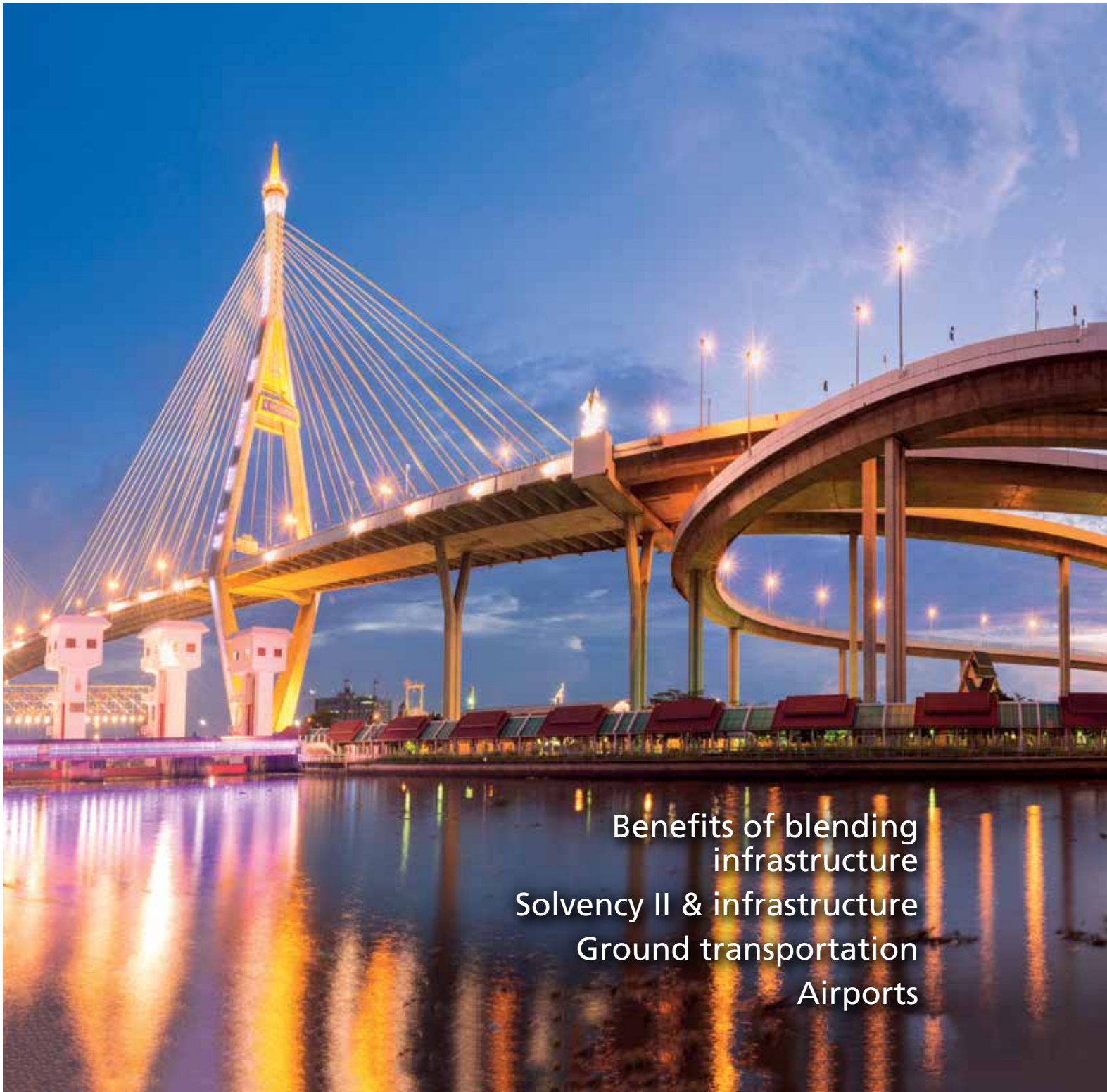




GLOBAL LISTED
INFRASTRUCTURE
ORGANISATION

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Benefits of blending
infrastructure
Solvency II & infrastructure
Ground transportation
Airports

Making the ESG performance of infrastructure investments measurable

By Emke Bus

The interest in the sustainability performance of infrastructure investments is irrefutably gaining traction. So how can we define the measures that can satisfy that analytical demand for clarity?

"It is key to address ESG issues in the investment process to gain a deeper insight into risks and opportunities that materially impact the value and performance of investments."

Giuseppe Corona, AMP Capital.

The shifting of regulatory frameworks and increased interest in 'green' infrastructure, from both mainstream and institutional investors, have been key proponents to momentum towards performance data in recent years. Most notably, the energy sector is facing pressure from a strong and growing transition away from traditional assets.

This transition is being led, in part, by both the fossil fuels and nuclear power divestment movements (Eurosif SRI Study 2016), coupled with the demand for better ESG performance from those assets.

The same can be said for the infrastructure sector as a whole. "It is key to address ESG issues in the investment process to gain a deeper insight into risks and opportunities that materially impact the value and performance of investments", says Giuseppe Corona, Head of Global Listed Infrastructure at AMP Capital.

"This is especially important for infrastructure investments given the long-term horizon."

An Investor-Driven Initiative

In 2014, a group of ten global institutional infrastructure investors, representing \$1.5tn in assets under management, came together to address the critical question of how to develop a global sustainability benchmarking tool for infrastructure assets and funds. Their objective was to develop a framework for systematic assessment, objective scoring and peer benchmarking of the ESG performance of infrastructure investments. This group of forward-looking investors recognized the lack of such a global standard and became the founding members of GRESB Infrastructure.

GRESB, established in 2009, is an industry-driven organization committed to assessing the ESG performance of >



real assets globally, including real estate portfolios (public, private and direct), real estate debt portfolios and infrastructure. More than 250 members, including some 60 pension funds and their fiduciaries, use GRESB data in their investment management and engagement process with a clear goal to optimize the risk/return profile of their investments.

“Since GRESB has become the industry standard for assessing enterprise sustainability practices for listed and private real estate investments,” says David Stanford, Executive Managing Director at RealFoundations, “expanding into infrastructure is a natural step.”

The GRESB Infrastructure Assessment

The result of the collaboration between those ten founding institutional infrastructure investors and GRESB was the GRESB Infrastructure Assessment – a globally applicable benchmarking and reporting framework for systematic assessment, objective scoring and peer benchmarking of the ESG performance of infrastructure investments. The GRESB Infrastructure Assessment is designed to address the need of institutional investors for information about critical aspects of ESG performance.

The first GRESB Infrastructure Assessment took place in 2016, and GRESB has just opened its portal for the 2017 assessment. The GRESB Infrastructure Assessment is split into an assessment for in-

frastructure funds and an assessment for infrastructure assets or operating companies. Both listed and private infrastructure operating companies can participate in the asset assessment.

The asset assessment is organized around eight core aspects, including Management, Policy & Disclosure, Risks & Opportunities, Implementation, Monitoring & Environmental Management Systems, Stakeholder Engagement, Performance Indicators, and Certifications & Awards. These aspects include 33 indicators addressing asset-level plans and policies, implementation actions and operational performance. The asset assessment provides the information needed to understand efforts to maximize beneficial outputs, such as energy production, mobility, or access to clean water, while minimizing social and environmental impacts.

2016 GRESB Infrastructure Highlights

GRESB released the results of the inaugural GRESB Infrastructure Assessment in October 2016. A total of 185 infrastructure entities, including 51 infrastructure funds and 134 infrastructure assets reported to GRESB on their sustainability performance. The assets are located all over the world.

The 73 European companies that participated are spread over the continent and located in countries including the UK, France, Belgium, the Netherlands, Norway, Poland and Spain. The 38 North

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America participants include both US-based and Canada-based entities. Australia and New Zealand, both countries had strong adoption of ESG had 21 participants. Africa had one in participant. The majority of assets participating in 2016 are privately owned, while a few are listed companies, governmental organizations, among others.

The GRESB Infrastructure Assessment covers a broad range of business activities. The highest number of assets, namely 47, are active in energy generation, and energy generation itself was broken down into several peer groups. The 29 renewable energy entities that

participated could be split in peer groups for utility scale and distributed for several types of renewable energy generation. The remainder of the energy generation participants are active in several types of conventional energy generation.

The transport sector also has extensive coverage, with a total of 28 of assets including eight airports, seven ports, eight toll road operations and four other transport assets. Social infrastructure is another business activity with substantial participation. The 17 participants include schools, convention centers, government buildings and correctional facilities. Other business activities included are energy transmission & distribution (16), telecommunications (9), water resource management (6), waste (1), diversified activities (4) and other (4).

Categorizing participating infrastructure funds based on sector focus, it is notable that most funds have a diversified sector focus. Funds that are not diversified focus on one or more of the following sectors: renewable energy, conventional energy, telecommunications, water resources, transportation, waste and social infrastructure.

Even though it is early to draw conclusions based on one year of data, a few patterns were visible in the 2016 GRESB Infrastructure Assessment results. On average funds score 54 out of 100. The ESG performance of infrastructure funds leaves significant room for improvement when it comes to the ESG performance of the underlying assets. Fund scores are not just based on their own ESG activities, but also based on the performance of their investments. Funds achieved on average a score of 33.

The average GRESB score for infrastructure assets that participated in the Asset Assessment is low, and scores show a wide dispersion across infrastructure types. The data for infrastructure assets also demonstrate a strong variation in average GRESB scores per region. Assets that are diversified by region achieved the highest ESG scores and assets in Australia and New Zealand achieve relatively high scores as well.

Managing environmental risks is key for most infrastructure business activities, as

demonstrated by a high level of adoption of environmental policies. 81% of all entities reporting to GRESB have formally adopted a broader environmental policy, or very specific policies for certain environmental issues. The most widely covered issues are energy, GHG emissions and waste. Most participants, 94%, conduct environmental risk assessments. Topics that are often included are energy and GHG emissions. Health and safety issues are recognized as one of the most important social issues.

Some 85% of GRESB Infrastructure participants have a policy or policies on employee health & safety, while 61% and 65% also have health & safety policies for customers and the community. However, results show that reporting on environmental and social performance indicators is not common practice yet.

Only a few participants could consistently report measures for the performance indicators that include health & safety, energy, GHG emissions, air pollutant emissions, waste, water and biodiversity and habitat. This is reflected in relatively low average scores for this aspect. Aspect scores are on average highest for the Implementation aspect, that addresses practical actions taken to improve ESG performance. The scores were lowest for the Certification & Awards aspect.

2017 GRESB Infrastructure Assessment

The GRESB Infrastructure Assessment is open for participation between April 01 and July 01, 2017. After a rigorous data quality-control process, the data is scored with each company, fund and asset receiving a GRESB score. Each entity is then compared against peers in the same region and sector. The resultant GRESB rating provides an overall, high-level metric for investors to evaluate the ESG performance of infrastructure investments.

Upon the release of the 2017 GRESB results in September, participants will receive a scorecard summarizing the key elements of their ESG performance. GRESB results highlight organizational strengths and improvement opportunities, and can inform implementation action plans.

The GRESB Infrastructure Assessment provides infrastructure investors with action-

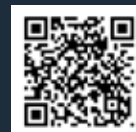
able information and the tools they need to accurately monitor and manage the sustainability risks of their assets, and to prepare for increasingly rigorous ESG obligations. It is a consistent framework allowing investors to collect and compare key ESG and related performance metrics across their infrastructure assets worldwide.

GRESB Infrastructure Members can use the information provided by GRESB to better understand immediate sustainability risks, to engage with the management of their investments, to take advantage of ESG-related investment opportunities and to report to constituents and other stakeholders.



GLIO COMMENT

GLIO supports the work of GRESB, and understands more transparency and information around listed infrastructure ESG performance will be beneficial for the industry in the future.



DOWNLOAD:
Eurosis – European
SRI Study 2016



Emke BUS

Emke Bus is responsible for the management and implementation of GRESB Infrastructure, including business, product and market development, as well as the GRESB Infrastructure platform. Bus brings extensive experience in infrastructure investments - with over nine years of experience, she was among the earliest investors in this asset class.

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