



CLIMATE TRANSPARENCY REPORT 2020

RARE Infrastructure Limited

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-5E0E7DD2-F8B4-4F97-9A08-290E56C7CEB8/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	-	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	-					
SG 13.5 CC	-					
SG 13.6 CC	-					
SG 13.7 CC	-					
SG 13.8 CC	-					
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	-	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	RARE Infrastructure Limited
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US\$ 1 - 4.99 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2010
Region	Oceania
Country	Australia
Disclosure of Voluntary Indicators	100% from 38 Voluntary indicators

RARE Infrastructure Limited

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1 Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Key climate-related risks and opportunities for infrastructure relate to energy transition from carbon to renewable energy, as well as the risk associated with extreme weather disruption.

These climate-related risks are primarily incorporated into valuations two main ways. Firstly, as part of our sustainability assessment for portfolio companies, risks related to climate change for operational reliability (eg extreme weather disruption) and asset risk (eg rising sea levels for low lying airports) are assessed resulting in the cost of capital (hurdle rate) adjustments. Secondly, key risks and opportunities related to energy transition are captured within cash flow forecasts, primarily volume (eg oil, coal) and CAPEX (renewables, electricity grid strengthening) forecasts as well as stranding risk for certain assets.

No

SG 01.7 CC Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

Given the uncertain nature of these risks, we tend to utilise scenario analysis to assess the potential impact, as well as regularly updating our base-case forecasts to reflect the latest information.

No

SG 01.8 CC Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

Sustainability is incorporated into the research process for all stocks, including climate change risks and opportunities. This is captured via company cash flow forecasts and cost of capital (hurdle) adjustments to reflect the risk/opportunity and are updated regularly as part of the investment process. In addition, thematic research is undertaken periodically which often includes climate change related risk and opportunity.

No

**SG 1.10
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC

Mandatory to Report Voluntary to Disclose

Public

Descriptive

General

**SG 07.5
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.7 CC For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Climate-related risk is primarily incorporated into valuations two main ways.

Firstly, as part of our sustainability assessment for portfolio companies, risks related to climate change for operational reliability (eg extreme weather disruption) and asset risk (eg rising sea levels for low lying airports) are assessed resulting in the cost of capital (hurdle rate) adjustments.

Secondly, key risks that are broadly related to climate change are captured within cash flow forecasts, including OPEX, CAPEX and volume related impacts. Management also incorporates climate-related risks into portfolio construction decisions.

Finally, scenario analysis is utilised to further understand climate-related risk.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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SG 13.1 Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors

Describe

RARE maintain proprietary valuation methodologies and models as part of our coverage, that is inclusive of ESG. There is a template scenario sheet built into our financial models, which allows scenarios to be tested on a customised and dynamic basis.

Please see below for detail on our Scenario Analysis process.

- Yes, in order to assess future climate-related risks and opportunities
- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2 Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]
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Scenario Analysis

The key output of our financial models is a point estimate or base case IRR and excess return. RARE assess for forecasting errors by testing alternative forecast scenarios. We typically require an investment case to be validated against a range of bear cases before making an investment. There is a template scenario sheet built into our financial models, which allows scenarios to be tested on a customised and dynamic basis.

Scenario analysis assists the Analyst in understanding the key drivers of the business and the sensitivity of the valuation to those factors. This will help focus the Analyst's diligence on those areas which are most impactful on valuation. These assist decision-makers in understanding the range of potential outcomes, the breadth of potential returns and appropriate stock weighting. This is particularly useful in evaluating the risk of a company beyond simply looking at its market beta. Companies whose valuation is more sensitive to a range of factors are inherently riskier than those where the valuation remains relatively robust to changing assumptions.

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.
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- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

	other description (1)
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Renewable energy and energy transition

- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify

other description

Active engagement related to climate change risk with our portfolio holdings

- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

Company and research providers forecast around energy transition, associated volume forecast and CAPEX requirements. Scenarios typically reflect commitments to climate change (Net Zero 2050)

- None of the above

SG 14 CC

Voluntary

Public

General

SG 14.8 CC

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- Processes for climate-related risks are integrated into overall risk management
- Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.
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- Yes
- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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	%
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100

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
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	Area
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- Energy efficiency / Clean technology
- Renewable energy

	Asset class invested
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- Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area
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+30

Brief description and measures of investment

RARE invests in securities of companies that own and operate infrastructure assets that provide an essential service to a community or economy and have a revenue determination mechanism such as regulation or concession contract to ensure the owner of the infrastructure assets is appropriately rewarded for operating the asset to provide that essential service. As such, all of RARE's investable universe contains stocks that are themed social, with many (ie renewables and water), also themed environmental.

- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

+10

Brief description and measures of investment

RARE invests in securities of companies that own and operate infrastructure assets that provide an essential service to a community or economy and have a revenue determination mechanism such as regulation or concession contract to ensure the owner of the infrastructure assets is appropriately rewarded for operating the asset to provide that essential service. As such, all of RARE's investable universe contains stocks that are themed social, with many (ie renewables and water), also themed environmental.

- Other area, specify
User pays infrastructure (road, rail, ports etc)

Asset class invested

- Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

+25

RARE invests in securities of companies that own and operate infrastructure assets that provide an essential service to a community or economy and have a revenue determination mechanism such as regulation or concession contract to ensure the owner of the infrastructure assets is appropriately rewarded for operating the asset to provide that essential service. As such, all of RARE's investable universe contains stocks that are themed social, with many (ie renewables and water), also themed environmental.

No