

Infra gets set for SFDR



Guest comment by **Rick Walters**

Infrastructure firms and funds show solid readiness for the EU's incoming disclosure regulation, says GRESB's infrastructure director

The upcoming EU regulations are a significant development for the infrastructure sector. The most important regulations are the EU taxonomy, the Sustainable Finance Disclosure Regulation and the Non-Financial Reporting Directive. The NFRD is relevant to infrastructure companies and assets, the SFDR is relevant to infrastructure funds and other financial products, and the EU-T is relevant to both. These regulations will require a step change from the industry in terms of transparency as it pertains to environmental, social and governance criteria and the need for more aligned, comprehensive and quality ESG reporting.

GRESB is committed to helping its members address these regulations. We have compared our 2020 Infrastructure Fund Assessment with the 32 specified indicators of the SFDR reporting requirements. This exercise showed that the 2020 Infrastructure Fund Assessment is already 70 percent aligned with the SFDR. For most indicators, more than 70 percent of participants are already also reporting. The main gaps are in the areas of biodiversity, water emissions and waste.

This means that GRESB Infrastructure participants are already in solid

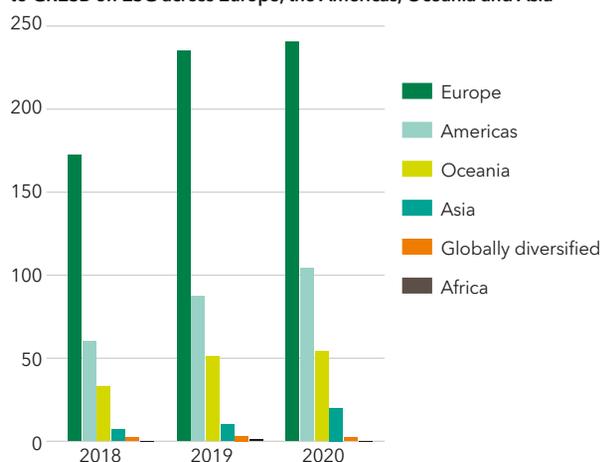
“GRESB Infrastructure participants are already in solid shape for SFDR reporting and we are working closely with our governance groups to ensure full alignment when the regulations come into force next year”

shape for SFDR reporting and we are working closely with our governance groups to ensure full alignment when the regulations come into force next year. Similarly, we are starting to show indicative EU-T alignment in 2020 and will refine this when further guidance is published. Finally, we will add NFRD alignment when its review is completed, thus providing a practical solution for the infrastructure sector to meet the requirements of the EU regulations.

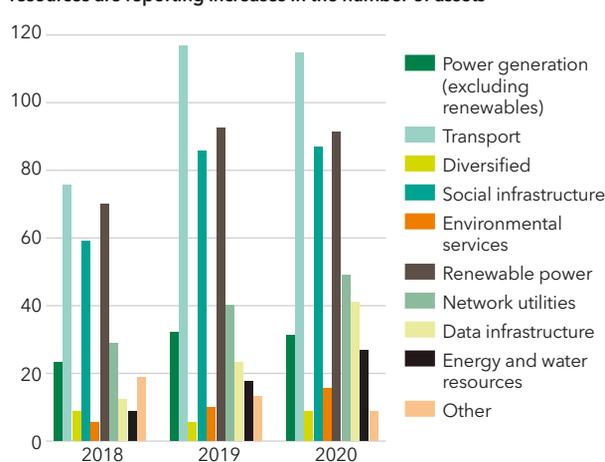
The scope of the infrastructure assessments covers a broader set of ESG risks than the primary topics included in the EU regulation and provides a global perspective that goes beyond the EU jurisdiction. Since the inaugural infrastructure assessment in 2016 we have been steadily transforming the infrastructure data ecosystem to facilitate a collective reporting effort and accelerate the transition to a more sustainable and resilient future. The infrastructure ESG benchmark now covers 544 funds and assets with a gross asset value of \$576 billion, thereby giving the industry the capacity to co-ordinate well and respond quickly to emerging regulations, norms and standards.

Our full results will be published in November, providing further insight on the current state of ESG performance in the infrastructure sector. ■

Asset participation by region: despite covid, more assets are reporting to GRESB on ESG across Europe, the Americas, Oceania and Asia



Asset participation by sector: data infrastructure and energy and water resources are reporting increases in the number of assets



GRESB firms show a high degree of alignment with the EU’s Sustainable Finance Disclosure Regulation, particularly on greenhouse gas emissions and energy performance (table shows mapping to 16 of the 32 SFDR indicators)

EU Sustainable Finance Disclosure Regulation

GRESB Fund Assessment Alignment

Adverse sustainability indicator	GRESB indicator	* Alignment level	GRESB universe reporting for this indicator
Greenhouse gas emissions	1. Carbon emissions	3	73%
	2. Carbon footprint	3	73%
	3. Weighted average carbon intensity	3	73%
	4. Solid fossil fuel sector exposure	3	100%
Energy performance	5. Total energy consumption from non-renewable sources and share of non-renewable energy consumption	3	87%
	6. Breakdown of energy consumption by type of non-renewable sources of energy	3	87%
	7. Energy consumption intensity	3	87%
	8. Energy consumption intensity per sector	3	87%
Biodiversity	9. Biodiversity and ecosystem preservation practices	3	90%
	Monitoring of environmental performance GRESB materiality assessment		93%
	10. Natural species and protected areas	2	29%
	11. Deforestation	N/A	
Water	12. Water emissions	3	17%
	13. Exposure to areas of high water stress	3	100%
	14. Untreated discharged waste water	1	17%
Waste	15. Hazardous waste ratio	3	43%
	16. Non-recycled waste ratio	3	43%

*note: alignment level 1 denotes low alignment, with the indicator’s objective/scope addressed; level 2 denotes partial alignment, with the indicator’s objective/scope and its underlying content addressed; level 3 denotes full alignment, with the indicator’s objective/scope, underlying content and requirements/metrics all addressed