Making the most of GRESB Infrastructure

Introducing the GRESB Infrastructure Fund and Asset Assessment process

April 2017
Growing global demand for sustainable infrastructure

Global demand for new infrastructure is estimated to exceed $90 trillion between 2015 and 2030, nearly double the estimated value of existing global infrastructure assets. 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.

Until recently, there have been no globally established tools to assess, validate and benchmark the ESG performance of infrastructure. While there are regional-specific tools for assessing the sustainability performance of individual infrastructure projects – for example Envision® (U.S.), CEEQUAL® (U.K.) and the Infrastructure Sustainability Rating Tool (Australia) – they are more appropriately applied to individual projects 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.

GRESB Infrastructure: addressing the gap

GRESB is an industry-driven organization committed to assessing 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.

Since its inception in 2009, the GRESB Real Estate Assessment has grown; covering more than 66,000 assets valued at more than $2.8 trillion, and includes 58 institutional investor members representing approximately $7.6 trillion in managed capital.

Building upon the success of the GRESB Real Estate Assessment, GRESB introduced a similar assessment to be used for infrastructure assets and funds in 2016, providing institutional investors with a consistent framework to systematically assess and benchmark key ESG performance metrics.

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

GRESB Infrastructure is intended for various types of infrastructure assets, 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, rail, rolling stock, ports, highways)
- social (schools, healthcare, etc.)

GRESB Infrastructure is aligned with international reporting frameworks such as the Global Reporting Initiative (GRI) and the Principles for Responsible Investment (PRI) to provide investors with access to better quality and standardized data that address increasingly important ESG reporting obligations.

Asset Assessment aspects

How it works

GRESB Infrastructure is administered annually. It has two main components: a Fund Assessment and an Asset Assessment. The Fund Assessment contains ten ESG-related questions about management and investment processes of fund managers, such as policies, leadership, risk assessment practices, stakeholder engagement, data collection and communications.

The Asset Assessment is intended for infrastructure assets and is organized around eight core aspects identified in the previous figure.

These aspects include 33 indicators that address asset-level plans and policies, implementation actions and operational performance.

To receive an overall GRESB score, at least 25 percent of assets within a fund must complete the asset assessment. Fund managers may elect to complete and be scored only on the fund assessment.

Independent infrastructure assets can complete an asset assessment independently to receive an asset score.

The GRESB quintile model yields ratings between 1-star and 5-stars based on ESG performance.
The value

Responding to the assessment is not intended to be a one-time pursuit. Its real value is the power of benchmarking, not only against peers, but tracking a or asset’s performance over time. Responding to the assessment annually is a valuable way to identify gaps and opportunities and to continuously improve fund and asset performance.

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.

Trends from the 2016 GRESB Assessment

In 2016, a total of 185 infrastructure entities (51 funds and 134 assets) reported to the inaugural GRESB Infrastructure Assessment. GRESB’s analysis showed that 90 percent of participating funds, spanning 53 countries across six continents, implemented ESG considerations into their investment processes.

Generally, the results demonstrated that fund performance was higher than asset performance; however, there was room for improvement in the performance of both assessment components. Although, most infrastructure business activities appeared to manage environmental risks through the adoption of environmental policies, the average GRESB asset score for infrastructure assets was low and scores showed a wide dispersion across infrastructure types.

2017 assessment scoring

All 10 fund assessment indicators contribute equally to the fund score. The asset assessment score is based on the weighted average of eight aspect scores, reflecting that each aspect provides distinct and useful information. The performance indicators aspect will continue to receive the greatest weighting, contributing approximately 30 percent to the asset score. Within each aspect, indicators are evenly weighted.

New for 2017, GRESB has introduced sector-specific scoring of some questions. Recognizing that not all issues are material to all sectors, GRESB will modify the maximum number of criteria that must be selected to achieve full points on given indicators, based on research into sector-specific priorities.

Case Study: California High-Speed Rail

WSP was engaged by the California High-Speed Rail Authority (Authority) to provide program management services for the $64 billion rail program, connecting major cities in California via a high-speed rail link. The Authority’s goal is to be the most sustainable infrastructure project in the country, both in construction and operations.

To advance this priority, we supported the Authority to respond to the inaugural GRESB infrastructure in 2016 and prepare its first sustainability report. The Authority’s asset response was ranked first in North America and fourth globally. As part of WSP’s support, we helped the Authority prepare its first sustainability report, as well as its response to the inaugural GRESB infrastructure. WSP’s California High Speed Rail Authority project achieved a GRESB Five Star Rating; the highest possible rating.
WSP and GRESB

In 2017, WSP was named a GRESB global partner for the Infrastructure and Real Estate programs for the second year. In the past, WSP has served on the GRESB infrastructure technical working group and currently serves on the greenfield and development asset industry working group, advising GRESB on updates to its infrastructure program. As a GRESB global partner, WSP supports all aspects of the GRESB process, including compiling sustainability performance data; developing strategy, policy and governance programs, setting goals and targets; assessing risk and opportunity; engaging stakeholders and responding to the GRESB’s annual assessments.

Our GRESB advisory services are complimented by technical capability in energy, GHG and water management; sustainable energy design; climate resiliency and adaptation; product sustainability and life cycle assessment (LCA); and sustainability strategy and program development — positioning us to manage a diverse array of sustainability issues for clients across sectors.

About WSP

WSP, one of the world’s leading engineering and professional services consulting firms, provides services designed to transform the built environment and restore the natural one. The firm’s expertise ranges from environmental remediation and urban planning, to engineering iconic buildings and designing sustainable transport networks, to developing the energy sources of the future and creating innovations that reduce environmental impact. More than 37,000 employees, including engineers, technicians, scientists, planners, surveyors, program and construction management professionals, as well as various environmental and sustainability experts, work for this dynamic organization in more than 500 offices across 40 countries worldwide. Find out more at wsp.com.

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Special thanks to Mark Bessoudo and Anna Melnik for their contributions to this document.