

By email:

London Pension Committee Chairs
c.c. s151 Officers and Pension Fund Managers

15th February 2021

Dear Colleague

I am writing to you in my capacity as the Chair of the Responsible Investment Reference Group of the London CIV.

There is a real sense of growing momentum across the Responsible Investment agenda, as it is increasingly mainstreamed and recognised as a critical element of a sustainable investment strategy. But I want to focus this letter with you on what is emerging as one of the critical issues of 2021: the need to take steps now to address climate change. In particular, we have the COP 26 UN Climate Change Conference in November in Glasgow. This is an opportunity for all countries to come together to continue and build upon our ambitions and for the UK in particular, as the host, to show leadership in this area. And for us to work together, as significant asset owners, to influence policy and take forward practical steps that will contribute to tackling climate change.

There are reasons to be hopeful with the reengagement of the United States on this agenda. The likes of Blackrock are making significant commitments. And we have also seen progress in areas such as increased use of renewable energy and, even with the ongoing challenge of a global pandemic, a renewed level of interest in and commitment to tackling climate change and a just recovery post the pandemic and its significant economic and social impacts.

Clearly, this is a major global challenge. However, I do believe that we all, as chairs of London local government pension funds, have an important role to play in this. Climate change risks are also significant financial risks in relation to our investments and it is our position as significant asset owners and investors that gives us our main locus here. I am keen that, working with and through the London CIV as our pool, and indeed with other pools, we work to maximise our impact in this area through greater collaboration and joint working. The purpose of this letter is to seek your support for that.

Much is being done already, both by individual pension funds and councils, and through the work that is now being undertaken by the LCIV. The CIV has been stepping up to this challenge on the ESG and climate change agenda: a Responsible Investment Reference Group, which has been meeting monthly, has been established with membership including Pension Committee chairs, Finance Directors and pension fund officers;

- the LCIV Team now includes an RI Team of two, Jacqueline Jackson and Gustave Lorient, and will soon increase to three;
- we have adopted a set of investment beliefs which clearly acknowledge climate change risk as part of our investment considerations;
- current work includes commissioning of solutions for both carbon foot printing/TCFD reporting and voting and engagement, an opportunity for us all to work together more effectively to maximise our impact in these areas;
- the number of ESG/RI focused investment products has increased and continues to increase further with the launch in the next few months of funds covering renewables, low carbon passive and a Paris aligned version of the current Global Alpha Growth fund (managed by Baillie Gifford).

But there is of course much more that needs to be done and I am clear as to the level of commitment and ambition from all of you on this. The purpose of this letter is firstly to let you know what we are currently working on, but also to encourage you to consider what you can do within your own fund and how we can collaborate more effectively to increase our impact on this major global and investment risk.

We are also giving some early thought to organising an event in the run up to COP26 which would enable us all to come together to consider next steps and our own renewed ambitions as well as giving a voice to our own commitment to addressing these issues with fund managers and other key stakeholders.

So, for now, as key first step, if you have not done so already, is to engage with your investment managers on how they are developing an evidence base on the carbon footprint of your portfolio, that will enable us to work together on ensuring we have clear trajectories for ensuring our funds are Paris aligned. The CIV team stand ready to advise on how we can move forward together on this.

I would also welcome your thoughts and expressions of interest in moving forward with this.

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