Real Estate Sector Guidelines Sustainability Linked Loans

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Table of Contents

Executive Summary

This document provides additional guidance on the Sustainability-Linked Loan Principles (SLLP) with specific applicability for the real estate sector by providing non-prescriptive guidelines for borrowers, lenders, advisors, and other market participants. Its purpose is to apply the SLLP"s five core components, namely selection of Key Performance Indicators (KPIs), calibration of Sustainability Performance Targets (SPTs), loan characteristics, reporting, and verification, into practical considerations for real estate market participants. The guidelines also apply to SLL-like financing structures where financial terms are linked to sustainability outcomes absent the formal SLL label.

KPIs in real estate may be set at the entity[1] level or the individual asset level, and they are often dependent on the borrower's reporting boundary and financing purpose. A borrower shall clearly communicate to its lenders its rationale for the selection of its KPIs. The document groups KPIs into four distinct categories: sustainability ratings, thematic sustainability sub-ratings, quantitative performance metrics (energy, GHG, water, waste, energy ratings, and similar), and green building certifications. Within each category one or more KPIs can be selected according to what is material to the borrower's business and sustainability strategy.

The guidelines describe common approaches to setting SPTs and the practical documentation items parties should agree upon when calibrating performance targets. SPTs are the ambitious, relevant targets, informed by peer or sector benchmarks, which form the basis for the loan's pricing adjustments over the lifetime of a SLL. The document sets out the types of target formats used in practice and what to record once targets are set.

Progress against KPIs and SPTs is typically reported at least annually, either publicly (when feasible) or privately to participating lenders. Reporting should be accompanied by a sustainability confirmation statement, including appropriate external review or verification as agreed between the parties.

Decisions on KPI selection, SPT calibration, and elements of loan structuring are ultimately determined by the borrower and lender, since SLLs are bespoke products designed to reflect the parties' specific intentions and circumstances. As a strategic partner to the real estate industry, GRESB provides guidelines that are intended to inform those decisions and to promote consistent, credible practice across the sector.

[1] Note that entity in this document is used to describe a company, fund or portfolio

Introduction

The SLLP provides the foundation for structuring SLLs—debt instruments in which the financial or structural terms are linked to the borrower's achievement of predetermined sustainability performance targets. First published in 2019 and most recently updated in 2025 by the Loan Market Association (LMA), the Asia Pacific Loan Market Association, and the Loan Syndications and Trading Association, the SLLP sets out a voluntary, high-level framework intended to support the development and integrity of the SLL market.

SLL issuance has become an established part of sustainable finance, with varying levels of activity across geographies. The product is especially relevant to the real estate sector, where sustainability considerations are increasingly material to asset value, credit risk, and broader stakeholder expectations.

The SLLP is intentionally designed at a high level to accommodate use across the full range of economic industries. Ongoing market developments continue to highlight the importance of applying sector-specific guidelines to advance the SLLP market. In real estate, effective application requires industry-specific detail related to KPI selection, calibration of SPTs, and the identification of suitable performance benchmarks. Providing clarity on these topics can help market participants improve transparency and ensure alignment with the SLLP. The LMA therefore published a guide to the application of the SLLP in real estate finance and real estate development finance in 2022, setting out what borrowers and lenders should consider when looking to align transactions to the SLLP.

This document builds on the SLLP and the LMA's real estate guidance, offering more detail on their application within the real estate context. It provides a neutral reference point for structuring discussions between borrowers and lenders, highlighting areas where clarity and documentation are most critical for credibility and effective implementation. The guidelines may also be applied to sustainable transactions with an SLL-like structure that are not formally labeled as SLLs, where linking financial terms to sustainability outcomes remains a core objective.

Market Applicability

This document is applicable across real estate SLL and SLL-like transactions and is intended to assist market participants in applying the SLLP consistently within the sector. It is designed for borrowers, lenders, advisors, and other stakeholders seeking a clear understanding of how SLL structuring elements may be approached in real estate finance.

These guidelines help parties to:
- Identify the range of KPIs that may be relevant for real estate borrowers and lenders
- Consider approaches to calibrating SPTs that reflect sector-relevant expectations in a manner consistent with the SLLP
- Align reporting and verification arrangements with established real estate practices

The guidelines are not prescriptive, acknowledging that individual transactions will reflect the borrower's specific material considerations and the commercial context agreed between parties. By providing sector-focused clarification, these guidelines support robust and transparent structuring practices across a diverse global market.

Guidelines

The SLLP defines five core components that form the essential structure of a SLL:

1. Selection of KPIs
2. Calibration of SPTs
3. Loan characteristics
4. Reporting
5. Verification

These core components provide a framework for what is recognized as an increasingly important area of finance and are crafted as voluntary, market-driven guidelines that should be applied on a deal-by-deal basis depending on the underlying transaction characteristics.

This document follows the same component structure of the SLLP and provides additional context for their application in the real estate sector. The emphasis is on sector-specific considerations that may arise in practice, such as the selection of KPIs and the calibration of SPTs, while ensuring consistency with the SLLP.

The sections below explore each of the five components individually.

Selection of KPIs

This section provides a framework for understanding the types of KPIs that can be applied in SLLs for real estate that align with the SLLP. It explains the main categories of KPIs, their scope, and key considerations.

The credibility of any SLL financial product will rest on the KPI selection. According to the SLLP, KPIs shall be:

- Relevant, core, and material to the borrower's overall business and of high strategic significance to the borrower's current or future operations
- Consistent with the borrower's overall sustainability strategy
- Measurable or quantifiable on a consistent methodological basis
- Externally verifiable where feasible
- Able to be benchmarked

Real Estate KPI Overview

In real estate, the selection of KPIs is closely tied to the borrower's structure and the nature of financed assets. A key consideration is whether the borrower is a special purpose vehicle (SPV) holding a single asset or an entity with a portfolio of assets. This distinction influences whether KPIs are set at the entity or asset level. They can be defined at either the entity level, reflecting the performance of a broader set of assets, or at the asset level, focusing on the sustainability performance of individual properties.

Entity Level KPIs

An entity-level KPI is a metric that represents sustainability performance at the corporate, fund, or portfolio level. It captures consolidated performance for the set of assets that fall within the borrower's defined boundary and is commonly the unit of disclosure used in corporate or fund reporting. Entity-level KPIs are mostly relevant for loans to (large) borrowers with a portfolio of assets or a comprehensive sustainability strategy, as the KPIs reflect the goals of a (large) entity.

Asset Level KPIs

An asset level KPI is a metric that measures sustainability performance for a development asset or standing asset, rather than for an aggregated group of assets. It captures the development or operational status of the financed asset. This type of KPI is especially relevant for asset-based financing, where the borrower is often a SPV (which may not have a pre-existing sustainability strategy).

In addition to defining KPIs at the entity or asset level, they can also be organized into categories that reflect the type of sustainability measure, as shown in the table below.

Scope	Category	Definition
Entity	Sustainability Rating (e.g., GRESB Rating)	A single, externally produced overall rating or score for the corporate, fund, or portfolio
Entity	Thematic Sustainability (sub)Rating (e.g., Social sub-score)	A provider-produced sub-rating that isolates performance on specific themes that are most material to the borrower
Entity / Asset	Green Building Certification (e.g., LEED Platinum, BREEAM Outstanding)	Third-party certification that verifies the performance of assets against defined sustainability criteria most relevant to its environmental or social impacts
Entity / Asset	Performance Metric (e.g., Energy consumption, GHG intensity)	A set of quantitative indicators that measure the performance of assets

Sustainability Rating

Sustainability ratings translate comprehensive sustainability data into an intuitive and easily digestible format, making performance more accessible and comprehensible for stakeholders. Rating providers use different methodologies to calculate their output, and these methodologies can evolve over time, which may affect a company's rating independently of its actual performance.

When used as a KPI, the choice of rating provider should reflect what the borrower and lender consider most relevant to the borrower's business and sustainability strategy. GRESB applies methodologies tailored to characteristics in the real estate sector. Ratings can be expressed in different formats, most commonly in the following ways:

Category	KPI	Definition
Sustainability Rating	Numeric Score (e.g., 0–100)	Continuous score that offers a quantifiable measure of performance
	Tiered System (e.g., GRESB Star Rating)	Categorical score that simplifies performance into a limited number of categories

Tiered systems simplify performance into a limited number of categories, making it easily understandable to a broad audience. Categories in tiered systems are typically defined against a benchmark and therefore indicate performance relative to peers. While a small number of tiered systems may use absolute thresholds, this document focuses on those that are relative. For example, the current GRESB Star Ratings are expressed in number of stars achieved from 1 to 5 and indicate a borrower's quintile position relative to all global benchmark participants. They can highlight substantial improvements, particularly for borrowers early in their sustainability journey.

However, movements in the current GRESB Star Rating[2] can also be influenced by shifts in the benchmark or methodology rather than actual borrower performance.

Numeric scores offer a quantifiable measure of performance and are less affected by changes in benchmarks, although they also remain sensitive to updates in methodology.

Considerations:

- Tiered systems (e.g., current GRESB Star Rating) are sensitive to both changes in a provider's methodology and shifts in the benchmark that determine the cut-offs. That means a change in the methodology or the benchmark can result in a change in the tier even if underlying performance is unchanged.
- Numeric scores are primarily sensitive to methodology changes and are generally less exposed to benchmark-driven movement, though some benchmark effects may still occur depending on the provider.
- Because both formats can be affected by external changes, parties should recognize this sensitivity before selecting a rating-based KPI and ensure they understand the provider's methodology and benchmark definition.

Applicability:

- Tiered systems (e.g., current GRESB Star Rating) can be suitable when the aim is to communicate an entity's relative positioning within a benchmark. Given that tiers are determined by the benchmark group, changes may reflect movements in the benchmark as much as the company's own performance.
- Numeric scores can be suitable when the borrower and lender seek to limit reliance on benchmark-driven effects. To partially offset the effect of methodological updates, parties could consider a *score range* rather than a single score threshold.
- In both cases, it is good practice to document how material methodology changes will be handled to ensure that the KPI and SPT continue to reflect the original intent of the parties.

Thematic Sustainability (sub)Rating

Thematic Sustainability (sub)Ratings allow borrowers and lenders to focus on specific sustainability areas that are most relevant to the borrower's strategy and core business. Themes may relate to environmental, social, or governance issues, to more detailed topics within these areas, and can also combine multiple core concepts. The key principle is that the themes selected should reflect what is material to the borrower.

Depending on the rating provider and methodology, these thematic topics may themselves carry ratings. For example, GRESB provides separate Environmental, Social, and Governance scores at the portfolio level, with additional detailed sub-scores available. By concentrating on a narrower set of issues, thematic scores allow borrowers to prioritize the most important topics without being encumbered by the full scope of a broad sustainability rating. While benchmarking and methodology changes remain considerations, thematic scores can offer a more stable reflection of performance over time, depending on the provider and chosen topics.

[2] Note that the GRESB Star Rating in its current form is based on a relative benchmark. The methodology of the Star Rating may evolve over time. The recommendations in this document apply only to its current form.

Considerations:

- As with broader sustainability ratings, thematic sustainability (sub)ratings are influenced by the provider's methodology and, in some cases, benchmark design.
- Not all rating providers publish thematic (sub)ratings in a way that aligns with borrower or lender needs. Before selecting such a KPI, parties should verify that the relevant (sub)ratings are available and are expected to remain accessible throughout the loan lifecycle.
- Selecting a thematic sustainability (sub)rating requires alignment with the borrower's sustainability strategy and clarity on which themes are most relevant.

Applicability:

- Thematic (sub)ratings can be effective when the borrower and lender want to emphasize performance in specific areas rather than overall sustainability. They are suitable when improvements in targeted themes closely align with the borrower's strategic priorities or when focusing on a defined subset of KPIs is more practical than tracking a broad, comprehensive rating.
- By concentrating on the most material topics, thematic scores can provide clearer insights into the areas of greatest business impact, facilitate more focused management actions, and support meaningful, measurable progress over the loan lifecycle.
- To preserve relevance over the loan lifecycle, it is good practice to document how changes to methodology will be addressed.

Green Building Certification

Green building certifications are third-party assessments that recognize the sustainability performance of individual assets at the design, construction, or operational stage. They offer third-party validation of an asset's sustainability performance, often covering multiple environmental and social objectives.

Various schemes exist, including international frameworks and more regionally established ones. GRESB acknowledges and formally recognizes a number of building certification schemes, based on an evaluation process that applies established quality criteria. For a complete list of GRESB-recognized building certification schemes, please see the 2025 Real Estate Reference Guide. Most building certification schemes maintain tiers that signal higher levels of environmental or social achievements. The choice of scheme should reflect the borrower's strategy, the nature of the asset, and the context of the local market.

Certifications can be considered through two lenses: at the asset level, where the KPI is the certification status of an individual asset, and at the entity level, where aggregated figures are tracked:

Scope	KPI
Entity	• Share of assets, measured by asset count, with a certain building certification (%) • Share of assets, measured by financial value, with a certain building certification (%) • Share of portfolio floor area with a certain building certification (%) • Average / median certification level
Asset	• Certification type • Share of asset floor area with a certain building certification (%)

Certifications allow borrowers to show progression over time, as is mandated by the SLLP. This progression can be shown by certifying an uncertified building for the first time or by moving to a higher tier within a certification scheme. Note that for new construction projects, certification-based KPIs can be more practical than performance metric KPIs (as mentioned below), as performance metric KPIs require baselines and improvement pathways that are not always defined while the asset is not operational.

Considerations:

- Certifications differ across schemes in scope, criteria, and regional recognition; the choice of scheme should reflect both the borrower's strategy and the local market context.
- Most certification schemes use tiers to differentiate performance levels. Progress may reflect performance improvement and/or the evolving standards of the certification system.
- Certifications can be applied at the asset level (status or level of a single asset) or aggregated at the entity level (e.g., share of assets certified).

Applicability:

- Green building certifications can be useful where borrowers and lenders want a KPI that is easily communicated, third-party verified, and often multidimensional in scope.
- Certifications are also effective where comparability across a portfolio is important or where achieving and maintaining recognized labels supports the borrower's wider sustainability strategy.
- It is good practice to document how to treat updates to certification standards to ensure the KPI and SPT remain meaningful and consistent.

Performance Metric

Performance metrics are quantitative measures derived from asset level data. The KPIs linked to these metrics can be applied either to a single asset or aggregated to bring deeper context to an entity level.

Aggregated KPIs are derived by rolling up asset level data using consistent units of measure to the entity level. Aggregated KPIs can provide a direct reflection of entity performance and progress against sustainability objectives, whereas asset level performance metrics capture the sustainability performance of a unique asset (operational or in development). The KPIs tied to asset-based metrics reflect the direct, performance contributions by an individual asset to the broader entity's impact.

Common examples of Performance metrics and their KPIs are listed in the table below. Note that these KPIs are indicative only, and they can generally be applied at both the entity level (when aggregated) and the asset level, unless specified otherwise in the table.

Dimension	Metric	KPI
Environmental	Energy	• Total energy consumption / use • Energy use intensity (EUI) • Share of energy from renewables (%) • On-site generation capacity
	GHG	• Total GHG emissions (for operational assets: Scope 1, 2 and/or 3; for development assets: embodied carbon) • GHG intensity
	Water	• Total water use • Water use intensity • Absolute water reused / recycled • Share of water reused / recycled (%)
	Waste	• Total waste generated • Waste intensity • Absolute diverted / recycled waste • Share of waste diverted / recycled (%)
	Energy Rating	• [Entity] Share of assets with a certain energy rating (%) • [Entity] Share of portfolio floor area with a certain energy rating (%) • [Entity] Portfolio average / median energy rating • [Asset] Energy Rating type • [Asset] Share of asset floor area with a certain energy rating (%)
Social	Affordable Housing	• [Entity] Percentage of affordable units (%) • [Entity] Number of affordable housing units developed
	Health & Safety	• [Entity] Injury rate (%) • [Entity] Lost day rate (%) • [Entity] Severity rate (%)
	Human Capital	• [Entity] Gender ratio – (senior) leadership (%) • [Entity] Gender ratio – total workforce (%)
	Employee Experience	• [Entity] Employee satisfaction score • [Entity] Employee engagement score

These environmental and social performance KPIs provide a direct reflection of performance and progress against sustainability objectives. The advantage of Performance KPIs is that they are independent of rating methodologies. Selecting the most relevant KPIs and defining appropriate Sustainability Performance Targets do require thoughtful consideration.

Aggregated KPIs are especially suitable when the borrower already has robust data collection processes in place for the chosen metric. One key consideration when selecting this KPI type, and the associated SPTs, is how portfolio changes, e.g., acquisitions, disposals and major renovations, could happen throughout the loan lifecycle. Borrowers and lenders should agree on how these changes are accounted for.

KPIs defined at the individual asset level provide a clear and tangible view of performance, unaffected by portfolio changes such as acquisitions or disposals. They also allow for more detailed tracking of improvements at the asset level, whether through retrofits, efficiency upgrades, or changes in operational practices. Asset level metrics can be particularly useful for highlighting the impact of targeted interventions and for demonstrating progress in a transparent and measurable way.

When using performance KPIs, either aggregated or on the asset level, a consideration is the treatment of missing or incomplete data. Furthermore, it is important to document the scope, aggregation approach, baseline, and frequency of measurement. Parties should ensure the metrics remain relevant and interpretable over the course of the loan.

In some cases, lenders and borrowers may also choose to combine a selection of performance metrics into a single, comprehensive KPI, although this is less common in practice. This comprehensive KPI could be offered as a Rating, resulting in a Thematic Sustainability (sub)Rating.

Considerations:

- Aggregated performance KPIs reflect sustainability performance across a portfolio but may be influenced by portfolio changes (e.g., acquisitions, disposals).
- Missing or incomplete data may compromise reliability, and borrowers and lenders must agree on the approach for addressing or managing such gaps.
- The scope, baseline, aggregation approach, and measurement frequency should be clearly defined to ensure the selected KPIs remain relevant and comparable over time.

Applicability:

- Aggregated performance KPIs are useful when the borrower and lender want to track tangible, quantitative outcomes over time or focus on a subset of KPIs that are core to the business. They are most suitable when robust asset level data collection is already in place, allowing for consistent aggregation and monitoring at the portfolio level.
- Asset-level performance KPIs are more suitable when the borrower and lender want to monitor specific improvements at the asset level, for instance in the case of single asset financing. They are also appropriate when the borrower wishes to demonstrate clear cause-and-effect between an intervention and its impact on performance.

Note that while a single KPI may be used for a sustainability-linked loan, it is common practice to select multiple KPIs, drawing from the four different categories mentioned above, to reflect a borrower's comprehensive sustainability strategy. For example, a loan could include a KPI related to the GRESB Score alongside a KPI for (aggregated) energy consumption.

Calibration of SPTs

The process for calibrating Sustainability Performance Targets is central to structuring an SLL: It expresses the level of ambition the borrower is committing to and drives the loan's sustainability outcome.

Under the SLLP, SPTs must be:

- **Relevant and ambitious:** represent a material improvement in the KPI and go beyond a "business-as-usual" trajectory and regulatory minimums
- **Consistent with strategy:** aligned to the borrower's overall sustainability strategy and business model
- **Benchmarked where feasible:** compared to an external reference or peer benchmark when appropriate
- **Time-bound:** set over the life of the loan so that progress can be measured
- **Annualized:** set KPIs for each year of the loan term. Where strong rationale exists and when considering the nature of the transaction and KPI, exceptions to annual SPTs can be agreed between lenders and borrowers

SPTs are typically framed as one or more of the following:

- Absolute target (i.e., a defined value to be reached by a given date)
- Relative improvement (i.e., a percentage or point change versus a baseline)
- Percentile or rank movement within a benchmark
- Tier or certification advancement
- Range and band (i.e., an acceptable window rather than a single point)

The choice of approach should be driven by what the parties want to measure and reward (absolute outcome, relative position, or a blend), the available data, and the borrower's capacity to deliver the outcomes sought. Parties should document the chosen approach, the baseline and the measurement cadence, and ensure the chosen format aligns with the KPI's nature (e.g., categorical KPIs are suitable to tier moves; continuous KPIs are suitable to point or percentage changes).

The table below maps common KPIs to SPT formats parties typically use in real estate SLLs. Note that this table does not define statements of ambition, as parties must determine appropriate levels case by case.

Scope	Category	KPI	SPT Formats
Entity	Sustainability Rating	Numeric Score (e.g., 0–100)	• Score increase • % improvement over baseline • Range target
		Tiered System (e.g., GRESB Star Rating)	• Percentile move (increase tier rating)
Entity	Thematic Sustainability (sub)Rating	Numeric Score (e.g., 0–100)	• Score increase • % improvement over baseline • Range target
		Tiered System (e.g., GRESB Star Rating)	• Percentile move (increase tier rating)

Entity	Building Certification	• Share of assets, by asset count, with a certain building certification • Share of assets, by financial value, with a certain building certification • Share of portfolio floor area with a certain building certification • Average / median certification level	• Absolute threshold • % increase over baseline
Asset	Building Certification	• Share of asset floor area with a certain building certification	• Absolute threshold • % increase over baseline
Asset	Building Certification	• Building Certification type	• Achieve specified level • Upgrade level
Entity / Asset	Environmental Performance Metric	• Total Use (Energy, GHG, Water, Waste) • Intensity (Energy, GHG, Water, Waste)	• Absolute threshold • % reduction over baseline
		• Share of energy from renewables • On-site generation capacity • Water reused / recycled • Diverted / recycled waste • Share of assets with a certain energy rating • Share of portfolio floor area with a certain energy rating • Average / median energy rating level	• Absolute threshold • % increase over baseline
Asset	Environmental Performance Metric (Energy Rating)	• Share of asset floor area with a certain energy rating	• Absolute threshold • % increase over baseline
Asset	Environmental Performance Metric (Energy Rating)	• Energy Rating type	• Achieve specified level • Upgrade level
Entity	Social Performance Metric	• Percentage of affordable units	• Absolute threshold • % increase over baseline

		• Number of affordable housing units developed • Employee satisfaction score • Employee engagement score • Gender ratio – (senior) leadership • Gender ratio – total workforce	
Entity	Social Performance Metric	• Injury rate • Lost day rate • Severity Rate	• Absolute threshold • % reduction over baseline

Practical Guidance on GRESB-Based SPTs and GRESB Methodology Evolution

As mentioned in the previous section, using the GRESB Rating as a KPI reflects a borrower's relative position within the broader GRESB Universe. This makes it suitable if the aim is to communicate an entity's relative positioning within a benchmark, but less suitable to situations where the primary objective is to track performance progress over time. GRESB Scores are better suited as a KPI in this case, as it limits the reliance on benchmark-driven effects. It remains important to understand how the GRESB methodology developments can influence the GRESB Score. To support borrowers and lenders in setting and calibrating SPTs based on GRESB Scores, GRESB offers a range of tools and reference points designed to promote transparency, comparability, and practical application in loan structures.

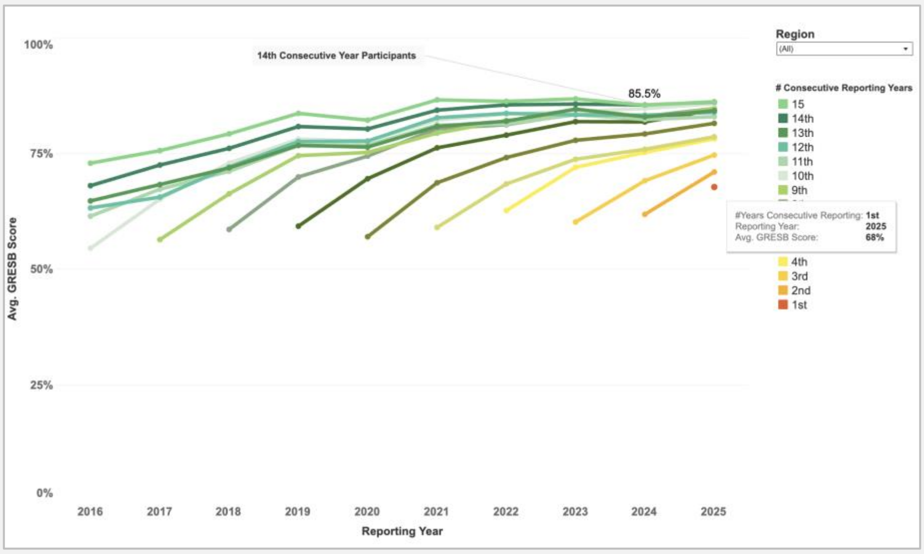
To enhance visibility into methodology changes planned for 2026, GRESB will provide Participants (i.e., borrowers) with a Simulated Scores report in 2025. This report will model Participants' 2025 data under the 2026 methodology, illustrating how the upcoming changes may affect scoring outcomes. Borrowers and lenders can use this report to better understand the drivers of score variation and to inform the calibration of SPTs for 2026.

Looking further ahead, GRESB is engaging with the industry to evolve its Real Estate Standards in line with broader market developments and the increasing emphasis on performance. This process, led by the independent GRESB Foundation, will result in a new version of the Standards, with the first implementation targeted for 2028 (timeline subject to a Public Consultation scheduled in Q1 2026). The new version will place greater emphasis on performance and data reliability, ensuring that assessments continue to reflect industry best practice.

To support a smooth transition to this new version, GRESB intends to provide Participants additional solutions—including forward-looking simulations in 2027 and backward-looking trailing scores in 2028—to facilitate comparison and continuity over time. These measures are designed to ensure that borrowers and lenders can continue to rely on GRESB Scores as a KPI throughout the loan lifecycle. More information about the transition to performance will be published soon on the GRESB website.

In addition to understanding methodological changes, borrowers and lenders should consider historical performance trends, where feasible, when calibrating SPTs. GRESB provides reference data illustrating how participant scores have evolved over consecutive years of reporting, as seen in the graph below (see [GRESB 2025 Real Estate Assessment Results]() for an interactive graph). These historical trends indicate that participants typically experience more pronounced score improvements in the initial years of participation, as early-stage enhancements in data coverage, management practices, and performance reporting are implemented. Over time, as participants mature in their sustainability integration, year-on-year score increases tend to moderate, reflecting a shift from foundational improvements to incremental performance gains.

While these trends offer a useful proxy for understanding potential score trajectories, they represent historical outcomes that inherently include the influence of past methodological and benchmark changes. As such, they should be used as indicative guidance rather than predictive benchmarks, helping borrowers and lenders assess what may constitute a realistic yet ambitious level of improvement based on the borrower's stage of GRESB participation.



Scores Breakdown By Consecutive Reporting Year

Loan Characteristics

Under the SLLP, an important feature is the linkage between the borrower's performance against Sustainable Performance Targets and the financial or structural terms of the loan, such as margin adjustments, interest rate ratchets, or other contractual mechanisms. These economic incentives are central to aligning financial outcomes with sustainability performance.

GRESB does not issue guidelines on loan structuring or financial mechanics, as these vary by transaction, lender preferences, regional practices, and borrower-specific risk considerations. GRESB's role remains focused on supporting robust KPI selection and SPT calibration. Structuring of margin mechanisms, breach definitions, or trigger points is subject to negotiation between the lender and the borrower.

Reporting

According to the SLLP, borrowers shall provide their lenders at least annually:

- Up-to-date information sufficient to allow them to monitor the performance of the selected KPI(s)
- A sustainability confirmation statement outlining the performance against the SPTs and (where relevant) the related impact, and timing of such impact, on the loan's financial and/or structural characteristics and attaching a verification report

For the real estate sector, the specific KPIs and corresponding SPTs described in the previous sections are generally updated and reported on an annual basis. Qualitative entity level KPIs are often suited to annual reporting, whereas Performance KPIs, both entity and asset level, can fluctuate within the year. In some cases, this can lead to more frequent monitoring (e.g., quarterly), depending on lender requirements and the financing structure, though annual reporting remains common for most performance metrics.

If annual reporting is not yet established, it is the borrower's responsibility to implement processes to collect the necessary data and report it consistently, either publicly (through an integrated annual report or sustainability report) or privately to the lenders.

Verification

Under the SLLP, borrowers are required to obtain independent, external verification of their performance against each SPT for each KPI at any date or period. This information is relevant for assessing SPT performance, leading to a potential adjustment of the loan's financial or structural characteristics. The LMA's External Review Guidance (January 2024) outlines this further into three types of external review:

(1) Assurance
(2) Attestation
(3) Certification

Where a KPI is based on a third-party sustainability rating or building certification, the issuance of that rating or certification by the relevant external body generally satisfies the verification requirement and no additional external assurance is expected.

Conclusion

This real estate sector guidelines document complements the SLLP by providing a reference point for structuring discussions between borrowers and lenders in the real estate sector. Its purpose is to help market participants apply the SLLP and provide sector-specific guidelines on the five core components:

1. Selection of KPIs
2. Calibration of SPTs
3. Loan characteristics
4. Reporting
5. Verification

This document is not prescriptive and acknowledges that individual transactions will reflect the specific materiality considerations of each borrower.

KPIs in the real estate sector can generally be grouped into four categories:

1. Sustainability ratings
2. Thematic sustainability (sub)ratings
3. Building certifications
4. Performance metrics

Within each category, one or more KPIs can be selected depending on what is most relevant and material to the borrower's overall business and sustainability strategy. A key consideration is whether the KPI should be set on either the entity level or the asset level. Entity-level KPIs allow for aggregation and comparability across a borrower's holdings, making them useful when the strategy emphasizes overall portfolio performance. Asset-level KPIs, by contrast, provide a more granular view of performance at the asset level.

Based on the selected KPI, corresponding SPTs can be established, which should be ambitious, measurable, and aligned with the borrower's overall business and sustainability objectives. Progress towards these real estate-specific KPIs and SPTs is generally updated and reported on an annual basis, either publicly through integrated financial reporting, stand-alone sustainability reports, etc., or communicated privately to participating lenders, in line with the SLLP. Verification and validation of this information are essential to maintaining market transparency and borrower credibility.

Next Steps

These guidelines can help real estate market participants establish meaningful SPTs, ensure that performance is reported and validated consistently, and support alignment with the SLLP, ultimately contributing to the broader advancement of sustainable investment practices in the global real estate industry. As an established strategic partner, GRESB is committed to advancing sustainability in real estate finance and supporting the evolution of best practices across the sector. GRESB can assist borrowers and lenders by providing the necessary data for the set-up and monitoring of SPTs, e.g., through its assessment services, along with benchmarking insights and validation support.

References

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- External Review Guidance for Green, Social, and Sustainability-Linked Loans
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