Written submissions in response to Interim Report

Ref	Organisation
Sub-012	Environment Agency
Sub-013	Federation of Small Businesses
Sub-014	The Investment Association
Sub-015	London Climate Change Partnership
Sub-016	London & Partners
Sub-017	London Councils
Sub-018	Greater London Authority
Sub-019	The National Association of Pension Funds Limited
Sub-020	Prudential Regulation Authority

Sub-012

creating a better place

Environment Agency

Jenny Jones, AM
Chair, Economy Committee
London Assembly
City Hall, The Queens Walk
London, SE1 2AA

Our Ref: LT/010/15

Date: 16 January 2015

Dear Jenny

Key Questions: Economic Impact of Climate Change

Thank you for your letter Re: Key questions: Economic impact of climate change dated 25 November 2014. May I also thank you once more for inviting me to speak at last month's Green Network breakfast seminar. It was a great opportunity to discuss and share ideas around how businesses in London can adapt to the challenges that climate change presents.

To address the questions you raise in your letter, regarding how businesses in London can respond to the economic risks of climate change, I have tried to cover them in the order you raised them.

On your first question, which asks what steps should be taken at a London-wide level, to help map the supply chain dependencies in the city's economy; The National Adaptation Plan (HM Government 2013: The National Adaptation Programme Making the country resilient to a changing climate) states that '*It is up to businesses to decide individually what level of risk they can accept'.* At a strategic level, the London Climate Change Partnership has mapping of interdependencies and critical pathways as one of its objectives.

As I mentioned in my presentation at last month's seminar, there is plenty of help and guidance on offer to businesses in London, via the Environment Agency's *Climate Ready services.* The Climate Ready Support Service, led by the Environment Agency, provides advice and support to the public, private and voluntary sectors to enable them to adapt to a changing climate. The London Climate Change Partnership, as part of Climate UK[1], supports our Climate Ready service and is involved in the development of a number of tools that can help businesses to identify and assess the risks that climate change and severe weather events present. The Climate UK website hosts a guidance document entitled 'Assessing and Managing Climate Change Risks in Supply Chains'.

The document contains within it, a 5-step framework, for all sizes of businesses and different sectors, which helps identify new risks, increase resilience and identify business opportunities, within supply chain structures. Accompanying this framework are five real- life case studies that give examples of how this framework has been put into practice by companies. http://climateuk.net/resource/supply-chains-adaptation-guidance

[1] Climate UK is the national umbrella organisation for the Climate Change Partnerships. The London Climate Change Partnership is part of this network and will be the relevant branch for assistance in London.

The guidance has been used by many firms , including ASDA, who have used it to test their own supply chain resilience, details of which are published in their 2014 report ' The challenge of a changing climate' .Asda: changing climate report

On your second question of how small businesses could be better supported to take the necessary steps to identify climate change risks to their businesses, and develop adaptation strategies: As mentioned at last month's seminar, there is a host of information and guidance available to small & medium enterprises (SME's) via the Climate UK website. Small businesses can register for the free Business Resilience Health Check Assessment. This interactive online tool is designed to help small businesses gauge how vulnerable they may be to extreme weather events by taking a multiple choice questionnaire. On completion of this assessment, a bespoke report and individual action plan is produced. This plan suggests which actions should be taken to help make a business become more resilient to climate change. http://businessresiliencehealthcheck.co.uk/

Climate Ready are presently working in partnership with Business in the Community and Federation of Small businesses to encourage further action with SME's to increase their resilience to Climate Change. More information on these projects can be found by contacting the Business Resilience lead Kylie Russell at kylie.russell@environment-agency.gov.uk

In addition to the tools and guidance highlighted above, we actively encourage businesses (big and small) situated in areas at risk of flooding, to register for Flood line Warnings Direct. Flood line Warnings Direct is our free 24 hour warning service for properties at risk of flooding from main rivers. When we issue a flood warning, we send registered properties and businesses in the flood warning area a message via text, email or phone so they are aware of the potential for flooding and have time to act accordingly. Businesses can sign up for our flood warnings via the GOV.UK website here: https://www.gov.uk/sign-up-for-flood-warnings

The London Enterprise Partnership (co-chaired by the Mayor of London) has a number of priorities including skills and employment, enhancing competitiveness of London's SME's, and investing in London's infrastructure (including business workplaces). With this in mind, there may be an opportunity for LEP investment programmes, for example the European Structural and Investment Funds 2014 – 2020, to help raise awareness and understanding of SMEs, to the potential risks and opportunities of climate change.

On your final question which asks what steps could be taken to enable monitoring the take-up of adaptation policies; We support the ambition for monitoring the take-up of adaptation measures by business as part of a London-wide monitoring and evaluation framework. Monitoring and evaluation are an essential element of adaptation planning for London. The Mayor's London climate change adaptation strategy recognises climate risks and the need for London to be more resilient. However it does not identify a full range of indicators to help monitor and evaluate adaptation actions which makes it difficult to measure effectiveness.

Ideally, a fuller range of indicators could be monitored and evaluated to inform decision making at a London scale of what adaptation actions will be needed at certain climate change scenarios. For example, how do we make London safe and tolerable during more frequent hotter summers? This type of flexible adaptation planning is the approach we have set out for long term planning for tidal flood risk in the Thames estuary (TE2100), with the backdrop of uncertainty of climate change impacts.

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http://www.gov.uk/environment-agency

The GLA and the London Climate Change Partnership are well placed to lead on developing a London monitoring programme, and to pioneer this city-wide approach. The Adaptation Sub Committee (of the Committee on Climate Change) are developing a national set of indicators which should provide an overall picture of how sectors are progressing, and could provide the basis of a London monitoring and evaluation framework. However the resource to develop, implement and maintain a London programme will be considerable, and will need the commitment of major stakeholders. With a remit to take a strategic overview of all sources of flooding, we welcome the opportunity to contribute to the development of this type of approach.

At the seminar, you spoke about the positive impact of the Thames Barrier and its associated defences, not just managing flooding, but also on giving confidence to people who live and work in London. I'd be very happy to arrange a visit to and tour of the Barrier for you and your colleagues, if you felt that would be of interest.

Thank you again for your letter and I hope my response is helpful to you. Please do not hesitate to get in touch if you wish to discuss this matter further.

Yours sincerely

Simon Hughes
Deputy Director London
Environment Agency

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Sub-013

Federation of Small Businesses

The UK's Leading Business Organisation

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Jenny Jones AM
GLA
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29 May 2015

Dear Ms Jones,

The FSB is the UK's leading business organisation. We exist to protect and promote the interests of the self-employed and those who run their own business. The FSB is non-party political and, with around 200,000 members, we are the largest organisation representing small and medium sized businesses in the UK.

Small firms make up over 99 per cent of all businesses in the UK, and they make a huge contribution to our economy. They account for a third of all private sector turnover and employ almost half of the private sector workforce. A large proportion of these small firms are micro businesses (fewer than 10 employees) and sole-traders.

Small businesses are driving the UK's economic recovery and it is in the national interest to ensure they are not placed at a competitive disadvantage by severe weather events. They require a holistic package of support and guidance to help combat the potential damaging impacts, both direct and indirect.

The needs of small businesses can sometimes be overlooked when it comes to long-term policy planning. They are often lumped in either with a domestic audience or with larger industry. Like household customers, they have a low level of expertise outside of their core business, they have limited available capital and purchasing power, and they often have similar levels of usage and expenditure on utilities like energy, water and telecommunications. However, small businesses are not covered by the same legal consumer protections afforded to household customers. This leaves them vulnerable across a range of consumer areas.

Small businesses, by their very nature, are well placed to avoid the risks associated with severe weather. They are flexible and have a small footprint, compared to bigger industry. However, they are also less able to absorb the costs of disruption when it is unavoidable. So severe weather resilience plans are a critical tool for reducing the impact and likelihood of this kind of disruption.

To what extent have small businesses in London taken the necessary steps to identify such risks and develop adaptation plans? Are you aware of any examples of good practice in this area?

Registered Office: National Federation of Self Employed and Small Businesses Ltd.,
Sir Frank Whittle Way, Blackpool Business Park, Blackpool, FY4 2FE

Registered in England No: 1263540

Two thirds of UK small businesses say they have been negatively affected by severe weather in the last three years. The average financial cost of these severe weather events over this period runs to many thousands of pounds.

It is important to note that indirect impact of severe weather on business operations are as problematic, if not more so, than the direct damage caused to business premises. Disruption to people (customers and staff) and logistics (supply chain, utilities and transport) are the most frequently occurring problems for small businesses during severe weather events.

Only a quarter of micro businesses have a resilience plan in place that specifically includes severe weather, although there is some evidence to suggest that those with previous experience of severe weather are more motivated to prepare resilience plans. The FSB has some limited evidence to suggest that businesses in London are slightly better prepared than the national average, with a third saying they have a severe weather resilience plan in place.

Despite most not having a formal plan in place, two thirds of small businesses say they have begun to take some action to manage the risk of severe weather to some part of their business. One of the major themes that emerged from around a third of FSB members was of simply taking a reactive approach, to "struggle on" whatever the weather. These businesses described the need to "be flexible" and to "just do whatever it takes to keep the business going". Many highlighted the importance of communicating with their customers and managing their expectations. Some businesses have sought protection against disruption through customer contract terms and conditions. Some simply rely on insurance to cover any losses.

Other businesses offered more pro-active solutions. Another theme that came out strongly amongst FSB members was the ability to work flexibly, either from alternative locations (including home) or in a way that isn't restricted to normal office hours (e.g. weekends, late nights, avoiding rush hour etc.). Many highlighted new technology and software that allowed staff and personnel to work wherever and whenever they needed.

Other themes that emerged often reflected the various priorities, pressures and ways of working of different businesses and sectors. Many highlighted a combination of stockpiling, resilient storage locations, and spreading delivery and supply risks thorough multiple suppliers. For others, it was about having the right equipment on site for clearing snow, preventing water from entering premises, or generating emergency power. Some had invested in resilient vehicles (4x4s and snow tyres). Many highlighted the importance of good maintenance of their premises. And a small number had gone further, investing in flood defence measures.

Only 19 per cent of small businesses surveyed said they had taken action to manage the impact of severe weather on their supply chain.

How could small businesses be better supported to identify the risks, and take necessary steps to address them, and is there a role for the Mayor/GLA to galvanise action?

There is plenty of advice available for small businesses if they know where to look and who to trust. For instance, the Environment Agency has provided some excellent guidance materials in this area and FSB plan to work with them to improve the understanding and preparedness of our own membership. However, it is sometimes difficult for small businesses to navigate the diverse advice, products and services available and understand what choices are most suitable for them.

The emphasis should be on organisations like the GLA working in a bipartisan way with central government and agencies, local authorities, utility and insurance companies and others to provide a consistent, reliable and trusted service so that small businesses are empowered to do the following:

- Produce a resilience plan that includes the potential impact of severe weather on different parts of their business, including their supply chain (imports and exports).
- Explore the potential benefits of flexible working for their staff, especially when advertising for new roles.
- Clarify and understand their flood risk and, where available, sign up to the Flood Warnings Direct service.
- Explore the benefits of business continuity insurance as well as property flood insurance.

What would you like to see the LEP do to help address an apparent shortage among the workforce of skills needed for climate adaptation?

Many small businesses see themselves as part of the solution when it comes to UK resilience to severe weather. Almost 15 per cent of small businesses believe they can provide a positive contribution to specifically addressing the impacts of severe weather, through their products, services and innovation. FSB members highlighted a number of areas of expertise, particularly around planning advice, flexible working, technology and engineering solutions, and communications. LEPs should explore the untapped potential for small business services and expertise in this area, and look for ways to promote them through supply chains.

It is important that London is able to monitor the take-up of adaptation measures among businesses, to inform future city-wide plans for interventions to support adaptation. Without creating more form filling, what steps do you think could be taken to enable this monitoring to take place?

Small business owners are a notoriously difficult audience to engage with. Any time spent answering survey questions is time spent away from running their business. Ideally, monitoring should be done in a way that does not require additional, burdensome reporting duties placed on businesses. FSB research has already provided evidence that there is a low level of preparedness across all small business sectors and so the GLA should prepare their strategy based on this assumption. The full FSB report will be published in July 2015.

London firms could benefit from the growing adaptation sector which brings opportunities to sell goods, services and expertise to support climate change adaptation, including overseas. What are the main opportunities for London small businesses in this market? Should London and Partners specifically target this sector?

One of the themes that emerged out of the 2014 winter storms was the importance of the support network within local communities. This is true for both domestic residents and small businesses alike. During a severe weather emergency, such as a major flood, it is critical that the right supplies and equipment are in place to help manage the risk and to keep the local economy moving. Small businesses, often at the heart of their communities, are well placed to offer this service. This could include providing flexible space for evacuated people and businesses; providing storage for grit, sand, sandbags or snow shovels; providing pumps to combat flood water; or providing power generators and satellite phones if wind and rain have damaged utility networks. FSB research shows that there is a considerable willingness from local small businesses to offer this kind of 'resilience hub' service.

Over 40 per cent of small businesses would be happy to act as a community resilience hub for their local community (storing vital equipment in case of emergency).

LEPs should work with small businesses to identify strategic resilience issues and plan investment accordingly. Small businesses must also be given a greater voice in the strategic planning process, especially around sustainable development on or around the flood plain.

With best wishes,

Mike Cherry AIMMM FRSA
Policy Director

Sub-014

RECEIVED
12 JAN 2015

THE INVESTMENT ASSOCIATION
MAKING INVESTMENT BETTER

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Date: 09/01/2015

Dear Lady Jones

RE: Economic impact of climate change in London

Thank you for your letter of 25 November 2014.

In early January, the IMA became The Investment Association. Our change of name reflects our wider remit since we incorporated the Investment Affairs division of the Association of British Insurers (ABI) last summer. The merger consolidated the industry's focus on the interests of institutional investors as major shareholders in UK-listed companies, and has positioned the industry to deepen and broaden its focus in a number of long-term stewardship matters.

Climate change is clearly rising up the agenda as a material investment risk for investors. For general context, I refer you to our survey of adherence to the FRC's Stewardship Code, which provides a detailed review of practices on an annual basis[1]. The survey of 2014 practices will be published this May, however the 2013 report found investors ranked environmental issues in the top 10 of most important issues for engagement, as well as in the top 10 most frequently addressed issues.

You will also be aware that a number of specialist umbrella organisations exist with the primary focus of promoting the integration of climate change and other environmental, social and governance (ESG) factors into institutional investment[2]. These have often been the natural home for institutional investors' contribution to the broad lexicon of climate change, and will also assist the London Assembly's investigation.

Taking account of the diversity of approaches from a commercial and investment strategy perspective, and the specialist initiatives referred to above, climate change has historically been considered on an individual member basis, rather than through the Investment Association. However, drawing on feedback from our Corporate Governance and Engagement Committee,

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[1] See: http://www.theinvestmentassociation.org/assets/files/surveys/20140501-01_stewardshipcode.pdf

[2] For example, the UNEP Financial Initiative, UN-backed Principles for Responsible Investment, the Carbon Disclosure Project, The UK Social Investment Forum, and the Institutional Investor Group on Climate Change.

which comprises 14 leading investment managers, we summarise responses to your specific questions below.

Supporting adaptation

- **Fundamentals:** The Committee believes that investors can play an important role in driving investments in companies that are positioned to provide adaptation solutions. However, consistent with fiduciary duties, the conditions for investment need to be right. The merits of any investment will ultimately be decided by financial fundamentals (e.g. growth prospects, Government and International policies and regulatory stability, and risk and return etc.).
- **Client demand:** The merits of an investment will also be subject to demand from, and the requirements of, institutional asset owner clients. Individual clients have differing investment objectives and risk appetites governed by the specific parameters agreed under the Investment Management Agreement. Therefore, without significant support from asset owners, investing in riskier new technologies necessary for adaptation may not meet the set investment criteria.
- **Integration and engagement:** Committee members stressed the importance of highlighting the key risks relating to climate change in their investment processes and engaging with their investee companies on how these risks are being managed, mitigated and incorporated into long-term strategic decision-making. Ultimately, this is with the intention of reflecting these aspects in company valuations. This was generally adopted across the investment process, firm-wide, and not limited to specific products or silos.
- **Product & service innovation:** Committee members referred to a notable increase in the number of products they are offering to their clients with a specific investment strategy to identify opportunities in climate change-related areas, for example water, renewable energy, resource efficiency and sustainability thematic funds. Others offered tailored segregated mandates for clients with a specific carbon budget or strategy. There is also evidence of innovation in reporting to clients on the climate change exposure of funds' portfolio holdings, with some disclosing the total carbon emissions of investee holdings. Some, however, commented that there was limited client demand for such solutions.

Identifying the scale of this risk and managing it effectively

- **"Stranded assets" debate:** An increasing number of members are actively considering the risks associated with the impairments of investee companies' fossil fuel assets under a carbon-constrained environment. However, many see this as part of their normal analysis of a company's business model and future prospects. While climate change is perhaps unique in its complexity, the term "stranded assets" is in some way an expression of long-standing thinking and analysis of assets across the value chain.
- **Spectrum of risks**: There are, of course, also numerous risks that might cause the impairment of assets that investors will consider, as recent Brent crude prices serve to demonstrate. So investors will consider the full spectrum of risks, balancing shorter-term market dynamics and geo-political factors with longer-term risks such as technological innovation/replacement and concerted government policy action on climate change. This spectrum of risks is actively considered in the work of members in the integration and engagement referred to above. For some investors this has led to the conclusion that the risks outweigh the prospective returns, as recent high-profile divestments have demonstrated.

- **Complexity:** I refer you to some of the reports on "stranded assets" published by our members[3]. These do not point to a black-and-white scenario. The risk of impairment to assets varies significantly between different types of fossil fuels (and even between different types of the same fossil fuel) and over varying time-spans. In addition, company level diversification is an important consideration, for example: a coal miner many also mine uranium (used in cleaner nuclear energy); an oil and gas major may be involved in tar sands but also investing in adaptation solutions (such as CCS) and/or involved in procuring gas (a cleaner alternative); car manufactures make both traditional fuelled vehicles and are investing in electric cars; utility companies may have a portfolio that includes coal fired power stations, wind farms and nuclear energy. This may serve to spread climate risk.
- **Concerted government action:** While many Investment Association members publicly advocate for strong domestic and international climate change and clean energy policies[4], the challenges around reaching agreement in Lima have left greater doubts over the outcome of the COP in Paris 2015. Without significant government support for a low carbon future, investors are left with uncertainty and instability around future investment risks and opportunities. While recent research has invigorated the debate about stranded assets, and this is to be welcomed and supported, our members believe that more long-term modelling is required on the climate and economic effects of different policy interventions.

As I noted by way of introduction, the recent merger of the ABI's Investment Affairs division will enable the industry to focus on a wider range of stewardship-related matters. We will reviewing this focus during 2015. If you have any questions on the above information or would like to discuss these topics more broadly, please contact [redacted] or [redacted]

Yours sincerely,

Daniel Godfrey

Daniel Godfrey
Chief Executive Officer

The Investment Association represents UK investment managers. We have over 200 members who manage more than £5 trillion for clients around the world, helping them to achieve their financial goals. Our aim is to make the investment process better for clients, companies and the economy so that everyone prospers.

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[3] See Standard Life Investments: http://www.standardlifeinvestments.com/WP_Stranded_Assets_White_Paper/getLatest.pdf and Threadneedle Investments: The Energy transition and the stranded assets debate – an investment risk or opportunity?
[4] See the Global Investor Statement on Climate Change: http://www.iigcc.org/files/publication-files/GISCC2Dec2014.pdf

Sub-015

Baroness Jones of Moulsecoomb AM
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15 January 2015

Dear Jenny

Re: Key questions: Economic Impact of Climate Change

Thank you for your letter of 17 November 2014, and for the opportunity to provide further response to your investigation into the economic impacts of climate change in London. Please find my answers to your questions below.

Opportunities for London firms and the role of LCCP and London & Partners in supporting them

London already has distinctive capabilities in the Adaptation Economy, with opportunity areas mirroring the sectors it already excels in, including the Finance and Built Environment sectors. LCCP has been supporting London businesses to increase their capacity in adaptation since its inception in 2001. For example, we have carried out a demonstration project on retrofitting buildings which, whilst demonstrating the cost savings of integrating retrofit work into routine refit, has highlighted skills gaps and captured learning[1]. We have also worked with the private sector to develop expertise on the adaptation options for commercial property[2], and undertaken research on the value of urban climate data in partnership with the insurance sector[3].

The Greater London Authority and LCCP have completed a report on London's Adaptation Economy, which has not yet been publicly released. The report aims to better define, measure, assess and predict the adaptation economy. It also provides a baseline to identify opportunities for the Mayor and others to foster sustainable economic growth in sectors that increase London's resilience to extreme weather. The primary focus is for the year 2012/13 but the research also includes historical

[1] For more information on how we worked with contractors, architects and housing providers to gather the lessons learned, please see our report on the Barking and Dagenham project: http://climatelondon.org.uk/publications/yshcc/ and our follow up leaflets on the business case for holistic retrofit and dos and don'ts: http://climatelondon.org.uk/publications/retrofitting-london/

[2] See http://climatelondon.org.uk/publications/londons-commercial-building-stock/

[3] Our report, co-funded by Lloyds of London and the Met Office, identified a large economic opportunity for better management of urban climate data: http://climatelondon.org.uk/publications/observing-london/

analysis back to 2008/09 and growth forecasts to 2020/21. The report found that although still relatively small, London's Adaptation Economy has been growing throughout the recession period at a rate that has outpaced other sectors and is forecast to continue expanding rapidly. We also found that in London there is more opportunity for business to provide adaptation goods and services in the Built Environment and Professional Services sectors than there is nationally. Once the report has been published I will be pleased to provide you with a copy.

This week, LCCP and GLA are jointly holding an Adaptation Economy workshop. We will convene a group of around 20 experts on business, innovation and climate change from various sectors to discuss the findings of the report and identify the key opportunities and barriers to increasing London's market share. Once we have received this feedback, we will be publishing a report in Spring 2015, which will include our recommendations on the ways in which LCCP, London & partners, and others can support the growth of the Adaptation Economy in London.

Supporting small businesses to adapt
The public sector, including the Greater London Authority, procures the services of a large number of small businesses. One concrete action the GLA and other public sector bodies could take would be to ensure that its procurement criteria explicitly require evidence that the businesses are resilient and have considered adaptation. The London Climate Change Partnership has recently welcomed LHC as a new partner and will be working on updating procurement guidelines to include adaptation. Strong support from London's government would be very beneficial in getting these new guidelines adopted.[4]

The Greater London Authority and London Enterprise Panel could also assist in increasing the resilience of small businesses through their control and promotion of through European structural funds that support small businesses. Emphasis on adaptation as an important part of sustainability would not only raise awareness but also direct funded activity towards adaptation.

Businesses of all sizes can access free information and support online by visiting the Climate UK Business Resilience Health Check (www.businessresiliencehealthcheck.co.uk) which was created in partnership with the Environment Agency and Business in the Community. The Greater London Authority and its partners could assist by promoting this resource through its networks and via the London Enterprise Panel.

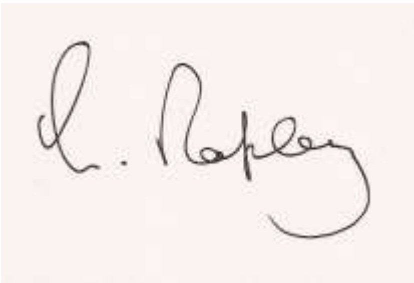
Monitoring of uptake of adaptation measures among London businesses
For larger companies, reporting via the Carbon Disclosure Project (CDP) may be an effective way of keeping tabs on uptake of adaptation measures. In their 2014 report, Protecting Our Capital, CDP reported on the adaptation activities of 207 cities worldwide, including London. The report highlighted evidence that in many cases governments and businesses share the same adaptation issues and goals, and that there is significant opportunity for collaboration.

[4] For more information on LHC and their new membership of LCCP, please visit our website: http://climatelondon.org.uk/news/lhc-plans-to-help-lccp-deliver-its-vision-for-londons-future/

However, while trends among larger businesses will be picked up by the CDP reports, the activities of smaller businesses will not be captured. As highlighted in your letter to me, smaller businesses may have less capacity to engage with climate adaptation and so will be slower to take up actions. The Adaptation Sub Committee will provide an overall picture of business resilience and adaptation as part of its reporting process to Government. Many of the datasets used may be able to be broken down to a London level.[5] In order to get a picture of how small businesses are doing it may also be beneficial to engage with the Federation of Small Businesses to explore the option of monitoring via their membership.

I welcome the London Assembly's continued interest and support on this issue, which is of vital importance to the future prosperity and success of London as a global economic centre. Please do not hesitate to get in touch if I can be of further assistance.

Yours sincerely



Professor Chris Rapley CBE

Chair
London Climate Change Partnership

[5] For further information on the draft indicator set selected by the Adaptation Sub Committee, please visit the Committee on Climate Change website: http://www.theccc.org.uk/media-centre/consultations/

Sub-016

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Chair, Economy Committee
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Wednesday 21 January 2015

Dear Baroness Jones,

Promoting London firms in the climate change adaptation sector

Thank you for your letter of 25 November 2014.

Also, thank you for inviting London & Partners staff to your recent workshops on the adaptation economy. My Head of Strategy and economist both attended and they gave very positive feedback.

The adaptation economy is of interest to us in our role of attracting foreign direct investment; attracting investment for development and regeneration projects; and supporting the Mayor's export programme.

We would welcome further research into this sector, which would help us to quantify the scale of the opportunity and understand the business drivers better. This would, critically, allow us to develop compelling propositions, with clear cost benefit analysis, which can be used to influence commercial decision making.

We will, therefore, speak to the relevant teams in the GLA which might be able to assist with these matters, as well as help to identify opportunities to attract further investment in, and promote London expertise relating to, the adaption economy.

Finally, however, I would want to point out that our three-year strategy, as agreed with the Mayor, focuses the majority of our limited resources on two sectors of the London economy (amongst other things), namely digital technology and life sciences.

Yours sincerely

Gordon Innes
CEO, London & Partners

Sub-017

Support for business adaptation to climate change

Contact: Jennifer Sibley

[redacted]

[redacted]

Date: 16 January 2014

Dear Jenny

Thank you for your letter dated 25 November 2014 on support Boroughs can provide to businesses on climate change adaptation.

London Boroughs are well-placed to support local businesses with climate change adaptation, with their multiple interactions and local knowledge of business priorities and needs. We believe that environmental services in particular could be in a position to support businesses as part of their regular environmental health work, as these officers visit premises and will be able to assess physical risks. On-going borough work on employability and skills with businesses could mean boroughs are already able to identify the skills gaps in their local economies and work with businesses, colleges and apprenticeship providers to address this. We believe this will be transferable to industries affected by climate change, and industries that will be vital in ensuring that London can adapt to climate change.

London Councils contacted Boroughs asking for examples of where they provide support to businesses in adapting to climate change. Some of these examples are summarised with more information in Appendix A to this letter. Separately Boroughs are also active in encouraging businesses to become more sustainable and reduce their impact on their environment, as this makes financial sense as well.

London Boroughs are experiencing financial significant constraints, and the support that boroughs can provide to their businesses will always be dependent on having the resources and expertise to do so. However, where they can, Boroughs are committed to helping their business community adapt and prepare for climate change.

If London Councils can be of further assistance to the Economy Committee's investigation, please do get in touch. We are happy to pass on to the Committee any further examples of borough work in this area, as we are made aware of them.

Claire Kober

Cllr Claire Kober
Portfolio Holder for Infrastructure and Regeneration

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Appendix A – Examples of boroughs undertaking work with businesses to help them adapt to climate change

LBs of **Enfield, Waltham Forest, Lewisham and Haringey** are delivering Retrofit London, a project that will support small businesses specialising in green building products, construction and property management to become more efficient and more able to win contracts by gaining accreditation, developing supply-chains and getting more information on contract opportunities.

The **City of London** adopted a climate change adaptation strategy in 2007, identifying the risks to its businesses of climate change, and ways to mitigate these. It provides a climate change adaptation checklist for major infrastructure projects, and has run a series of seminars for the last 10 years for businesses on supply chain impacts and resilience. The City has produced guidance and case studies for businesses on flood risk and encourages the creation of green roofs and walls in its planning policies. Together with Zyen Ltd is provides open source reports and analysis on climate change.

LB **Islington** has an Islington Sustainable Energy Partnership (formerly the Islington Climate Change Partnership) which supports businesses that want to reduce their energy use, improve their environmental performance and support their local community. The Partnership is led by businesses and has won awards for its approach. Since 2008 partnership members have reduced their carbon emissions by over 19% and have saved £2.6m. Small businesses can receive support through the Green Light North London project.

In **LB Barking & Dagenham**, the Greening Business Programme provides free advice and support to small and medium- sized businesses or voluntary organisations who want to save money or go green. It is part-funded by the European Regional Development Fund (ERDF) and supported by the London boroughs of Merton, Wandsworth, Richmond, Kensington & Chelsea and Barking & Dagenham. Businesses are paired with a Relationship Manager who can identify aspects of the business that can become more sustainable.

The Fit for Legacy team at Barking & Dagenham also offer support to businesses in securing tenders, by helping businesses create strong environmental policies that are needed to be competitive and win contracts.

LB **Redbridge** has run a Green Business Redbridge Scheme since 2012 which aims to raise environmental awareness and promote sustainable business practices. The Environment Team helps businesses to write environmental policies and provides free energy use surveys. Businesses can apply for bronze, silver and gold level certification.

Case Study: Fit for Legacy helps Anchor Green create an environmental policy and action plan that secures them a new contract win and a business award!

Anchor Green Limited is one of the UK's fastest growing environmental services companies specialising in the recycling of municipal, commercial, and industrial waste, with a huge presence in metal recycling. Founder and Director, King Chukwuedo was referred to Fit for Legacy (FfL) from the business support team at the London Borough of Barking and Dagenham, as King wanted to learn more about accessing contract opportunities to support his business growth strategy and improve his chances of winning bids.

The team at FfL conducted an in-depth business needs analysis and recognised that they needed to work closely with Anchor Green to ensure they better understood the increasingly exacting requirements and steps of tendering.

The key focus was on ensuring King had all relevant business policies and supporting documentation in place, and that this was fully understood right across Anchor Green. King attended a training session on “Procurement and How to Win Contracts” as well as various environmental and other key policy workshops. As a company with a stated commitment to the sustainability of the environment, it was paramount that Anchor Green had a comprehensive and robust environmental policy in place, which demonstrated its own internal values as well as it’s commitment to it’s customers. FfL worked closely with King to ensure that this was his strongest asset, and to allow him to increase his competitive edge in the marketplace.

As a consequence of being able to demonstrate to a new buyer that they now had in place an environmental policy and operational action plan which was vastly superior to any of their competitors, Anchor Green were able to secure a large contract win, which also meant they were able to create a new local job to help them fulfil that contract. Anchor Green also won the prestigious 'Green Business of the Year” award at the 2014 London Borough of Barking and Dagenham Business awards.

“We knew we had to grow the business and create new revenue streams. We also wanted to be in a better position to compete for contracts. FfL made the steps of tendering clearer and, with these new policies in place, we are now taken more seriously as a business supplier when we go for contract opportunities”.

King Chukwuedo – Director of Anchor Green Ltd

Fit for Legacy

EUROPEAN UNION
Investing in Your Future
European Regional Development Fund 2007-13

ANCHOR GREEN Limited
...creating a brand new world

The Greening Business Programme Case Study, April 2014

Prontaprint Barking (Barking & Dagenham)

Barking business shows how printing can sometimes be green

Sominder Panesar, Director, and his staff at Prontaprint's new office

One of the latest organisations to benefit from our Greening Business programme is **Prontaprint Barking.** Prontaprint is a family-run printing service, covering every aspect of design and print.

Through the services of Business Relationship Managers Project provided by London Borough of Barking and Dagenham the need to focus on the sustainability aspects of the business was identified. This was suggested to achieve cost savings, increase profitability, competitiveness and the profile of the business.

Prontaprint was signposted to Greening Business Project because they were about to move premises and wanted to make sure that their new business unit was set up and managed in an environmentally friendly way.

The Greening Business Adviser carried out an assessment of Prontaprint's premises and identified several issues specific to the printing business which would make the business more sustainable. In addition, the Adviser carried out a review of the building site of the new premises to make sure that environmental improvements could be planned at an early stage.

Firstly, she suggested a better way of securing hazardous waste – all the printer ink etc. The waste had previously just been left outside, but the Adviser recommended that it be clearly labelled and locked in a cabinet before it was collected. Paper waste was already minimised and embedded in staff culture, but the Adviser supported the business to do the same with its packaging. It now offers an ECO range using less packaging as well as recycled paper.

Changes relevant to other types of business were also implemented, for example, replacing the water cooler with its disposable plastic containers and cups with a plumbed-in system of filtered water to the tap. The use of LED lighting and presence detectors was also recommended and subsequently implemented in the toilets and corridors, along with other energy-saving devices to minimise electricity, heating and water waste.

The Adviser then helped Prontaprint develop an Environmental Policy, which would demonstrate their environmental commitment to their staff, customers, suppliers and sub-contractors. It is hoped that this commitment will encourage others to follow Prontaprint's good environmental example, as well as increasing the number of their customers.

Sominder with his Greening Business certificate

Sominder Panesar, Director of Prontaprint Barking, said of Greening Business:

"Sustainability is a core value in my business style and Prontaprint Barking has embedded energy efficiency and environmental protection into the organizational culture. I believe that, even if you are already environmentally aware, receiving support from a qualified adviser can always lead to further improvement. Our participation in the Greening Business programme has led to a reduction in energy costs and by recycling our waste paper we are awarded financially for the waste paper off-cuts. We have invested in eco-solvent machines which use non-aggressive solvents and do not spread any harmful VOCs in the working environment as well as being friendly to the external environment."

For more information, please see http://www.prontaprintbarking.com

The Greening Business Programme:

The Greening Business programme provides free advice and support to small and medium-sized businesses or voluntary organisations who want to save money or go green. It is part-funded by the European Regional Development Fund (ERDF) 2007-2013 and supported by the London boroughs of Merton, Wandsworth, Richmond, Kensington & Chelsea and Barking & Dagenham.

Your business could also benefit from the project like Prontaprint, if it’s based in the Borough FREE of charge.

For further enquiries, kindly contact our business relationship manager on [redacted] and [redacted]

Sub-018

MAYOR OF LONDON

Baroness Jones of Moulsecoomb AM
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA011214-3493

Date: 23 FEB 2015

Dear Jenny

Re: Key questions: Economic impact of climate change

Please accept my apologies for the delay in responding to your letter of 25 November 2014 about the Economy Committee's investigation into how London can respond to the potential impacts of climate change on London's economy. I believe London's resilience to extreme weather today and further climate change in the long-term is critical to our quality of life, our position as a world city and an important element of our economic security.

My Climate Change Adaptation Strategy identifies the key climate risks to London and provides a framework to start managing these.

Your investigation has raised some profound questions, some of which I am able to answer now and some that will require further consideration before they can be fully responded to. In the meantime, I hope that the following points are helpful to your investigation.

How is the need to respond to climate change risks being incorporated into the (LEP's economic development) strategies?
As you are aware, the LEP has chosen to focus on four priorities: skills and employment; digital, creative, science and technology sectors; micro, small and medium-sized enterprises; and infrastructure. To date, the LEP has focussed on embedding climate resilience into the infrastructure element of its work as climate change is more apparent over the lifetime of infrastructure. As you know, my infrastructure Delivery Board is leading on this for the LEP.

Whilst the 'Enabling Infrastructure' report[i] that is part of my draft Infrastructure Plan strongly recognised the need to ensure that infrastructure is designed, located and managed to take account of our changing climate, many consultation responses highlighted that the main Plan document should be stronger on this. I will ensure that the risk and opportunities presented by our future climate is clearly addressed in the updated Plan.

What steps do you think should be taken at a London-wide level to help map the supply-chain dependencies in the city's economy?
While an understanding of supply chain dependencies across multiple sectors could be valuable, it would be a very complex task to undertake and the results likely to become quickly out of date. It therefore could turn out to be an expensive piece of research without a useful output in practice. I will ask the London Climate Change Partnership to review whether there are discrete pieces of research that could be undertaken to help the city become less vulnerable to the impacts of climate change given London's many global supply chains.

What steps do you think should be taken by regulators and investors to identify the scale of this risk and manage it effectively?
The Mayor's climate and energy programmes are set up to help build London's low carbon economy and coordinate activity aimed at attracting inward investment. London has had significant success in encouraging sectoral clustering, for example, in the creative and cultural industries, and the legal and financial sectors, to help drive economies of scale. These already provide key strengths for London in the low carbon economy, having diversified their offer to respond to the growing demand across the value chain for environmental goods and services.

It is now important for London firms to undertake long-term infrastructure planning across all sectors to both develop sustainable solutions and diversify within their portfolios – with the view to helping build low carbon markets in the capital. Regulators have a clear role to play also in providing the right framework; one that will help facilitate a diverse portfolio of low carbon generation technologies; and, an efficient and low-carbon range of generating assets across London.

How could smaller businesses be better supported to take necessary steps?
The LCCP is working with Federation of Small Businesses (FSB) to look at how to support micro, small and medium sized businesses in preparing for climate impacts (working with business-to-business organisations is a more effective channel than trying to engage them directly). Part of this work involves promoting the Climate UK Business Health Check. See http://www.businessresiliencehealthcheck.co.uk/.

What work is underway to assess the scale of any shortages (skills) and how can they be addressed?
The LEP recognises the key role that skills play in London's labour market, and in early 2013 a principal of a large east London further education college was invited to join the Panel as a permanent member.

The LEP welcomes the freedoms and flexibilities that skills providers in London use in planning to deliver the changing skills that employers demand. The UK Commission for Employment and Skills publishes data around regional skills demands - including skills gap vacancies - which providers use in their planning to build on dialogue with local employers.

Under the Government's Local Growth Deals, the LEP in London is now responsible for the Further Education Capital Investment Fund worth in excess of £120 million. The fund's prospectus – which promotes the Mayor's RE-FIT programme – welcomes applications that support investment in buildings and equipment that make energy and efficiency savings, as well as those applications to develop learning facilities in which Londoners can gain the skills that can contribute to the green economy. The LEP is also working with the Construction Industry Training Board to identify and start to address the skills shortages across the sector.

What are the main opportunities for London firms, and what role could you and L&P play in supporting them?
London has a strong concentration of expertise in the field of climate services. The capital is home to many of the world's leading engineering, architectural, professional and financial services companies. We have four of the world's leading universities and the Climate KIC. We therefore have pedigree in this growing field.

My officers have undertaken a research project with the London Climate Change Partnership to define, measure and predict the 'adaptation economy' (a subset of the Low Carbon, Environment Goods and Services' economy that looks at addressing the risks and opportunities from a changing climate). The research found that London is already a world leader in the adaptation economy, second only to New York. A workshop was held on the 15 January 2015 to agree the actions that will support London businesses secure a greater share of the estimated $1.5trillion global market in this area. The workshop was chaired by Sue Perkins, a member of the LEP. Representatives from London & Partners also attended the workshop and are keen to promote London as both a safe place to do business and invest in and our skills and services in this field. I will provide you with a copy of the research and workshop findings when they are published.

Yours ever,

Boris Johnson
Mayor of London

Cc: Kit Malthouse AM, Vice-Chair, London Enterprise Panel
Harvey McGrath, Vice-Chair, London Enterprise Panel
Matthew Pencharz, Senior Adviser, Environment and Energy, Greater London Authority

Sub-019

NAPF

Securing the future of pensions

Jenny Jones AM
Chair, Economy Committee
City Hall
The Queen's Walk
London
SE1 2AA

RECEIVED
16 JAN 2015

15 January 2015

Dear Baroness Jones,

Economic impact of climate change in London

The NAPF is the voice of workplace pensions in the UK. We speak for over 1,300 pension schemes that provide pensions for over 17 million people and have more than £900 billion of assets. We also have 400 members from businesses supporting the pensions sector.

We aim to help everyone get more out of their retirement savings. To do this we spread best practice among our members, challenge regulation where it adds more cost than benefit and promote policies that add value for savers.

We are grateful for the opportunity to input in to your investigation into how London can respond to the potential impacts of climate change on London's economy, in particular the role that can be played by pension funds.

You are absolutely right to assert in your letter that investors can play an important role in this important agenda by supporting the businesses in which they invest to take the necessary steps to adapt to these new challenges to their business models.

For context, I would like to firstly draw to your attention the results of our annual survey of our largest pension fund members with respect to their approach to engagement with investee companies. The results from our 2014 survey, which constituted members representing in excess of £400bn of assets under management, were clearly encouraging:

- 94% agreed that institutional investors (including pension funds) have stewardship responsibilities which include engaging with companies and voting shares.
- 90% also agreed that extra-financial factors – including environmental, social and governance factors – can have a material impact on the fund's investments in the long-term.
- Finally, not a single respondent disagreed with the statement that active consideration of risks to a company's long-term sustainability, such as environmental, social or governance factors is compatible with its fiduciary duty.

These results I hope illustrate that pension funds are continuing to grasp that there are emerging risks to their investment portfolios which, as with climate change, may materialise over the longer time horizon over which pension are typically investing.

The NAPF's own Responsible Investment guide which was published in March 2013 describes how the possible long-term financial implications of risks such as climate change are becoming increasingly apparent and therefore are of particular relevance to long-term investors. In addition, we explain how pension fund beneficiaries on the whole want to retire with a good pension and into a world characterised by a healthy environment, vibrant economy and peaceful society. The assets therefore that pension funds own and have oversight of can play an important role in determining the future society member's face and thus, the real value of their retirement income.

It is equally important however, to acknowledge the limitations pension funds have in influencing this agenda:

1. Firstly, pension funds in the UK are commonly fairly small, have limited resources and commonly delegate day-to-day investment decision making to investment managers.

2. Secondly, over the past decade or two, as many pension funds have matured the proportion of their assets invested within equities, UK equities in particular, has been on a downward trend – this figure currently sits at around 10%.

Steps taken by pension funds

Pension funds traditionally have a very wide range of investments across all asset classes and in all geographies. Trustees as fiduciaries have a responsibility to the fund's members to ensure that the pension promises are able to be met; for many funds this will include beneficiaries whom may not be retiring for many decades to come. Pension funds will therefore commonly work with and through their investment managers and advisers to try and ensure that all material risks within their portfolios are understood and subsequently, as far as is feasible, managed and mitigated.

As the results of our Engagement Survey demonstrate, pension funds' expectations of their investment managers in this area are increasing. More questions are being asked during the manager selection process and more time is being spent holding their agents accountable post appointment with respect to how they have engaged with individual companies, exercised their voting rights and more broadly managed the risks to their investments.

There is undoubtedly a transition taking place; the level of detailed analysis which is being produced by brokers has advanced drastically in recent years. In response the level of understanding across the investment industry is growing; in turn pension funds are asking more questions internally and externally of their investment managers. Equally, many energy companies themselves are also going through a transition and many of the larger companies are now significantly reducing their exposure to coal, or indeed exiting their coal assets entirely.

Engagement by investors is a core driver of this and engagement extends from pension funds as the providers of capital through their fund managers to the investee companies.

To further assist this conversation, the NAPF recently established a series of Stewardship Accountability Forums to provide pension funds of all sizes with the opportunity to collectively question the senior figures within leading asset management firms about their approaches to being good stewards of their assets. These Forums are designed to equip pension funds to be able to more easily ask the difficult questions of fund managers and ultimately press for the highest standards of stewardship in the interests of their beneficiaries. It is envisaged that issues such as the efforts fund managers are taking to understand and mitigate climate risks would be raised within these Forums.

In terms of shifts in portfolios going forward, maturing pension funds in particular, are giving ever greater attention to investment in infrastructure, and clearly renewable infrastructure will be a part of that. Indeed the NAPF has played a core role in creating the Pensions Infrastructure Platform (PIP). The PIP is a not-for-profit, infrastructure fund, by pension funds and for pension funds, aligned to the long-term interests of the UK pension funds who will be its main investors. This is the first time UK pension funds have combined to create such a financial entity in the UK.

Whilst many trustee boards are giving much thought to their level of carbon exposure and risk, any response is not immediately straightforward and naturally the appropriate response will vary dependent upon the size of the fund, its liabilities and it investment approach. A rapid response, for example exiting all oil and gas stocks could mean severe losses of revenue likely over a sustained period of time. Given the composition of the FTSE index in the UK such an approach could be particularly problematic and complex for UK pension funds. A balanced approach is thus needed.

Political commitment

More broadly, there are of course existing investor groupings such as the Institutional Investors Group on Climate Change (IIGCC) to which a significant number of the larger pension funds are members. The IIGCC's membership represents investments worth in excess of £7 trillion. This sizable coalition of investors is a strong signal that many very large investors recognise climate change as a risk to their long-term portfolios; wish to understand these risks; share best practice and engage with policy makers in different markets to encourage putting in place the policies that would lead to a shift to a lower carbon economy.

Most importantly, investors globally will rightly be looking at the Paris climate conference later this year for a clear signal that there is firm international political commitment to act. The evidence over the past year or two has understandably knocked confidence in this regard.

The 2014 Global Investor Statement on Climate Change set out steps that institutional investors (both asset owners and asset managers) can take to address climate change, and called on governments to support a new global agreement on climate change by 2015, in addition to national and regional policy measures. Strong political leadership with more ambitious policies are needed in order for institutional investors, including pension funds to scale up their investments in areas such as renewable energy, energy efficiency, sustainable land use and climate resilient development, thereby benefitting beneficiaries, and society as a whole.

As always we would be very happy to discuss further with you any of the points we have raised in this response.

Yours sincerely

Will Pomroy
Policy Lead: Corporate Governance & Stewardship
NAPF

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

Baroness Jones of Moulsecoomb
City Hall
The Queen's Walk
London SE1 2AA

Andrew Bailey
Deputy Governor, Prudential Regulation
CEO, Prudential Regulation Authority
[redacted]

29 January 2015

Dear Baroness Jones,

Thank you for your letter of 25 November. While we have unfortunately missed your event of 5th December, my colleagues here at the PRA would be interested in learning more about your findings.

As you mentioned, in your letter, the PRA accepted an invitation from Department for Environment, Food and Rural Affairs (Defra) in April 2014 to complete a climate change adaptation report, focused on insurance. We are grateful for your input into this report per our consultation meeting with the London Assembly Economy Committee at the PRA last September. We expect to deliver the completed report to Defra by July, which will then be subject to a consultation period, before being published.

In your letter, you also made reference to London firms having invested significant resources in fossil fuels which are at risk of falling in value as a result of government action to mitigate climate change, or of the growing divestment movement. The Bank's latest correspondence on this issue can be found in Governor Carney's letter to the Environmental Audit Committee in October (available on the Bank's website, along with further details on our work in this area, as per the link below).

http://www.bankofengland.co.uk/pra/Pages/supervision/activities/climatechange.aspx

As you may already be aware, the issue was also discussed at the recent Treasury Select Committee hearing on the Bank's Financial Stability Report (14th January 2015).

Thank you also for your question regarding the banking industry. At this stage our work around this topic remains focused on insurance as we prepare to deliver our report to Defra by July.

Yours sincerely,

Andrew Bailey

Andrew Bailey