

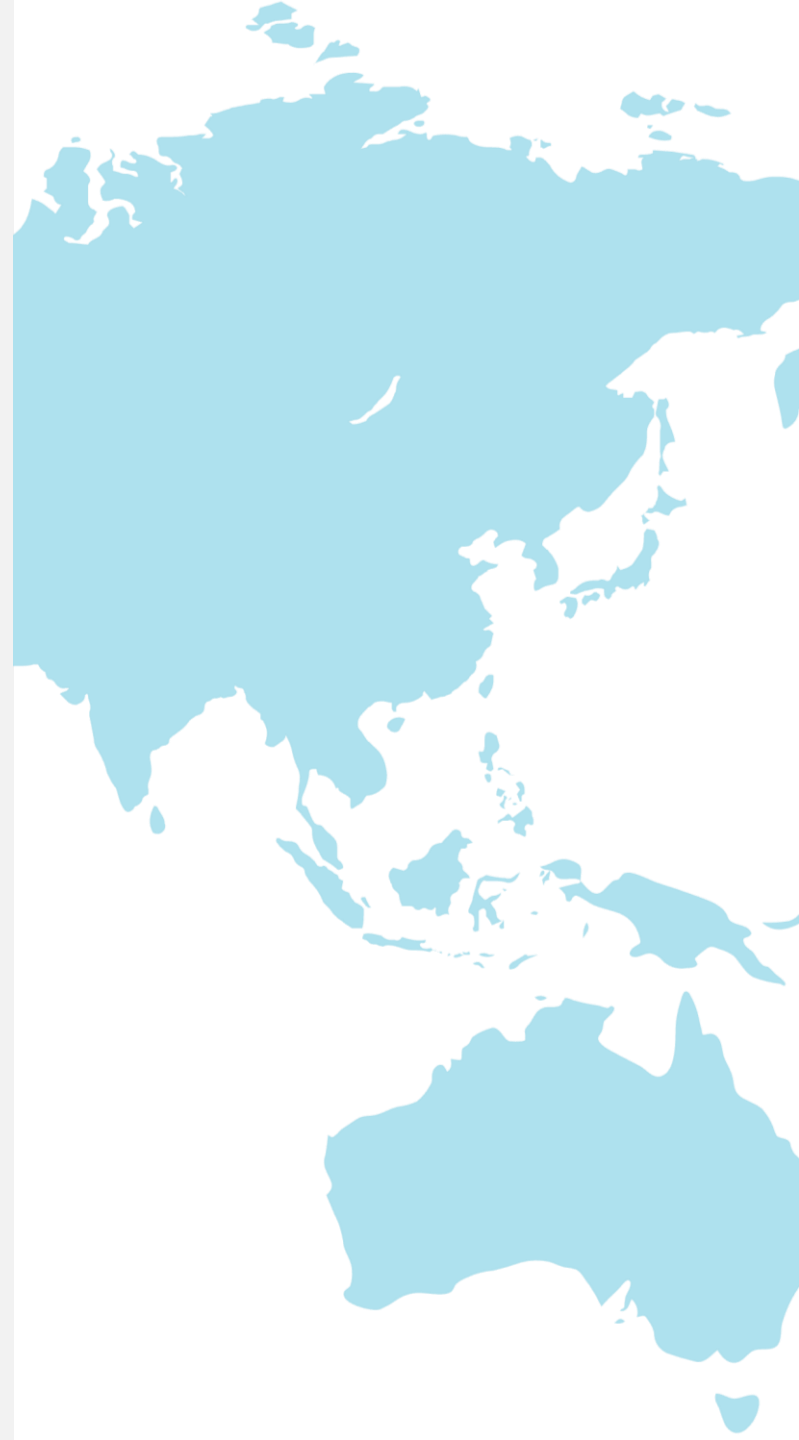


# Blue Dot's Asset Owner Series

## Spotlight: GIC

March 2024

Future-proofing investment decisions™



# Overview

## About

**With an estimated AUM of over \$690 billion,<sup>\*</sup> GIC is one of the three investment entities in Singapore that manage Singapore's reserves, alongside the Monetary Authority of Singapore (MAS) and Temasek.** GIC manages most of the government's financial assets, investing for the long term with an aim to preserve and enhance the international purchasing power of the funds placed in its care.<sup>\*\*</sup>

During the year ending March 2023, the share of GIC's total assets invested in **real estate increased from 10% to 13% year over year** and the share invested in **private equity stayed at 17%**. GIC was an early entrant among institutional investors in real estate. Its investments in the space now include traditional private real estate (brick-and-mortar assets), public equities, real estate investment trusts, and real estate-related debt. GIC's private equity portfolio includes buyouts, minority growth, pre-IPOs, venture capital, private credit, and special situations such as distressed debt, and secondary private equity.<sup>\*\*\*</sup>

## Allocation

In its latest annual report, GIC included a feature on its infrastructure strategy. GIC set up a dedicated team in 2005 to invest in infrastructure businesses and was an early entrant in the sector. In the two decades since, it has refined its investment strategy through multiple economic cycles. Today, **infrastructure investments form a large and critical part of GIC's portfolio.**<sup>\*\*\*</sup>

<sup>\*</sup> As of November 2023. Source: <https://www.thinkingaheadinstitute.org/content/uploads/2023/11/AO100-2023-final.pdf>

<sup>\*\*</sup> Source: <https://www.gic.com.sg/who-we-are/>

<sup>\*\*\*</sup> Source: [https://www.gic.com.sg/wp-content/uploads/2023/07/GIC\\_AR\\_2022-23\\_PRINT.pdf](https://www.gic.com.sg/wp-content/uploads/2023/07/GIC_AR_2022-23_PRINT.pdf)

## Leadership Statement



In GIC we ask, 'will investing in companies and technologies be good for the health of the economy, the environment, and people in the long run? Will it also be good business?' We think that if we can reconcile that, then eventually it will be good business. Maybe it's not the most profit-maximizing in the near term but we know that in the long run it will work out.

Dr. Jeffrey Jaensubhakij  
Group Chief Investment Officer  
March 2023



# Climate Approach

**GIC believes that companies with strong sustainability practices offer prospects of better returns over the long term**, and that this relationship will strengthen over time as market externalities get priced in and are incorporated into the decisions of regulators, businesses, and consumers. GIC takes a holistic and long-term approach towards sustainability across its investment and corporate processes. Investments may entail trade-offs between different sustainability objectives, especially in the short term.

## Approach

GIC divides the investment universe into three categories:

- 1.** On one end of the spectrum, companies deriving a high percentage of their revenues from renewable energy and other decarbonization solutions
- 2.** Most companies that lie between these two ends of the spectrum.
- 3.** At the other end of the spectrum, companies in carbon-intensive sectors such as power utilities and transport.

These three categories of companies would require different capital needs and approaches to manage their decarbonization journeys.

## Strategies

To create and capture these opportunities, and to protect its portfolio, GIC has adopted three main strategies, to:

- Direct capital towards green solutions, or enablers, of the low-carbon transition;
- Support transition efforts by companies, through active engagement and strengthening the ecosystem for sustainability disclosures; and;
- Manage the risks from assets that face high stranding risk due to their inability to transition their businesses.

These three strategies form GIC's overall approach to enable the net-zero transition in the real economy.



## Sustainability Strategy

**GIC recognizes that new investment opportunities will emerge as regulators, consumers, and businesses increasingly act on sustainability issues. GIC aims to capture these opportunities by:**

- Investing thematically in opportunities arising from climate change and other sustainability trends;
- Integrating sustainability into its investment processes, including in due diligence, risk assessment, and monitoring; and
- Actively engaging its portfolio companies on sustainability issues that are material to GIC's long-term business prospects.

**GIC is taking more steps to capture sustainability-related investment opportunities across the portfolio. GIC began the experimental, cross-asset Sustainable Investment Fund (SIF) a few years ago, which has since evolved into focused teams within asset classes, including:**

- The Climate Change Opportunities Portfolio (CCOP), a global public equities portfolio deploying long-term, dedicated capital towards investments aligned with the themes of climate mitigation and adaptation;
- The Sustainability Solutions Group (SSG), a private equity team seeking to deepen GIC's exposure to early-stage energy transition opportunities. (The Group focuses on minority growth equity investments, as well as asset/project-level financings across climate technology. SSG has a global mandate and team and an integrated direct and fund investment strategy.); and
- The Transition and Sustainable Finance Group (TSFG), a team investing in sustainability-related opportunities across the fixed-income and multi-asset universe.\*

\* Source: [https://www.gic.com.sg/wp-content/uploads/2023/07/GIC\\_AR\\_2022-23\\_PRINT.pdf](https://www.gic.com.sg/wp-content/uploads/2023/07/GIC_AR_2022-23_PRINT.pdf)

\*\* Source: <https://careers.gic.com.sg/job/San-Francisco-AssociateAVP%2C-Private-Equity%2C-Sustainability-Solutions-Group-CA-94101/1028202901/>

## Expectations of External Managers

Clear mandates are provided to internal and external managers, stating the range of their activities and authority. Allocation between internal and external managers is based on the principle of best sourcing. These managers are selected for their ability to exploit investment opportunities beyond GIC's current skill set and to complement GIC's internal management capability.\*

GIC engages external fund managers to access investment capabilities and opportunities in various sectors and geographies. External managers enable GIC to gain exposure across public and private markets. They also provide GIC with valuable investment insights. **GIC engages with external fund managers and general partners on their sustainability policies and practices to ensure its investments with them are managed in a manner consistent with GIC's sustainability approach** (see slides 4-5).\*\*



\* Source: <https://www.gic.com.sg/how-we-invest/santiago-principles/institutional-framework-and-governance-structure/>

\*\* Source: [https://www.gic.com.sg/wp-content/uploads/2023/07/GIC\\_AR\\_2022-23\\_PRINT.pdf](https://www.gic.com.sg/wp-content/uploads/2023/07/GIC_AR_2022-23_PRINT.pdf)

## Leadership Statement



At GIC, we are taking the approach of saying, '[Even though] some of the technologies are not yet at commercialization stage, we are so convinced that this is a trend that will pick up that we've gone earlier in the process.' We've gone to venture firms that are focused on environmental sciences, green technology, and agritech. We don't know which technologies will win but we know that the tailwind is behind them and it's better to get in early so that we can get to know the company.

Dr. Jeffrey Jaensubhakij  
Group Chief Investment Officer  
March 2023



## Partners

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Asia Investor Group on Climate Change (AIGCC)

CDP

Climate Action 100+

TCFD

Investment Management Association of Singapore (IMAS)

World Economic Forum

Milken Institute

Wellington Climate Leadership Coalition (WCLC)

## Industry Engagement

In 2020, GIC became a supporter of the Task Force for Climate-related Financial Disclosures (TCFD) and has since incorporated the TCFD's recommendations into its investment and risk management process.

In 2022, GIC joined 260 financial institutions in CDP's Non-Disclosure Campaign (NDC) to reach out to over 1,400 companies that had not responded to its requests for climate, forests, and water disclosures in previous years. Its investment teams have started engaging portfolio companies to encourage them to provide environmental metrics via CDP's database.



## Recent News

**In November 2023, GIC's CEO, Lim Chow Kiat, wrote an opinion piece featured in Reuters.** In it, he writes, that long-term capital "is critical in driving sustainable success for infrastructure investments" and "can also be important to support innovation, even in the early days of a company's life cycle." He also describes GIC's indicative investments in Brazilian sanitation company Aegea and utility company Duke Energy Indiana (DEI).<sup>\*</sup>

**In September 2023, H2 Green Steel raised €1.5 billion in equity through a private placement led by GIC, Altor, Hy24, and Just Climate.** The proceeds will finance the construction and development of H2 Green Steel's flagship large-scale green steel plant in Boden, Sweden. Groundworks have been ongoing on the site in Boden since summer 2022, and operations are expected to start at the end of 2025.

- The plant will deliver steel with up to 95% less CO<sub>2</sub> emissions compared to steel produced with traditional blast furnace technology. This is made possible by replacing coal in the production process with hydrogen, which is produced on-site with Europe's largest electrolyzer using electricity from renewable sources.<sup>\*\*</sup>

**In April 2023, GIC and Ortec Finance released an update to their July 2021 paper, 'The Role of Climate Change Scenarios in Investment Portfolios.'** GIC collaborated with Ortec Finance and Cambridge Econometrics to quantify the impact of climate change drivers on long-term capital market assumptions using the ClimateMAPS tool. This tool integrates climate science, E3ME macro modeling, ClimatePREDICT for extreme weather risk modeling, and stochastic financial modeling of broad asset classes to capture economic and financial interlinkages and feedback loops.

- 2023 updates include a new fourth scenario, titled 'Too Little Too Late', which is aligned with a 2-3°C outcome, and an update to the supply-side effects of physical climate risks on inflation.<sup>\*\*\*</sup>

**Also in April 2023, GIC bought a 50% equity interest in eight power transmissions assets with a combined 1,865km of transmission lines from Neoenergia.** The transaction, valued at ~BRL 1.2 billion, includes the eight assets, as well as a framework agreement for joint participation in future auctions in Brazil. GIC will also have a right of first offer in connection with the potential future sale of 50% of equity interest in several other power transmission assets under construction by Neoenergia.<sup>\*\*\*\*</sup>

<sup>\*</sup> Source: <https://www.reuters.com/sustainability/sustainable-finance-reporting/comment-if-we-are-build-better-tomorrow-we-need-invest-foundations-today-2023-11-19/>

<sup>\*\*</sup> Source: <https://www.gic.com.sg/newsroom/all/h2-green-steel-raises-e1-5-billion-in-equity-to-build-the-worlds-first-green-steel-plant/>

<sup>\*\*\*</sup> Source: <https://www.gic.com.sg/wp-content/uploads/2023/04/GIC-ThinkSpace-Climate-Scenario-Analysis.pdf>

<sup>\*\*\*\*</sup> Source: <https://www.gic.com.sg/newsroom/all/neoenergia-announces-agreement-with-gic-for-the-sale-of-50-of-eight-transmission-assets/>

# Thank You

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