

Leading by example

Razak Musah Baba spoke to four fund managers leading the pack in GRESB's growing infrastructure assessment

Launched in 2015, GRESB's Infrastructure Fund Assessment has been growing each year, playing catch-up to its more established real estate counterpart. Despite the challenges posed by the COVID-19 crisis, participation increased once again in 2020.

Last year, coverage grew to 75 funds completing both components – obtaining a GRESB Fund Score reflecting overall ESG performance at the portfolio level – and 118 completing the management component.

The assessment now covers 32% and 38%, respectively, of the world's largest infrastructure managers and investors, according to IPE Real Assets' latest rankings.

Infrastructure fund sector leaders are those that address ESG holistically, comprehensively and with a focus on the most material issues, in both management (policies, risk assessment, monitoring) and performance (measuring the right indicators and metrics, transparent reporting, and setting improvement targets).

"An infrastructure fund sector leader has recognised ESG as a key business issue, with ESG accountability at senior levels within the organisation," GRESB says.

"Fund sector leaders have worked with stakeholders to understand their material issues, integrated ESG into decision-making, made public commitments to improve performance, and reported transparently on their performance."

Rick Walters, director of infrastructure at GRESB, explains that by participating in GRESB, funds demonstrate to investors that they are addressing the ESG risks that investors care about. "It also helps fund managers get prepared for changes in regulation," he says.

"By benchmarking their performance against their peers, managers get a clear picture of fund performance on material ESG indicators and what they can do to improve."

Walters adds that there is also a growing realisation that the transition to a more sustainable future will only be possible through a collective commitment to ESG transparency and collaboration from across the global infrastructure sector.

He says participating fund managers are members of GRESB and have the opportunity to shape the development of the GRESB assessment and benchmarks and steer the sector-wide reporting and improvement effort.

According to GRESB, Arcus European Investment Manager, Capital Dynamics, Macquarie Infrastructure and Real Assets and Vantage Infrastructure were the best performers by sector and region in 2020.



Neil Krawitz: "participation in GRESB is compulsory"



John Breckenridge: "oversight of current investments"

Arcus Infrastructure Partners

- Leader for sectorally diversified for Arcus European Infrastructure Fund 1
- Leader for sector-specific excluding renewables and Europe for Arcus Tivana Investor Vehicles

Formed in 2007, Arcus European Infrastructure Fund 1 (AEIF1) sold its last asset in October 2020. The €2.2bn fund had six European assets across rail rolling stock, toll roads, ports and telecommunication towers. The Tivana Investor Vehicles, formed in 2015, are two separate accounts, managed on behalf of two large institutional investors.

Neil Krawitz, partner and head of ESG and asset management at Arcus, says AEIF1 has been a GRESB sector leader for the past four years. He cites Arcus' emphasis on ESG performance and improvement and high performing ESG investee companies in the fund.

"Participation in GRESB is compulsory for all Arcus assets and is a key tool in our ESG monitoring, as it enables us to have very granular discussions with our portfolio companies about areas to improve on," he says. "Additionally, as GRESB benchmarks assets against their peers, it creates a sense of competition within our asset teams and drives them to perform better."

The Arcus Tivana Investor Vehicles own telecommunications infrastructure company TDF. "Alongside Arcus, as the manager of this investment, the TDF management team also places a lot of emphasis on using GRESB as a tool to identify areas of ESG improvement," Krawitz says. "Both management and shareholders are aligned in their conviction in the importance of ESG as it allows the company to make meaningful improvements."

Capital Dynamics

- Leader for renewable power generation and Americas for Clean Energy and Infrastructure V JV

The 2017-vintage Capital Dynamics Clean Energy and Infrastructure V JV (CEI V) fund raised and deployed \$1.2bn (€970m) to invest in highly contracted renewable-power and battery-storage projects in North America, with the purpose of increasing the proportion of energy generated and consumed by clean and renewable resources.

John Breckenridge, a senior managing director and head of clean energy infrastructure at Capital Dynamics, says the CEI V fund's designation as a GRESB sector leader in both the 'Renewable Power Generation (Global)' and 'Americas' categories for a second consecutive year was a result of efforts made to integrate sustainable practices at both the fund and project levels.

At the fund level, CEI V received a 30 out of 30 management score, Breckenridge says. Capital Dynamics has a "long-standing commitment to responsible investment, transparency around policies related to critical issues such as climate change, issuance of a TCFD [Task Force on Climate-related Financial Disclosures] report, ESG monitoring for each fund, and our proprietary R-Eye Scorecard that provides quantitative fund and project-level ESG scores, which has separated us from our peers", he says.

"At the asset level, the four underlying projects in CEI Fund V were ranked first, second, third and fourth in the Solar Power Generation category, representing a clean sweep of the highest asset-level rankings."

“Our dedicated asset management team, Arevon Asset Management, provides real-time risk oversight of current investments and data and knowledge that is incorporated when assessing new projects. Through this, we implement and oversee best practices in responsible investment across the full lifecycle of each investment.”

Breckenridge says Capital Dynamics obtains reports from third-party environmental biologists who examine its project sites, implement worker safety training at project sites, report on worker health-and-safety statistics, which sets the manager apart from its peers.

“The procurement team at Arevon evaluates the sustainability practices of our suppliers to ensure above-average ESG practices across vendors. GHG [greenhouse gas] emission-reduction statistics for each project we invest in have been audited and verified by an independent third party.”



Verena Lim: “sustainable businesses are more valuable”



Valeria Rosati: “we use it to inform action plan”

Macquarie Infrastructure and Real Assets

● Leader for Asia and Oceania for Macquarie Asia Infrastructure Fund 2

Fundraising for Macquarie Infrastructure and Real Assets’ (MIRA) second pan-Asia infrastructure fund began in 2017. Macquarie Asia Infrastructure Fund 2 (MAIF2) reached its maximum capital-raising target of \$3.3bn (€2.7bn) of investor commitments in April 2018.

MAIF2 is invested in seven essential infrastructure businesses across the Asia-Pacific region. Six of the assets were included in the GRESB assessment this year, up from two last year. The fund’s Daesung Industrial Gases asset was not included as it was acquired outside the reporting period.

Verena Lim, senior managing director at MIRA, says: “We were delighted to see all of the fund’s assets participate in the GRESB assessment this year, with the majority doing so for the first time. For these assets, GRESB offers a very useful framework for them to better understand their performance on sustainability measures and set in motion plans to drive improvements in a deliberate manner.”

“We have seen all of the assets in the fund very much focused on the impact they are having on the people that rely on them. For example, each of the fund’s businesses measure and have targets in place related to the health and safety of their employees

and contractors. They also engage with their stakeholders and employees regularly to understand how they can be more responsive to the needs of the communities they serve.”

Lim says that understanding of a business’s emissions profile is the first step towards reducing its environmental footprint. “As we work towards our goal of achieving net-zero portfolio emissions by 2040, having all assets in the fund already measuring and reporting on their greenhouse gas emissions is a great starting point,” she says.

According to Lim, there are a number of examples from across the fund that underline how a focus on sustainability can actually support value creation. “Whether it is our roads business in India engaging in the circular economy by recycling asphalt, or Airtrunk investing to enhance energy efficiency across its portfolio of hyperscale data centres, it is clear that more sustainable, adaptable, and resilient businesses are actually more valuable over the long term.”

Vantage Infrastructure

● Leader for globally diversified

Previously part of Melbourne-based Hastings Funds Management, Vantage Infrastructure was sold to Northill Capital in the first quarter of 2018. The Vantage Infrastructure equity portfolio benchmarked by GRESB comprises all of the fund manager’s equity investments, managed on behalf of three clients. The largest of the mandates was established in 2012.

At 30 September 2020, Vantage Infrastructure managed over \$5.3bn (€4.3bn) in infrastructure debt and equity assets in Europe, North America and Australia on behalf of global institutional investors. The equity portfolio is currently invested in network, rolling stock, power and data companies.

“At the heart of our GRESB results lie Vantage Infrastructure’s commitment to sustainable investment practices and our drive to achieve measurable and demonstrable results,” says senior partner Valeria Rosati.

“We participate in the GRESB Infrastructure assessment because it is a benchmarking tool against peers, that supports a process of continuous improvement.”

She adds: “More specifically, our score is based on the combined performance of portfolio assets and Vantage Infrastructure itself [management performance].” Rosati says that, in 2019, after release of the GRESB results, the Vantage team performed a detailed gap analysis for each asset in its managed portfolio, not only against peers in their respective sectors but also within its own portfolio.

“This type of benchmarking is valuable because we used it to inform our action plan for 2020 and worked relentlessly to bridge gaps,” she says. “As a result of this significant collective effort, all assets have continued to improve, and their GRESB 5-star rating and scores were remarkable achievements.”

“In 2020 Vantage Infrastructure also maintained its 5-star rating this year. Our management performance has also improved since 2019, achieving above-average scores in all sections assessed but one.”

The 2020 GRESB sector leaders by sector and region

Entity	Fund manager	Sector/region
Arcus European Infrastructure Fund 1	Arcus European Investment Manager	Sectorally diversified
Arcus Tivana Investor Vehicles	Arcus European Investment Manager	Sector specific, excluding renewables
Arcus Tivana Investor Vehicles	Arcus European Investment Manager	Europe
Capital Dynamics Clean Energy and Infrastructure V JV	Capital Dynamics	Renewable-power generation
Capital Dynamics Clean Energy and Infrastructure V JV	Capital Dynamics	Americas
Macquarie Asia Infrastructure Fund 2	Macquarie Infrastructure and Real Assets	Asia and Oceania
Vantage portfolio	Vantage Infrastructure	Globally diversified

Source: GRESB