

Green Purposes Company,  
c/o Turcan Connell,  
Princes Exchange,  
1 Earl Grey Street,  
Edinburgh, EH3 9EE

14 June 2023

Dear Trustees,

Thank you for your letter dated 21 November 2022 for inclusion in the Green Investment Group (GIG) Progress Report 2022 and the UK Green Investment Bank (UKGIB) Annual Report and Accounts for the financial year ending 31 March 2022.

We welcome the constructive feedback and are pleased Trustees continue to consider GIG as a market leader in green investment. We also firmly believe we continue to adopt a market-leading approach in relation to green impact reporting and are encouraged by the positive assessment of our activities in areas related directly to the Green Objective.

This position is supported by the peer review commissioned by Trustees to underpin the letter's findings, which did not identify any areas in which GIG was at risk of falling behind best practice in relation to the implementation and disclosure of our contribution to the Green Purposes.

Our teams have met to review the points raised in your letter in detail and we look forward to continuing these discussions. We also provide a summary response below based on the structure of your letter.

### **Strategy**

As noted, in April 2022 we transitioned the business into Macquarie Asset Management (MAM) providing us with the opportunity to deliver decarbonisation solutions at an even greater scale. We therefore welcome your reflection that the combined GIG and MAM offering forms an 'impressive platform' with 'the resources and expertise to shift the dial on the flow of capital into green projects'.

We firmly believe GIG continues to be one of the most impactful green investors in the world. Over the reporting period, we've grown our global development portfolio to over 85 GW and expanded our activities across established and emerging technologies - including battery storage, EV charging infrastructure and hydrogen.

While the majority of our activity has been focused on reducing emissions, we have invested beyond this purpose. The South Clyde energy-from-waste plant's primary purpose is to reduce terrestrial pollution in the form of landfill, thus contributing to the protection of the wider environment. As you are aware, we are also actively pursuing investments in new areas such as nature-based solutions and the circular economy.

We will continue to provide public updates on our activities as and when regulatory and commercial restrictions allow.

## **Governance**

We reaffirm GIG's commitment to supporting the Green Purposes Company (GPC) as a central part of our governance framework and are pleased Trustees value our ongoing efforts to engage and inform them throughout the year. Trustees' positive engagement and constructive feedback has an important role to play in helping us demonstrate the green impact of our activities.

We note the Trustees' request to consider the threshold at which an investment contributes to one or more green purposes. Such a change would alter the fundamental nature of the Green Objective, which we believe has served us well since its design by the UK Government in 2012, potentially restricting the scope of green projects in which GIG could invest. We therefore have requested further information from Trustees on the background to this request.

Our green governance framework is actively under review to ensure adherence to emerging regulation and best practice and further detail has already been provided to Trustees.

## **Risk and opportunity management**

The management of Environmental, Social and Governance (ESG) risks is (whilst cross-referenced from GIG's Green Investment Policy) managed under the MAM ESG Policy and Macquarie Group ESR management frameworks – as described in our [2022 Progress Report WHS and ESG section](#) – which are managed separately to governance over the Green Objective. From April 2022 onwards, GIG's reporting on ESG matters is included as part of MAM's sustainability reporting.

The most recent MAM Sustainability Report, which includes disclosure of our ESG risk management framework and examples of our approach to management of ESG risks and opportunities as recommended in your letter, is available [here](#). Our approach to management of climate-related risks is described within Macquarie Group's Net Zero and Climate Risk Report, available [here](#).

Our teams are actively discussing the relationship between GIG's Green Objective-related assessment requirements and relevant MAM and Macquarie Group ESG risk and opportunity frameworks to provide Trustees with further clarity on this point.

## **Metrics and targets**

We currently take uncertainty forecasting into account as part of green impact forecasting, for example by using:

- probability-weighted yield modelling for renewable energy generation projects;
- feedstock scenario sensitivity analysis for bioenergy or waste management projects; and
- grid service revenue modelling for battery energy storage system projects.

However, we note the recommendation to build on this by expanding the sensitivity analysis undertaken as part of our green impact evaluation.

We also note the recommendation to expand our analysis of lifecycle impacts in relation to the green purposes, for example in relation to Scope 3 GHG emissions. While we consider our incorporation of these emissions estimates into our carbon rating approach to be market-leading, we acknowledge that there is scope for us, in partnership with the wider infrastructure asset management sector, to improve the accuracy of data gathering from technology-based estimation to asset-specific data collection.

Data gathering in relation to social impacts (e.g. labour rights, modern slavery) and risks arising in our value chain is already undertaken as part of MAM's ESG Policy implementation, as described above.

We acknowledge that stakeholders would benefit from further clarity on the methods used to determine green impact beyond greenhouse gas emissions. We are looking at ways in which to enhance the Green Impact Reporting Criteria document in order to provide more information on how the qualitative elements and Green Ratings are derived.

In relation to assurance, we continue to consider the level of external assurance GIG receives over its disclosures to be market-leading. With respect to the recommendation to expand assurance to wider ESG-

related disclosures, we are working closely in partnership with MAM and Macquarie Group colleagues as they evolve their approach to ESG reporting.

**Continuous improvement**

We welcome the comments in this section and are pleased to maintain our commitment to supporting the development of the wider sustainable finance industry.

**Stakeholder engagement**

As this is the first time this issue has been raised by the GPC, we welcome further discussions to better understand Trustees concerns in relation to stakeholder engagement. As with other ESG-related areas, GIG is fully aligned to the MAM approach to stakeholder engagement. This approach is described in the MAM Sustainability Report, which outlines and categorises key stakeholders as per your recommendation.

**Disclosure**

We are disappointed to hear Trustees' view that GIG is at risk of falling behind leading practice on disclosure. Greenwashing and unsubstantiated claims are of growing concern across the industry, and we believe few peer disclosures meet the level of rigour and external verification delivered by GIG.

Further, we note disclosures on "risk, stakeholder engagement and... net zero" are related to MAM's separate ESG framework, not GIG's Green Objective framework. These areas are therefore out of scope of this assessment, and the relevant Macquarie Group and MAM disclosures were omitted from the peer review. It is therefore unclear how this conclusion was determined.

However, we acknowledge the importance of transparent disclosure and will seek to provide a more comprehensive and consolidated picture across MAM's ESG reporting.

We are grateful for the examples provided of peers whose disclosures were deemed to be leading market practice and note the peer review's conclusion that there were no specific examples where disclosures in relation to contributions to environmental objectives/goals surpass GIG's green impact reporting.

I hope you find this response helpful, and we look forward to a continued constructive relationship, ensuring that our reporting and regular meetings support the furtherance of our Green Objective.

Yours faithfully



**Mark Dooley**

Global Head, Green Investment Group