



CASE STUDY

INFRASTRUCTURE

August 2019

At a glance



44%
FY24 Target*



Ausgrid supplies electricity to
1.7 million+
homes



68,000
street lights converted
to energy efficient bulbs
(at July 1)



Ausgrid is installing
11,500
solar panels at 19 sites
across network

Photo credit: Ausgrid

Ausgrid, major Australian infrastructure asset, sets emissions reduction target

IFM Investors' Infrastructure Carbon Reduction Program has seen Ausgrid, one of Australia's largest electricity infrastructure assets, and other major Australian assets commit to meaningful emissions reduction targets and pathways through to 2030.

IFM Investors' approach to managing climate change risk has resulted in seven major Australian infrastructure assets establishing individual carbon emissions reduction targets through to 2030. The targets range from 8-25 per cent by 2024 to 17-100 per cent by 2030, representing emissions reductions of more than 200,000 tonnes CO2 equivalent by 2030 – the same as removing almost 70,000¹ cars from the road.

The infrastructure carbon reduction program

is one element of our broader approach to managing the impacts of climate change on our investments to protect and enhance asset value and deliver sustainable net returns to investors over the long term.

We believe climate change poses a significant investment risk with environmental, social and economic consequences that can impact value in the short, medium and long term. As such, our commitments to managing climate change risk across our infrastructure portfolios are:

* Target is for emissions under Ausgrid's control and excludes emissions from line losses.

¹ Calculated by IFM Investors based on 2018 ABS Census data and 2018 DoE Emissions projections.

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Continue to measure our emissions footprint.



Establish emissions reduction targets and pathways.



Report annually on these measures.



Undertake physical and transitional risk assessments.

Asset spotlight: Ausgrid

Energy distribution network owner and operator Ausgrid is one of the major portfolio assets we have worked with. Ausgrid supplies electricity to more than 1.7 million homes and businesses in the Sydney, Central Coast and Hunter regions of New South Wales. It is Australia's largest electricity distribution business.

With a commitment to meeting shareholder expectations and delivering on its social licence strategy, Ausgrid has set an emissions reduction target and developed a range of programs to achieve it.

Ausgrid's carbon footprint is primarily associated with electrical line losses within its extensive grid; street light assets; substations and equipment needed to operate the grid; and the vehicle fleet field staff use when maintaining and building the network and its property portfolio.

Due to technical reasons and prohibitive costs, Ausgrid has minimal ability to directly reduce electrical line losses, which account for over 80 per cent of emissions. However street light emissions, representing approximately 11 per cent of emissions, are a key target for action. The company has already begun the ambitious task of converting more than 250,000 public street lights to energy efficient LED bulbs, with 68,000 converted as at 1 July 2019.



Photo credit: Ausgrid

IFM Investors' emissions reduction multi-step approach

IFM Investors has worked closely with major Australian assets and their co-owners to commit to meaningful emissions reductions and pathways while aiming to maintain returns to its investors. Our multi-step approach is illustrated here.



Individual asset engagement



Establish baseline data for each asset



Develop customised guidance and modelling tool aligned to Science Based Target (SBT) methodologies



Model current emissions trajectory and identify emissions reduction opportunities and costs



Identify most efficient projects for emissions reduction



Establish FY2024 emissions reduction target for each asset



Develop emissions reduction pathways for target achievement

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Photo credit: Ausgrid

Emissions reduction projects



Renewable energy - solar



Building efficiency upgrades



Energy efficient lighting



Low emissions vehicles

Within the office environment, Ausgrid is moving its in-house servers to cloud-based technology and reducing emissions through improved energy efficiency of its buildings and through generation of its own green energy from rooftop solar. The company is halfway through installing a 4-megawatt solar system comprising more than 11,500 panels at 19 sites across its network in Sydney, the Central Coast and the Hunter.

Ausgrid has conducted a full energy review across all of its operations and is further investigating the viability of cost effective emissions reduction initiatives across its network assets, property portfolio and vehicle fleet, including a trial of low emissions electric vehicles.

Collectively, these initiatives are expected to have the most significant impact on achieving the FY2024 target of an 8% reduction² for all of Ausgrid's emissions. Excluding the emissions for line losses, Ausgrid has an emissions

reduction target of 44% by the end of financial year 2024 for emissions it can influence. Decarbonisation of the wholesale energy supply together with the street light program is expected to have the most significant impact on achieving the FY2030 reduction target of 17%³.

Overall, Ausgrid's carbon emissions reduction initiatives, together with grid decarbonisation, aim to cut the company's annual carbon emissions by more than 150,000 tonnes by 2030, equivalent to emissions from 30,866 homes' electricity use in a year⁴.

IFM Investors will continue to work closely with Ausgrid and other Australian assets to manage climate change risk. We plan to apply the lessons learnt from this work to a similar program with our global infrastructure assets to support value and competitive returns for our investors and the millions of working people they represent. ■

² From FY2017 as the baseline year. Targets are objectives and provided for illustrative purposes only. There is no guarantee that all targets will be achieved. ³ From FY2017 as the baseline year. Targets are objectives and provided for illustrative purposes only. There is no guarantee that all targets will be achieved. ⁴ Emissions equivalency calculated at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator> Targets are objectives and provided for illustrative purposes only. There is no guarantee that all targets will be achieved.



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