

IJGlobal ESG Infrastructure Asset Manager – Debt – EDRAM

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The independent panel of judges was impressed by the Edmond de Rothschild Asset Management (EDRAM) submission based on clear demonstration of ESG principles... as well as identifying deals where it declined to be involved.

EDRAM won the IJGlobal ESG Infrastructure Asset Manager in the Debt category with an insightful submission that identified 3 transactions (all details confidential) where it walked away sensing the nature of the deals compromised ESG criteria.

This is a key component and future awards submitters would do well to take note. *IJGlobal* asks for this information (which is confidential) to be included as it sways judges to see not only what you have done... but what you have walked away from as it does not sit comfortably alongside your ESG principles.

One judge celebrated EDRAM's decision to be so open on strategic decisions, saying it was "good that they provided their deals declined" while also pointing out "it's great that they use CIARA" (Climate Impact Analytics for Real Assets).

Another judge said: "EDRAM has a sizeable portfolio and demonstrates impact with clear examples of how to implement ESG strategy ... I like the focus both on social and environmental".

All of EDRAM's €4.6 billion AUM is either invested – or will be invested – responsibly in line with the ESG policy and procedures it has agreed with investors.

EDRAM's methodology and process have been reviewed by external experts as part of independent reviews for "green" certified funds and investor due diligence processes. For example its Bridge 2018 senior sub-fund, which reached full deployment in this awards year, carries the French Government's "Greenfin" label requiring annual reviews by an independent auditor of the robustness of our methodology and appropriateness of its application.

At a practical level EDRAM has 4 members of the 12-person investment team allocated to the ESG working group, including an ESG officer and deputy – both of whom are investment directors demonstrating the seniority of resource allocated within the organisation.

A proprietary ESG review tool has been developed by EDRAM which applies exclusion criteria as well as a more qualitative assessment before a deal can be presented to credit committee. This is reviewed by risk management (Credit) and frequently made available to underlying investors.



All new sub-funds raised in the awards year are deemed Article 8 for SFDR purposes (SFDR EU Directive), promoting sustainability, and it works with external consultants to provide additional CO2 emission, 2 degree alignment and EU Taxonomy reporting. In 2021 it became a member of the UN PRI and in 2022 signed up to the International Climate Initiative (ICI).

According to the submission: “Our strategy for financing sustainable infrastructure means participating in the energy transition, but also in digital infrastructure, the modernisation of public services, mobility – particularly green mobility – and social infrastructure that meet both environmental and social sustainability efficiency criteria... for example in the fields of healthcare and education.

“At a platform level this has produced a portfolio with strong environmental and positive climate change attributes: 35% of our invested AUM is in renewables (28%) or assets powered by renewable energy (7%). This includes a recent focus on district heating projects with sustainable generation capacity.

“The portfolio delivers a strong social impact through investments such as care homes, public transport and education facilities.

“Our investments in digital infrastructure – especially fibre optic broadband – have provided essential connectivity within their communities throughout the COVID period.

“Governance remains a strong focus, with our proprietary ESG review tool requiring deal teams to conduct comprehensive reviews of the arrangements in place for each transaction.”

Project Ares

Project Ares is an example of an innovative bilateral energy investment sourced, structured and executed by EDRAM and identified as a key deal for its ESG award submission.

Ares is a green bond financing of La Francaise de l'Energie (LFDE), a French energy producer with a negative carbon footprint. LFDE's main activity is the capture of methane emissions (CH4) from abandoned coal mines in France and Belgium and to convert or monetise this gas into electricity, gas and heat sales under long-term regulated tariffs (feed-in tariff in France or green certificates in Belgium) or long-term private contracts with local stakeholders such as industrials or municipalities willing to offer local and affordable green energy to surrounding communities.

On the ESG front, it was assessed as compliant with the ICMA (International Capital Market Association) Green Bond Principles via a second-party opinion by Ethifinance. The project has an important sustainability impact in terms of reducing greenhouse gas (GHG) emissions into the atmosphere.

This is particularly relevant given CH4 is considered by scientists to have 82.5x more greenhouse impact than CO2 over a 20-year period. The bond is enabling the construction and installation of a further 49.5MW of capacity by the end of 2022, representing 3 million tons of CO2 equivalent emission avoided annually.

EDRAM provided a holdco junior debt financing to support the development of the company and allow further expansion of this innovative approach supporting climate change adaptation and local energy production.

Project Nature

Project Nature is an example of a proprietary bilateral social infrastructure deal where EDRAM is sole lender, financing the communal infrastructure assets of an eco-holiday resort set within a 280 hectare nature park in Belgium.

The resort incorporates sustainability throughout and creates both a positive environmental and social impact.

The resort has impacted the local community by supporting 170 local jobs in the first phase of construction (expected to increase to 340 jobs) and more importantly, the company has set up an academy to train job seekers and people in under-resourced circumstances with no experience to give them an opportunity of employment.

Beyond that, local suppliers are used to maintain a short supply chain and keep a strong link with local businesses – 88% of companies used are Belgian and 94% are located less than 250km from the site.

The nature park allows guests to focus on their mental health and wellbeing and as a result of staying in nature and taking part in activities – such as yoga, sport and meditation – which has become increasingly important.

In addition to the strong social impact, the resort is focused on preserving the environment through several initiatives including: the lodges being 100% constructed out of wood from the forest nearby, installation of 3,173 solar PV panels and reintroduction and preservation of species subsidised by EAFRD funds on four hectares.

No excavations were made during construction to limit the effect on biodiversity as the site includes 2,500 listed trees, 36 animal species, 10 protected plant species, and 7 ponds. No cars allowed on site and all transport is done by foot, bike or electric golf cart.

The project includes many eco-labels including DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen) Silver/Gold, a German building certification which shows greater sustainability in construction; HQE (Haute Qualité Environnementale) Excellent, a standard for green building in France, all materials are EcoSure certified and in accordance with BREEAM standards, and the wood used in construction is from sustainably managed forests which is certified as PEFC (Programme for the Endorsement of Forest).

Sustainability is also embedded into the supply chain as companies need to commit to precise technical specifications for the protection of land, trees and biodiversity and adopt a charter of respect for the environment.

In addition, ISS ESG, a sustainable rating agent, has confirmed that the project makes a significant contribution to the UN's Sustainable Development Goal of 'Sustainable Cities and Communities' and also a contribution to the goal of 'Responsible Consumption and Production', highlighting the positive social and environmental impact of the project.

This project has innovated within its sector as even though competitor parks are showing signs of sustainability, they have less of a pronounced sustainability position whereas for this project, preserving the environment and helping the local community is a focus.

Picture added after IJGlobal ESG Awards 2022. The EDRAM team with IJGlobal head of content Ila Patel and content director Angus Leslie Melville.



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