

# Agenda Item 10

## THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

### INVESTMENT COMMITTEE – 15 APRIL 2024 MEETING

#### REPORT BY THE TRI-BOROUGH DIRECTOR OF TREASURY AND PENSIONS

#### CLIMATE CHANGE WORKING GROUP FEEDBACK

The Climate Change Working Group held its third meeting on 11 March 2024 which was attended by the Former Chief Investment Officer for Sustainable Investment at BlackRock. The Working Group in future meetings will hear and discuss views from other external speakers. This interim feedback report provides a summary of the conversation and insights from its third meeting.

**FOR INFORMATION**

#### **1. BACKGROUND**

- 1.1. The Investment Committee at its meeting on 26 July 2022 resolved to set up a working group to consider the climate change issues relevant to the investment of the pension fund, and to make recommendations to the Investment Committee on what future action, if any, might be taken.
- 1.2. The Investment Committee is asked to review and comment on the discussion that took place on 11 March 2024.

#### **2. MEETING SUMMARY**

- 2.1. The former Chief Investment Officer for Sustainable Investment at BlackRock attended the meeting to give a talk on his views on ESG investing. Appendix 1 details the meeting minutes, and below is a summary of the discussion.
- 2.2. ESG investing emerged post financial crisis as a response to public discontent in the investment industry. It aimed to attract progressive clientele by hiring impact investors and ESG experts.
- 2.3. Despite claims to align portfolios with values, using data and tools, ESG investing often involved the rebranding of old funds, favouring tech stocks over fossil fuel stocks, and charging higher fees for lower returns.
- 2.4. The discussion challenged the quality and biases of research that supports ESG investing, often debunked by independent academics.
- 2.5. Divestment of various stocks was criticised for not impacting funding costs or the behaviour of companies, but rather transferring ownership to less ethical

investors. It was seen as a transfer of ownership rather than a driver for genuine change.

- 2.6. Fund managers traditionally voted on behalf of pension funds, but a newer approach has emerged where managers step aside from voting and allow clients to decide. Instead of overwhelming clients with choices, managers now offer a menu of approaches. Clients can select preferences such as prioritising shareholder return or social issues, potentially aligning with climate concerns. This approach allows clients to take advantage of opportunities and lean towards their chosen priorities.
- 2.7. Divestment was deemed ineffective in creating real world change as sold stocks were simply bought by others, and thus resulted in no genuine impact. The discussion emphasised regulation as the key to addressing systemic issues.
- 2.8. Scepticism was expressed about the long-term value of the ESG acronym, believing it would fade as it conflates with various social issues. The speaker highlighted the importance of focusing on climate engagement in investment decisions and shared research links for further exploration.
- 2.9. Overall, the meetings insights underscored the need for a critical evaluation of ESG investing and emphasised the importance of regulatory action in addressing systemic challenges.
- 2.10. The articles noted in the meeting summary are included as Appendices 2 and 3 and can be found at the links below:
  - [ESG Investing Studies Are Flawed, Reports Say - Bloomberg](#)
  - [German police raid DWS and Deutsche Bank over greenwashing allegations \(ft.com\)](#)

**FOR INFORMATION**

**Phil Triggs**  
**Tri-Borough Director of Treasury and Pensions**

**Contact officer:** Julia Stevens, Pension Fund Manager  
**E-mail:** [pensioninvestment@rbkc.gov.uk](mailto:pensioninvestment@rbkc.gov.uk)

**LIST OF APPENDICES:**

Appendix 1 – Meeting 3 Summary - *exempt*