

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.

Sovereign sustainability solutions

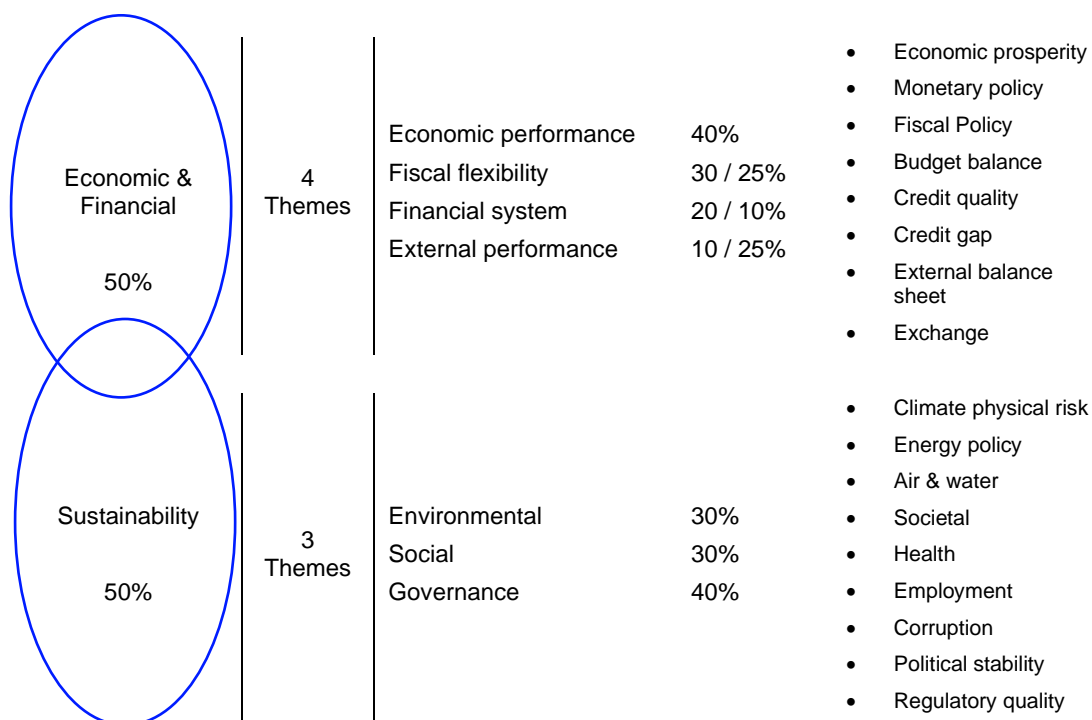
The client decided to use LSEGs sovereign sustainability solutions to perform an enhanced country risk analysis due to our unique expertise in ESG augmented credit risk. The LSEG Sovereign Risk Monitor was well-matched as a data model solution for the client, providing a comprehensive assessment of country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

Sovereign Risk Monitor

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

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 solutions 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 lseg.com/en/data-analytics/sustainable-finance/sovereign-climate-data

LSEG Disclaimer

The content of this publication is provided by London Stock Exchange Group plc, its applicable group undertakings and/or its affiliates or licensors (the “**LSE Group**” or “**We**”) exclusively.

Neither We nor our affiliates guarantee the accuracy of or endorse the views or opinions given by any third party content provider, advertiser, sponsor or other user. We may link to, reference, or promote websites, applications and/or services from third parties. You agree that We are not responsible for, and do not control such non-LSE Group websites, applications or services.

The content of this publication is for informational purposes only. All information and data contained in this publication is obtained by LSE Group from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information and data are provided "as is" without warranty of any kind. You understand and agree that this publication does not, and does not seek to, constitute advice of any nature. You may not rely upon the content of this document under any circumstances and should seek your own independent legal, tax or investment advice or opinion regarding the suitability, value or profitability of any particular security, portfolio or investment strategy. Neither We nor our affiliates shall be liable for any errors, inaccuracies or delays in the publication or any other content, or for any actions taken by you in reliance thereon. You expressly agree that your use of the publication and its content is at your sole risk.

To the fullest extent permitted by applicable law, LSE Group, expressly disclaims any representation or warranties, express or implied, including, without limitation, any representations or warranties of performance, merchantability, fitness for a particular purpose, accuracy, completeness, reliability and non-infringement. LSE Group, its subsidiaries, its affiliates and their respective shareholders, directors, officers employees, agents, advertisers, content providers and licensors (collectively referred to as the “**LSE Group Parties**”) disclaim all responsibility for any loss, liability or damage of any kind resulting from or related to access, use or the unavailability of the publication (or any part of it); and none of the LSE Group Parties will be liable (jointly or severally) to you for any direct, indirect, consequential, special, incidental, punitive or exemplary damages, howsoever arising, even if any member of the LSE Group Parties are advised in advance of the possibility of such damages or could have foreseen any such damages arising or resulting from the use of, or inability to use, the information contained in the publication. For the avoidance of doubt, the LSE Group Parties shall have no liability for any losses, claims, demands, actions, proceedings, damages, costs or expenses arising out of, or in any way connected with, the information contained in this document.

LSE Group is the owner of various intellectual property rights (“**IPR**”), including but not limited to, numerous trademarks that are used to identify, advertise, and promote LSE Group products, services and activities. Nothing contained herein should be construed as granting any licence or right to use any of the trademarks or any other LSE Group IPR for any purpose whatsoever without the written permission or applicable licence terms.

Copyright © 2024 London Stock Exchange Group. All rights reserved.