GRESB INFRASTRUCTURE: OPPORTUNITIES AND BENEFITS OF BENCHMARKING INFRASTRUCTURE SUSTAINABILITY

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Abstract
Evaluating the environmental, social, and governance (ESG) sustainability of infrastructure systems is challenging, as there are currently no globally established tools with which to assess, validate, and benchmark performance. While there exists new tools such as ENVISION in North America and the Infrastructure Sustainability system in Australia, they are regional and project-specific that have seen low rates of adoption and do not provide a consistent framework to benchmark performance.

The new GRESB (Global Real Estate Sustainability Benchmark) Infrastructure Assessment aims to close this information gap and The GRESB Infrastructure Survey aims to close this information gap and provide institutional investors with a consistent framework to benchmark and assess key ESG performance metrics across infrastructure assets. The GRESB Infrastructure Assessment builds upon the widely-adopted and well-established GRESB assessment for the real estate sector and is similarly aligned with international reporting frameworks such as the Global Reporting Initiative (GRI) and the Principles for Responsible Investing (PRI).

Launched in September 2015, GRESB Infrastructure will provide investors with access to better quality and standardized data for various ESG indicators. The inaugural GRESB Infrastructure Assessment was launched in the first quarter of 2016.

This paper will explore the opportunities and benefits of GRESB Infrastructure– for investors and the sustainability of the built environment as a whole.

Keywords:
GRESB; sustainability; infrastructure; benchmarking

1 GROWING DEMAND FOR SUSTAINABLE INFRASTRUCTURE

Global demand for new infrastructure alone is estimated to amount to more than $90 trillion between 2015 and 2030, nearly double the estimated value on the existing global infrastructure assets [1]. The increased demand for infrastructure investment coincides with rising urbanization and escalating climate risk factors, in parallel with growing recognition by investors of the importance of high-quality environmental, social, and governance (ESG) information in managing risk and return.
Many institutional investors are already reacting to this convergence. For example, CalPERS (California Public Employees’ Retirement System), the largest public pension fund in the United States, launched a pilot program in 2015 with formal requirements to implement ESG principles into their investment process. [2] Similarly, major European institutions such as PGGM, the second largest pension fund in the Netherlands, have had long-standing commitments to incorporate ESG data into their decision-making process. [3]

There is also growing demand for sustainable infrastructure in Canada where federal officials are developing a broad strategy to spend $60-billion on infrastructure of the next decade, split evenly between public transit, green infrastructure, and social infrastructure. An additional $10-billion will also be made available over the next two years while the national infrastructure strategy is developed. [4]

2 GRESB INFRASTRUCTURE: FILLING THE GAP

Until recently, there have been no globally established tools to assess, validate, and benchmark the ESG performance of infrastructure. While there exist tools for assessing the sustainability performance of individual infrastructure projects – for example, Envision® (US), BREEAM®/CEEQUAL® (UK), and the Infrastructure Sustainability Rating Tool (Australia) – they are more appropriately applied to new and individual infrastructure assets and do not provide a globally consistent framework with which to benchmark performance. This lack of a global standard in ESG assessment for infrastructure created an information gap for institutional investors.

Building upon the success of its Real Estate Assessment, GRESB – the Global Real Estate Sustainability Benchmark – recently introduced a similar assessment to be used for infrastructure assets and funds. The GRESB Infrastructure Assessment aims to provide institutional investors with a consistent framework to systematically assess and benchmark key ESG performance metrics.

GRESB is an industry-driven organization that assesses the ESG sustainability performance of real assets around the globe. It has become the most prevalent and well-established standard used by institutional investors to measure and benchmark the ESG sustainability performance of their portfolios and funds.

The GRESB Assessments are used not only for benchmarking performance relative to peers but also as a tool for continuous improvement. It also serves as an opportunity for institutional investors to engage with internal and external stakeholders, including board members, property managers, tenants and suppliers.

3 HOW IT WORKS

The GRESB Infrastructure Assessment is administered annually through a self-reporting survey. The survey serves as a tool to collect and systematically evaluate key data related to the sustainability performance of operating infrastructure assets, companies and funds. It provides the tools for institutional investors to analyze critical aspects of management, policy, implementation and performance.

GRESB Infrastructure is intended for various types of infrastructure, including:

- Energy generation (fossil fuels and renewables)
- Energy transmission and distribution
- Water (supply, wastewater treatment, etc.)
• Waste treatment and disposal (hazardous and non-hazardous)
• Telecommunications (wired and wireless)
• Transportation (airport, railroad, rolling stock, ports, toll roads)
• Social (schools, convention centres, long-term care, etc.)

The assessment is aligned with international reporting frameworks such as the Global Reporting Initiative (GRI) and the Principles for Responsible Investing (PRI) in order to provide investors with access to better quality and standardized data that fulfill increasingly important ESG reporting obligations.

The GRESB Infrastructure Assessment has two main components: a Fund Assessment and an Asset Assessment. The Fund and Asset Assessments contain ESG-related questions about management and investment processes of fund managers, as well as questions intended for infrastructure assets. The assessment is organized around eight core Aspects:

• **Management:** Identifying who is responsible for managing sustainability issues and who has the authority for decision-making on sustainability matters

• **Policy & Disclosure:** Identifying ESG policies and how they publicly disclosed to communicate ESG performance

• **Risks & Opportunities:** Identifying risks that are monitored and mitigated

• **Implementation:** Identifying actions to improve ESG management and performance

• **Monitoring & EMS (Environmental Management Systems):** Investigating the steps taken by participants to monitor implementation of and compliance with their sustainability policies, objectives and targets

• **Stakeholder Engagement:** Identifying the steps taken to engage with various stakeholders, including employees, suppliers, regulators, and local communities.

• **Performance Indicators:** Examining the extent, coverage, and collection of performance data related to sustainability indicators such as:
  - Health and safety
  - Energy generation and purchased
  - Greenhouse gas (GHG) emissions
  - Air pollutants
  - Water use
  - Waste generation and disposal
  - Biodiversity and habitat

• **Certifications & Awards:** Measuring entity-level and asset-level certifications obtained for ESG-related management and/or performance, e.g. Envision®, BREEAM®/CEEQUAL®, and the Infrastructure Sustainability Rating Tool.
Assessment criteria were developed with guidance and input from a group of leading institutional investors who make up the GRESB Infrastructure Advisory Board. The criteria are weighted to reflect the materiality, or importance, of sustainability factors.

4 THE VALUE

Funds and companies responding to the assessment each receive an overall GRESB Score that is broken down into Fund Scores or Asset Scores, depending on which assessment was completed, providing both absolute and relative measures of performance. Participating funds and companies also receive a benchmarking scorecard and can receive a more detailed Benchmark Report which provides a question-by-question analysis and peer group comparisons for each of the assessment sections.

Responding to the assessment is not intended to only be a one-time pursuit. Its real value is in benchmarking, not only against peers, but tracking an asset’s performance over time. Responding to the survey annually is a valuable way for infrastructure funds and assets to identify areas for improvement and to report their sustainability performance to their shareholders. The results provide a way for investors to systematically understand the sustainability-related strengths and weaknesses of their investments, as well as to engage with their investment managers.

5 LESSONS FROM REAL ESTATE

The GRESB Real Estate Assessment has been instrumental in driving sustainability performance in the real estate sector. While 2016 is the inaugural year of the GRESB Infrastructure Assessment and response are being collected at the time of publication, the growth and impact of the GRESB assessment on the real estate sector may be a good indication of its potential impact on the infrastructure sector.

Since its inception in 2009, the GRESB assessment for real estate has grown in importance and impact, covering more than 61,000 assets and includes more than 50 institutional investor members representing $6.1 trillion in institutional capital. The 2015 GRESB assessment was completed by 707 respondents and consulted by 51 institutional investors. It also demonstrated significant performance improvements by its respondents, who collectively reduced GHG emissions by 3%, energy use by 2.9%, and water use by 1.7%, compared to the previous year. In addition, 445 GWh of on-site renewable energy production was reported in 2015, a significant increase compared to the 296 GWh of renewable energy reported the previous year. [5]

A look at the average GRESB score also demonstrates sustainability performance improvement over time. A review of the average GRESB Scores between 2011 and 2015 shows steady progress (Figure 1).
These results demonstrate how sustainability has become well integrated into the governance structures of real estate companies, for example through management systems and targets for key performance indicators; it also demonstrates that real estate companies are improving their actual sustainability performance as well as increasing the quantity and quality of green building certifications achieved at the individual asset level.

Benchmarking performance against similar peers is an important and valuable aspect of the GRESB assessment. While peer groups for real estate do vary (for example by geography or asset type), the variation in infrastructure can be considerable and across multiple sectors, from telecommunication systems to water treatment facilities to airports and more. How GRESB ultimately handles the peer benchmarking process considering this variation has yet to be seen.

6 CONCLUSIONS

Infrastructure investment represents an opportunity to create scalable, resilient pathways for improving sustainability within the built environment globally, while simultaneously delivering lasting benefits to people and society. The growing demand for new infrastructure in Canada and around the world over the coming decades is coinciding with escalating climate risk factors and a growing recognition amongst investors of the importance to design, construct, and operate assets with clear ESG sustainability goals and actual performance over the long term.

The GRESB Infrastructure Assessment provides investors with the first globally consistent methodology with which to systematically benchmark and assess the ESG performance of their assets and compare it to peers. If the positive impact that the GRESB assessment has had on the real estate sector is any indication of future success, then the GRESB Infrastructure Assessment holds promise to help guide the infrastructure sector towards improved ESG sustainability performance as well.

7 REFERENCES

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