

## KEYNOTE INTERVIEW

# The true definition of ESG



*Rail infrastructure promises attractive long-term returns when investors choose their assets carefully. Here, a diverse team of investment decision-makers is key, explains Angelika Schöchlin of Antin Infrastructure Partners*

Although ESG goals are espoused by many organisations today, often this simply means meeting environmental targets, with social and governance criteria presented as little more than an afterthought. When ESG is embraced wholeheartedly, social and governance aims are not sidelined even when environmental sustainability is valued highly.

A commitment to a variety of ESG values is clear in the investments being pursued by Antin Infrastructure Partners. Angelika Schöchlin, one of the firm's senior partners, has served on Antin's Investment Committee since

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2010 and witnessed the company's commitments pay off first-hand. She provides more details about Antin's investments in rail assets and how sustainability – both environmental and social – is being prioritised.

**Q What sort of trends are you currently witnessing around rail infrastructure investment?**

Firstly, we are seeing a very strong ESG angle, including a pronounced desire by the European Union and its member states to get goods and passengers off the road and onto trains. This is largely for environmental reasons because rail is more efficient in terms of carbon emissions. We are seeing a number of factors driving growth in this area, there is a strong political will and continued growth in the desire to travel in an environmentally conscious way. This is leading to a growing demand for rail and represents a trend that is expected to continue for the long term.

This is a hugely exciting asset class. As an infrastructure investor, rail tends to fit the asset class well in the sense that – as long as you pick the right assets – you have high barriers to entry, predictable returns and the potential to enjoy a high degree of downside protection. Many rail investments nurture growth opportunities and ESG is important to us. We do not only mean in terms of environmental objectives – we are looking to have a strong social impact too. Rail is critical infrastructure and ensuring its success brings benefits to societies overall.

**Q Rail infrastructure encompasses a range of asset types, from freight and passenger services, to train stations and ancillary services. What should fund managers keep in mind when managing this diversity of assets?**

Common to most – if not all – rail assets is a significant lack of investment. In Europe, we face a world of ageing stock for many of these assets. For instance, if you look at the average life of a Deutsche Bahn rail wagon it is 30 years or more. So, in addition to the trends we are seeing, there is a huge investment potential and need surrounding rail assets. There is a great deal of ageing stock that needs to be replaced or upgraded to fit in with a more environmentally friendly asset base.

In terms of the wide range of rail assets, a different thought process is required for the sub-sectors.

This is something we have direct experience in with regard to train stations. We are a proud investor in the 14 largest train stations in Italy, including all the high-speed stations. Here, in terms of the ESG angle, we believe that it is important to revitalise train stations and make them as important as they used to be; as centres for the community.

We have installed large food halls

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in the train stations of Rome and Milan. This is helping to return these iconic assets to their former glory, as places where people want to take their friends and family for dinner. Approximately 80 percent of all customers within the food halls of our stations are not travellers; we have managed to reposition these rail assets as centres of life within the community. We use these stations to host cinema performances, fashion shows and other events that demonstrate that rail infrastructure can serve more than just the travel community.

If you look at our investment in freight wagon leasing in Germany, the environmental angle really comes to the fore. This investment is about getting goods off the road for environmental reasons. We are helping upgrade the existing stock into a more modernised fleet that can meet current emission goals.

Looking at passenger services, you can observe different trends, this time with the passenger experience and the increased desire to travel. This trend was temporarily slowed by covid-19 but it has continued at pace now that restrictions in most markets have lifted. In addition, increasing numbers of people working from home has also driven demand for new travel patterns.

**Q Are you seeing a premium for sustainable rail assets?**

I would not necessarily say that we are witnessing a premium for sustainable assets, but there is often a discount applied to assets with poor ESG credentials, to the extent that you might not even be able to trade them. This is leaving some investors with stranded assets and is being seen notably in parts of the energy sector.

**Q How important is gender diversity in infrastructure investing?**

Diversity is an important issue for us.



**Q ESG is about more than just the environment. How has Antin been factoring in the social element of ESG in its investment decisions?**

Our social infrastructure franchise is made up of strong businesses that also frequently offer ESG benefits given their areas of focus. For example, we have invested in Babilou, a portfolio of nurseries across 12 countries. People used to think of nurseries as places where a child simply goes to spend their time safely. But today, a nursery is rightly seen as a place that can have more impact on a child's life – a place for early education. Early education is the most powerful means of ensuring social mobility and equality in life. This is an example of how seriously we take social impact when investing.

Secondly, in a world where more women are entering the workforce, having access to great childcare is important. It does a lot for fostering equal opportunities at work, allowing those women who might otherwise have to remain at home to pursue a career.

Of course, having a diversity of opinions, outlooks and perspectives is crucial to making the right decisions in terms of risk and downside protection, but also capturing growth trends and future opportunities.

Within Antin, one of our primary goals has always been to create a diverse team of skilled infrastructure professionals. Today we have 33 nationalities within the firm. And overall, 46 percent of our workforce are women.

**Q What advice would you give to a prospective female employee thinking of entering the infrastructure industry?**

My advice would differ depending on the age of the woman looking to make a career in infrastructure.

For younger individuals still in school, I would advise studying something quantitatively. If you are on the investment side, it does help to understand numbers. For someone about to start their career, I would recommend leaning towards banking or consulting to get more deal experience.

For someone that is already two or three years in, I would reiterate that it is a demanding job but intellectually stimulating and rewarding. Indeed, that is something I would share with any individual – female or male.

For someone that is about to have

children, this is a great place to work but it is a lot of hours.

A lot of my colleagues at Antin have children, but you need to organise yourself well. We have many fathers who take paternity leave, of course, so this is not a topic that is only pertinent to female workers.

And finally, I would advise any individual thinking of joining the infrastructure investment sector to choose a firm that is based on performance and where there are plenty of people that you like. You will spend a lot of time with your colleagues and it is essential to enjoy whatever you do in life. Culture is very important.

**Q What are your hopes for the future of rail infrastructure? Do you see it continuing to be a financially attractive investment space in the years to come?**

Rail is a core part of the transport infrastructure sector and is not only experiencing growth today but has a bright future.

On the other hand, if you look at airports, I think there is also a great opportunity to challenge the ESG angle of new investments in that sector.

The importance of improving the green credentials of infrastructure assets is imperative. Rail is a safe and sustainable transport mode that uses six times less energy than road transport and has almost nine times lower greenhouse gas emissions.

As ESG criteria continue to be an ever-growing factor in investment decisions, rail assets are well-placed in terms of both downside protection and growth opportunities.

I think rail hits every angle that you would like to have as an infrastructure investor.

With regard to Antin specifically, we have had great success and our ambition will lead to an even more exciting future. ■