The complicated reality of Sustainability in Real Assets

By *Joost van Mierlo* Photography *Cor Salverius*

Real Assets like real estate and infrastructure are an increasingly important part of the investment portfolio of institutional investors. At the same time, institutional investors have a growing concern about the sustainability of their investments and the impact these investments have on a future world. Do these trends contradict or complement each other?

Why are Real Assets important?
Dan Grandage: 'Real Assets, or private markets in general, are the natural home for sustainable investing. You have much more control over these kinds of assets than you would have in a listed environment. In that case, you are dependent on some kind of shareholder action, while with real assets, you own it directly, or at least sit on the management board.'

Vanessa Menzies: 'I agree to a certain extent. But in infrastructure it is possible that you are just the concession holder. You may not actually own the asset, but you still manage it. I think it is important to work with a company, regardless of whether you own the asset or not. You need to take responsibility for any capital that is invested in a company. And irrespective of whether you are an equity or debt holder, as for example 90% of the asset could be leveraged, you really need to push for some kind of change. That is important.'

Miika Kotaniemi: 'Real Assets have their own specific risk assessments, but I agree that financial assets have their own underlying corporate assets.'

Marleen Bikker-Bekkers: 'It doesn't make a real difference what type of investment you are making. You just have to make sure you set your goals and targets with regard to sustainability and with regard to the question where you can and want to contribute to the overall global target we have set, as pension funds or as countries through, for instance, the Paris Agreement and the UN SDGs. What matters is that you execute what you want to achieve. This is true for both listed and unlisted assets.'

Helena Olin: 'Collaboration is essential, in order to achieve something with regard to sustainability. Not only for investors, but also for policy makers and innovative technology firms.'

Bikker-Bekkers: 'We all need to think outside the box a little bit.'

Harry van den Heuvel: 'We think it is crucial to be in control of Real Assets, because of their long-term nature and, more importantly, their long-term impact on everyday life. We think that control is easiest to realise within private markets and much less possible in public markets.'

Olin: 'There is so much money flowing into the market. You think you are investing in something that is private and next year they go for an IPO and you might want to hold on.'

Van den Heuvel: 'It is not something we see happening now, but it might be something for the future.'

Let's have a look at the changing approach towards these investments. It started with exclusion, and now, after integration, engagement and stewardship, it is tending towards impact investing.
Van den Heuvel: 'That is still a useful concept. At the end of the spectrum, one might find investors who are prepared to accept below market rate returns in return for higher positive impact.'

Menzies: 'I think the environment has changed. It is no longer about ticking boxes. There is quite some difference between assets that from an ESG perspective are considered 'not so good', to 'have to do better', to suddenly being considered 'sustainable'. You can't sit back idly and say that you will only invest in sustainable or impact investments. There is a lot of work to be done in the middle. That's the hard stuff, the real heavy lifting.'

Grandage: 'I agree. I think it is about the spectrum of sustainable investing. Ultimately, we need to be moving our assets to minimize the negative impacts and maxi- >

Moderator:

Peter van Gool

Participants:

Marleen Bikker-Bekkers, PATRIZIA Global Partners
Dan Grandage, Aberdeen Standard Investments
Harry van den Heuvel, Achmea Investment Management
Miika Kotaniemi, RAKLI
Vanessa Menzies, Allianz Global Investors
Helena Olin, AP2
Sebastiaan Ranner, MN
Jérôme Sousselier, Intermediate Capital Group
Ilkka Tomperi, Varma Mutual Pension Insurance Company
Guido Verhoef, PGGM
Christopher Wright, Norges Bank Investment Management

MODERATOR

Peter van Gool

Prof. Dr. Peter van Gool teaches Real Estate Economics in Amsterdam, Belgium, Germany and the USA. He is Chairman of the central board of the Dutch Institute of Real Estate Surveyors. He worked as Managing Director Real Estate at several pension funds, real estate companies (Wereldhave) and social housing corporations. After his military duty at a helicopter squadron, he worked at the Banque Jordaan in Paris and at De Nederlandsche Bank. He wrote several well-known textbooks. The king of the Netherlands gave him a knighthood for his work.

Marleen Bikker-Bekkers

Marleen Bikker-Bekkers is Director and Head of Investments Europe at PATRIZIA Global Partners. She is also a member of the Sustainability ESG Committee of PATRIZIA. Prior to joining PATRIZIA, Bikker-Bekkers was one of the three partners at AuxiSolid for four years, where she was responsible for advising institutional investors on portfolio strategy, access to real estate markets and structuring of new investments. Before that, she spent eight years at Aberdeen Asset Management. Bikker-Bekkers holds a M.Sc. in Real Estate from the Amsterdam School of Real Estate and an M. Sc. in Urban Planning from the University of Amsterdam. She is a member of the INREV ESG committee with a focus on impact investing.

Dan Grandage

Dan Grandage is Head of ESG, Private Markets & Real Estate at Aberdeen Standard Investments. He is responsible for facilitating the Private Markets & Real Estate Division's ESG strategies aimed at integrating ESG throughout the investment process and ensuring a market leading ESG approach across the assets managed globally. Grandage represents Aberdeen Standard on the INREV, GRESB and the Institutional Investors Group on Climate Change (IIGCC) ESG and Paris Alignment committees. He is also a board member of the UK Better Building Partnership.

Harry van den Heuvel

Harry van den Heuvel has been with Achmea since 2007 and has been responsible for the infrastructure investments of Achmea Investment Management's pension and insurance clients since 2016. Prior to 2016, Van den Heuvel was responsible for the alternatives and real estate investments for the balance sheet of the insurance company. Previously, he worked in various positions at Van Lanschot Bankiers, van der Moolen, Alpha Options and Optiver. He holds degrees in Economics (MSc), Investment Analysis (RBA), Alternative Investments (CAIA) and Real Estate (MSRE).

Miika Kotaniemi

Miika Kotaniemi is director at RAKLI, the largest association of professional property owners in Finland, where his main responsibility is the promotion of interests and creating market development initiatives for and on behalf of the property investment community in Finland. Before joining RAKLI in 2019, Kotaniemi worked close to 10 years as a Portfolio Manager at various pension funds, lastly five years at Elo Mutual Pension Insurance Company, investing mainly in real estate and infrastructure funds across Europe and North America.

Vanessa Menzies

Vanessa Menzies is a Director in Allianz Capital Partners' Direct Infrastructure Team, with a specific focus on ESG and the transition of ACP's assets to a decarbonized economy, in particular in the gas infrastructure sector. She has over 20 years of experience working in the infrastructure sector, having focused primarily on utilities. Allianz Capital Partners is one of Allianz Group's asset managers for alternative equity investments and is part of Allianz Global Investors.

Helena Olin

Helena Olin is Head of Real Assets at Second Swedish National Pension Fund (AP2). She is responsible for global portfolios of Real Estate, AG & Timber and Renewables, both in funds and in joint ventures. Since she started in 2011, Olin has broadened the allocation of AP2s real assets into new markets. She is a member of boards and advisory committees representing AP2 across investments in the US, Asia and Europe. She has a background in corporate finance and investment management. Before joining AP2, she was Partner and Co-Head of Catella Corporate Finance in Gothenburg.

'You need to take responsibility for any capital that is invested in a company, irrespective of whether you are an equity or debt holder.'

PHOTOS ARCHIVES PATRIZIA GLOBAL PARTNERS, ASI, ACHMEA IM, RAKLI, ALLIANZGI, AP2 mize the positives. It has to do with minimising the risks and maximising the opportunities, and not with the label.'

Ilkka Tomperi: 'In real estate, the first step would be to focus on energy savings. But when you really want to make an impact, you should start investing in alternative energy sources, like we do with geothermal energy and those sort of things. These kinds of green investments generate a higher return than we achieve with real estate. It is much better than typical real estate investing.'

Van den Heuvel: 'We see a difference between ESG investing and impact investing, especially around infrastructure. We all favour renewable energy over fossil produced energy, but this can cause problems when those renewable energy assets are developed in your local area. We also see a conflict between the need to build affordable homes and the environmental costs of concrete, which makes up a large part of a country's carbon and nitrogen emissions.'

Sebastiaan Ranner: 'As an owner of a Real Asset, it is vital to have active engagement with all the stakeholders around the asset. These assets are typically long-term and are part of a community. You need to be an active owner to make these investments successful from the phases of development and construction, to operations and final exit. So as an owner you need to be part of the board of management, or make sure that you use service providers that adhere to your plans and criteria. It means that you take stakeholder engagement seriously. Otherwise some groups might take you to court, which causes all kinds of risks for the manager of an investment.'

Guido Verhoef: 'It is not only about stakeholder pressure, but, of course, also about public measures. When we sit at the table as a stakeholder, we can enforce most pressure. But our pensioners, our beneficiaries, also have a strong voice. If you operate in the public market it is less visual. It makes a big difference if you own the asset, or if you're a 5% owner of a fund.'

How do you set goals for sustainable and impact investing?

Menzies: 'We have a very, very long perspective when it comes to investing. We see it as our role to help companies adjust to a trajectory that will bring them to a net zero CO_2 emissions level by 2050. So we are not only investing in sustainable or renewable assets, we try to diversify as much as possible. We help companies prepare for the future. And we feel comfortable with that, because, after all, investing is for the long-term.'

'Ultimately, we need to be moving our assets to minimize the negative impacts and maximize the positives.'

Jérôme Sousselier: 'We set KPIs for companies and their management. These KPIs are not directly linked to the Paris Agreement, but they are closely related. If you take the example of carbon footprint, we measure it for all infra portfolio companies and then we define other specific KPIs related to energy efficiency. We also design company specific KPIs as it is no use to utilise a broad KPI - because companies differ, so you need to adapt what you track and where you can have the highest impact.
For our relevant funds we use the SDGs. This creates a framework for the various strategies. Each fund picks the relevant SDGs, typically three or four in order to have a meaningful impact. But ultimately, it is the KPIs for individual companies that really count.'

Christopher Wright: 'We need to make a distinction between ESG investing and impact investing. ESG investing is really just about understanding the totality of material risks that influence your investments in the long term. Impact investing adds a secondary goal, to intentionally generate a better impact on society. Examples can be affordable housing or renewable energy.'

Bikker-Bekkers: 'That's an important distinction. We need a lot of ESG integration, but not every investment needs to have an intention to solve a societal issue and needs to be an impact investment. In an ideal world, that might be different, but for now we need to actually take steps to do >

Sebastiaan Ranner

Sebastiaan Ranner is Senior Fund Manager Alternatives, Manager Selection at MN. He joined MN in 2007 and is responsible for managing and selecting private equity and infrastructure fund investments in Europe and North America. He is also an advisory board member for several global private equity and infrastructure funds. Prior to MN, Ranner was a M&A Consultant at Holland Corporate Finance and worked for ING Real Estate and ABSA Bank in South Africa.

Jérôme Sousselier

Jérôme Sousselier is Managing Director in the European Infrastructure Equity at ICG. He joined ICG in May 2018 and is responsible for identifying, analysing and executing investment opportunities within this strategy. Prior to joining ICG, he was Head of Infrastructure at EDF Invest. Sousselier has gained previous investing experience at GE Alstom. Prior to that, he worked at Goldman Sachs in European M&A and BHP Billiton in physical energy trading. He is a board member for Océinde Communications and has held several board positions in his career, including at Terega, Madrilena Red de Gas and Thyssengas. Sousselier received an MBA from Berkeley and graduated from Sciences Po (Paris) in Economics & Finance.

Dr. Ilkka Tomperi

Dr. Ilkka Tomperi, FRICS is Head of Real Estate, Investment Director at Varma. He is responsible for Varma Mutual Pension Insurance Company's domestic and international real estate investments. He joined Varma in 2013. Previously, he was a Partner at the Nordic private equity firm CapMan's real estate team, Vice President at Franklin Templeton Real Estate Advisors and Head of Other Investments and Portfolio Manager of the State Pension Fund (VER) of Finland. Tomperi is a Member of the Management Board of INREV and Deputy Chairman of the Board of Kaleva Mutual Insurance Company. Tomperi received his Ph.D. in Finance and a Master of Science in Economics from the University of Vaasa in Finland. He is also a Fellow of the Royal Institute of Chartered Surveyors.

Guido Verhoef

Guido Verhoef is Head of Private Real Estate at PGGM. He studied Economic Geography at the University of Utrecht and Real Estate at the University of Amsterdam and began his career as a real estate consultant in 1990. In 1995 he joined ING Real Estate Development as Senior Developer and in 2000 he moved to ING Real Estate Investment Management as Managing Director Institutional Clients. In 2005 he joined RABO Bouwfonds REIM as a Fund Manager. He moved to PGGM Investments as Head of Private Real Estate in 2008. Verhoef is a member of the Management Team Private Markets and has a seat on the Board of INREV and Amvest Vastgoed BV. He is an ULI Trustee and member.

Christopher Wright

Christopher Wright is Head of ESG Risk Monitoring at Norges Bank Investment Management (NBIM). His team helps maintain the ESG data infrastructure used for portfolio risk monitoring, supports the integration of climate risk into portfolio risk management, recommends divestments of companies on the basis of unsustainable business models and provides advice on the development and execution of the sustainability strategy for unlisted real estate investments. Wright is also Chair of the ESG Committee of the European Association for Investors in Non-Listed Real Estate (INREV).

PHOTOS ARCHIVES MN, ICG, VARMA, GUIDO VERHOEF, NBIM better, also with 'normal' investments. And be aware of when you have the intention to solve an issue and also properly report it.'

Wright: 'Impact investing is a secondary objective next to the ESG framework. The two approaches don't have to clash and we see many examples of that in real estate and other markets. But sometimes one wants to create a positive impact even if it means that you sacrifice return. That is completely legitimate as long as you acknowledge it upfront.'

What about diversity? Within real assets both gender and ethnical diversity is relatively low. What can be done to endorse this diversity?
Bikker-Bekkers: 'It is important for us to acknowledge the need to be more inclusive and diverse. Research has proven that this helps us make better decisions. For me, it doesn't stop with gender. We could also look at age, where you come from, and lots of other things. We all need to set the bar high and live up to it.'

Verhoef: 'In the shorter run, there will still be a lot of men in prime real estate, but for the longer term, we have to make sure that we hire new people in teams, people with a more diverse background.'

Ranner: 'It's very good that more attention is paid to increasing the number of women and minorities in investment teams. We believe it will lead to better investment decisions as well.'

Menzies: 'The real importance of diversity is the fact that it creates more possibilities of looking at investments or evaluating investments from a different perspective.
If you look at the fundamental issues that have impacted all of our portfolios, we see issues that none of us anticipated. We sit in investment committees looking at potential risk factors only from a historical perspective. What we don't do enough, is thinking outside the box. Especially with respect to infrastructure, things are changing fast. The more diversity we have, the better the investment decisions we take.'

Ranner: 'We see this with the fund managers we hire. There are managers who are old-fashioned, ones that are lagging in taking the next steps and ones that are on the forefront. The ones on the forefront set KPIs to improve ESG impact for companies. They have a thorough diligence process with measurable KPIs. This is especially important around impact investments such as renewable energy, where you see most of the frontrunners.'

'As an owner of a Real Asset, it is vital to have active engagement with all the stakeholders around the asset.'

How to design sustainable infrastructure? What are your views on that topic?
Van den Heuvel: 'We manage around ten fiduciary infrastructure portfolios for different clients. For our strategy to be successful, it's essential to align infrastructure and climate policies with a clear set of objectives and so-called outcome indicators. These are all related to ESG factors. Currently, we're rolling out client road maps for each of our clients. These specify how our clients can reach their goals. In addition to that, it is important to set specific KPIs, as mentioned before. Our infrastructure portfolio's tilt towards renewable energy is increasing. It can even be as high as 30% and 50% of the infrastructure portfolio. Furthermore, we have a variety of social PPP investments, like the care sector.'

Cutting CO_2 emissions through increasing energy efficiency can be considered as the first step. But can we do more? And how profitable is that?
Grandage: 'Increasing energy-efficiency is not even necessarily the first step to reduce CO_2 emissions. The first step is to really understand where you are at the moment. You have to define exactly what your footprint is. After that, it's crucial to understand what you want to achieve. If you have established that, you can move on to other questions, like: 'What can be done from a procurement perspective? How can we procure green energy? Can we make the energy that is coming into buildings less

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carbon intensive?' We are obviously also looking at energy efficiency. Then there are other questions to answer. For instance: 'Can we install renewables directly?'
And finally, there is the big issue of engaging with the occupier, especially in a real estate concept. That can be a big challenge when there is no legal ability to enforce anything. Because they are responsible for up to 80% of the consumption. It's key to work with them to understand and reduce this consumption.
In real estate, most of the information comes from the landlord. To get the information from the tenant is more challenging. But this is starting to change and we are using technology to assist us.'

Verhoef: 'The bottom line is that we need to be super transparent. As a liquidity provider we struggle with getting the right kind of transparency with regard to returns and risks and ESG data. Technically it's possible to provide us with this information, but it does not happen yet.
I think we are just halfway. As soon as you have the data regarding energy use and wastewater et cetera, you can begin to open discussions as to how to get in line with the Paris Agreement.'

How do you implement a sustainable/impact strategy?

Kotaniemi: 'One of the questions is who should own the measured impact of an investment. Is it only the owner of the asset, or should it be shared with the provider of debt? We have examples in Finland where the same impact was calculated three times by different providers. There is reason to be careful. But in the end it doesn't really matter, because the emissions will go down to zero.'

Ranner: 'There is some discussion going on about impact ownership. We have managers that invest in wind farms. They might say: 'We created a certain amount of megawatt. That offsets this much CO_2 and we, as the equity owners, are the owners of these CO_2 savings.' You will also have providers of debt for the same assets. They will say they also contributed to these CO_2 savings. We realise that there is no real standardisation in the market yet for measuring and ownership of these impacts. It is imperfect and I am keen to hear your views.'

Kotaniemi: 'Would it be possible to use a different framework for debt, so one could measure the impact of equity investments by using CO_2 reduction, but then to apply, for instance, the EU taxonomic framework for the debt investments?'

Verhoef: 'It's an interesting discussion. It all starts with definitions and having a good discussion. I would argue that you have to divide a project into an equity part and a debt part. So I would argue that if you have a 50% equity part, and you own 100% of this equity, then you are only allowed to report 50% of the CO_2 savings. That is logical to me.'

Sousselier: 'I could give some examples of specific actions we have taken to achieve full decarbonisation by 2050 at certain companies. A first example is that we have replaced the fleet of vehicles from fossil to electric for some portfolio companies. At another company we decided to put solar panels on the roofs of some of their buildings and to buy only green electricity, so that the company is fully sustainable in terms of power purchases.
More broadly, it is not always easy to measure your impact throughout the value chain, because we are dealing with deep supply chains, while as a small client you cannot impose big changes - but we do try when negotiating with suppliers.'

How do you measure the results of a sustainable/impact strategy?

Sousselier: 'The measuring and comparison of results is probably the toughest part, as there are no global standards yet. We look at a range of KPIs such as workforce diversity, the companies' carbon footprint and the way companies reduce their emissions, for example – these KPIs can be compared across industries and companies. Our objective is to have an impact on the companies in which we invest, so we measure the changes in those relevant KPIs that we track. A portion of the bonus of management teams is related to achieving these improvements.
Nothing is standardised in the industry yet, which makes it difficult, but things are progressing, with Europe putting in place specific disclosure requirements under TCFD. Hence on our end we elected to be an Article 8 fund to commit to sustainable >

investing. That's a first step to getting things more harmonised.'

Menzies: 'You want to harmonise KPIs, but as Jérôme Sousselier stated, it is so particular for different companies. Under TCFD you want to take the right criteria, the right KPI for the right company. So for our gas assets, one simple KPI would be how much of the network has been converted to polyethylene, because in polyethylene one can carry hydrogen. When the market is ready to carry that hydrogen, a specific company will be able to instantly transition from a more traditional gas network into the new space of sustainable investment.
The KPIs have to be different for different sectors. And even stronger, they will have to be defined for individual companies. Our task is to work out with each individual company to measure what is really going on to make a difference for the company in the future.'

Grandage: 'I think there is a tendency, even increasing with SFDR, to report loads and loads of different KPIs. But they need to be relevant and material. We have to be a bit more focused when we are reporting and setting KPIs, making sure that they fit the purpose whatever the investment is. I know this is challenging because I know there's no universal KPI that fits everything.
And, as a comment regarding GRESB, they are actually pushing the industry down the road towards standardised information, which is good, but sometimes the requested KPIs are not always relevant for a particular strategy, whether it is for real estate or infrastructure.'

Van de Heuvel: 'The comments of Dan Grandage are quite familiar to the ones we get from GPs on our stance on GRESB. We always say you should do good, but you don't have to be perfect. In our opinion GRESB is still the best option to go forward.'

Bikker-Bekkers: 'I think GRESB is really good for comparing general ESG criteria and efforts. But when you have an impact strategy, you need to keep your eyes on the social and environmental issues you intend to solve. Those need to be measured and reported on. You need KPIs that meet or report on that specific problem that you are addressing with your investments and your capital.'

Wright: 'I think environmental data for real estate are well covered by the GRESB survey. At least the landlord-controlled energy is broadly collected in the market. As said before, it is more difficult from the tenant side. The requirements to provide information are ever increasing, while bypassing the conversation on whether or not the publication of data is relevant. There's an increasing amount of these regulations, but they are mostly on the environmental side. In real estate, health and safety issues are increasingly important. There's a good amount of information available, so you can set KPIs that are relevant for what you invest in.'

Kotaniemi: 'I recently came across a start-up in Finland that uses AI to read scientific articles about the impact of an economic activity and to suss out the consequences for knowledge, health and the environment. They've been running this AI for years and they have a service that combines these data with information about listed companies and even private companies. They collaborate with fund managers, so that's fairly exciting.'

Wright: 'We see that technology is moving very quickly. Automated solutions will reduce the costs of collecting sustainability data and validating and disseminating it. It will hopefully make the monitoring of ESG strategies much more efficient and seamless. In addition, governments are starting to mandate public disclosure of operational energy use and emissions. I think the broader improvements in the transparency of ESG will impact how investors and managers will view and value different types of investments.'

'It's important to assess the different consequences of climate change, but the most important discussion is what it means for your investments.'

What is the ultimate result of a sustainable/impact strategy?

Olin: 'There will be considerable changes. With commercial real estate we now possess the information we need to know which building is going to be obsolete in five years' time. The qualified buildings have a higher occupancy rate. We are able to charge higher rents and the costs are

lower. More and more appraisal firms are taking this kind of information into account.
We are talking about commercial real estate, but the same is going to happen with residential real estate. I see tenants evaluating if a building is built in a sustainable way, much more so than five years ago.'

Tomperi: 'We also see the effects in our occupancy rates. That makes them more valuable. And these buildings qualify for green loans. They are a little bit cheaper than normal ones. There's a huge amount of interest for them from the investor side. We see that banks are actually extremely grateful if we provide them with the right certificates.
I also see the consequences of climate change. We made an impact analysis of the consequences of the rising sea level. We can spot on a map the buildings that are at potential risk after a rise of the sea level with a certain number of centimetres. That is quite interesting. We're obviously different from The Netherlands, but even in Finland we have lots of areas of land that are close to sea level but very far from the sea. So the rise might cause flooding in areas where you don't expect it.'

Verhoef: 'It's important to assess the different consequences of climate change, but the most important discussion is what it means for your investments. One can have a building in a problematic position, but do you want to sell it tomorrow? Maybe it's the best performing asset in your portfolio, so you will underperform. We feel you should look at it from a longer-term perspective. Climate change has become part of the decision-making process regarding investments.'

Wright: 'We have some real concerns. Some of the real estate development in big cities around the world is in coastal areas that will likely experience much more flooding in the long term unless governments invest in large-scale flood protection systems. It's left to investors to understand the risks. The uncertainty makes it difficult to price this risk and we assume the magnitude of long-term flooding risk is not fully understood in the market. At what stage will it be priced by the average investor? That's the question. If extreme weather events begin to occur more frequently, we expect real estate investors to pay more attention to this.'

'You need KPIs that meet or report on that specific problem that you are addressing with your investments.'

BlackRock's former Chief Investment Officer for sustainable investing, Tariq Fancy, caused an uproar by declaring green investing is all nonsense. It will do great harm, he claims. Is he right?

Grandage: 'I agree partially and there's absolutely a real risk that he is right. Greenwashing is a big thing and a big problem. Lots of organisations are, even now, coming up with claims that don't stand up to scrutiny. So he is right in that sense, but to disregard the whole industry is a bit harsh. There are clearly grades of activity. Greenwashing is a risk. Sustainable investing might be a bit of a Wild West sometimes, but as a whole it is a positive thing. We need to have more rules.'

Menzies: 'I agree. Accountability will come with taxonomy. Having gone through 400+ pages of appendices to work out whether you're taxonomy compliant or not is not perfect, but it is a start. It is good to look at the intentions of a company. Do they publish information with a PR perspective, or are they doing it to get cheaper debt? But still, if it makes companies move in the right direction, it's fine with me.'

Sousselier: 'I'd like to add two things here. I think these comments are probably a bit more valid in the US as I think Europe is a bit more advanced towards sustainability and has better disclosure requirements to avoid greenwashing. There is still a misconception, especially in the US – although that seems to be changing – that ESG is going to hurt returns. I believe this analysis is wrong, because it is poorly pricing climate risks that can really destroy value in the long term.'

Verhoef: 'It's interesting that auditors are getting involved. And with them, CEOs will have to pay attention. I think that this will probably stop the greenwashing in a way. Overall, I think we are heading in the right direction, but it is good to have a debate about these issues.' ■

SUMMARY

Real Assets are becoming more important, and because of that, it is important to look at the consequences that investors decisions have for the ESG-goals.

The main discussion seems to be about what goals or key performance indicators to set and whether it is necessary to standardise those.

One of the issues concerning investing in Real Assets that needs to be settled, is who can account for the ESG-benefits that are achieved because of interventions by investors. Is it the equity-owner or the party that provides financing? There are no conclusive answers yet, but the discussion is enervating.