

**GCP**  
INFRA

GCP INFRASTRUCTURE INVESTMENTS LIMITED

**ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE UPDATE**

**2021**

## INTRODUCTION

This is the first time that GCP Infrastructure Investments Limited (“GCP” or the “Company”) has produced a separate report setting out its approach to environmental, social and governance (“ESG”) matters which encompasses GCP’s current approach and future aspirations.

The regulatory and legislative landscape relating to ESG has evolved and continues to develop rapidly. The recent merger of the International Reporting Council and the Sustainability Accounting Standards Board to create the Value Reporting Foundation is a further step towards developing a coherent corporate reporting system, closely aligned to the IFRS standards. The EU has also implemented the Sustainable Finance Disclosure Regulation (“SFDR”) and the UK is shortly to implement recommendations from the international Financial Stability Board’s Task Force on Climate-related Financial Disclosures (“TCFD”). The ultimate goal of this regulation is to make it easier for businesses to provide comprehensive and comparable data to investors and other stakeholders. GCP can use these new reporting developments as tools for change and the activity behind the disclosure as tools for resilience.

The decision to exclude investment companies from the TCFD disclosure requirements for now reflects that, as an investment company, GCP does not in its own right have a significant environmental impact. With no employees or property and with all services outsourced there are no Scope 1 (direct) and Scope 2 (indirect though power demand) climate-related emissions to report,

and as a debt fund specifically, scope 3 (other indirect) emissions would be challenging to measure.

However, the UK target, enshrined in law, to reduce greenhouse gas emissions to net zero by 2050 mean that it is vital that scope 3 emissions are quantified and, with the assistance of our Investment Adviser Gravis Capital Management Limited (“Gravis”), we have commenced development and testing ways of measuring emissions from our investment portfolio. As an Investment Company our relationship with Gravis and our other service providers is the route through which our ESG approach, both current and future, is managed. These relationships, whilst collaborative, are monitored and engaged.

The Board and the Investment Adviser also need to be honest about our in-house capabilities: it is not necessarily a Company’s core business to answer technical ESG questions. We will bring in external consultants and purchase expertise, including recruiting where needed, whilst continually educating ourselves, our people and our third-party service providers and suppliers. The Board’s goal is to embed ESG in order to make quality disclosures in line with TCFD when it applies to GCP; we will also consider materiality in a qualitative as well as quantitative manner.

The Board considers best practice application of ESG principles as paramount in the Company’s operations, the assets within its investment portfolio and the operations of its advisors. Without removing any ownership from the rest of the Board, one director, Dawn Crichard, has been allocated specific responsibility for

considerations of broader ESG themes and ensuring GCP continues to develop its strong commitment to sustainability. In October 2020, GCP was recognised by the London Stock Exchange and awarded the Green Economy Mark. This classification was created to highlight companies that are driving the global green economy.

At 31st March 2021, GCP’s well diversified portfolio of long-term loans was invested 60% in renewable energy including wind, solar, anaerobic digestion, biomass, geo-thermal and hydro-electric. The remaining 40% was invested 15% in supported living and 25% in PFI. All investments are located within the UK.

Infrastructure, by definition, has a core social purpose. With GCP’s long-term investments in renewables, assets such as schools and hospitals in the PFI portfolio and social housing focused on the provision of accommodation for vulnerable adults, the portfolio makes a significant positive impact, through contributing towards the reduction of greenhouse gas emissions into the atmosphere and in providing the financing of infrastructure that has clear benefits to end users within society.

Our philosophy remains, as it has always been, focused on the long-term sustainability of the portfolio. We will continually seek to improve how we embed, integrate, monitor and measure our ESG criteria and the following sections explain GCP’s approach to each area.

### Board of Directors

July 2021

## INVESTMENT STRATEGY

GCP's investment objectives are to provide its shareholders with regular, sustained, long-term distributions and to preserve the capital value of its investment assets over the long term by generating exposure to infrastructure debt and related and/or similar assets.

To achieve its investment objectives, GCP focuses on taking debt exposure to infrastructure projects which have pre-determined, very long term, public sector-backed revenues, limited construction or property risks and contracts which are "availability" based (i.e. the payments under the contracts do not depend on the level of use of the project assets).

### ESG Scoring

The Investment Adviser includes an assessment of ESG characteristics (using a RAG rating) in every investment proposal submitted to GCP's Investment Committee for approval.

Prior to a new investments being approved, the Investment Adviser assesses how the investment fares against key relevant ESG criteria, laid out in an ESG checklist tailored for GCP. The checklist typically covers the counterparty's commitment and capability to effectively identify, monitor and manage potential ESG-related risks and opportunities, and, to the extent applicable, the availability of relevant policies and procedures, alignment with industry or investment specific standards and ratings and compliance with relevant ESG-related regulation and legislation.

Gravis is a signatory to the Principles for Responsible Investment. Gravis' Responsible Investment Policy can be found on its website.



## ENVIRONMENTAL

GCP has strong environmental credentials with 60% of its portfolio invested in renewable energy. Generation of electricity from GCP's renewables portfolio avoids the emission of nearly a million tonnes of CO<sub>2</sub> into the atmosphere annually.

GCP's investments in renewable assets provide alternative energy sources to fossil fuels, reducing greenhouse gas emissions into the atmosphere. Additionally, biomass and anaerobic digestion projects within the portfolio use many types of waste to produce sustainable fertilisers, avoiding greenhouse gas emissions. GCP is therefore contributing to the Government's legally binding targets of reducing CO<sub>2</sub> and equivalent emissions under the Climate Change Act. Each renewable energy project is a step towards transitioning to a lower carbon economy.

GCP has 15% of its portfolio invested in supported living and 25% in PFI infrastructure. The carbon impact of infrastructure contributes a significant proportion of the UK's national emissions from a construction, operation and maintenance perspective. The UK's requirement for infrastructure will continue to grow and evolve over the coming years.

In meeting these demands, decisions need to be taken on whether to maintain or upgrade existing infrastructure or develop new infrastructure. The environmental impacts of such activities will be core to the selection of approach. The reality is however that much of the UK's existing infrastructure was not designed and constructed with global warming in mind. For example, the well documented increase in extreme weather conditions leads to such issues as over-heating in social housing. GCP, alongside the Investment Adviser, encourages and, in some cases, directs investments in, the decarbonisation of existing buildings including energy-efficient retrofit programmes. GCP is focused on building resilience into the portfolio around the physical risks from extreme weather and the Investment Adviser is developing new and additional ways of monitoring the portfolio in this respect.

A new area of concern and consideration that has moved onto the screening and monitoring process is that of bio-diversity loss, which is increasing at an alarming rate. GCP intends to integrate and track this risk within its investment process, including requiring or providing the financing for habitat creation.

The day-to-day provision of investment advice and management of the portfolio is provided by the Investment Adviser. It is critical therefore that it embeds sustainability in all of its practices. Gravis applies the following ESG principles during the investment process:

### Positive screening

The Investment Adviser has implemented processes to positively screen for investments that promote sustainability or benefit society, including, but not limited to, the areas of climate change mitigation and adaptation, energy transition, critical infrastructure, affordable living, social housing, education and healthcare.

### Negative screening

The Investment Adviser excludes investments which focus on animal testing, armaments, alcohol production, pornography, tobacco, coal production and power, and nuclear fuel production.



## SOCIAL

GCP and its Investment Adviser's approach to corporate social responsibility is integrated within its investment decisions and ongoing portfolio management.

Investing in renewables creates valuable job opportunities and supply chains to the benefit of local communities across the UK. Renewables projects require contractors and specialist staff during the labour-intensive construction and installation phase, as well as in operations, maintenance and decommissioning. Every project further supports jobs in local communities. Renewables projects not only have a positive impact on the environment but also have wider benefits to society, improving local communities through Community Benefit Funds, where these are implemented. These funds can be used to finance any initiative a community deems appropriate and necessary for their local area, including community-owned renewable energy projects, recreational facilities or equipment for local schools. Benefits under the protocol are negotiated directly with host communities and tailored to their needs to ensure a positive lasting legacy is achieved.

GCP's investments in supported living have helped fund many supported living properties across the UK. Properties are a mixture of specially adapted residential stock and purpose-built new properties all offering high-quality accommodation for people with disabilities. This is an excellent example of effective partnerships creating quality supported living properties. GCP always pays particular focus on operating to the highest ethical standards in this area due to the vulnerability of some stakeholders.

GCP maintains and monitors a positive dialogue with its key service providers in social and environmental areas. All key service providers including the Investment Adviser and Apex Group as Administrator regularly report on their efforts and progress in such areas as diversity, environmental and social impact. For example, this includes such policies such as promoting paid internships to avoid embedding inequality, equal opportunities and diversity policies, charitable donations and encouraging low carbon office environments and business travel policies. It is envisaged that this will, in due course, encompass a review of their supply chain as each provider is only as strong environmentally and socially as their own suppliers and service providers.

The Board seeks to understand and address the needs and priorities of GCP's stakeholders in accordance with section 172 of the UK Companies Act 2006. The way in which the Company engages with shareholders, borrowers, lenders, the public sector, suppliers and local communities is described in the Company's annual report and financial statements available on its website.



## GOVERNANCE

Good governance is essential in achieving the investment strategy, managing risks and producing a positive environmental and societal impact.

At portfolio level good governance is encouraged wherever possible and practical. In particular where GCP is exposed to Registered Providers ("RP's") that have been graded as non-compliant in respect of governance. The Investment Adviser and the Company's borrowers continue to work with these RP's to encourage and assist with the improvements required. The investment documentation issued by the Company includes standard provisions to ensure effective governance within investee companies and the compliance of those companies with applicable environmental, health and safety, anti-money laundering, know your customer and employment requirements.

Currently, one third of the Board Directors are female and as the Board actively progresses its succession plan, it is mindful of Sir John Parker's report on the ethnic diversity of boards. The Board considers diversity in all its forms important and will seek to ensure that the candidate pool for the next new appointment is appropriately diverse. Following on from this, aware of its social responsibility towards increasing the pool of Board-ready candidates, the Board anticipates participating in a "board apprentice" scheme in the near future.

The way in which GCP complies with all of its governance requirements and responsibilities is described more fully in the Company's annual report and financial statements available on its website.

## NEXT STEPS

Notwithstanding that consideration is already given to ESG criteria by the Investment Adviser during the investment process, GCP appreciates the importance of considering adverse impacts of investment decisions on ESG factors and is committed to upholding best reporting practices on ESG matters, and promoting transparency on its ESG related performance. As the applicable requirements of SFDR and TCFD become clear, the Investment Adviser and Board of GCP will ensure ongoing compliance.

More information can be found on the website: [www.gcpinfra.com](http://www.gcpinfra.com)



Gravis 

Gravis is excited to be involved in this new sector which has potential for significant growth whilst contributing to reducing the UK's carbon footprint in pursuit of the UK's net zero target by 2050.

 **CORNWALL COUNCIL**  
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Cornwall Council is supporting the pioneering Eden Geothermal heat and power project.  
We're exploring 20 alternative forms of renewable energy to make the most of Cornwall's unique assets for the benefit of our residents and businesses in our work together to tackle the climate emergency.

**Eden Geothermal Project**  
Drilling and testing the first 4,500m deep well of a geothermal energy demonstration system, followed by 12 months' heat production to demonstrate greenhouse gas savings.  
Part-funded by the European Regional Development Fund.



**European Union**  
European Regional Development Fund



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