



# Our role in addressing today's challenges

**Dr. Christian Roberts – President, Institute of Asset Management  
Principal, Infrastructure – KPMG**

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# Now is our time | Shift in focus – Economic value, Societal value and Long-term value



New value drivers for infrastructure: **Economic** value, **Societal** value – equity and well-being, and **Long-term** value – including climate resilience and sustainability.

## Today - A significant investment in Infrastructure:

- **US construction market** value \$1.4 trillion (2020).
- **Record government spending** in infrastructure ~ \$1.2 trillion (IIJA).
- 22.7% increase in **smart city technology** by 2025. Market value ~ \$68 billion
- **Real estate** market value ~ \$9.6 trillion
- 42% increase over last two years in **assets under management using sustainable investment** strategies. ESG asset value expected to be \$53 trillion by 2025.
- **Two thirds of asset owners are expanding their capital programs** – with 30% of developers and contractors expect over 10% growth.

## A decade of growth – driven by:

- **Infrastructure deficit** – \$2.5 trillion funding gap from decades of decline in funding and urgent need to address SOGR.
- **Climate resilience** – Urgency to address asset resilience to ensure infrastructure can continue to provide the fabric of society.
- **Path to Net-Zero** – 70% of the worlds GHG comes from infrastructure.
- **Energy Transition** – A shift to renewable energy requires significant infrastructure investment ~ \$4.5 trillion to convert US grid.
- **Equity and Well-Being** – Addressing the widening society equity gap requires purpose led infrastructure investment.
- **Expectations and Demand** – Shifts in use of infrastructure as a result of the technology opportunity and driven by society demands.

## Recognition that challenges extend beyond maintenance:

- **Funding** – Infrastructure Deficit requires alternative funding solutions
- **ESG** – Significant rise in new ESG related capital sources. Only 39% have defined strategies for ESG
- **Workforce Exodus** – Resulting from “baby boomer” retirement, and younger generations seeking more meaningful work.
- **Supply Chain** – Ongoing supply chain disruptions impacting capital delivery.
- **Transparency** – Increased funding is driving calls for improved audit and review.
- **Technology Gap** – EAM market value ~ \$5.5billion by 2026, plus expected investment in IoT, AI and other technologies.
- **Cyber-Security** – 60% increase in cyber-crime. Infrastructure is the modern battleground.

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# Asset Management vs. Managing Assets | Shovel Ready vs. Shovel Worthy



## Managing Assets

- ❖ Maintaining asset performance
- ❖ Lifecycle activities
- ❖ Fault management
- ❖ Asset location, inventory and condition
- ❖ Work management
- ❖ Shovel READY



## Asset Management

- ❖ Delivering value and long-term outcomes
- ❖ Lifecycle management
- ❖ Organization performance
- ❖ Asset criticality, risks, costs and performance
- ❖ Total costs of ownership
- ❖ Shovel WORTHY

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# Bipartisan Infrastructure Law (IIJA) | unprecedented funding bill based on asset management principles



- ❑ Unprecedented: Authorizes \$1.2 trillion on infrastructure
- ❑ Value Driven. Future Focused: Based on asset management principles:
  - ❖ **Economic Value:** Recognizes that to remain competitive requires modernization of infrastructure
  - ❖ **Societal Value:** Acknowledges infrastructure's impact on well-being and social equity
  - ❖ **Planning for the Long-term:** Acknowledges the impact of infrastructure on the effects of climate change, and the need to build the capabilities of the future. Includes introduction of infra-innovation.
  - ❖ **Acknowledged need to be shovel ready:** However lessons learned from 2008, need to move beyond shovel ready to support recovery. Need to be planning ready.
- ❑ Critical and Social Infrastructure – broad provision:
  - ❖ \$621bn – **Transportation Infrastructure** (EV and charging infra, modernize highways, transit and airports improve resilience, reconnect neighborhoods, improve ports).
  - ❖ \$590bn – **Domestic Manufacturing and R&D** (modernizing supply chain, financing programs, semiconductor manufacturing, clean energy, research infra).
  - ❖ \$400bn – **Home care services and care workers**
  - ❖ \$400bn – **clean energy tax credits**
  - ❖ \$328bn – **Social infrastructure** (housing, schools, child-care facilities, VA hospitals and federal buildings)
  - ❖ \$311bn – Invest in **broadband, electrical grid and clean drinking water.**

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# ESG | Tapping into \$53trillion of investor funding



## ❖ Environmental, Social and Corporate Governance (ESG)

- ❖ A framework to integrate a wide range of non-financial risks and opportunities into a firm's strategy to build long term financial sustainability and **value creation**.
- ❖ It is used by investors and other stakeholders to assess the impact of a company's products and business practices on sustainability and social causes.



### Environmental

Our IMPACT on our planet

- Climate change
- Greenhouse gas (GHG) emissions
- Natural resource depletion
- Waste and pollution
- Deforestation
- Hazardous materials
- Biodiversity



### Social

Our IMPACT in our communities

- Working conditions, including slavery and child labor
- Impact on local communities
- Conflict regions
- Health and safety
- Employee relations and diversity
- Product mis-selling
- Data protection



### Governance

Our conduct

- Executive compensation
- Bribery and corruption
- Political lobbying and donations
- Board diversity and structure
- Tax strategy
- Data breaches/cyber security
- Operational governance and risk control

ESG strategies can help companies drive economic vibrancy and deliver long-term value through effective engagement with all stakeholders – generating trust and competitive advantage

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# Why ESG now | Perception is changing



**Perception is changing**

| Shareholders/Investors  | Lenders  | Regulators   |
|---|--|--|
| Institutional investors are demanding increased transparency of a company’s ESG strategy and reporting.           | Borrower discounts and preferential loan pricing are becoming more common amongst lenders.   | SEC proposed recommendations for disclosure standards (e.g., human capital, cybersecurity, climate-related).   |
| Consumers   | Employees  | Ratings agencies   |
| 80 percent of consumers prefer buying from brands whose actions align with their beliefs and values. <sup>1</sup> | Surveys show employees increasingly want to work for companies that align with their values. | Poor ESG ratings can lead to stocks being labeled as “unsustainable assets” and increase your cost of capital. |

<sup>1</sup> Source: KPMG International, [Me, my life, my wallet](#) 2020

# C Suite Interest | SEC proposed climate rules put asset operations and management on the board agenda



## Who will this impact?

- ☐ All regulated US companies
- ☐ Domestic and foreign filers

## What is the expected started?

- ☐ Phased transition, possibly starting fiscal 2023; assurance one year later

## Where else are we seeing this?

- ☐ Similar proposals in Canada, UK, Europe and elsewhere



## Financial Statements:

- ☐ Financial impact metrics, line item basis
- ☐ Expenditure metric, disaggregated
- ☐ Financial estimates and assumptions

## Other Disclosures:

- ☐ Governance and risk management processes
- ☐ Physical and transition risks, actual or likely impacts
- ☐ Targets, goals and any transition plan
- ☐ Scenario analysis, if used
- ☐ Carbon offsets or RECs, if used

## Auditable and Verifiable:

- ☐ Data sources need to be verifiable

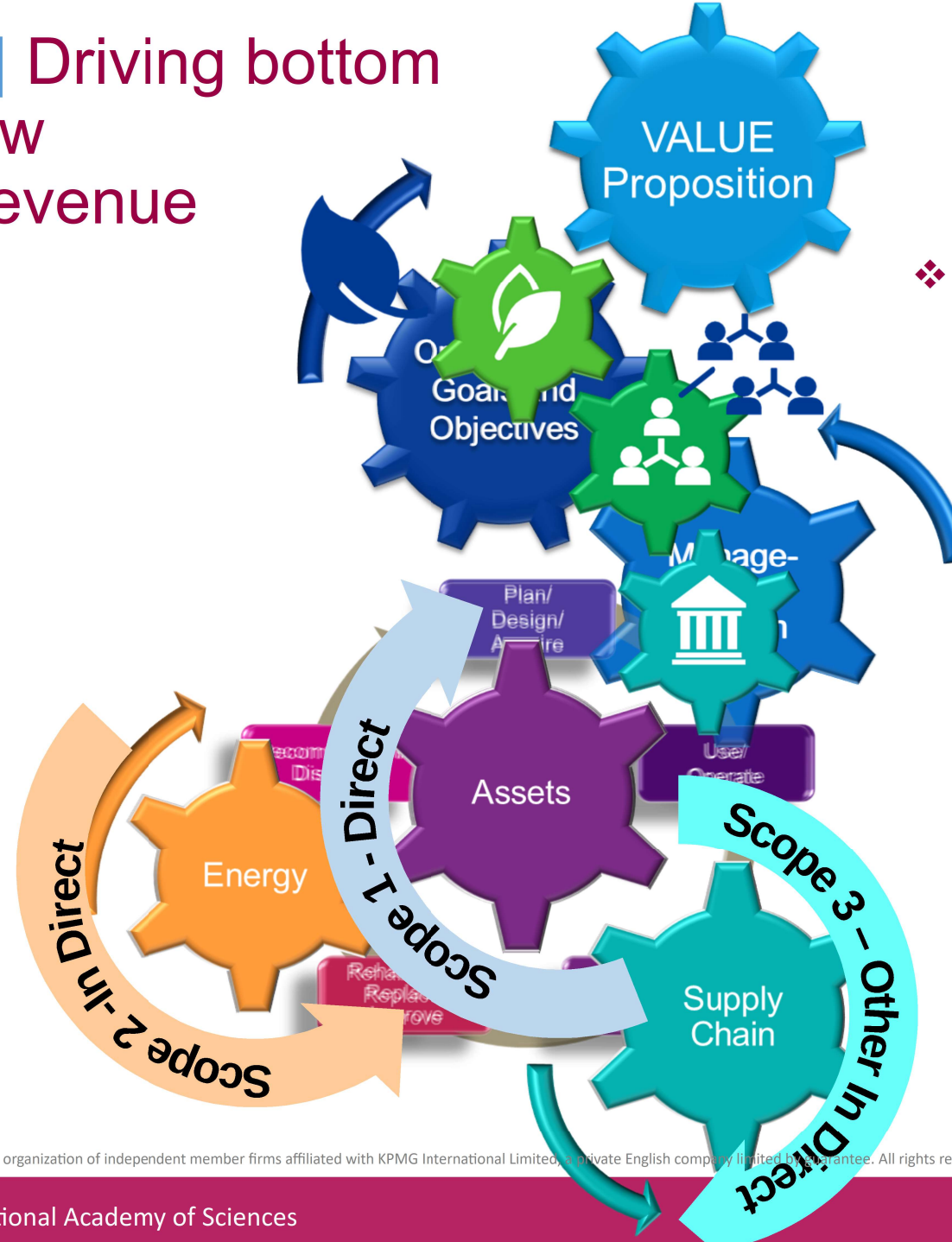
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# Asset Management | Driving bottom Line Revenue and now impacting Top Line Revenue



- ❖ Recognition that asset management is about more than managing the lifecycle
- ❖ Focus on value. Outcome not output.
- ❖ Integrated approach to achieving organization goals and delivering business outcomes (value)
- ❖ Strong alignment to emerging requirements for ESG.
- ❖ **THE** key component in enabling the corporate sustainability/ESG strategy



- ❖ While still providing much broader benefits:
  - ✓ 2 to 3 times reduction in safety incidents
  - ✓ 20% to 30% reduction in service outages
  - ✓ 50% reduction in risks
  - ✓ 30% increase in productivity
  - ✓ 20% decrease in equipment downtime
  - ✓ 19% saving in material costs
  - ✓ 18% decrease in inventory maintenance/ repair

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# The Institute of Asset Management | An introduction



We exist to advance the discipline of asset management, not only for people and organizations involved in the acquisition, operation and care of physical assets but also for the benefit of the general public.



Established in 1994



Network of over 30,000 people



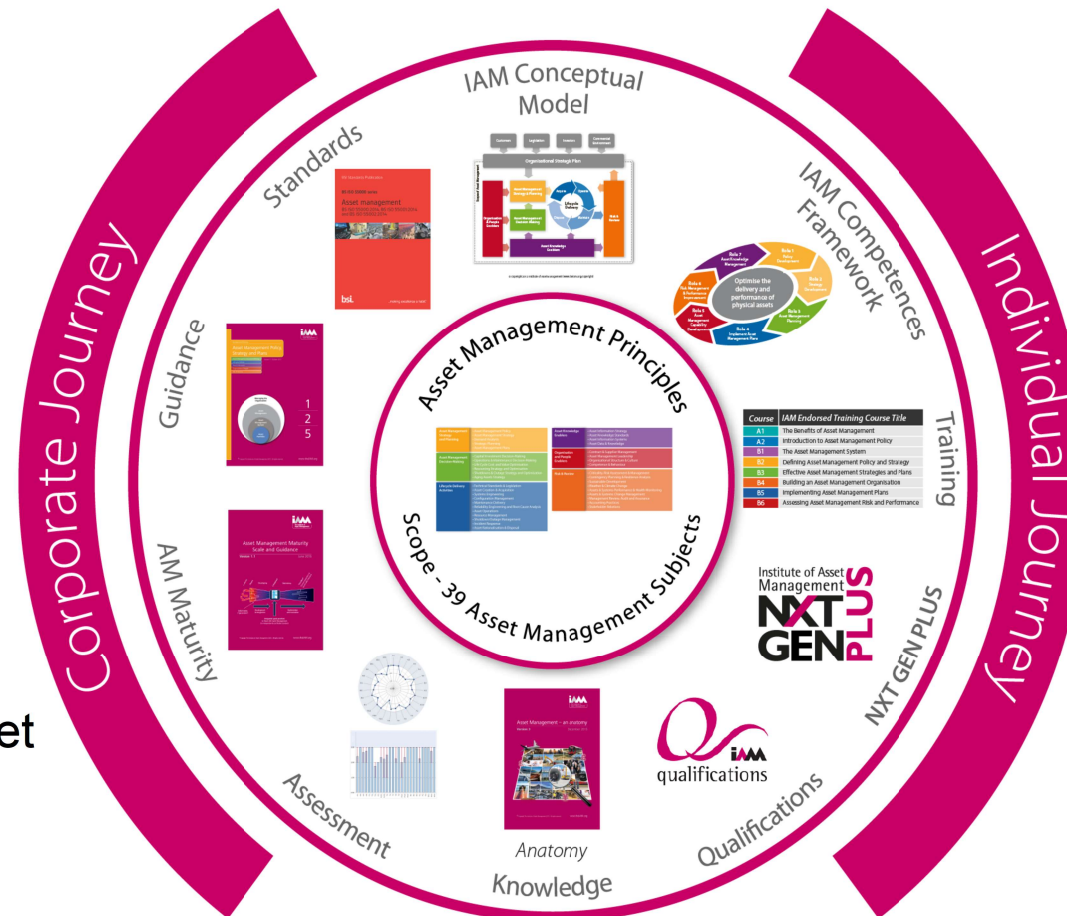
Members in over 60 countries



8 established chapters +2 under development



Guiding the biggest asset owners on the planet – With trillions under management



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# Planning for the Long Term | Positively Impacting the World's Biggest Challenges



The IAM partnered with UK's **ITN News Productions** to produce a broadcast quality program *Planning for the Long Term*

- ❖ Focus on how to increase the long-term value assets provide to society and the economy.
- ❖ Campaign was seen by over half a million people within first 2months
- ❖ Launch stats:



**272,700**

Total LinkedIn Impressions

**249,200**

Total Programme Views to the trailer



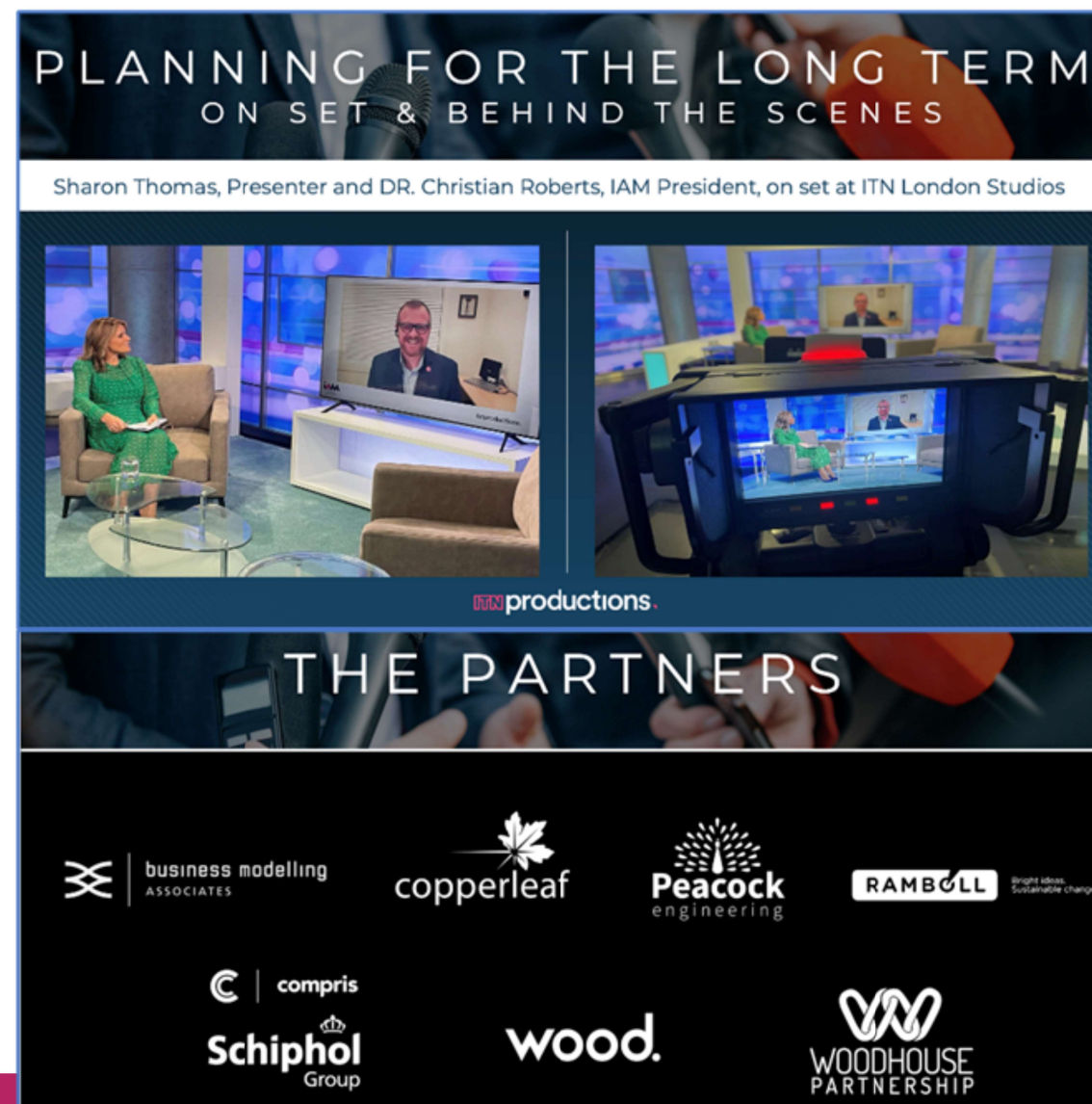
**YouTube advertising campaign**

**250,500**

YouTube Impressions

**14,152**

Total YouTube views







# IAM CONFERENCES

# Dr. Christian (Chris) Roberts, FIAM, AMP

- Tel: +1-571-528-0728
- Email: [christianroberts@kpmg.com](mailto:christianroberts@kpmg.com)



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