

# Analysing portfolio exposure to ESG risks and opportunities

Capability Story – August 2020



“Together with our investors and partners, our mission is to deliver sustainable and resilient infrastructure that improve the quality of people’s lives over the long term.”

Thierry Déau, CEO and Founder, Meridiam

## Client profile

Meridiam is a global investor and asset manager specialising in developing, financing, and managing long-term public and private infrastructure projects.

## Client objectives

As a global investor, Meridiam was looking to better integrate the structural and cyclical macroeconomic conditions when:

- making a decision about investing in a new infrastructure project
- monitoring ongoing infrastructure projects’ exposure to multiple risks
- for assessing the systemic risks linked to its entire business portfolio

With a strong focus on Sustainability and ESG throughout the business, Meridiam was looking to incorporate these factors into investment decisionmaking and reporting

## Solution

Identification of macro-level financial and ESG-related risks in Meridiam’s investment portfolios

Monitoring the portfolios’ sensitivity to different risks and time horizons

## Client profile

Meridiam is an independent investment Benefit Corporation under French law and an asset manager. The firm specialises in the development, financing, and long-term management of sustainable public infrastructure in three core sectors: mobility of people and goods, energy transition and environment, and social infrastructure.

As a greenfield specialist, Meridiam's originality lies in its ability to invest in projects with a positive economic, social and environmental impact, both in Europe, Africa and the Americas.

Its impact strategy focuses on 5 pillars:

- Providing resilient infrastructure and developing sustainable cities
- Accelerating the energy transition
- Avoiding and reducing greenhouse gas emissions
- Promoting good working conditions, inclusion, diversity and gender equality
- Protecting and enhancing biodiversity

The Paris-based firm was founded in 2005. To date it currently manages US\$8 billion and more than 80 projects and assets throughout the world, worth more than US\$65 billion of capital deployed.

## Objective: Identification of macro and ESG-related risks and opportunities

- Meridiam's specialisation in the development, financing and management of infrastructure projects of public initiatives means that its investments are done with a long-term perspective in mind, over 25 years.
- The time horizon in infrastructure investments requires taking into account the macroeconomic and financial context of the countries (current and future) in which these infrastructure projects are carried out.
- This means that identifying systemic country risks is of particular importance and requires both structural and cyclical analysis inherent to the study of country risk.
- In addition, long-term issues related to energy, climate and natural capital are relevant to Meridiam's investment horizon.
- With this in mind, Meridiam sought data that would provide a global analysis of systemic and long term risks present within the countries that make up its investment universe.

## Solution: Sovereign sustainability data and analytics

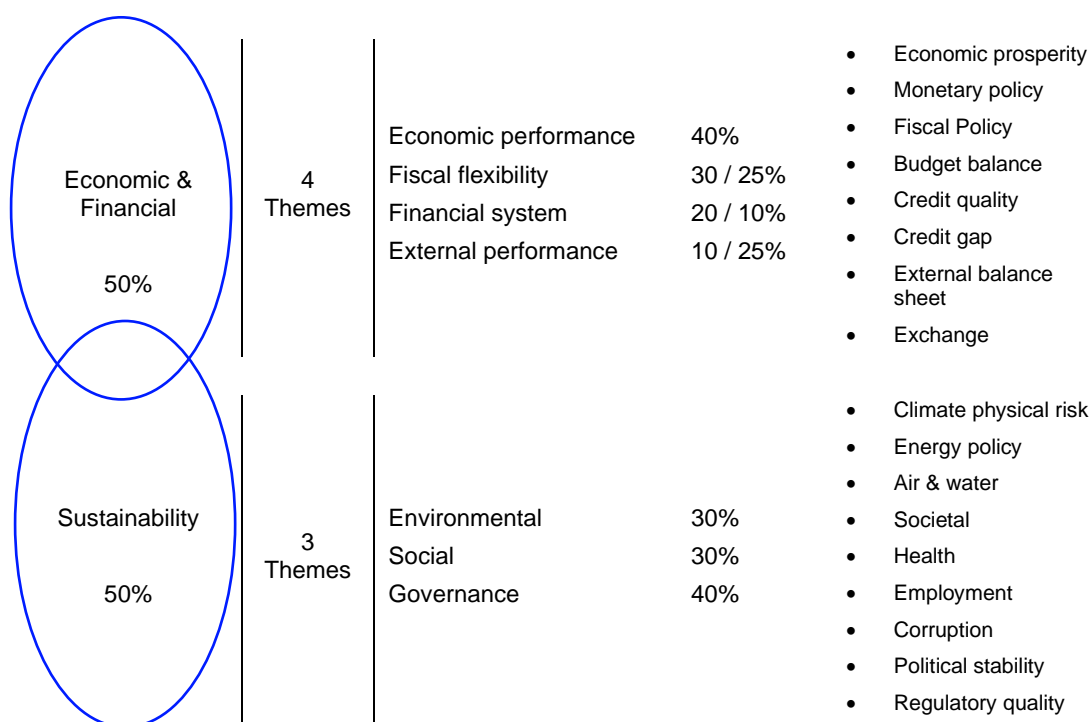
The client decided to use LSEGs sovereign sustainability data to perform an enhanced country risk analysis due to our unique expertise in ESG augmented credit risk. The LSEG Sovereign Risk Monitor was well-matched as a data model solution for the client, providing a comprehensive assessment of country creditworthiness incorporating both financial and extra-financial factors, consistent with Meridiam's objectives.

## Sovereign Risk Monitor

<b>146</b>	<b>80</b>
<b>Countries covered within the SRM model</b>	<b>Historical data covers 80 quarters from Q4 1999 to present</b>

### Key benefits

- First financial credit risk classification model to systematically integrate ESG
- Allows for greater representation of borrowing costs (yields) than traditional investment grade / high yield references
- Anticipates changes in traditional credit rating agency country ratings (average of 8 quarters)
- ESG indicators in model were retained based on their financial materiality on sovereign credit default risk



The client uses LSEG's sovereign sustainability data and research to monitor and report on its investment portfolios' exposure to long-term and systemic risks, including those related to climate change.

The client has also relied on LSEG's expertise in energy-climate issues to anticipate potential risks and opportunities related to climate change on

forthcoming infrastructure projects and in its investment portfolios through specific research projects conducted on an ad-hoc basis.

### Additional information

Further information on our range of products and services is available at <https://www.lseg.com/en/ftse-russell/beyond-ratings-data>

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