

# ESG Case Study

## Fiera Infrastructure



At Fiera Capital, we understand the importance of both investing for long-term sustainability and maximizing returns for our clients. We firmly believe these two basic tenets are not in conflict. Given the various investment teams and asset classes that Fiera Capital manages within our platform, in order to integrate each of these basic tenets, all of our investment teams have the flexibility to determine how each assesses the materiality of Environmental, Social, and Governance (ESG) risk factors, and how they integrate this assessment of risk into their investment processes. We believe this flexible approach creates a more meaningful framework that enhances engagement on ESG risk factors within each team and reinforces a culture of continuous learning about risk management and sustainability throughout the firm.

But while it's essential to explain our philosophy of ESG integration, we believe it's equally important to demonstrate exactly how our teams have incorporated their ESG philosophy into their investment decisions. To that end, what follows is a sample of one of our teams' recent investment process taken with a particular emphasis on ESG risk assessment.

### **Cory Riverside Energy: Investing for the Long Run**

Environmental, Social and Governance considerations are arguably more important when investing in infrastructure than any other asset class.

How so? First, investments tend to be long-term holds, subject to social and environmental changes over the investment lifetime ranging from shifting consumption patterns to climate change. Second, assets are geographically fixed, often with strong community interactions. The assets are basic physical systems required to support economic activity and often provide social and environmental services. Finally, ownership stakes typically include more governance provisions than in public equities, so the investors have a greater ability to influence management decisions.

### **Less Waste. More Opportunity.**

ESG considerations are top of mind in Fiera Infrastructure's investment sourcing process. Nothing exemplifies this more than our recent investment in Cory Riverside Energy, the largest energy from waste facility in the United Kingdom, processing about 750,000 tons of London's household and commercial waste annually. That waste is converted into heat and approximately 525,000 MWh of electricity per year.

By its very definition, this plant is eco-conscious and seemed to meet our standards for environmental impact. Yet we wanted to ensure Cory's practices met our standards for ESG principles, so our due diligence team dove deeper. We identified examples of strong ESG performance and gained an understanding of how ESG risks are managed. For example,

we found that the Cory plant is very efficient for a waste to energy facility – as of July 2017, its energy efficiency factor of 0.81 far exceeded the threshold (0.65) of being considered environmentally efficient<sup>1</sup>. Beyond that, the facility has always operated well below the regulatory emission limits and is already prepared for stricter emissions limit updates.

Moreover, unique to the Cory facility is that it uses the River Thames as a green highway, transporting waste to the facility utilizing a fleet of tugs and barges, removing around 100,000 truck movements a year off congested London roads.

### Spotlight on Social and Governance Issues

Of course, ESG analysis is about more than the environmental impacts of an investment. Turning to its social impact, we found that Cory also had strong social policies and programs. For example, it's been a sector leader in improving accidents and illness rates and is a member of the Environmental Services Association that launched the Accident Reduction Charter. Moreover, Cory actively manages material social issues including ensuring examining labour practices in its supply chains and gender pay gap, which

address the UK Modern Slavery Act and Equity Act.

Finally, from a governance perspective, Cory has a strong focus on ESG performance reporting and transparency, which promotes good management practices. It reports on sustainability impacts and benefits publicly, including reporting emissions data on its website every month. We sincerely believe its transparency will contribute to its success further down the road.

### A Long Story Short

When it comes to ESG matters in infrastructure investing, thinking short-term just is not an option. As long-term investors in real assets, we have to consider not only that asset's current ESG policies, but just as importantly, what their ESG performance will be 10, 15, or 20 years down the road. We believe that Cory's strong ESG record helps to demonstrate the capabilities and commitment of its management team, which supports its ability to expand its social license to operate. To us, it is a prime example of how investing with a conscience can be a win for investors, management teams, employees and citizens alike.

— The Fiera Infrastructure Team

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1. Quinn & Partners research

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