

# Investment, Governance and Engagement Committee

**Meeting – 3<sup>rd</sup> July 2023**

**Item 8 – Paper D**

## **Update from Responsible Investment Advisory Group (standing agenda item)**

### **Recommendations:**

- **That the Committee notes this summary**

### **Levelling Up**

1. The Group had invited representatives from The Good Economy, the Impact Investing Institute and 3Ci to talk about their contributions to the ideas contained in the Government's 2021 "Levelling Up White Paper" and what their current thinking on these issues was.
2. Mark Hepworth from the Good Economy (TGE) said that places were what connected people and planet-based approaches. Following the publication of the [Government's White Paper](#), TGE has focused on creating local impact partnerships, one example being between Octopus and South Essex Local Authorities. Its purpose is to bring investors, projects and local stakeholders together. He had worked with several LGPS funds, including a social housing project in Victoria North with Manchester City Council. This aligned with both GMPF's and the Local Authority's strategies. He noted that many private institutional investors were unwilling to consider impact-based investing in many parts of the UK.
3. Jamie Broderick from the Impact Investing Institute introduced the work of his organisation and a prior "[White Paper](#)" that was jointly produced by ILL, TGE and Pensions for Purpose in May 2021. The 5% investment target was something they had first quoted – as an observation about what a "reasonable aspiration" would be, rather than a target. He gave Cornwall Council as an example of a smaller fund which had managed to develop a local impact portfolio by working with its pool (Brunel).
4. Chris Murray, from [3Ci](#), covered that strong governance models were essential to Place Based Investing (PBI) and that the cost of net zero was significant. A key factor was aggregating Local Authority projects to match them with investors.
5. Conflicts of interest and the attitudes of scheme members were discussed. Sandra Stewart, the Group's Chair, said that in GMPF's case, there had been no compromise on return and any potential conflicts were successfully managed. One issue was finding projects of

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sufficient size/scale, and that Local Authorities could put forward projects to pension funds.

6. It was generally agreed that pension funds should not be seen as a substitute for grant funding from Government. However, an opportunity had potentially been missed as the recent rounds of levelling up grants were not used to leverage in investment from other sources. This would potentially have allowed for more ambitious and impactful projects to have been supported.

## **Climate Risk Reporting – progress with RI sub-group of pool representatives**

7. A sub-group of pool-level RI experts has been brought together to build a good, common approach to climate risk reporting. An initial meeting with representatives of all eight pools was held on 31 May where the remit of the group was discussed as well as hearing from each pool about their current approach and state of readiness. A follow-up meeting is being arranged.

## **DLUHC update**

8. DLUHC officials said that they were still reviewing the responses to last year's [consultation](#) but it was likely now that any changes would take effect from 2024/25 at the earliest. This has now been confirmed by the [Minister in a letter to the SAB Chair](#). The consultation covering Levelling Up, pooling and other points on LGPS investment policy is still hoped to be released before Summer 2023 recess (20 July).

## **Teach in on TNFD**

9. On May 24<sup>th</sup> Siobhan Cleary from Baillie Gifford gave a presentation to the Group (and other Board and Committee members) on what the Taskforce on Nature-Related Financial Disclosures might mean and how it related to the similarly initialed proposals around climate risk.

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