

## **ANNUAL LETTER 2023**

### **Introduction**

This is our sixth annual letter in which we independently comment on GIG's performance against its green objective and five green purposes (hereinafter referred to as the GPs). The letter addresses GIG branded investments globally for the year to 31 March 2023. We confirm that no request to change the GPs was received in that period and to our knowledge investments made were in accordance with them. We have used GPC commissioned research, peer review analysis and other sources of information in drawing our conclusions. This letter should not be relied upon to provide formal assurance of GIG's activities or their green impact.

### **Executive summary**

GIG's green investment activities are market leading and are setting the pace for others to follow. While comparable institutions are also raising their game in response to market scrutiny on greenwashing and other drivers, it is our view that overall GIG remains at the forefront of practice and is playing a leading role in the rapidly evolving green investment market.

GPC exists to hold GIG to account on its GPs. We welcome the progress which GIG has made on several areas for improvement noted in our previous letters, and we remain committed to working with GIG in the spirit of continuous improvement as market practice evolves. We want GIG to succeed in its mission and continue to play a key role in the urgent transition to net zero and, in so doing, benefit from what has been described as the investment opportunity of the 21<sup>st</sup> Century.

We have aligned our detailed commentary below to the main themes covered by leading market standards on green investment.

### **Investment strategy**

GIG moving into Macquarie Asset Management (MAM) in April 2022 has transformed the potential for green impact it can now achieve. It is pleasing to see this play out through the increased scale, diversity and geographical reach of GIG's investments and ambitions. We are particularly pleased to observe a drive to invest in diverse technologies and business models, something we have encouraged in previous letters. This is very welcome because to achieve its stated mission – to accelerate the transition to net zero - GIG will need to invest across a broader spectrum of the five green purposes.

### **Governance**

GIG's green governance framework remains an industry benchmark. The combination of MAM's Chief Sustainability Officer, the expertise of GIG's Green Analytics Team and the suite of policies, controls and decision-making structures,

places GIG in the top tier of market practice. The GPC also forms part of GIG's governance. We hold quarterly meetings with GIG's senior leadership team, perform site visits and undertake ad-hoc briefings with the Green Analytics Team. We believe GPC's role and special share arrangement is effective and relevant and contributes to GIG's reputation as a leading green investor.

### **Risk and opportunity management**

The management and control of environmental and social risk is governed by MAM's Environmental and Social Risk framework. To our knowledge, this is deployed by GIG to account for ESG risks throughout the investment cycle and within the associated supply chain. We consider this approach to be aligned with current market practice. Nonetheless, the risk landscape is evolving, for example in relation to the increasing dependency of renewable technologies on critical minerals and their extended supply chains. To get ahead of such developments we encourage GIG to consider going further such as by introducing TCFD (Taskforce for Climate-Related Financial Disclosures)-style stress testing, uncertainly forecasting and scenario analysis within investment decision making and portfolio monitoring, and publishing more information on the application of the risk framework more generally.

### **Metrics and targets**

GIG's green impact methodology follows widely accepted leading practice, and we noted in our 2022 letter that this should be reviewed as the market evolves. As such, it is pleasing to see that the Green Analytics Team is strengthening its green ratings approach for "the advancement of efficiency in the use of natural resources" GP, and we would encourage consideration of a similar approach for those other GPs where quantitative metrics are less-well developed.

### **Continuous improvement and thought leadership**

Together, GIG and MAM make a powerful platform from which to lead by example, set the pace in green investment, bring forward market innovations and positively influence the policy landscape. Accordingly, it is encouraging to see GIG's continued involvement in several industry and government forums, bringing expertise and global experience to bear. Similarly, to see GIG's increasing range of novel investments which can help mobilise private sector capital into emerging technologies. This continues to present a significant opportunity for GIG, and we encourage them to share publicly more of their work on innovation and thought leadership.

### **Stakeholder engagement**

GIG benefits from MAM's established stakeholder engagement approach which is used to engage with each of their key stakeholder groups on their sustainability activities. Stakeholder engagement is an integral aspect of good market practice and of incoming disclosure regimes and associated materiality considerations. We would expect GIG to maintain a focus on continuous improvement in this area as market and peer group performance evolves.

## **Disclosure**

Public disclosures on GIG's activities, green governance framework and green impact are made across several published documents. These include the GIG Progress Report 2023; the Green Investment Bank's Annual Report and Accounts; GIG Financed Emissions Report 2022; MAM Stewardship Report 2022; MAM Sustainability Report 2023; GIG's green investment policy and green investment principles; GIG net zero commitment; and various press releases. GPC welcomes the increased emphasis on disclosures since our last letter which we consider aligns with good practice. It is noted that mandatory sustainability disclosures are evolving and there are new regulatory requirements in the pipeline. Likewise, the bar is being raised on what constitutes leading market practice and we encourage GIG to keep ahead in this changing landscape.

## **GPC activities**

In our role we shine a light on risks and opportunities in the green investment market through thought leadership papers and other means. We have written previously about nature-based solutions as an emerging asset class, and more recently we published a report on the need for the renewable energy sector to adopt circular economy principles across its value chain. We also convened a workshop with stakeholders in Scotland to consider the issues raised in these reports, the outputs from which have been shared with GIG and placed on our [website](#).

We very much look forward to working with GIG over the year ahead.



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