and maximize value, JBG SMITH set a goal and developed a two-pronged approach to reduce its portfoliowide energy use intensity by 20% by 2024.

Critical to achieving this energy efficiency target, is the partnership with its Tenant Service Center (TSC). JBG SMITH works collaboratively with its TSC to monitor energy use in real-time, allowing the company to take timely action when energy fluctuations occur, which has resulted in both energy and cost savings. In 2019, the TSC identified 37 new controls-based opportunities for operational efficiencies and energy-use reduction.

To gain further insight into its energy use, JBG SMITH established a blended ASHRAE Level 2 and 3 energy audit process. JBG SMITH worked with a team of energy engineers to prioritize auditable buildings based on parameters such as Energy Star scores and projected value to the business, with high priority buildings screened for commonalities and near-term capital expenditures. The outcomes of the first building audits identified 25 energy cost-saving measures that JBG SMITH assessed for value and impact using energy modeling. By implementing select energy-saving measures, engineers anticipate an annual energy savings of more than $145,000 with an initial investment of $750,000 representing a 19% yield on cost.

Through systematic efforts of engaging with their TSC and performing energy audits, JBG SMITH is able to identify and implement building-specific energy reduction measures across its portfolio and has created a roadmap to guide capital expenditures for long-term energy savings and cost reductions.

ABOVE: JBG SMITH, RTC West, Reston, VA

100%

Nareit members reporting to GRESB implemented energy efficiency measures in 2019[43]

Financial incentives, such as rebates and subsidies, have made energy retrofits and renewable energy alternatives attractive investments that stand to pay dividends in the long term as energy-related infrastructure risks grow in frequency and severity, and fossil fuel markets become increasingly volatile.

While an unprecedented number of REITs have implemented energy efficiency measures in recent years,[44] energy efficiency and renewables still represent areas of significant opportunity for REITs to further support global sustainability goals while simultaneously improving operating margins.

CASE STUDY

BROOKFIELD PROPERTIES

Combining Technology and Engagement to Improve Energy Efficiency

Brookfield Properties is a fully integrated, global real estate services company that provides industry-leading portfolio management and development capabilities. Within Brookfield's U.S. retail portfolio of more than 170 properties, the company has undertaken several initiatives to continually improve building efficiencies.

Brookfield's Stonestown Galleria property, a premier shopping destination in San Francisco, is a model for the company's ESG efforts. By considering the lifespan and impact of Stonestown Galleria on a longer time horizon, Brookfield has been able to identify and implement new technologies, goals, and processes to drive operational efficiencies.

Recent upgrades to the property include incorporating energy-efficient technology into HVAC equipment, collecting real-time analytics on energy, and vertical transport modernization.

A critical component to success of these energy efficiency upgrades is engagement with local operators through training and education, ensuring buy-in and smooth adoption of new technology and systems.

Since 2014, Brookfield's efforts at Stonestown Galleria have yielded a return in excess of 14% and led to the following achievements:

- 83% reduction in grid purchased electricity;
- 3,900+ solar panels installed, generating 1.5 million+ kWh annually;
- 1,800+ light fixtures upgraded to LED; and,
- 54% waste diversion from landfill with 30% organic and 25% mixed recycling.

As a result of the success at Stonestown Galleria, Brookfield has made its efficiency model standard operating procedure for all new developments and retrofits across its portfolio.

ABOVE: Brookfield Properties, Stonestown Galleria, San Francisco, CA

Creating Value & Changing Behavior Through Waste Reduction Efforts

1,955,556 tons[45]

The amount of waste diverted in 2019 by Nareit members is equivalent to the amount of waste generated by 2.3 million U.S. citizens in 2019. REITs have diverted 31% more waste from landfills from in 2019 than in 2018.[46, 47]

REITs can have a sizable impact on helping communities achieve waste reduction and diversion targets through implementing practices that improve waste management for the construction and operation of buildings, two areas which are estimated to account for nearly 40% of global waste.[48]

With the cost of landfilling solid waste in the U.S. exceeding all predictions,[49] proper waste management supports cost efficiency and drives long-term value across the real estate sector. REITs are finding ways to work collaboratively with building operators and tenants to both reduce waste generation and divert waste from landfills and incinerators through recycling and other creative reuses. In 2019, 48% of Nareit Member Survey respondents reported having a waste reduction and management policy in place.[50]

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible consumption and production efforts are core aspects of REIT operating models.

CASE STUDY

SL GREEN REALTY CORP.

Achieving Waste Reduction Through Education and Engagement

SL Green Realty Corp. (NYSE: SLG), an S&P 500 company and New York City's largest office landlord, holds interest in 97 buildings totaling 44 million square feet, including ownership interests in 26.5 million square feet of Manhattan buildings. SLG is committed to environmental, social, and governance initiatives that deliver value for stakeholders and contribute to building a more sustainable New York.

SLG is responsible for instituting a sustainable waste management program, tenant procedures, and janitorial operations across 21 million square feet of base building space. Education has been SLG's key strategy to improve recycling rates and drive behavior change for all building occupants.

Starting with tenant education, SLG's Sustainability Team offers annual recycling training to over 100,000 individuals who work across its portfolio. The team offers recycling walkthroughs where they help tenants identify ways to improve recycling rates and distribute educational material and sample signage to help reinforce best practices. To take it a step further, SL Green's waste stream is audited annually to identify sources of contamination and areas to improve recycling strategies. These results are then presented to property management teams and tenants to create customized corrective action plans.

RIGHT: SL Green, Recycling Training Workshop, New York, NY

Partnering with the local union, SEIU Local 32BJ, over 500 of SLG's janitorial staff are trained on proper waste collection procedures on an annual basis. These presentations are translated into a variety of languages to ensure the material is accessible for all employees. Additionally, a color coordinated waste system has been implemented portfoliowide to streamline procedures and minimize contamination.

SLG has set the goal of achieving a 50% recycling rate by 2025 and is committed to upholding its leadership by continuing to engage all stakeholders on recycling best practices.

Water Conservation Measures for Local & Global Impact

2,477,516M³

The amount by which REITs reduced their water use from 2017 to 2018, the equivalent of almost 1,000 Olympic-sized swimming pools[51]

6 CLEAN WATER AND SANITATION

REITs set internal and external water use targets to make lasting impact.

An estimated 2.1 billion people around the world lack access to safe drinking water,[52] making water conservation a critical focus area for global environmental stewardship efforts. Through their efforts to contribute to global goals, such as UN SDG 6—promoting clean water and sanitation—REITs have refined water conservation targets to guide internal and external initiatives for long-term community impact.

Some of the most innovative programs engage tenants, visitors, and customers to monitor and reduce their own water usage by example and through programs highlighting the relative scarcity of potable water. Other efforts involve infrastructure that reduces water usage, such as low-flow fixtures, submetering, and facilities that reuse stormwater runoff or grey water where potable water isn't required.

REITs continue to find ways to monitor and reduce water usage, resulting in resiliency against water shortage incidents and operational cost savings. In 2019, 87% of REITs surveyed had implemented water use reduction measures at the asset level,[53] and 44% reported reductions in water use.[54]

CASE STUDY

HERSHA HOSPITALITY TRUST

Aligning Business Priorities and Community Initiatives to Create Long-term Impact

Hersha Hospitality Trust (NYSE: HT) owns and operates 48 luxury and lifestyle hotels across bi-coastal markets in the United States.

Hersha embraces ESG as integral to maintaining and building a successful business, as demonstrated by its proprietary sustainability platform, EarthView®. Since its creation in 2010, EarthView has helped the company focus its ESG efforts on improving the well-being of its guests, associates, communities, and the planet, while also generating nearly $100 million in portfolio value through operational savings and revenue generation.

Following the creation of the UN SDGs, Hersha aligned its ESG initiatives to pertinent goals to ensure that EarthView creates lasting, global value for the company's stakeholders and its business.

One of Hersha's ESG pillars is Environment, which includes initiatives around water usage that align efforts to UN SDG 6—Clean Water and Sanitation—and Hersha's own business competencies and capabilities. Hersha's water programs are designed to generate water efficiency and stewardship across the business and in global communities, including:

- Laundry water reuse programs implemented at key properties across Hersha's portfolio, which have resulted in a 70% to 80% decrease in water consumption from laundry wash cycles;
- A first-of-its-kind partnership with Clean the World, an organization that collects partially used hotel toiletries and sanitizes, repackages, and distributes them to communities in need; and,
- A global clean water initiative, called EarthView Water, that donates $1 for every water bottle purchased toward clean water for communities. Since inception in 2014, EarthView Water has provided accessible clean water to 25,000 individuals in need.

ABOVE: Hersha Hospitality Trust, Waterboys Well, Tanzania

Social Responsibility

LEFT: American Tower Corp., Digital Village, Mexico

Building Sustainable Communities

SOCIAL

Social refers to an organization's processes, policies, practices, and impact with regard to the people—both internal and external—with whom it interacts.[55]

As owners and operators of the physical environments where people work, reside, and build community, the REIT industry is well-positioned to create lasting social impact by directly addressing social considerations most relevant to their employees, tenants, and neighborhoods. Social initiatives across the industry range from training around employee health, safety, and diversity and inclusion, to innovative employee wellness programs and strategic community partnerships.[56]

While REITs have long invested in social impact programs, in 2019, the industry exhibited a marked improvement in rates of reporting and disclosure around critical social policies, performance, and impact.[57] In 2019, all of the Nareit members surveyed reported having a policy on social issues.

Some of the most widely reported areas of focus include:

- tenant engagement
- community development
- employee development programs
- diversity and inclusion initiatives
- health, safety, and wellness programs

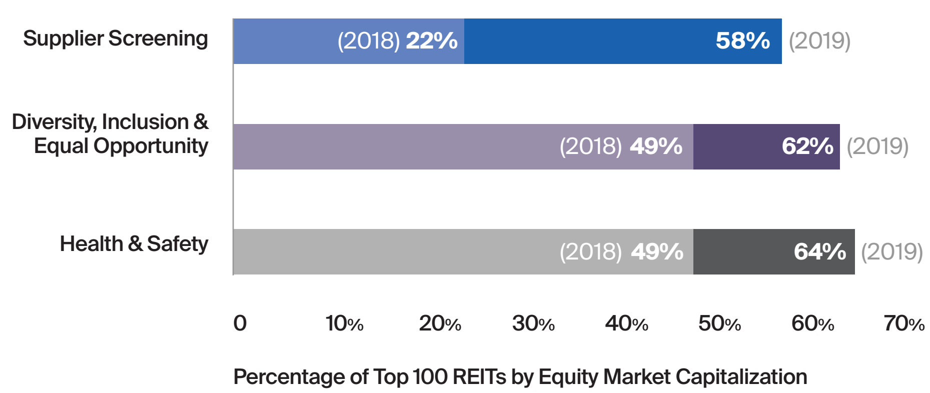
Along with increased reporting and engagement around social initiatives, REITs have experienced improved employee retention, reputational benefits, and growing internal support to continue investing in and expanding programs to increase their social impact.

The concerted effort to increase formalized ESG reporting across the REIT industry demonstrates an evolving recognition and understanding of how the many initiatives that REITs have long undertaken to build thriving communities drive good business and fit within larger strategic efforts and support global sustainability goals.

As is the case with environmental sustainability, REITs are increasingly setting social goals and targets aligned with UN SDGs relevant to the real estate industry.[58]

Aligning Social Impact to the U.N. SDGs

REIT Disclosure of Social Policies



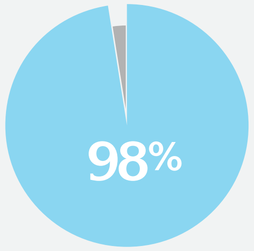
Source: 2019 Nareit REIT ESG Dashboard

Creating Value Through Engagement

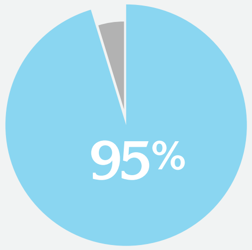
REITs have prioritized stakeholder engagement as a crucial mechanism for identifying, understanding, and responding to ESG-related concerns and opportunities. Through formal employee, tenant, and community engagement programs, REITs are committed to being good neighbors and active participants in the communities where they operate.

One emerging theme among REITs has been the increased focus on engaging in meaningful partnerships that further the mission of each organization, meet the practical needs of tenants and community members, and improve business performance. Some have partnered with vendors and service providers to provide amenities and educational opportunities that contribute to tenant satisfaction and retention as well as improve the environmental sustainability of both partner organizations.

Others are working with community partners to address affordable housing and homelessness. Still others have partnered with established education nonprofits to support local educational initiatives, including efforts to help members of underserved communities to obtain the skills needed to fill today's most in-demand jobs.



Community Engagement Programs



Active Tenant Engagement Programs

Of those U.S. REITs reporting to GRESB in 2019, **98%** reported having community engagement programs and **95%** reported having tenant engagement programs, outperforming the global REIT industry in both areas.[59]

The REIT industry engages in strategic partnerships to create lasting value for local and global communities, industry stakeholders, and company shareholders.

CASE STUDY

AVALONBAY COMMUNITIES, INC.

Building Strong Communities

AvalonBay Communities, Inc. (NYSE: AVB) has specialized in creating distinctive apartment living experiences and contributing to local communities for over 26 years. As of Dec. 31, 2019, the company owned or held a direct or indirect ownership interest in 297 apartment communities containing 86,846 apartment homes in 11 states and the District of Columbia.

AvalonBay aligns its approach to ESG with its core values, and views social responsibility as a significant business driver for engaging and growing its workforce, supporting the over 140,000 residents who call AvalonBay home, and supporting the local communities where they do business. AvalonBay deepened its social commitment in 2015 by launching its Building Strong Communities signature social engagement program, which focuses on establishing partnerships to support community preparedness and disaster relief, affordable housing, and support for at-risk populations, both within AvalonBay's own properties and throughout the surrounding communities.

In 2019, the program delivered $2.2 million in cash and in-kind donations, and over 14,000 volunteer hours, to more than 260 charitable organizations across the company's markets. Over $1 million of Building Strong Communities monetary contributions, as well as significant volunteer and community programming efforts throughout the past five years, have been invested in the American Red Cross to support natural disaster relief and preparedness efforts. The American Red Cross has, in turn, led a variety of disaster preparedness programs for AvalonBay's residents.

AvalonBay's partnership with the American Red Cross exemplifies how the Building Strong Communities program engages three of the company's core stakeholder groups—community partners, associates, and residents—to create lasting impact for all.

ABOVE: AvalonBay Communities

CASE STUDY

AMERICAN TOWER CORP.

Partnerships to Bridge the Digital Divide

American Tower Corp. (NYSE:AMT), a global provider of wireless communications infrastructure, is committed to using its global real estate portfolio of approximately 180,000 communications sites to help shape a more equitable and sustainable digital world.

The pillars of American Tower's ESG initiatives are strategically aligned with the company's mission to lead wireless connectivity around the globe and innovate for a mobile future. While the demand for connectivity continues to grow, the reach of the internet in many countries remains limited due to lack of network access, power outages, and other inhibiting factors. In order to help close this connectivity gap, American Tower leverages its extensive communications infrastructure to build Digital Villages in select markets where the need is the greatest, including India, Nigeria, Ghana, Uganda, and Mexico.

American Tower's Digital Villages are computer-equipped kiosks that use an uninterrupted power supply and broadband connection from the company's nearby sites to provide communities with free online education in Information, Communications, and Technology (ICT).

To date, more than 60,000 individuals have completed coursework through the Digital Villages, which has provided local residents with opportunities to capitalize on the economic benefits of broadband connectivity and ICT know-how.

In the near future, American Tower intends to expand its Digital Villages program across several other markets and add additional services as part of its continuing commitment to help bridge the global digital divide.

ABOVE: American Tower Corp., Digital Village, India

Creating Value Through Engagement (cont.)

REITs have leveraged employee engagement to inspire meaningful social initiatives, and to better ensure employee health, well-being, and satisfaction where they work.

According to the 2019 Nareit Member Survey, 96% of responding REITs give employees opportunities to participate in company-sponsored community engagement and volunteer activities in their communities[60] ranging from community blood drives and tutoring programs, to individual initiatives to educate tenants on waste and water management.

CASE STUDY

PROLOGIS, INC.

Creating Pathways to Opportunity

Prologis, Inc. (NYSE: PLD) is a multinational logistics REIT with a portfolio consisting of 965 million square feet in 19 countries and headquartered in San Francisco, California. Named the top real estate company on the 2020 Global 100 Most Sustainable Corporations in the World List, Prologis considers ESG to be core to its business and is continually looking for ways to invest in innovative sustainability initiatives that create value for its stakeholders and its business.

In an ongoing effort to deliver customer-led talent solutions and help meet the growing demand for labor in the logistics industry, Prologis launched the Community Workforce Initiative (CWI) in 2018, which prioritizes practical foundational skills, such as English language skills, math, and digital literacy, as well as technical skills and frontline supervisor training.

CWI began in Los Angeles through a partnership with EXP, a nonprofit workforce development organization. CWI expanded to Miami, where the company maintains a unique virtual warehouse and 3D forklift simulators, as well as five additional markets throughout 2019. Prologis strives to understand unique, local customer and community needs, as well as labor markets and existing nonprofit organizations, to ensure partnerships are strategic and supported by a broader ecosystem of education and workforce providers.

To date, more than 920 individuals have either completed or are currently enrolled in a Prologis CWI program, and a majority of recent Chicago graduates received job offers to join a Prologis customer. By exposing high school students and adults to opportunities in the logistics industry, CWI aims to create a sustainable pathway to employment and improved mobility across the logistics industry. Looking ahead, Prologis is working to train 25,000 individuals over the next 5 years through existing and new local programs, as well as a Prologis-branded online curriculum.

ABOVE: Prologis, Inc., Community Workforce Initiative, Miami

Opportunities in Supply Chain Management

95%

Percentage of U.S. REITs reporting to GRESB with ESG specifications in their procurement practices.[61]

Management and oversight of supply chains is a subject of growing interest among REITs, with more entities establishing ESG requirements in their procurement processes. An increasing number of REITs report having a publicly disclosed screening policy or procedure to evaluate compliance with human rights standards and social practices among suppliers.[62]

REITs on the leading edge of ESG-related supply chain management have written and implemented supplier codes of conduct, and incorporated them into procurement mandates. In 2019, 84% of REITs reporting to GRESB indicated they monitored sustainability requirements for external suppliers and/or service providers.[63]

Managing supply chain ESG efforts can be complex, as supply chains can extend through multiple tiers and across multiple continents. In an effort to improve global supply chain management and transparency, 58% of the top 100 REITs by equity market cap reported on their supplier screening policies, up from 22% in just the past year.[64]

Nareit members are also working to integrate company diversity efforts into their supply chains, with 7% reporting having formal initiatives to track and promote the use of diverse suppliers and 25% indicating plans to formally implement initiatives in 2020.[65]

CASE STUDY

SUPPLY CHAIN

Prioritizing ESG to Build Supply Chain Resilience

In recent years there has been growing demand for greater transparency across global supply chains, with natural disasters, public health crises such as COVID-19, and media spotlights on labor practices underscoring the extensive need to effectively manage supply chain risks.

While vendors throughout the value chain differ for each REIT sector and based on the operating and business model of each individual REIT, the industry has prioritized several overarching leading practices to help move the needle toward greater sustainability across its supply chains. High-impact initiatives include:

- Ongoing supplier engagement around ESG topics, to better understand supplier commitments, practices, and areas for improvement;
- Inclusion of ESG screening criteria into vendor evaluation processes;
- Offering or sponsoring supplier training around priority ESG topics, such as GHG emissions management and reporting, labor and human rights policies, diversity and inclusion, and corporate responsibility programs; and,.
- Integration of supply chain resiliency KPIs into corporate success measures.

ABOVE: Getty Images

Prioritizing Health & Safety

96%

Percentage of U.S. REITs that use employee health and safety indicators to measure company performance[66]

REITs are committed to creating healthy and safe working environments for their employees. A large majority of REITs surveyed reported having active health and safety programs, and a growing number have begun extending such programs to tenants as well.[67] The COVID-19 pandemic has illustrated the strength of these programs as well as opportunities to adapt current practices to meet evolving health and safety standards for employees, tenants, and their communities.

A critical aspect of developing successful health and safety initiatives is instituting good governance practices. With 96% of Nareit Member Survey respondents reporting that their organization identifies and/or assesses work-related employee health and safety risks,[68] REITs have demonstrated their commitment to exercising strong governance of health and safety issues. Furthermore, of the top 100 REITs by equity market cap, 64% disclosed information on established occupational health and safety policies,[69] an improvement of 30% over 2018 figures.

These programs range from the standard fire and emergency training one might expect in an office environment, to highly technical and complex protocols necessary in industrial or health care settings. REITs are working to ensure that these critical health and safety protocols are in place not only for existing buildings but for new construction and major renovation projects. In 2019, 77% of Nareit members reporting to GRESB stated that their company had an on-site health and safety coordinator during the construction phase, compared to the global GRESB average of 38%.[70]

CASE STUDY

VENTAS, INC.

Investing in Employee Health and Safety

Ventas, Inc. (NYSE: VTR) operates at the intersection of health care and real estate as a premier health care REIT with approximately 1,200 properties in its current portfolio.

The company has been recognized by the Dow Jones Sustainability World Index and GRESB for a range of integrated ESG efforts and targets that are structured around three strategic pillars: planet, performance, and people. Recently, in order to create the greatest impact in its ESG efforts, Ventas mapped its material issues to the UN Sustainable Development Goals (SDGs), with its top material issue, talent retention and attraction, specifically aligning to three relevant goals: SDG 3, Good Health and Well-Being; SDG 8, Decent Work and Economic Growth; and, SDG 10, Reduced Inequalities.

Ventas believes that "every employee has the right to a safe and happy workplace" and that its people are its greatest assets. To enhance the employee health experience at Ventas, the company has set a goal and obtained third-party verification and assurance around providing employees with an industry-leading health benefits package, which, in 2018, was valued at 50% higher than the benchmark. To further foster a culture of employee safety, the company has set an annual target to achieve zero lost-time injuries, which it has successfully achieved in 2019 and through the first quarter of 2020.

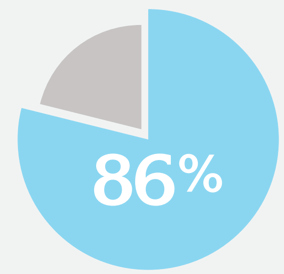
Comprehensive benefits, remaining responsive to employee feedback, and investing in safety has contributed to high levels of employee satisfaction and engagement. In 2019, Ventas' employee voluntary turnover rate was significantly below the current industry average, and employee engagement scores consistently remained above the 75th percentile benchmark.

ABOVE: Ventas, Inc. staff volunteer at Greater Chicago Food Depository

The Value of Investing in Employee Development & Well-Being

As part of a growing trend toward greater transparency in the REIT industry, the top 100 REITs by equity market cap have demonstrated increasing public commitments to, and disclosure of, employee engagement, development, and health and well-being programs.[71]

Health and Well-being Strategies & Programs



Percentage of Nareit members with formal health and well-being strategies or programs in place in 2019[72]

A growing number of REITs report having programs to promote employee well-being and development,[73] and are elevating oversight of, and accountability for, these important issues to the senior management level. For example, 63% of surveyed REITs offer flexible work programs, and 85% offer structured professional development opportunities.[74] According to a 2020 Employee Industry Trends Report that surveyed corporate America more broadly, only 35% of surveyed employers reported that they will increase their investments in employee health and well-being programs in 2020.[75]

3 GOOD HEALTH AND WELL-BEING

REITs contribute to Goal 3 by setting commitments and targets for continuous enhancement of their health and well-being practices.

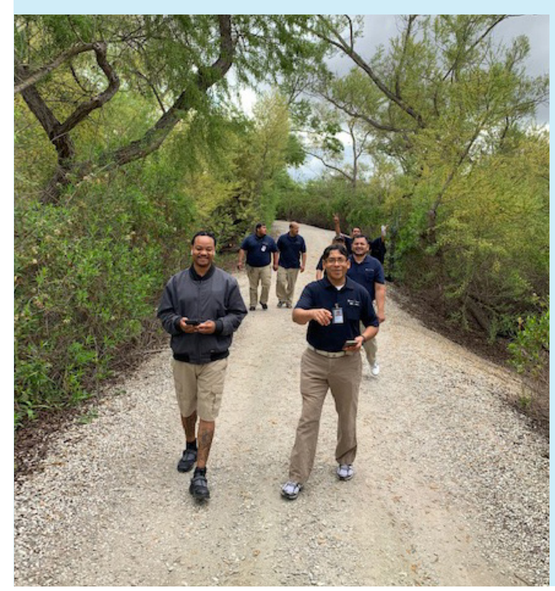
CASE STUDY

EQUITY RESIDENTIAL

Healthy Employees Deliver Better Service

Equity Residential (NYSE: EQR) is a publicly traded owner and operator of apartments, with ownership of and investments in 309 properties consisting of 79,962 apartment units located in urban and high-density suburban markets.

Equity Residential has been recognized by GRESB as a Listed Sector Leader and by Nareit as a Leader in the Light award winner due to its holistic ESG initiatives that work to create communities where everyone from residents to employees thrive.



Following a steady rise in employee health expenses over several years, Equity Residential began investing in employee engagement initiatives that centered around access to and education about the benefits of preventative health care.

In 2012, Equity Residential partnered with Vitality, a fully integrated global wellness program designed to engage, encourage, and reward employees on their personal wellness journey. With Vitality, employee healthcare premiums are linked to participation in wellness activities, with the biggest premium savings available to those who achieve the highest wellness level by completing wellness screenings, creating healthy goals, and/or participating in online learning and fitness sessions. The ability to shop in Vitality's online mall with earned points is an added bonus.

For employees, Equity Residential's long-standing commitment to covering 100% of employee preventative care and instituting the Vitality wellness program has made proactive personal health care more accessible. As a result of these measures, Equity Residential has experienced cost savings through year-over-year reductions in medical pharmacy claims and progressive decreases in claim severity, most recently experiencing a 19% reduction for 2019. Employees have also experienced health care premiums below market norms and a mindset shift in being more proactive about their health and well-being. When employees are healthy and feel good, it positively impacts their ability to deliver an exceptional customer experience and contributes to creating communities where people thrive.

LEFT: Equity Residential, Newport Beach, CA

Building Diverse & Inclusive Environments

100%

Percentage of Nareit Diversity & Inclusion Survey participants that prioritize diversity and inclusion in the workplace[76]

REITs recognize the value diverse teams bring to their business performance, including the opportunity to capture a greater breadth of perspectives, ideas, and expertise, and the ability to appeal to diverse clients, customers, and other stakeholders. Diversity, at both the board and employee levels, helps REITs gain access to previously untapped marketplaces, enhance “diversity of thought” on leadership teams, and improve employee satisfaction.[77]

According to the 2019 GRESB survey, 91% of respondents in the global real estate industry monitor the diversity of both their governance bodies and employees.[78]

REITs have made progress in this area by implementing holistic diversity and inclusion initiatives that improve gender representation and pay equity at the highest levels of the organization, while also training all employees in anti-harassment, diversity, and inclusion. According to a 2018 McKinsey study, companies with more gender-diverse executive teams were 21% more likely to have above-average profitability compared to their less diverse peers, and those with significantly more racial and ethnic diversity were more likely to outperform peers.[79]

5 GENDER EQUALITY

The industry's diversity and inclusion initiatives, specifically those promoting gender equality through training, hiring practices, and mentorships, help make significant contributions to Goal 5.

CASE STUDY

BRIXMOR PROPERTY GROUP, INC.

Diversity Through Engagement

Brixmor Property Group, Inc. (NYSE: BRX) operates a national portfolio of 403 open-air shopping centers consisting of approximately 71 million square feet of prime retail space in established trade areas.

Through its ongoing environmental, social responsibility, and governance commitments, Brixmor has developed robust diversity and inclusion initiatives that are embedded across all aspects of the business and within its overarching corporate responsibility strategy and goals.

Brixmor uses a multipronged approach to promote diversity and inclusion at the company. Female representation has been prioritized, with senior vice president representation having recently increased from 25% to 33% and at the board level from 11% to 33%. The company assesses gender pay annually, across all levels. There is no gap at the senior level, and in the last three years, the company has eliminated the gap at the executive level.

Diversity initiatives have been integral to Brixmor’s employee engagement efforts. Each year, all employees recite together and sign a pledge committing to promote a culture of excellence and inclusion, and, by mid-2019, 100% of the company’s employees were trained in diversity, inclusion, and anti-harassment.

The company also works to bring different perspectives, ideas, and opportunities to employees across the organization through TED-style Big Brain days including Q&A sessions with the speakers, paid professional and personal development opportunities, book clubs, and twice-annual Board of Director “lunch and learns.” These efforts have contributed to high rates of employee satisfaction at the company. In the most recent survey, 96% of employee survey participants expressed satisfaction with Brixmor’s culture.

LEFT : Brixmor Property Group, Big Brain Day Event

CASE STUDY

DUKE REALTY CORP.

Companywide Diversity Program Delivers Real Results

Duke Realty Corp. (NYSE: DRE) is an owner, developer, and manager of logistics properties, including 155 million rentable square feet of high-quality assets in 20 major U.S. distribution markets.

Duke Realty’s corporate responsibility mission statement emphasizes organizational practices that drive continuous improvement across all aspects of environmental, social, and corporate governance (ESG). For example, the company’s diversity and inclusion commitments and programs, which have long been a priority for Duke Realty, have been recently refreshed by current leadership and through ESG goal-setting efforts.

In 2019, Duke Realty made several impactful commitments to leading global diversity and inclusion efforts, including:

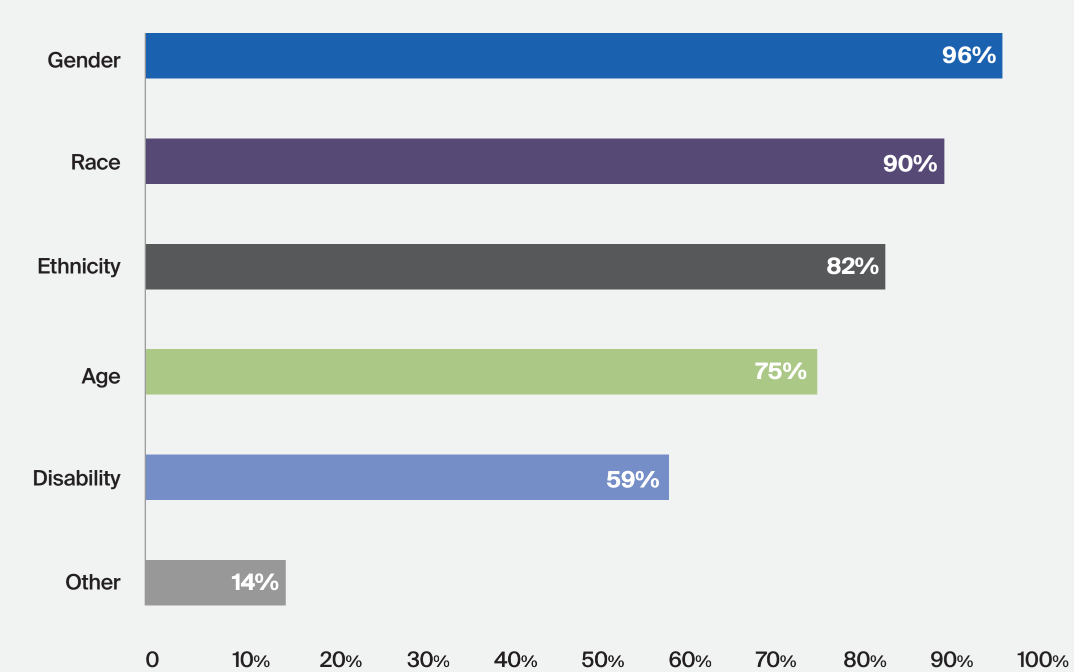
- Duke Realty’s Chairman and Chief Executive Officer (CEO), James B. (Jim) Connor, became the first REIT CEO to sign the CEO Action for Diversity and Inclusion pledge;
- Through one of its board members, the company became involved with Paradigm for Parity, which promotes fair compensation for women; and,

RIGHT: Duke Realty

- The company recently redefined its goals for the next five years and has aligned its efforts to the UN SDGs, specifically highlighting SDG 5, Achieving Gender Equality, as critically important.

Internally, Duke Realty continues to promote diversity and inclusion through companywide unconscious bias training, guidelines that require the consideration of diverse candidates when recruiting and hiring for any open position, and an Executive Mentorship program focused on female and minority associates. As a result of its diversity and inclusion commitments and initiatives, women and minorities made up nearly one-third of all company hires and 67% of top management hires in 2019. In addition, 55% of women involved in the Executive Mentorship program in the past four years have received promotions. While involved in the program, several mentored associates were inspired to establish a Women’s Networking Program that has garnered participation from men and women across the company.

Elements of REIT Diversity and Inclusion Initiatives



Percent of companies that address identified elements of diversity and inclusion

Source: *2019 Diversity and Inclusion Survey*

Good Governance

Leveraging Leading Practices for Good Governance

GOVERNANCE

Good governance refers to an organization's processes, policies, practices, and impact with regard to its formalized governing infrastructure, transparency, roles and responsibilities, and accountability.[80]

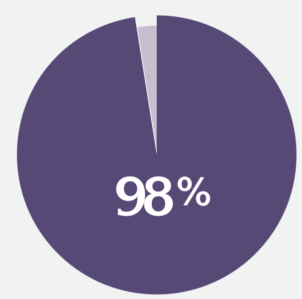
In 2019, REITs again demonstrated a commitment to institutionalizing good governance policies and practices across their organizations, with 100% of Nareit's members that reported to GRESB stating that their organization discloses policies on relevant governance issues. Governance structures and protocols increasingly reflect and support integration of ESG strategies and objectives.

Aligned with leading governance practices, many REITs have formed interdepartmental ESG committees that include C-suite and board-level representation as well as cross-functional and often cross-regional groups comprising employees from different levels of the company. Many of these committees have specific responsibilities for developing, overseeing, and deciding on ESG initiatives.

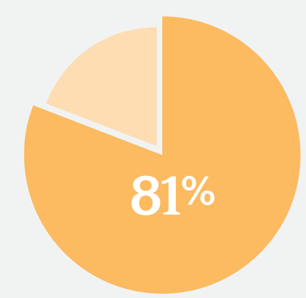
These groups are tasked with guiding organizational ESG goal setting and performance monitoring. In 2019, 82% of U.S. REITs reporting to GRESB disclosed that ESG factors were included in performance targets, with leading companies making efforts to tie executive compensation to specific ESG metrics. As is the case with environmental sustainability and social responsibility, REITs are aligning governance goals with key UN SDGs.

Aligning Governance Goals to the UN SDGs

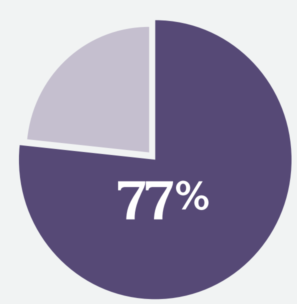
Leading Governance Practices



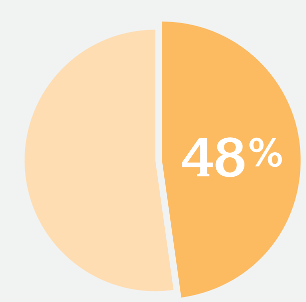
98% of REITs reporting to GRESB indicated having formal ESG objectives at the corporate level[81]



81% of U.S. companies have formalized sustainability strategies[83]



77% of REITs reporting to GRESB indicated having a sustainability strategy for new construction and major renovations[82]



48% of U.S. companies say sustainability concerns influence their growth strategies[84]

LEFT: AvalonBay Communities, Gallery Place, Washington, D.C.

Embedding ESG in Roles & Responsibilities Throughout the Organization

98%

Percentage of Nareit members reporting to GRESB that indicated having a sustainability taskforce or committee in 2019[85]

Establishing good ESG governance starts with defining clear ESG roles and responsibilities for the company's ESG staff, management, executives, and board members.

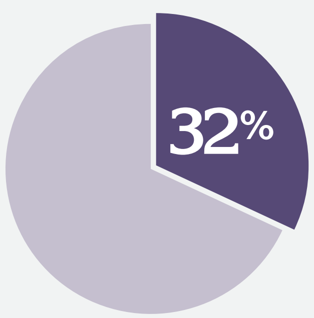
A majority of the REITs have established ESG governing bodies, in the form of a sustainability taskforce or committee, to oversee the development, implementation, and monitoring of corporate sustainability efforts.[86]

These ESG governing bodies often work in collaboration with dedicated ESG staff and have formal responsibilities, board participation, and regular reporting schedules.

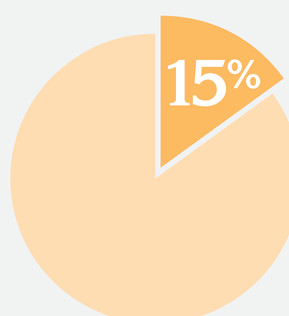
As sustainability issues cut across a diverse spectrum of core business operations, there has been a trend toward ensuring that ESG governing bodies and teams are cross-functional by design and include not only regional representation, but also different levels of employees within the organization. In the 2019 GRESB survey, 62% of REIT ESG task forces or committees included at least one board member.[87]

Beyond developing ESG committees, the real estate industry has demonstrated investment in ESG governance by allocating dedicated staff to ensuring progress and performance. In 2019, 98% of REITs reporting to GRESB had at least one note the change overseeing sustainability.[88]

ESG Responsibilities at the Board Level



32% of respondents to the 2019 Nareit Member Survey have embedded ESG into their Board of Directors through the establishment of an ESG subcommittee[89]



15% of the 476 companies analyzed by Ceres in a 2018 report disclosed evidence of their boards being formally charged with overseeing sustainability issues[90]

BELOW: AvalonBay Communities, AVA Van Ness, Washington, D.C.

CASE STUDY

HUDSON PACIFIC PROPERTIES , INC.

Governing ESG from the Top Down and the Bottom Up

Hudson Pacific Properties, Inc. (NYSE: HPP) acquires, redevelops, and develops creative office and studio properties in West Coast tech and media epicenters of Los Angeles, Silicon Valley, San Francisco, Seattle, and Vancouver, with a current portfolio totaling nearly 19 million square feet. Recent sustainability accomplishments include achieving 100% renewable electricity across its portfolio, increased ENERGY STAR and LEED certifications, and the formation of cross-functional sustainability groups.

Led by its vice president of sustainability and social impact, Hudson Pacific's ESG efforts are governed using a multipronged approach that engages employees and leadership throughout the organization.

ABOVE: Hudson Pacific Properties, Ferry Building, San Francisco, CA

To ensure executive-level management of company-wide ESG objectives, Hudson Pacific established a cross-functional ESG leadership team that meets regularly to shape the company's strategy and priorities.

The company's ESG efforts are further supported by its Sustainability Council and its Social Impact Council, cross-functional, cross-regional teams that meet quarterly to advance specific ESG initiatives and engage with employees at every level.

All ESG activities are reported to and directed by a board-level Sustainability Committee that includes the CEO and two independent board directors. Beginning in 2020, Hudson Pacific also established an executive compensation policy, tying a percentage of executive pay to key ESG metrics.

Hudson Pacific's integrated approach has fostered meaningful buy-in from key stakeholders, resulting in strategic, innovative initiatives and improved ESG performance across the organization.

Linking Compensation to ESG Performance Metrics

52%

Percentage of Nareit members with a Board of Directors that tracks metrics on strategic, financial and/or operational performance on ESG initiatives[91]

REITs have begun to implement policies that tie compensation for different employees to company ESG metrics. Currently, 81% of Nareit members reporting to GRESB include ESG factors in employee performance targets.[92]

Leadership compensation linkage to ESG goals is also emerging as a leading practice for ESG performance management and accountability. Companies with strong links between executive compensation and ESG performance are found to be 2.1 times more likely to have stronger ESG performance.[93]

BELOW : Prologis, Inc., Community Workforce Initiative, Chicago

CASE STUDY

KILROY REALTY CORP.

Tying Executive Compensation to ESG Metrics

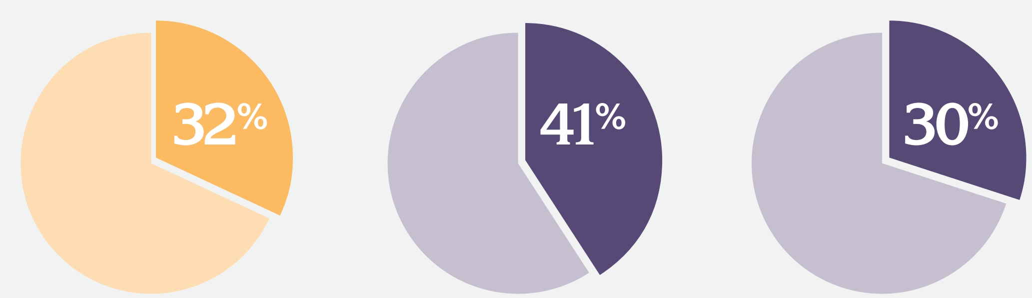
For over 70 years, Kilroy Realty Corp. (NYSE: KRC) has provided premium, adaptable, and productive work environments for a wide range of industries. With 14 million square feet in its portfolio, Kilroy believes that ESG is foundational to its business and is recognized as a leader in sustainable practices, having been named the North American Office Leader in Sustainability by GRESB six times and winner of the Nareit Leader in the Light Award six times.

In 2018, the company committed to an ambitious target—to achieve a 100% carbon-neutral footprint by 2020—and in 2019, Kilroy announced that a new ESG-focused metric was added to the company's annual cash incentive plan performance measurement framework, with a 15% weighting within the overall framework for determining 2019 cash bonus payouts for the company's chief executive officer and executive vice presidents. As a result, performance for this metric is measured based on the company's achievement of certain sustainability disclosures and ESG-initiative goals, including achievement of minimum LEED certifications on new development and a continued focus on diversity.

Following the success of its 2019 cash incentive plan performance measurement framework that included the ESG-focused metric, and in an effort to further incentivize executive achievements in sustainability disclosure and ESG initiatives, Kilroy has broadened its goals under this metric for 2020 to include establishment of carbon-neutral operations by the end of 2020, achievement of minimum LEED certifications on new development, annual progress on human capital initiatives (including employee engagement, talent development, and diversity) and implementation and efficacy of its in-season and off-season stockholder outreach program.

ABOVE: Kilroy Realty Corp

Percentage of Companies with Compensation Tied to ESG Performance



32% of Fortune 500 companies linked executive compensation to sustainability performance[94]

41% of REITs reporting to GRESB set financially-linked ESG targets for members of their Boards of Directors[95]

30% of REITs reporting to GRESB have members of senior management with financially linked ESG performance targets[96]

Integrating ESG into Corporate Risks Assessments

80%

Percentage of Nareit members who reported integrating identified ESG risks and opportunities into their strategy and financial planning in 2019[97]

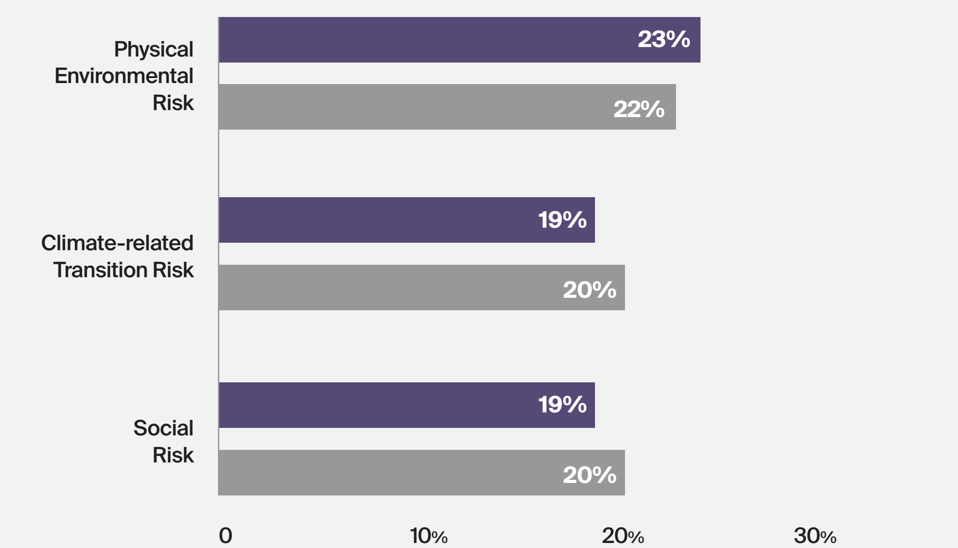
ESG risks are now considered among top global economic risks,[98] making ESG risk assessment and mitigation a critical focus area for the real estate industry. In order to consistently and successfully manage ESG risks, leading practice is to fully integrate ESG issues into corporate risk management practices.

REITs demonstrate leadership in ESG risk assessment and integration practices, as highlighted by the 80% of 2019 Nareit Member Survey respondents reporting that their companies integrate ESG risks and opportunities into corporate strategy and financial planning, compared to 29% of World Business Council for Sustainable Development member companies that report risk management of their top ESG issues.[99]

With ESG risks ranging from climate change and flooding to cybersecurity and employee health and safety, REITs have increasingly found that approaching ESG risks through good governance practices that promote shared responsibility across every level and function of an organization is critical to effective risk management.

> **"Organizations that proactively and effectively manage and disclose ESG risks are more likely to meet or exceed disclosure requirements and regulations, have access to more capital due to increased transparency with investors and lenders, and engage in more informed strategic planning."**
>
> **— Task Force on Climate-related Financial Disclosures (TCFD)[100]**

U.S. REITs meet or exceed Global ESG Risk Management Standards



Percentage of REITs with systemic processes in place to assess risk

KEY

U.S. REITs | Global REITs

Source: *2019 GRESB U.S. Portfolio Analysis Report*

CASE STUDY

REGENCY CENTERS CORP.

Making Cybersecurity a Companywide Priority

Regency Centers Corp. (NASDAQ: REG) is a major national shopping center REIT, with a portfolio of 419 centers totaling 57 million square feet. Regency's corporate responsibility motto is, "We Do What Is Right." Recently, Regency published its inaugural GRI standard-compliant corporate responsibility report, joined the ranks of the S&P 500 ESG Index, and acted on its commitment to ensuring cybersecurity resilience for the company and its stakeholders.

Recognizing cybersecurity as a strategic risk, Regency developed a leading governance approach by setting up a cross-functional Cyber Risk Management Committee consisting of 21 people representing 10 departments to oversee the cyber risk management program. Six of the committee members serve on a leadership team that guides the company's responses to potential cyber incidents and data breaches.

The committee adopted the NIST cybersecurity framework to assess its current state of preparedness and to prioritize actions to reach its desired state. The highest risk in cybersecurity is people, as they are susceptible to increasingly sophisticated hackers and cyberattacks.

To better prepare Regency's employees, the company focuses on comprehensive onboarding, annual cybersecurity training, ongoing phishing testing and training, and specialized training for users more likely to be targeted for spear phishing, including executives. Additionally, Regency holds an annual cybersecurity awareness month to refresh employees' skills and awareness and offers a cybersecurity course to its employees' families.

Regency's business-led governance approach has helped garner companywide buy-in for cybersecurity initiatives, allowing for the proactive deployment of solutions that might exceed the normal purview of a cyber risk management program led by IT.

ABOVE: Regency Centers Corp., Village at La Floresta, Brea, CA

Making Progress on Board Diversity

97 of the top 100 REITs by equity market capitalization reported having at least one female board member[101]

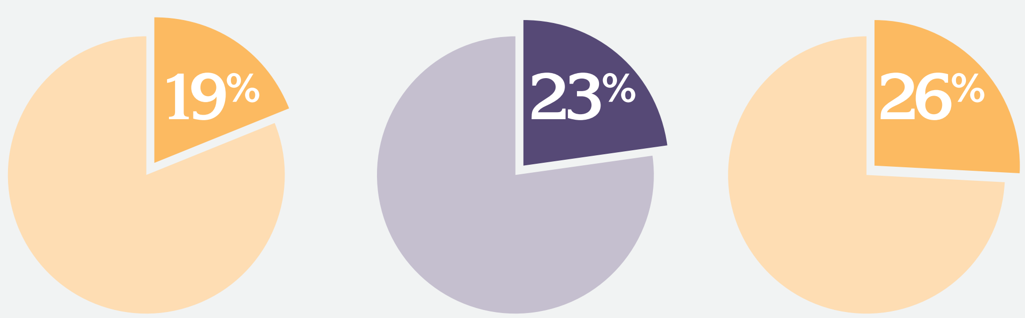
Diverse and inclusive workplaces and board representation are considered essential for the diversity of experience and thought needed to drive innovation and spur growth. Studies have shown that companies with diverse boards can generate higher profits[102] and companies with highly gender-diverse executive teams are more likely to outperform their peers.[103] REITs recognize the value of diversity and inclusion, and have made it a priority to create more diverse boards and managements.

One way REITs are encouraging board diversity is through mandatory board refresh policies. A 2019 Harvard University study on corporate governance found that board renewal rates remain higher today than in the previous 10 years and that boards are increasingly adding new directors to expand perspectives and representation.[104]

In a 2019 study that assessed diversity and inclusion among S&P 500 companies, Wall Street Journal analysts ranked industries on their level of board diversity, looking at age, gender, and independence. Among companies included in the analysis, the real estate industry performed competitively across all three areas, with all industries showing room to continue to improve gender representation.[105]

REITs support Goals 5 and 10 by promoting social and economic inclusion at the highest levels of their organizations.

Female Board Representation



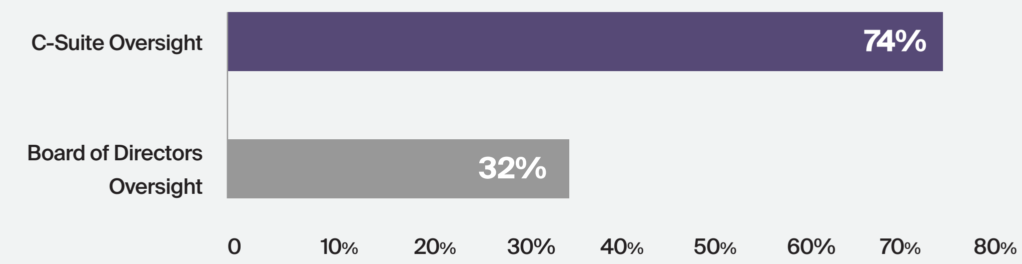
Russell 3000[111]

Top 100 REITs by Equity Market Cap[112]

S&P 500[113]

Female representation at the board level is increasing across the corporate world, and REITs remain competitive at improving gender equality at the most senior levels.

Oversight of Diversity and Inclusion



Percentage of REITs with diversity and inclusion oversight

Source: *2019 Nareit Diversity and Inclusion Survey*

Board Diversity

BOARD DIVERSITY SCORES BY SECTOR

	Gender Diversity	Age Diversity	Independence
S&P 500	13	83	92
Communication Services	20	89	77
Consumer Staples	14	89	88
Consumer Discretionary	23	90	90
Energy	5	81	93
Financials	13	79	93
Health Care	13	84	95
Information Technology	9	85	91
Industrials	6	85	93
Materials	11	73	95
REAL ESTATE	**14**	**88**	**95**
Utilities	11	66	96

0–25 Weak
26–50 Mid-to-weak
51–75 Mid-to-strong
76–100 Strong

SCORE

Source: *WSJ environment, social and governance research analysts*

Real Estate Working For You

Nareit seeks to actively encourage the development and adoption of effective environmental, social, and governance practices in real estate through its ESG knowledge-sharing and capacity-building initiatives.

REIT.com/nareit/reits-sustainability

Real Estate Sustainability Council

Nareit's Real Estate Sustainability Council (RESC) consists of Nareit corporate member sustainability thought leaders—representing all REIT sectors—with a mission to help shape and lead the REIT industry on ESG issues.

RIGHT: Simon Property Group's Mona Benisi, former chair of Nareit's Real Estate Sustainability Council, speaks during the January 2020 RESC meeting.

Dividends Through Diversity & Inclusion Initiative

Nareit's Dividends Through Diversity & Inclusion Initiative promotes recruitment, inclusion, and advancement of women and other diverse groups in REITs and the wider commercial real estate industry. As part of this effort, the initiative facilitates education and career development opportunities and promotes engagement programs for women and other diverse groups in the REIT and commercial real estate industries.

LEFT: Frances Brooks Taplett, partner at Boston Consulting Group, moderates a session on developing an effective diversity and inclusion program at Nareit's 2019 Dividends Through Diversity & Inclusion Forum.

REITworks Conference

Nareit's REITworks is an educational conference where REIT industry professionals will learn about the latest developments in environmental stewardship, social responsibility, and good governance impacting the real estate sector. Attendees will hear thought leaders discuss key topics related to accounting, financial reporting, sustainability, capital markets, disclosure, investor relations, diversity and inclusion, human resources, and more.

Leader in the Light Awards

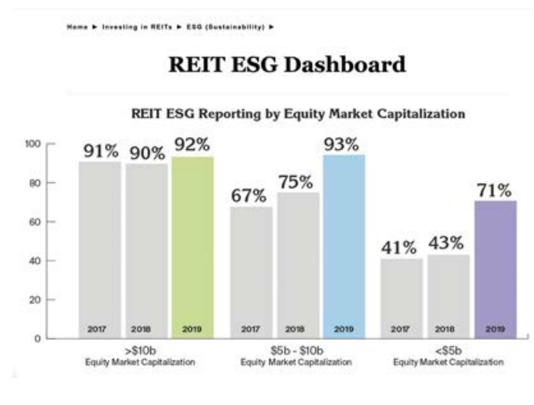
Nareit's annual Leader in the Light Awards honor Nareit member companies that have produced superior, measurable results from the implementation of sustainable business practices.

REIT ESG JumpStart Program and Workshop

Nareit's JumpStart Program is a real estate ESG education initiative with a goal to provide guidance to Nareit members and real estate organizations that are either just starting with a sustainability program or looking for further growth in their existing programs. Nareit holds an ESG JumpStart Workshop, a one-day program designed to teach Nareit corporate members the core skills needed to launch—or improve—an ESG program of any size.

RIGHT: AvalonBay's Mark Delisi delivers a presentation on ESG reporting at Nareit's 2020 JumpStart Workshop.

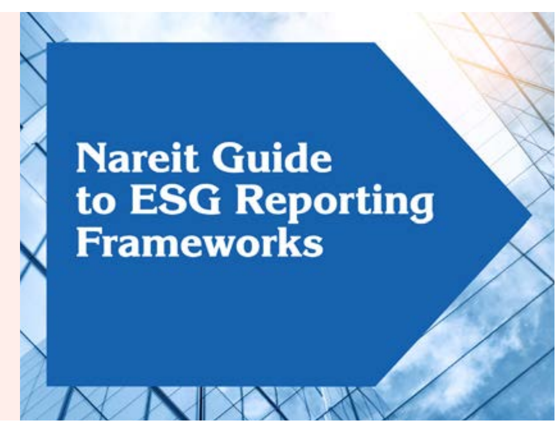
REIT ESG Dashboard



With the goal of communicating the U.S. REIT industry's ESG impact and progress, Nareit maintains the ESG Dashboard on REIT.com. The ESG Dashboard, developed in partnership with GeoPhy and updated annually, identifies and tracks company reporting of ESG key performance indicators (KPIs) for the U.S. REIT industry.

Nareit Guide to ESG Reporting Frameworks

The Nareit Guide to ESG Reporting Frameworks helps Nareit members better understand and navigate the array of environmental, social, and governance reporting frameworks. The inaugural guide, developed with assistance from AccountAbility, was released in 2019 and is available on REIT.com.



Nareit Handbook for ESG Implementation

In 2020, Nareit plans to publish the Handbook for ESG Implementation. The handbook is intended to provide Nareit corporate members with practical and strategic guidance for ESG performance management within the top 15 ESG KPIs identified in the Nareit Guide to ESG Reporting Frameworks.

Conclusion

Nareit's second-annual REIT Industry ESG Report showcases the substantial efforts made by the industry to build off the baselines established in the inaugural REIT Industry ESG Report and create positive environmental, social, and governance impacts that extend far beyond the physical footprint of each REIT.

Both REITs and their stakeholders are increasingly recognizing the importance of holistic and interconnected ESG efforts, especially in the face of the COVID-19 pandemic and protests worldwide in favor of social justice for African Americans. REITs have the opportunity to use their experience developing robust governance policies and social initiatives to help improve the communities REITs serve and rely upon today and into the future. In rapidly evolving times, investing in sound ESG practices to build operational, financial, and community resilience is more critical than ever.

Moving forward, there will be heightened focus on corporate commitments to support racial equality and act against social injustice, as well as the health, safety, and well-being of employees, tenants, and communities. Additionally, as climate risk continues to draw global attention, REITs will be looked to as significant contributors to solving environmental challenges and building resilience against climate-related risks.

In order to effectively address the important environmental and social issues of today, good governance is crucial. The REIT industry is poised to leverage its experience developing effective governance mechanisms, implementing leading policies, and creating cross-functional teams to address stakeholder concerns and company priorities.

As governments and companies globally continue to invest in policies, practices, and initiatives to meet the objectives of the UN Sustainable Development Goals—to create equitable peace and prosperity for people and the planet—REITs can lead by leveraging and expanding the industry's positive impact on communities and the environment.

In coming years, Nareit will continue to support the industry's sustainable growth and to drive lasting impact by engaging and educating stakeholders about leading practice strategies, goals, and programs including ESG oversight, management, tracking, and reporting.

LEFT: AvalonBay Communities, Princeton, NJ

Glossary

BOARD-LEVEL OVERSIGHT—ESG:

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

CLIMATE CHANGE OPPORTUNITIES AND RISK:

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

COMPENSATION POLICY:

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

DIVERSITY AND EQUALITY:

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

ENERGY:

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

ENVIRONMENTAL MANAGEMENT SYSTEM:

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

ENVIRONMENTAL POLICY:

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

ESG REPORTING STANDARDS:

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

GREENHOUSE GAS EMISSIONS (GHG):

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

GOVERNANCE RISK ASSESSMENT:

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

GOVERNANCE POLICY:

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

HEALTH AND SAFETY:

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

INTERNATIONAL ORGANIZATION FOR STANDARDIZATION (ISO):

ISO is an independent, nongovernmental international organization with a membership of 164 national bodies that develops and publishes international standards.

STAKEHOLDER ENGAGEMENT:

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

SUPPLY CHAIN:

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

WORKFORCE DEVELOPMENT /HUMAN CAPITAL:

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

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Nareit is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets.

Nareit's mission is to actively advocate for REIT-based real estate investment with policymakers and the global investment community. Nareit's vision is to ensure that everyone has the opportunity to benefit from real estate investment.

This report has been prepared by Nareit in partnership with AccountAbility, a global consulting and standards firm that works with businesses, governments, and multilateral organizations to advance responsible business practices and improve their long-term performance. For more information visit www.AccountAbility.org.

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