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GREATER MANCHESTER PENSION FUND - MANAGEMENT/ADVISORY PANEL

Day: Friday
Date: 18 March 2022
Time: 10.00 am
Place: Zoom

Item No.	AGENDA	Page No

GENERAL BUSINESS

1. CHAIR'S INTRODUCTORY REMARKS 10.00AM

2. DECLARATIONS OF INTEREST

To receive any declarations of interest from Members of the Panel.

3. APOLOGIES FOR ABSENCE

To receive any apologies for the meeting from Members of the Panel.

4. MINUTES

a) MINUTES OF THE PENSION FUND ADVISORY PANEL 1 - 12

To approve as a correct record the Minutes of the meeting of the Pension Fund Advisory Panel held on 10 December 2021.

b) MINUTES OF THE PENSION FUND MANAGEMENT PANEL 13 - 20

To approve as a correct record the Minutes of the meeting of the Pension Fund Management Panel held on 10 December 2021.

5. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

a) URGENT ITEMS

To consider any items which the Chair is of the opinion shall be considered as a matter of urgency.

b) EXEMPT ITEMS

The Proper Officer is of the opinion that during the consideration of the items set out below, the meeting is not likely to be open to the press and public and therefore the reports are excluded in accordance with the provisions of the Schedule 12A to the Local Government Act 1972.

Items	Paragraphs	Justification
10, 11, 12, 13,	3&10, 3&10, 3&10,	Disclosure would, or would be lik

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Principal Democratic Services Officer, 0161 342 3050 or carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

14, 15, 16, 22, 23, 24	3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10	prejudice the commercial interests Fund and/or its agents which could affect the interests of the benefi and/or tax payers.

6. PENSION FUND WORKING GROUPS/LOCAL BOARD/NORTHERN LGPS JOINT OVERSIGHT COMMITTEE MINUTES

a) LOCAL PENSIONS BOARD 21 - 28

To consider the Minutes of the proceedings of the Local Pensions Board held on 13 January 2022.

b) INVESTMENT MONITORING AND ESG WORKING GROUP 29 - 32

To consider the Minutes of the proceedings of the Investment Monitoring and ESG Working Group held on 21 January 2022.

c) ADMINISTRATION AND EMPLOYER FUNDING VIABILITY WORKING GROUP 33 - 42

To consider the Minutes of the proceedings of the Administration and Employer Funding Viability Working Group held on 21 January 2022.

d) POLICY AND DEVELOPMENT WORKING GROUP 43 - 46

To consider the Minutes of the meeting held on 3 March 2022.

e) NORTHERN LGPS JOINT OVERSIGHT COMMITTEE 47 - 52

To note the Minutes of the proceedings of the Northern LGPS Joint Oversight Committee held on 7 October 2021.

ITEMS FOR DISCUSSION/DECISION

7. GMPF BUDGET 2022/2023 AND MEDIUM-TERM FINANCIAL PLANNING 10.30AM 53 - 58

To consider the attached report of the Assistant Director, Local Investment and Property.

8. GMPF STATEMENT OF ACCOUNTS 2021-22 GMPF ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS 59 - 66

To consider the attached report of the Assistant Director, Local Investments and Property.

9. RESPONSIBLE INVESTMENT UPDATE Q4 2021 67 - 74

To consider the attached report of the Assistant Director of Pensions Investments.

10. UBS TRAINING ITEM 10.45AM 75 - 100

To receive a presentation from representatives of UBS.

11. 2022 ACTUARIAL VALUATION PROCESS 11.30AM 101 - 106

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Principal Demcoratic Services Officer, 0161 342 3050 or carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

To receive a presentation from Hymans Robertson, Fund Actuary.

12. PERFORMANCE DASHBOARD 12.10PM 107 - 142

Report of the Assistant Director of Pensions Investments, attached.

13. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT 12.20PM 143 - 154

To consider the attached report of the Director of Pensions.

14. ADVISOR COMMENTS AND QUESTIONS

ITEMS FOR INFORMATION

15. ADMINISTRATION UPDATE 155 - 158

To consider the attached report of the Assistant Director of Pensions Administration.

16. LGPS UPDATE 159 - 164

To consider the attached report of the Director of Pensions.

17. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities are available as follows. Further information/details can be obtained by contacting Loretta Stowers on 0161 301 7151.

LGC Investment Seminar, Chester	24-25 March 2022
PLSA Investment Conference - Edinburgh	25 - 26 May 2022
PLSA Local Authority Conference - Gloucestershire	13 - 15 June 2022
PLSA Annual Conference	12-13 October 2022

18. GMPF CALENDAR OF MEETINGS 2022/23 AND 2023/24 165 - 166

To consider the attached calendar of meetings for 2022/23 and 2023/24.

WORKING PAPERS - APPENDICES

19. APPENDIX 9A - PIRC CLIMATE GOVERNANCE 167 - 174

20. APPENDIX 9B - CHAPTER ZERO: BOARDROOM TOOLKIT 175 - 216

21. APPENDIX 9C - RI PARTNERS AND COLLABORATIVE BODIES 217 - 220

22. APPENDIX 11A - HYMANS ROBERTSON PRESENTATION 221 - 236

23. APPENDIX 13A - GMPF WHOLE FUND RISK REGISTER 237 - 242

24. APPENDIX 15A - ADMINISTRATION PERFORMANCE QUARTER 3 243 - 244

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Carolyn Eaton, Principal Demcoratic Services Officer, 0161 342 3050 or carolyn.eaton@tameside.gov.uk, to whom any apologies for absence should be notified.

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GREATER MANCHESTER PENSION FUND
ADVISORY PANEL

10 December 2021

Commenced: 10.00am **Terminated: 12.35pm**

Present: **Councillor Warrington (Chair)**

Councillors: Andrews (Manchester), Cunliffe (Wigan), Grimshaw (Bury), Hartigan (Bolton), Jabbar (Oldham), Joinson (Rochdale), Mitchell (Trafford), and Taylor (Stockport)

Employee Representatives:
Ms Blackburn (UNISON) and Mr Thompson (UNITE)

Fund Observers:
Mr Pantall

Local Pensions Board Members (in attendance as observers):
Councillor Fairfoull

Advisors:
Mr Bowie, Mr Moizer and Mr Powers

Apologies for absence: **Councillors Barnes (Salford), Mr Caplan (UNISON), Mr Drury (UNITE), Mr Flatley (GMB) and Mr Llewellyn (UNITE). Councillor Ryan (Fund Observer)**

Further to the decision of Tameside Metropolitan Borough Council (Meeting of 25 May 2021), to maintain Covid secure access to all Members of the GMPF Management and Advisory Panel, which has representatives from all Greater Manchester Districts and the Ministry of Justice, that all future meetings of the Panels remain virtual until further notice with any formal decisions arising from the published agenda being delegated to the Chair of the Panel taking into the account the prevailing view of the virtual meeting.

46. CHAIR'S OPENING REMARKS

The Chair began by welcoming everyone to the meeting including new Member, Councillor Stuart Hartigan representing Bolton MBC, replacing Councillor Samantha Connor, together with Scott Caplan and Gale Blackburn representing UNISON and replacing Pat McDonagh and Margaret Fulham. She further extended thanks and gratitude on behalf of the Fund and its members, to the retired Members of Panel for their contribution to the success of the Fund.

The Chair further emphasised the importance of ensuring that ordinary people working in public sector jobs got to live out their retirement years with security and dignity; safeguarding the deferred pay, which were the pensions of public sector workers, whilst balancing the need to ensure that they were affordable and sustainable to the employers and taxpayers alike. She further stressed the importance of attendance at training provided, to ensure that Members had the appropriate skills and knowledge to be a trustee to manage almost £30 billion pounds in order to ensure that the pension promises could be met.

The Chair was pleased to announce that, in the 100th year of the Fund being a statutory scheme, the promise to all stakeholders to deliver and pay low cost pensions, was being met. She made reference to a report and presentation scheduled later on the agenda from CEM Benchmarking, who would report on the Fund's position globally.

The Chair was further pleased to announce that the Fund had won the Pension Fund Communication Award in the 14th Annual European Pensions Awards. The awards recognised pension providers that had set the professional standards in order to best serve European pension

funds. She extended congratulations to everyone for this significant achievement. Additionally, the Fund was also shortlisted for Best Admin and Governance category in the IPE awards, which had been held the previous Friday. It was explained that the IPE Awards for the last 20 years had recognised the bar-raising achievements of all pension funds across Europe so whilst there was disappointment that the Fund did not receive another award, the recognition of excellence should not be underestimated.

The Fund had also been nominated for three awards in the 2022 Pensions Age Awards taking place on 23 February 2022 for the following categories:

- Defined Benefit Pension Scheme of the Year;
- Pension Scheme Communication Award; and
- Pensions Administration Award.

Furthermore, on the 30 November 2021, the 2021 RAAI Leaders List, the 30 Most Responsible Asset Allocators in the world, had selected Greater Manchester Pension Fund as an RAAI Finalist and would receive an award for scoring in the Top Quintile, or top 20% of asset allocators globally on responsible investing. The Fund was ranked 35th Most Responsible Investor in the World scoring 96 out of a potential 100.

By way of background, it was explained that the RAAI provided the only comprehensive index measuring the responsible investing practices of the world's largest investors. For the 2021 RAAI Index, developed in partnership with the Fletcher School at Tufts University, analysts reviewed 634 asset allocators from 98 countries with $36 trillion in assets, before rating and ranking the top 251 institutions and identifying the Leaders and Finalists (the Top Quintile) that set a global standard for leadership in responsible, sustainable investing. The Chair was pleased that the Fund's significant stewardship work had yet again been recognised in this way.

Reference was made to the Paris Agreement, which introduced a new concept into the climate lexicon of a just transition. The concept, roughly defined, was that the needs of workers, communities, and consumers should be considered during the transition to an economy that allowed limits to global warming to the Paris Agreement's 1.5°C target. As activist investors, the Fund had been stressing this for some considerable time with support from some of the partners the Fund and LAPFF had spent years working with and, in particular Professor Nick Robins Co Founder of Carbon Tracker and a leading light on how to mobilise finance for climate action in ways that supported a just transition, promoting the role of financial institutions in achieving sustainable development and investigating how the financial system could support the restoration of nature together with Mark Campanele the other Co founder of Carbon Tracker. The Chair was, therefore, pleased that a statement at COP 26 was issued in support of a just transition called - Just Transition Internationally - Green growth, decent work, and economic prosperity in the transition to net zero.

The Chair further explained that paragraph 36 of the original Glasgow Climate Pact, called upon Parties to accelerate the development, deployment and dissemination of technologies and the adoption of policies, to transition towards low-emission energy systems, including by rapidly scaling up the deployment of clean power generation and energy efficiency measures, including accelerating efforts towards the phase-out of unabated coal power and inefficient fossil fuel subsidies, recognizing the need for support towards a just transition. The agreed version of the text referred to phasing down rather than phasing out coal.

Given what was now known about the ensuing discussions between developed and less developed states, it was not surprising that the original wording did not pass. There was a fundamental difference of understanding when it came to the allocation of the global 'carbon budget'. Whilst developed nations pointed to India and China as currently emitting large proportions of the total amount of the world's carbon, many developing nations pointed to the historic emissions of the developed states over the past centuries that allowed for their economic growth. Consequently, developed states pushed for phasing out coal without addressing the needs of less developed states to provide jobs, resources, and human rights protections for their populations.

Coal was seen as an important source of jobs and economic development in many countries, notwithstanding evidence that renewables were already the cheapest source of new electricity in 90% of the world.

Without allowing for provision to compensate countries for potential losses in these areas and for social and environmental loss that had already taken place due to climate change, many developing states were not prepared to make the sacrifice requested. Not having had their needs met, many less developed states revolted and required a watering down of the language on phasing out coal. In other words, the crux of the disappointment with the COP 26 outcome was a just transition fail. This outcome further amplified the need for a just transition.

The Chair stated that it was clear from the stance taken by developed states that they had failed to commit to a just transition, either through a failure to understand the concept or a failure of political will. These states had an opportunity to establish funding packages that would compensate the less developed states for loss and damage from climate impacts caused by more developed states but did not do so. This outcome was a lesson for investors. Investors must consider the social impacts of any climate transition and confirm their support to a just transition. This was particularly the case now because their governments' COP 26 failure to support a just transition made reaching the Paris 1.5°C target that much more unlikely and made it much more likely that investor money spent in the interest of climate mitigation and adaptation without a genuine commitment to a just transition, would be wasted.

The Chair, was therefore, pleased that a number of Members were able to join the Policy and Development Working Group to hear from John Green, the Commercial Director of Fund Manager Ninety One, comment directly on this issue having just arrived back in South Africa from COP 26 and addressed the same concerns. For those who were unable to attend, owing to the very short notice, she advised that there was a short video presentation from Ninety One, the link for which would be circulated following the meeting. The Chair added that the Fund had also been contacted that week by a number of interested parties concerned about the LGPS's involvement as a whole with investments in Palestine. In the circumstances, it was thought important to give an update.

Professor Michael Lynk, who worked with the Office of the High Commissioner for Human Rights, whose title was "special rapporteur on the situation of human rights in the Palestinian Territory occupied since 1967", had requested that the Local Government Pension Scheme funds divest from any holding that may be linked to contested Israeli settlements. He said in a letter to all LGPS pension committee chairs, (albeit the Fund had not received it directly), the LGPS "can play a transformational role in demonstrating the ethical validity of a more robust approach to investing in conflict-affected areas, as well as in respecting international humanitarian and human rights law".

He then asked that LGPS funds conduct enhanced human rights due diligence for all companies listed on the Office of the High Commissioner for Human Rights (OHCHR) database and beyond that "*may be involved in the illegal Israeli settlement economy*" and then to divest from any of those holdings if those companies could not give assurances that they had removed themselves from that economy.

The Scheme Advisory Board, who had the statutory role to advise Department for Levelling Up, Housing and Communities (formerly MHCLG), which was responsible for the LGPS because it was a statutory scheme, had advised that they would discuss the letter at its meeting on 13 December and further advice was awaited.

The approach by Professor Lynk had been made possible by the government's defeat in the UK Supreme Court case: MHCLG against Palestine Solidarity Campaign, in June last year following a decision that lifted the government's ban on political investments by the LGPS. The question of LGPS investment in Israel was mired in controversy, and the government had previously stated it would introduce legislation reintroducing the ban on "local boycotts". Meanwhile, the Scheme Advisory Board advised that the Board would seek clarification with Professor Lynk on "a number of points in the letter".

The Chair explained that since the case law, the Fund had been working with the Local Authority Pension Fund Forum, which brought together 80 LGPS funds and adopted a formal position statement on companies operating in disputed Israeli settlements, which stated: “The Forum has engaged with companies operating in the Israeli settlements/occupied Palestinian territory prior to the UN report and Supreme Court ruling and prioritises engagement with companies in which LAPFF member funds collectively hold a high number of shares. “LAPFF will continue to engage with companies to promote acceptable human rights conduct and impact, not only in this region but globally. In respect of engagements with companies operating in the Israeli settlements/occupied Palestinian territory, the Forum is using the UN report as a point of reference for engagement.”

The Chair added that the Fund held 0.07% holdings in companies on the list through its passive investments, in common with the significant majority of the LGPS. None of the Fund’s active Fund Managers held any and further advice was awaited.

47. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

48. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 17 September 2021 were signed as a correct record.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 17 September 2021 were noted.

49. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

The Chair announced that there were no urgent items for consideration at this meeting.

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and

(ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

Items	Paragraphs	Justification
7, 8, 9, 10, 11, 12, 13, 14, 18, 19, 20, 21, 22, 23, 24	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10**	**Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the stakeholders and/or tax payers.**

50. LOCAL PENSIONS BOARD

The Chair of the Local Pensions Board, Councillor Fairfoull, reported that Local Board Members had

discussed the ongoing need to continue developing learning and understanding. Local Pension Board members must acquire appropriate "knowledge and understanding" of pension matters as per the Pensions Act 2004. It was important that both Panel and Board members alike maintained a good level of knowledge and strived to continue learning as the Fund and the wider pensions landscape evolved.

It was therefore pleasing to hear that GMPF had signed up to Hymans Robertson's LGPS Online Learning Academy ('LOLA'). LOLA consisted of a series of video presentations with supplemental learning materials and multiple-choice questions.

As at each meeting, the monitoring of late payment of contributions or late submissions of data from employers was reviewed. It was encouraging to hear that the timeliness of contribution payments from employers had generally been improved.

Reassuring updates were also provided from the Fund's pension administration team and the Board discussed the findings of recent internal audit reports and the current version of the Fund's risk register.

RECOMMENDED
That the Minutes of the proceedings of the Local Pensions Board held on 30 September 2021 be noted.

51. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 1 October 2021 were considered.

The Chair of the Working Group, Councillor Cooney, explained that the Fund's responsible investment advisor, PIRC, attended the meeting and presented the latest quarterly Northern LGPS Stewardship report, which would be discussed later on the agenda in the Responsible Investment update.

Avison Young also attended the meeting and gave an informative overview of the Property Venture Fund portfolio. There was a focus on the Manchester office market in light of the pandemic. The Sustainability Consultant also presented in detail on Climate Resilience.

RECOMMENDED
That the Minutes be received as a correct record.

52. ADMINISTRATION AND EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Administration and Employer Funding Viability Working Group held on 1 October 2021 were considered.

The Chair of the Working Group, Councillor M Smith, advised that Members had received a presentation from Prudential where they set out their recent performance in administering the AVC arrangements and how they intended to improve their service going forwards. The Working Group would continue to monitor Prudential's performance closely until it was back at a satisfactory level.

The issuing of Annual Benefit Statements for active members and how introducing monthly data collection from employers had helped GMPF meet the statutory deadline of 31 August was discussed.

GMPF's internal ill health insurance arrangement following its first year of operation was reviewed. Members were pleased to hear that the insurance scheme had been operating as intended and had

saved some participating employers from potentially catastrophic ill health early retirement strain costs. An example was given of an academy school that was saved from paying over £260,000 for a member's ill health early retirement. It was noted that in the 2020/21 financial year, ill health costs were higher than expected for most GMPF employers, but experience was lower than expected for 2021/22 to date.

As usual, the administration strategic service update and updates relating to member services, employer services, developments and technologies, and communication and engagement, were reviewed.

RECOMMENDED

(i) That the Minutes be received as a correct record;

(ii) In respect of the Administration Strategic Service, that approval be given to the changes made to the Data Management Strategy; and

(iii) In respect of Administration Developments and Technologies Update, that the Director of Pensions be supported in setting aside necessary budget for spending on cyber security support services which are to be procured as outlined in the report and associated appendices.

53. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 25 November 2021 were considered.

The Chair of the Working Group, Councillor Warrington, advised that as previously mentioned, Ninety One Asset Management attended the meeting and gave a training session on their approach to sustainability, decarbonisation and investing for the energy transition. Representatives of Ninety-One had recently attended COP26 to discuss the role of finance in the energy transition. Ninety-One stressed the importance of making real world reductions in carbon, rather than simply greening a portfolio. Given their South African heritage, they also stressed the importance of a just transition, and the need for significant investment in developing markets.

Representatives of both Ninety-One and Stone Harbor also presented on their respective performance since inception and in particular over the last 12 months. This gave Members and Advisors an opportunity to probe both managers' underlying process and philosophy. An update on the managers was included later in the agenda within the Performance Dashboard.

RECOMMENDED

That the Minutes be received as a correct record.

54. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

RECOMMENDED

That the Minutes of the proceedings of the Northern LGPS Joint Oversight Committee held on 8 July 2021 be noted.

55. RESPONSIBLE INVESTMENT UPDATE Q3 2021

The Assistant Director of Pensions Investments, submitted a report and delivered a presentation providing Members with an update on the Fund's responsible investment activity during Q3 2021.

It was explained that the Fund was a signatory to the Principles for Responsible Investment (PRI). As a signatory to the PRI, the Fund was required to report publicly its responsible investment activity through the PRI's 'Reporting Framework'.

Upon becoming a PRI signatory, the Fund committed to the following six principles:

1. We will incorporate ESG issues into investment analysis and decision making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles

A summary of the Fund's Responsible Investment activity for Q3 2021 against the six PRI principles was detailed in the report.

Details of GMPF's Responsible Investment partners and collaborations were appended to the report.

Discussion ensued in respect of the Fund's commitment to Responsible Investment, and in particular, with regard to employee wellbeing and the difficulties encountered in respect of common standards and the challenges of a global unified approach across the globe.

The Advisors sought further information in respect of voting statistics and engagement with companies on RI issues.

The Chair thanked the Assistant Director for the comprehensive and informative presentation, which detailed the action taken towards the goal to achieve a net zero carbon fund and demonstrated the Fund's approach to a Just Transition.

RECOMMENDED
That the content of the report be noted.

56. CEM COST BENCHMARKING

Consideration was given to a report of the Assistant Director of Pensions Investments and the Assistant Director of Pensions Administration, providing Members with an update on investment management cost benchmarking for the Fund over 2020/21. In addition, CEM provided a report analysing and benchmarking the Fund's administration costs and member services, an update on which was provided in the report. John Simmonds of CEM Benchmarking also delivered a presentation.

In respect of CEM Investment Cost Analysis, it was reported that GMPF had generated significant underlying savings in 2020/21.

CEM had also benchmarked GMPF's costs against a peer group of 17 relatively similar sized global funds (including LGPS funds and non-LGPS funds) and GMPF was lower cost than the benchmark.

With regard to GMPF CEM Administration costs and service score analysis 2020/21, it was reported that GMPF was a high service, low cost provider relative to its peers.

The key outcomes from the 2020/21 benchmarking were highlighted. GMPF's total cost per member was £17.01, being £10.27 lower than the adjusted peer average of £27.28. GMPF's service score was 65 out of 100, being 1 point above the peer median of 64.

The service score decreased slightly, mainly due to the challenges faced by the pandemic. CEM reported that they had seen the total member service score for some funds reduce by as much as 5 points this year. They also commented that GMPF's ability to switch so quickly to providing online member events from face to face ones demonstrated the team's ability to adapt quickly when faced

with challenges.

The Director of Pensions acknowledged difficulties experienced with IT/phone systems when staff transitioned from working in the office to working at home and how this had impacted the service. She added that this was an area of focus going forward.

Advisors commented on 'hidden costs' of managers and how this impacted the work of CEM in accurately evidencing the work undertaken on costs.

The Chair thanked Mr Simmonds for a very interesting presentation.

RECOMMENDED
That the content of the report and presentation be noted.

57. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

The Assistant Director of Pensions Investments submitted a report, which considered the Fund's Investment Management arrangements.

It was explained that the Investment Management arrangements of the Fund reflected a wide range of significant decisions concerning how the Fund chose to position itself in terms of the management of its assets. These significant decisions included, inter alia, a consideration of the choice of benchmark and the detail of any bespoke benchmark, and whether, for example, to adopt active versus passive management or specialist versus multi-asset management.

Elaine Torry of Hymans Robertson then presented before Members addressing three areas of focus in relation to

- Mix of active versus passive approaches;
- Approach to management of emerging market equities; and
- Approach to management of IG Corporate Bonds.

The presentation outlined a number of key points for consideration and it was explained that further reports and presentations would be made to future Panel meetings.

Detailed discussion ensued and Members and Advisors commented on the complexities of stock selection in respect of emerging markets. Mr Powers sought clarification on the outlook for corporate bond downgrades and requested that the Fund keep its options open with respect to the management of Investment Grade Corporate Bonds, in particular if the outlook for downgrades materially increased.

Members and Advisors further supported proposals outlined in respect of the approach to management of emerging market equities.

The Chair thanked Ms Torry for a very informative presentation.

RECOMMENDED
(i) That the content of the report and presentation be noted; and
(ii) That proposals in respect of the approach to management of emerging market equities, as detailed in the report and presentation, be supported.

58. PERFORMANCE DASHBOARD

Consideration was given to a report of the Assistant Director of Pensions Investments, providing high level, investment performance information, including the value of the Pension Fund Investment Portfolio, the performance of the Main Fund, and the over/under performance of the external Fund

Managers against benchmark.

The key information from the Quarter 3 2021 Performance Dashboard was summarised. It was explained that economic growth had been slowing as the positive impact of economies re-opening late last year faded, with short-term forecasts edging lower in recent months. However, the pace of growth in the major advanced economies was forecast to remain strong over the next couple of years. Unexpectedly high inflation in the third quarter meant that investors brought forward their expectations of interest-rate rises. As a result, major central banks had indicated rates might rise earlier than previously thought. Most commentators assumed the spread of the Delta variant would hinder but not derail recovery in the major advanced economies, as rising vaccination rates reduced the likelihood of stringent restrictions. Supply shortages and transport-related bottlenecks were extreme, and many of these issues appeared to be deteriorating, highlighting the risk that disruptions were not as transient as forecasters had assumed. Policy tightening and increased regulation within certain sectors in China led to stresses later in the period, with the country's largest real estate developer, Evergrande, defaulting on debt obligations.

In Q3 equity markets continued to perform positively; in fact, with the exception of Emerging Market equities, all equity asset classes had positive returns. Global equities gave up earlier gains in September reflecting a wide array of concerns, from worries over the pace of growth; current valuations; persistent inflationary pressures; to anxiety over a faster-than-expected move towards tightening by central banks against a robust, albeit deteriorating economic backdrop. A combination of strong growth and high inflation, even if it was temporary, had resulted in indications from central banks that rates would rise a little faster than previously thought and markets had adjusted accordingly. UK 10-year gilt yields rose, with steep rises coming in the wake of the Bank of England's September meeting. Having fallen earlier in the quarter on the back of easing economic momentum, equivalent US and German yields rose back to end-June levels in September on the prospect of fading monetary support. Corporate bonds delivered negative returns over the quarter due to rising yields. However, strengthening corporate finances continued to provide a strong fundamental backdrop for corporate bond markets: defaults and leverage levels were falling, interest coverage was rising, and liquidity wass plentiful. As a result, upgrades to credit ratings increasingly outweighed downgrades. Strong investment demand had absorbed a record pace of issuance in speculative-grade markets, allowing companies to refinance and extend debt maturities.

Over the quarter, total Main Fund assets increased by £779 million to £27.5 billion. With the exception of private equity, allocations to alternative assets, whilst increasing, remained below their long-term targets. Funding continued apace with allocations expected to increase further over the coming years.

Following the 2021/22 review of Investment Strategy, the current 'rules' governing the Public Equity allocation were re-couched in order to simplify the presentation of the current and future positions. In addition, further changes to the 'realistic' strategic allocations to alternatives were made in Q3 2021.

Within the Main Fund, there was an overweight position in equities (of around 4% versus target respectively). This was offset by underweight positions in bonds and alternatives. The property allocation continued to be underweight (by around 2%) versus its benchmark.

On a cumulative basis, over the period since September 1987, the Main Fund had outperformed the average LGPS, equating to over £3.7 billion of additional assets. The Main Fund outperformed its benchmark over Q3 2021. Relative performance over 1 year and 3 years was positive. The Main Fund was ahead of its benchmark over 5 and 10 years and performance since inception remained strong.

Over Q3 2021, 1 year active risk increased dramatically having already risen over recent quarters. Active risk remained elevated relative to recent history. This had resulted in a marked increase in active risk over 3 and 5 year periods. However, over longer time periods, active risk of the Main Fund remained broadly consistent at around 1%-1.5% pa. Risk in absolute terms (for both portfolio

and benchmark) having moderated somewhat in the first half of 2021 had increased further in Q3 2021. There was now greater uncertainty surrounding future inflation levels and the ongoing impact of the pandemic on economic output.

As at the end of Quarter 3; over a 1 year period, two of the Fund's active securities managers had outperformed their respective benchmarks whilst one manager was in-line with its benchmark and one manager underperformed its benchmark. Over a 3 year period, three managers had underperformed their respective benchmarks. The long-term performance of one manager remained strong. The performance history of the Factor Based Investing portfolio was extremely short, so at this very early stage no conclusions could be drawn with regard to performance.

RECOMMENDED
That the content of the report be noted.

59. 2022 ACTUARIAL VALUATION

Steven Law, Hymans Robertson, Actuary to the Fund, attended before Members and presented information in respect of the 31 March 2022 valuation process currently in progress for all LGPS funds in England and Wales.

Mr Law outlined changes and events since the last valuation in 2019. Draft outcomes were explored, including relatively stable contribution rates expected. Key topics for consideration were also discussed, including: climate/transition risks, consumer prices inflation and Covid impacts on long term mortality.

Mark Sharkey, also of Hymans Robertson, then presented the Club Vita Longevity update. The VitaCurves baseline model was explained including membership profiling, longevity trends and assumption setting. Monitoring of the long term risk was also discussed including drivers of uncertainty and it was explained that the long-term effect of COVID 19 would have much greater impact on the Fund than in 2020/21.

RESOLVED
That the content of the presentation be noted including the key factors potentially impacting the valuation outcomes.

60. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions providing an update on the current business plan and highlighted the current key risks being monitored.

Progress being made on the six key strategic projects set out in the 2021/22 business plan was detailed in the report. Overall, progress was generally in line with the timescales. All business plan tasks continued to be monitored and reviewed each month by the Director of Pensions.

In terms of risk management, Members were advised that the overarching risk register was reviewed and updated at least once each quarter and the latest version was appended to the report. Specific risks being monitored closely by officers were highlighted and included issues relating to assessing the impact of the McCloud changes; and cyber security work.

RECOMMENDED
(i) That the progress on the current key business plan tasks be noted; and
(ii) That the risk register and the controls in place to mitigate each risk be noted.

61. ADMINISTRATION UPDATE

The Assistant Director of Pensions Administration submitted a report providing an update on the following key items:

- Performance and engagement activities;
- Compliance activities;
- Key projects updates; and
- Award success.

RECOMMENDED
That the content of the report be noted.

62. LGPS UPDATE

Consideration was given to a report of the Director of Pensions providing the Panel with an update on the latest developments regarding the Local Government Pension Scheme, as follows:

- CPI Inflation Figure Confirmed
- New Departmental name and Minister
- LGPS Scheme Statistics
- Cost Control Mechanism
- McCloud Update
- MAPS Pension Dashboard update
- The Pensions Regulator

RECOMMENDED
That the content of the report be noted, including the potential impact and implications for the LGPS and GMPF.

63. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

LGE Annual Governance Conference – Bournemouth	**20-21 January 2022**
PLSA ESG Conference - virtual	**9 – 10 March 2022**
PLSA Investment Conference - Edinburgh	**25 – 26 May 2022**
PLSA Local Authority Conference - Gloucestershire	**13 – 15 June 2022**

64. DATES OF FUTURE MEETINGS

Management/Advisory Panel	**18 Mar 2022**
Local Pensions Board	**13 Jan 2022**
	7 April 2022
Policy and Development Working Group	**3 Mar 2022**
Investment Monitoring and ESG Working Group	**21 Jan 2022**
	8 April 2022
Administration and Employer Funding Viability Working Group	**21 Jan 2022**
	8 April 2022

CHAIR

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GREATER MANCHESTER PENSION FUND
MANAGEMENT PANEL

10 December 2021

Commenced:	**10.00am**	**Terminated:12.35pm**
Present:	**Councillor Warrington (Chair)** **Councillors: Andrews (Manchester), Cooney, Cunliffe (Wigan), Grimshaw (Bury), Hartigan (Bolton), Jabbar (Oldham), Joinson (Rochdale), Mitchell (Trafford), Patrick, T Sharif, M Smith, Taylor (Stockport), Ward, Wills and Ms Herbert** **Fund Observers:** **Mr Pantall**	
Apologies for Absence:	**Councillors Barnes (Salford), J Homer, Newton, Ricci and Councillor Ryan (Fund Observer)**	

Further to the decision of Tameside Metropolitan Borough Council (Meeting of 25 May 2021), to maintain Covid secure access to all Members of the GMPF Management and Advisory Panel, which has representatives from all Greater Manchester Districts and the Ministry of Justice, that all future meetings of the Panels remain virtual until further notice with any formal decisions arising from the published agenda being delegated to the Chair of the Panel taking into the account the prevailing view of the virtual meeting.

46. CHAIR'S OPENING REMARKS

The Chair began by welcoming everyone to the meeting including new Member, Councillor Stuart Hartigan representing Bolton MBC, replacing Councillor Samantha Connor, together with Scott Caplan and Gale Blackburn representing UNISON and replacing Pat McDonagh and Margaret Fulham. She further extended thanks and gratitude on behalf of the Fund and its members to the retired Members of Panel for their contribution to the success of the Fund.

The Chair further emphasised the importance of ensuring that ordinary people working in public sector jobs got to live out their retirement years with security and dignity; safeguarding the deferred pay, which were the pensions of public sector workers, whilst balancing the need to ensure that they were affordable and sustainable to the employers and taxpayers alike. She further stressed the importance of attendance at training provided, to ensure that Members had the appropriate skills and knowledge to be a trustee to manage almost £30 billion pounds in order to ensure that the pension promises could be met.

The Chair was pleased to announce that, in the 100th year of the Fund being a statutory scheme, the promise to all stakeholders to deliver and pay low cost pensions, was being met. She made reference to a report and presentation scheduled later on the agenda from CEM Benchmarking, who would report on the Fund's position globally.

The Chair was further pleased to announce that the Fund had won the Pension Fund Communication Award in the 14th Annual European Pensions Awards. The awards recognised pension providers that had set the professional standards in order to best serve European pension funds. She extended congratulations to everyone for this significant achievement. Additionally, the Fund was also shortlisted for Best Admin and Governance category in the IPE awards, which had been held the previous Friday. It was explained that the IPE Awards for the last 20 years had recognised the bar-raising achievements of all pension funds across Europe so whilst there was disappointment that the Fund did not receive another award, the recognition of excellence should not be underestimated.

The Fund had also been nominated for three awards in the 2022 Pensions Age Awards taking place on 23 February 2022 for the following categories:

- Defined Benefit Pension Scheme of the Year;
- Pension Scheme Communication Award; and
- Pensions Administration Award.

Furthermore, on the 30 November 2021, the 2021 RAAI Leaders List, the 30 Most Responsible Asset Allocators in the world, had selected Greater Manchester Pension Fund as an RAAI Finalist and would receive an award for scoring in the Top Quintile, or top 20% of asset allocators globally on responsible investing. The Fund was ranked 35th Most Responsible Investor in the World scoring 96 out of a potential 100.

By way of background, it was explained that the RAAI provided the only comprehensive index measuring the responsible investing practices of the world's largest investors. For the 2021 RAAI Index, developed in partnership with the Fletcher School at Tufts University, analysts reviewed 634 asset allocators from 98 countries with $36 trillion in assets, before rating and ranking the top 251 institutions and identifying the Leaders and Finalists (the Top Quintile) that set a global standard for leadership in responsible, sustainable investing. The Chair was pleased that the Fund's significant stewardship work had yet again been recognised in this way.

Reference was made to the Paris Agreement, which introduced a new concept into the climate lexicon of a just transition. The concept, roughly defined, was that the needs of workers, communities, and consumers should be considered during the transition to an economy that allowed limits to global warming to the Paris Agreement's 1.5°C target. As activist investors, the Fund had been stressing this for some considerable time with support from some of the partners the Fund and LAPFF had spent years working with and, in particular Professor Nick Robins Co Founder of Carbon Tracker and a leading light on how to mobilise finance for climate action in ways that supported a just transition, promoting the role of financial institutions in achieving sustainable development and investigating how the financial system could support the restoration of nature together with Mark Campanele the other Co founder of Carbon Tracker. The Chair was, therefore, pleased that a statement at COP 26 was issued in support of a just transition called - Just Transition Internationally - Green growth, decent work, and economic prosperity in the transition to net zero.

The Chair further explained that paragraph 36 of the original Glasgow Climate Pact, called upon Parties to accelerate the development, deployment and dissemination of technologies and the adoption of policies, to transition towards low-emission energy systems, including by rapidly scaling up the deployment of clean power generation and energy efficiency measures, including accelerating efforts towards the phase-out of unabated coal power and inefficient fossil fuel subsidies, recognizing the need for support towards a just transition.' The agreed version of the text referred to phasing down rather than phasing out coal.

Given what was now known about the ensuing discussions between developed and less developed states, it was not surprising that the original wording did not pass. There was a fundamental difference of understanding when it came to the allocation of the global 'carbon budget'. Whilst developed nations pointed to India and China as currently emitting large proportions of the total amount of the world's carbon, many developing nations pointed to the historic emissions of the developed states over the past centuries that allowed for their economic growth. Consequently, developed states pushed for phasing out coal without addressing the needs of less developed states to provide jobs, resources, and human rights protections for their populations.

Coal was seen as an important source of jobs and economic development in many countries, notwithstanding evidence that renewables were already the cheapest source of new electricity in 90% of the world.

Without allowing for provision to compensate countries for potential losses in these areas and for social and environmental loss that had already taken place due to climate change, many developing states were not prepared to make the sacrifice requested. Not having had their needs met, many less developed states revolted and required a watering down of the language on phasing out coal. In other words, the crux of the disappointment with the COP 26 outcome was a just transition fail. This outcome further amplified the need for a just transition.

The Chair stated that it was clear from the stance taken by developed states that they had failed to commit to a just transition, either through a failure to understand the concept or a failure of political will. These states had an opportunity to establish funding packages that would compensate the less developed states for loss and damage from climate impacts caused by more developed states but did not do so. This outcome was a lesson for investors. Investors must consider the social impacts of any climate transition and confirm their support to a just transition. This was particularly the case now because their governments' COP 26 failure to support a just transition made reaching the Paris 1.5°C target that much more unlikely and made it much more likely that investor money spent in the interest of climate mitigation and adaptation without a genuine commitment to a just transition, would be wasted.

The Chair, was therefore, pleased that a number of Members were able to join the Policy and Development Working Group to hear from John Green, the Commercial Director of Fund Manager Ninety One, comment directly on this issue having just arrived back in South Africa from COP 26 and addressed the same concerns. For those who were unable to attend, owing to the very short notice, she advised that there was a short video presentation from Ninety One, the link for which would be circulated following the meeting. The Chair added that the Fund had also been contacted that week by a number of interested parties concerned about the LGPS's involvement as a whole with investments in Palestine. In the circumstances, it was thought important to give an update.

Professor Michael Lynk, who worked with the Office of the High Commissioner for Human Rights, whose title was "special rapporteur on the situation of human rights in the Palestinian Territory occupied since 1967", had requested that the Local Government Pension Scheme funds divest from any holding that may be linked to contested Israeli settlements. He said in a letter to all LGPS pension committee chairs, (albeit the Fund had not received it directly), the LGPS "can play a transformational role in demonstrating the ethical validity of a more robust approach to investing in conflict-affected areas, as well as in respecting international humanitarian and human rights law".

He then asked that LGPS funds conduct enhanced human rights due diligence for all companies listed on the Office of the High Commissioner for Human Rights (OHCHR) database and beyond that "*may be involved in the illegal Israeli settlement economy*" and then to divest from any of those holdings if those companies could not give assurances that they had removed themselves from that economy.

The Scheme Advisory Board, who had the statutory role to advise Department for Levelling Up, Housing and Communities (formerly MHCLG), which was responsible for the LGPS because it was a statutory scheme, had advised that they would discuss the letter at its meeting on 13 December and further advice was awaited.

The approach by Professor Lynk had been made possible by the government's defeat in the UK Supreme Court case: MHCLG against Palestine Solidarity Campaign, in June last year following a decision that lifted the government's ban on political investments by the LGPS. The question of LGPS investment in Israel was mired in controversy, and the government had previously stated it would introduce legislation reintroducing the ban on "local boycotts". Meanwhile, the Scheme Advisory Board advised that the Board would seek clarification with Professor Lynk on "a number of points in the letter".

The Chair explained that, since the case law, the Fund had been working with the Local Authority Pension Fund Forum, which brought together 80 LGPS funds and adopted a formal position

statement on companies operating in disputed Israeli settlements, which stated: “The Forum has engaged with companies operating in the Israeli settlements/occupied Palestinian territory prior to the UN report and Supreme Court ruling and prioritises engagement with companies in which LAPFF member funds collectively hold a high number of shares. “LAPFF will continue to engage with companies to promote acceptable human rights conduct and impact, not only in this region but globally. In respect of engagements with companies operating in the Israeli settlements/occupied Palestinian territory, the Forum is using the UN report as a point of reference for engagement.”

The Chair added that the Fund held 0.07% holdings in companies on the list through its passive investments, in common with the significant majority of the LGPS. None of the Fund’s active Fund Managers held any and further advice was awaited.

47. DECLARATIONS OF INTEREST

There were no new declarations of interest submitted by Members.

48. MINUTES

The Minutes of the proceedings of the meeting of the Pension Fund Advisory Panel held on 17 September 2021 were noted.

The Minutes of the proceedings of the meeting of the Pension Fund Management Panel held on 17 September 2021 were signed as a correct record.

49. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

(a) Urgent Items

The Chair announced that there were no urgent items for consideration at this meeting.

(b) Exempt Items

RESOLVED
That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

(i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and

(ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

Items	Paragraphs	Justification
7, 8, 9, 10, 11, 12, 13, 14, 18, 19, 20, 21, 22, 23, 24	**3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10, 3&10**	**Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.**

50. LOCAL PENSIONS BOARD

The Minutes of the proceedings of the meeting of the Local Pensions Board held on 30 September 2021 were considered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

51. INVESTMENT MONITORING AND ESG WORKING GROUP

The Minutes of the proceedings of the meeting of the Investment Monitoring and ESG Working Group held on 1 October 2021 were considered

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

52. ADMINISTRATION AND EMPLOYER FUNDING VIABILITY WORKING GROUP

The Minutes of the proceedings of the meeting of the Administration and Employer Funding Viability Working Group held on 1 October were considered

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

53. POLICY AND DEVELOPMENT WORKING GROUP

The Minutes of the proceedings of the meeting of the Policy and Development Working Group held on 25 November 2021 were considered

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

54. NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

The Minutes of the proceedings of the meeting of the Northern LGPS Joint Oversight Committee held on 8 July 2021 were noted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

55. RESPONSIBLE INVESTMENT UPDATE Q3 2021

A report and presentation of the Assistant Director of Pensions Investments, was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

56. CEM COST BENCHMARKING

A report of the Assistant Director of Pensions Investments and the Assistant Director of Pensions Administration was submitted and a presentation from John Simmonds of CEM Benchmarking was delivered.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

57. REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

A report of the Assistant Director of Pensions Investments was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

58. PERFORMANCE DASHBOARD

A report of the Assistant Director of Pensions Investments was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

59. 2022 ACTUARIAL VALUATION

A presentation by Steven Law and Mark Sharkey, Hymans Robertson, was delivered.

RESOVLED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted

60. BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

A report of the Director of Pensions was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

61. ADMINISTRATION UPDATE

A report of the Assistant Director of Pensions Administration was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

62. LGPS UPDATE

A report of the Director of Pensions was submitted.

RESOLVED
That the recommendations of the Pension Fund Advisory Panel on this matter be adopted.

63. FUTURE DEVELOPMENT OPPORTUNITIES

Trustee development opportunities were noted as follows:

LGE Annual Governance Conference – Bournemouth	**20-21 January 2022**
PLSA ESG Conference - virtual	**9 – 10 March 2022**
PLSA Investment Conference - Edinburgh	**25 – 26 May 2022**
PLSA Local Authority Conference - Gloucestershire	**13 – 15 June 2022**

64. DATES OF FUTURE MEETINGS

Management/Advisory Panel	**18 Mar 2022**
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CHAIR

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GREATER MANCHESTER PENSION FUND - LOCAL PENSIONS BOARD

13 January 2022

Commenced: 15:00 **Terminated: 16:16**

Present:	**Councillor Fairfoull**	**Employer Representative**
	Jack Naylor	**Employer Representative**
	Paul Taylor	**Employer Representative**
	Michael Cullen	**Employer Representative**
	Mark Rayner	**Employee Representative**
	Catherine Lloyd	**Employee Representative**
	David Schofield	**Employee Representative**
	Pat Catterall	**Employee Representative**

Apologies for Absence **Chris Goodwin and Jayne Hammond**

25 DECLARATIONS OF INTEREST

There were no declarations of interest.

26 MINUTES

The minutes of the Local Pensions Board meeting on the 29 July 2021 were approved as a correct record.

27 ADMINISTRATION UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration. The report provided the Local board with an update on key activities taking place in the Administration section during the last quarter, including comments on administration performance and on complaints and disputes. The report also detailed the areas of focus for the next quarter.

It was reported that the following four GMPF key strategy business planning projects were relevant to the Administration section:

1. My Pension online improvements
2. Working differently
3. IT infrastructure, Disaster Recovery arrangements and cyber security
4. Ensuring good governance

It was reported that Business continuity plans and the approach being taken to manage the impact of the Coronavirus outbreak on service delivery remains largely unchanged. Overall, administration workflow and performance remain consistent. The administration performance dashboard for quarter 2, July to September 2021, was attached the report at Appendix 1. Although the effects of the pandemic continued to have an impact on workloads, many areas were now experiencing much less volatility and teams were regularly maintaining casework turnaround times. Targets were still being maintained in some areas using overtime and by redistributing resource to the teams processing priority tasks, but this was expected to come to an end shortly.

It was stated that all incoming post was now being dealt with by our print provider, who was also printing and posting more individual letters on our behalf, reducing the need for colleagues to attend Guardsman Tony Downes House, and providing further resilience.

In regards to Member services, issuing annual pension savings statements to members had been

the main task during the last quarter. Statements must be sent to those members who exceeded or are close to exceeding the annual allowance tax limits. Over 500 statements were issued by the statutory deadline. As in previous years, GMPF offered members and employers the opportunity to attend a webinar and one-to-one guidance session..

Members were reminded that a project to review pension overpayments and the recovery process of these was underway. Various aspects of work on this project had been undertaken this quarter. Statistics had been collated regarding the level of outstanding debt and debt recovery periods to assess the effectiveness of the current debt recovery procedures. On completion of the analysis, the intention was to submit a report to the Administration Working Group with several proposals to make further improvements to the processes.

It was stated that in 2021, 2277 checks were made to ensure that members who lived overseas were still alive and receiving their pension correctly, to ensure no fraudulent activity was taking place. These checks led to the Fund becoming aware of 34 deaths. Around 650 members opted e to complete the checks using either the app or video call option. Further work relating to address tracing has also continued, with reminder letters being sent to over 4,000 members. A project plan for actions to try to trace the remaining members would be drawn up in the new year and an update on progress will be provided at the next meeting.

The Local Pensions Board were advised that new pension transfer regulations were issued and came into force on 30 November 2021. A review of the relevant communications issued to members and the content on the GMPF website was carried out and updates were made by 30 November 2021.

In regards to employer performance, it was reported that the team had also been reviewing the area of employer performance and had devised a draft employer 'Year in Review' document. The intention was to provide employers with a report each April highlighting how well the Fund thought they were meeting or exceeding their employer responsibilities based on several key indicators. Draft reports based on data for 2020/21 had been issued to the ten local authorities for initial feedback and work was underway to produce these reports for 2021/22 for the ten local authorities and potentially several other employers. The aim was to build on the content of the report and widen the distribution to all employers in future years.

It was stated that work on the project to replace and renew both the IT hardware and software infrastructure of GMPF continued and an update on progress was provided.

Work on the area of cyber security also continued including work to procure cyber support services alongside work linked to several actions identified from the recent cyber security audit.

The Board were advised that work in the Communications and Engagements section had focused on implementing the new contact centre system, which went live in July 2021. Since then, training and system configuration work had been carried out to deploy new functionality and the new options available. This work had led to some changes to the initial configuration being made to enable better statistics to be produced. The next development would be integrating emails within the system and testing on this had already begun.

The report set out the four key areas of focus for the upcoming months:

- Working differently – Engagement sessions were due to take place and new plans would need to be made to move forward from the current business continuity arrangements.
- McCloud – A significant amount of engagement would be taking place with the software supplier, LGA and MHCLG to ensure the correct steps are taken at the right time.
- IT and Microsoft 365 projects – The SharePoint migration work would continue, alongside work to embed and develop the new telephony functionality.
- Cyber security – Work to ensure our procedures align with industry best practice would also continue.

RESOLVED
That the information provided in the report be noted.

28 CEM ADMINISTRATION BENCHMARKING

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration. The report provided the Local Board with information about CEM's administration benchmarking process and the key outcomes for GMPF from the latest exercise completed for 2020/21. It also highlighted the current plans to ensure that more elements of GMPF's service levels can be measured in future.

The Local Pensions Board were reminded that for many years, GMPF used CIPFA benchmarking services to benchmark its administration costs against other LGPS pension funds. However, since 2010, the number of funds participating in the CIPFA process had continued to drop year on year with only around 20 funds participating in 2019/20. Therefore, little value was being gained from taking part. Subsequently, in 2019 many of the larger LGPS funds signed up to use CEM benchmarking instead, including GMPF.

There were two main benefits to using CEM compared to the CIPFA service. The first was that the CEM process enabled GMPF to benchmark itself against other non-LGPS UK pension funds that were of a similar size. The second was that CEM benchmarks service alongside cost enabling a 'value for money' assessment to be made.

It was stated that there were caveats to consider when assessing the outcomes. It was very difficult to be sure like-for-like data was collected across all areas and there would inevitably be differences in interpretation of the questions when funds completed the benchmarking questionnaires. As all staffing structures were different, it could be difficult to know if the same stages in processes were being measured. Separating out governance and project costs was challenging, and because the questions aimed to cover all CEM clients, some just do not apply to or 'fit' with the LGPS or the way it was run. Additionally, it was not particularly easy to see the direction of improvement from the summary analysis, because everyone was improving each year and because many improvements took time to be realised in the data, relative position amongst the group tends to stay the same or be similar over the short term.

The Assistant Director for Pensions Administration stated that GMPF's peer group comprised of 14 pension scheme whose membership ranged between 90,000 and 607,000 members. Nine LGPS pension funds supplied data and were part of this peer group.

The key outcomes from the 2020/21 benchmarking were highlighted to the Working Group. GMPF's total cost per member was £17.01, being £10.27 lower than the adjusted peer average of £27.28. GMPF's service score was 65 out of 100, being 1 point above the peer median of 64. The total cost per member was slightly higher than last year (by 9p) and the service score was 1 point lower. The increase in administration costs was mainly due to an increase in average pay.

The service score decreased slightly, mainly due to the challenges faced by the pandemic. CEM reported that they had seen the total member service score for some funds reduce by as much as 5 points this year. They also commented that GMPF's ability to switch so quickly to providing online member events from face to face ones demonstrated the team's ability to adapt quickly when faced with challenges.

The Board were advised of future items that might impact on next year's outcomes. It was likely that outcomes for 2021/22 would be very similar to 2020/21. Regarding service levels, a new contact centre had already been implemented and this would facilitate a better service score for several aspects of customer service going forward. However, due to the pandemic, GMPF's offices were still closed for face to face visits, and so the service score for this aspect was unlikely to remain unchanged. Many of the other aspects of service delivery remain unchanged.

RESOLVED
That information provided in the report be noted.

29 THE PENSIONS REGULATOR (TPR)

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director Pensions Administration. The report provided the Local Pensions Board with a copy of the current breaches log and decisions made by the Scheme Manager regarding the reporting of these breaches, including details of any late payment of contributions. The report also provided an update on TPR's proposed Single code of Practice.

The Assistant Director for Funding and Business Development reported that in regards to the TPR's Single Code of Practice the TPR did not have a firm final publication date for the new code. However, it did not expect to lay the new code in Parliament before spring 2022 and it was, therefore, unlikely to become effective before summer 2022. Given the expected delay in implementation, GMPF would seek to assess itself against the draft code of practice and would report back to the Board on progress at future meetings.

The Board were advised that attached at Appendix 3 were details of expected contribution payments (with matching remittance information) which had not been received by GMPF by the 19th of the month following the month to which they related (for example 19 November for October contributions) for August, September and October 2021. Further, attached to the report at Appendix 4 was further analysis on the contribution payments received in respect of the August to October 2021 period, specifically detailing the number of employers making payments (and the amount of contribution payments received) in accordance with GMPF's deadline of the first day of the following month.

RESOLVED
That the report be noted.

30 SUMMARY OF GMPF DECISION MAKING

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report summarised the recommendations made by the GMPF Working Groups over the period from October 2021 to November 2021, which were approved at the Management Panel meeting on the 10 December 2021. The report also summarised the decisions made by the Management Panel at the same meeting.

RESOLVED
That the report be noted.

31 POOLING UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report provided an update on the activities of the Northern LGPS Pool and relevant national pooling developments.

The Board was reminded that in 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. The draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance has 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting. It was explained that Government was yet to publish a response to the consultation and the 2015 guidance therefore remained in force.

The report set out the progress of the main ongoing work streams for the Northern LGPS.

It was reported that DLUHC issued its annual request for a further progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2021 and an estimate of costs savings achieved and those expected in future. The Northern LGPS subsequently submitted its annual progress report on 22 September 2021. Appendix 1a and 1b attached to the report detailed the transition costs and projected savings of the Northern LGPS. Northern LGPS' cost savings for 2020/21 were slightly higher than the future projections made last year and the estimated figures provided at the previous Board meeting.

RESOLVED
That the report be noted.

32 BUSINESS PLANNING, BUDGET AND RISK MANAGEMENT

Consideration was given to a report of the Director of Pensions, which provided details of the current business plan and highlighted the current key risks being monitored.

The Director of Pensions detailed the six key projects set out in the 2021/22 business plan. It was highlighted that Key Project 3 – IT infrastructure, DR arrangements and cyber security had a status of "minor lag". It was reported that the migration of files to Microsoft SharePoint continued to progress well and was on track for completion next year. Some minor issues with reporting were encountered with the new contact centre system but these had now been remedied and work was underway to discover and analyse the management information that was now available. Testing was also underway to redirect written enquiries from the website through the system.

Work on cyber security also continues. The first stage of a market testing exercise to potentially procure specialist cyber security support has been undertaken. However, this had highlighted some further work that needs to be done before procurement can begin, therefore leading to a minor lag status.

The overarching risk register was reviewed and updated at least once each quarter and the latest version was included attached to the report at Appendix 1. It was explained that Specific risks that had been monitored closely by officers this quarter and to note relate to the following:

- Risk 9 – Assessing the impact of the McCloud changes. MHCLG had confirmed that its consultation response on the anticipated changes due to the McCloud judgement was now unlikely to be issued before February 2022. The LGA had also highlighted that they believe the scope of those affected may be widened to match that agreed by the unfunded public sector pension schemes. The lack of certainty continued to cause issues for funds and their software suppliers and further reduced the timeframes that all parties originally set out to work to.
- Risk 19 – Cyber security work. The risks relating to cyber security were greater than ever and work continued ensuring existing controls were still working and on putting new controls in place wherever possible.

RESOLVED
That the progress on the key business plan tasks be noted.

33 2022 ACTUARIAL VALUATION

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report summarised some of the main issues to consider going into the 2022 valuation, including the recent procurement exercise to appoint a fund actuary and benefit consultant. Further, the report considered the Government Actuary's recently unveiled Section 13 report in respect of the previous 2019 actuarial valuation of the LGPS in England and

Wales.

Members of the Board were advised that the actuarial valuation process would determine the funding position of GMPF at 31 March 2022 and contribution rates for each participating employer from 1 April 2023. All LGPS funds in England and Wales were undertaking actuarial valuations at this time.

It was explained that GMPF's previous contract for actuarial services and benefit consultancy services was due to end on 31 December 2021. As a result, a re-tender of these services was undertaken in autumn of 2021 via the National LGPS Frameworks. Hymans Robertson would be reappointed with effect from 1 January 2022 to conduct actuarial and benefit consultancy services for the Administering Authority until 31 December 2030 (although there is the ability for Tameside MBC to exit the contract at relatively short notice at any point).

Confirmation of the Fund's Actuary allowed GMPF to start considering the key strategic issues, which could arise at the 31 March 2022 actuarial valuation. The aims of this report were to provide the Board with a summary of the key issues, which were likely to impact the actuarial valuation.

It was stated that Hymans Robertson presented their initial thoughts on the 2022 valuation at the December Management Panel meeting. The presentation slides were attached as Appendix 1. It was explained that whilst market conditions could change considerably prior to the valuation date and actuarial assumptions were yet to be formally considered by the Management Panel, at a whole fund level, the early indication was that GMPF would emerge from the 2022 valuation with a similar funding level compared to 31 March 2019. GMPF's investment returns were likely to have exceeded the assumption made at the 2019 valuation, but a fall in real interest rates and an increase in future expected inflation was likely to increase the present value of the Fund's liabilities, offsetting much of the asset gains. One significant area of uncertainty was the long-term impact of the Covid-19 pandemic on future life expectancy.

As part of the 2022 valuation GMPF would need to update its Funding Strategy Statement ('FSS') and consult on this with employers. The updating of the FSS would give consideration to prominent issues such as how GMPF administers Multi Academy Trusts' ('MATs') liabilities and arrangements for funding ill-health retirement strain costs. The consultation on the FSS was expected to take place following the July 2022 Management Panel meeting with preliminary results being notified to employers from September 2022 onwards. The valuation process was required to be completed via the production of the valuation report and a 'rates and adjustment certificate', which set out all employers' contribution rates by 31 March 2023.

The Board were advised that the introduction of 'Employer Flexibilities' into the LGPS during 2020 and 2021 could lead more employers to request further detail on their valuation results and more employers could seek to explore what options could be available to them in order to cease accruing further benefits. This had the potential to increase GMPF resourcing requirements compared to previous valuations.

It was stated that following completion of the 2019 actuarial valuation, five of the GM Local Authorities made advance payment of three years' employer contributions and two others had made annual advance payments. The timing of these payments appeared to have been relatively favourable and these authorities should benefit from a slightly improved funding position at the 2022 actuarial valuation as a result.

RESOLVED
That the report be noted.

34 PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT SERVICES 10 SEPTEMBER 2021 TO 17 DECEMBER 2021

Consideration was given to a report of the Head of Risk Management and Audit Services. The report summarised the work of the Risk Management and Audit Service for the period 10

September 2021 to 17 December 2021.

The progress report showing the actual days spent against the planned days for 2021/22 was discussed. The audit service had spent 235 days against the 300 planned days up to 17 December 2021.

It was stated that four final reports were issued during the period, two of which were by the Salford Computer Audit Team. The reports were reviews of Stone Harbor, Greater Manchester Property Venture Fund, Cyber Security and MyPension.

The Board were advised of two Post Audit Reviews on Information Governance and GDPR and Transfers from the Local Pension Scheme (LGPS to Defined Contribution Schemes.

RESOLVED
That the report be noted.

35 URGENT ITEMS

There were no urgent items.

CHAIR

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GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

21 January 2022

Commenced: 09:00 **Terminated:** 10:21

Present: Councillors Cooney (Chair), Jabbar, Joinson, Mitchell, Ricci, Smith Taylor and Ward,

Mr Llewellyn, Mr Drury and Mr Caplan

Fund Observer Councillor Pantall

In Attendance:

Sandra Stewart	Director of Pensions
Tom Harrington	Assistant Director of Investments
Neil Cooper	Head of Pension Investment (Private Markets)
Lorraine Peart	Investment Officer
Abdul Bashir	Investments Manager (Public Markets)
Michael Ashworth	Senior Investments Manager
Richard Thomas	Investment Manager (Private Markets)
Mushfiqur Rahman	Investments Manager (Public Markets)
Alex Jones	Investment Officer (Local Investments)
Alan MacDougall	PIRC
Janice Hayward	PIRC

Apologies for Absence: Councillors Andrews, Barnes, Hartigan, Homer and Newton
Mr Flatley
Fund Observer Councillor Ryan

14. DECLARATIONS OF INTEREST

There were no declarations of interest.

15. MINUTES

The minutes of the Investment Monitoring and ESG Working Group meeting on the 1 October 2021 were approved as a correct record.

16. LEGAL & GENERAL ESG REVIEW

Consideration was given to a presentation of James Sparshott and Jeannette Andrews of Legal & General to report on Environmental, Social and Governance activity in the last 12 months including an update on pooled fund split voting.

The Senior Global ESG Manager for Legal & General set out the approach to investment stewardship. It was explained that stewardship played a critical role in responsible investing at LGIM and its goal towards inclusive capitalism. Active engagement was at the centre of the approach and the messaging from across the company was consistent with the core ESG themes.

It was explained that there was intentional engagement with clear consequences, including timelines, achievable targets and structured escalations. Through this it was believed that LGIM would be able to raise market standards across the world. It was stated that LGIM used their votes and did not abstain, collaborated with others and filed shareholder resolutions.

The Working Group was presented with how LGIM escalated issues:

1. Public pressure, in 2020 LGIM named 10 companies as part of the Climate impact pledge;
2. Engage regulator, in 2020 LGIM engaged with policy makers around the world on more than 30 topics;
3. Capital allocation, in 2020 LGIM's Future World fund range AUM passed £5bn.

In regards to determining voting policies, there was a robust annual review process. This included reviewing written and custom voting policies and assessing against the changing market best practice. It was stated that LGIM proactively reach out to clients, this included via the Annual Client and Stakeholder Roundtable, the 2020 virtual stakeholder event attended by 37 clients and stakeholders. LGIM used their Tumelo platform to receive member feedback. Feedback was actively sought during the policy review process.

The Working Group was presented with the structure of the Investment Stewardship Team. The Senior Global ESG Manager highlighted key positions within the structure, it was stated that Kurt Morriesen was the new Head of Stewardship, Members were also advised of a number of new roles in the structure, which showed Legal and General's commitment to Stewardship.

The key themes that LGIM were focusing on were detailed in the presentation. It was highlighted that in regards to Health, there had been a focus on nutrition and access to the Covid-19 vaccine. There had been concerns over the pricing mechanism with some of the vaccine providers outside of their home markets. Due to this LGIM had been engaging with some of the largest vaccine producers in the world. This resulted in a shareholder resolution being filed at Moderna.

Another key theme was Transparency, it was stated that LGIM had engaged with ESG score laggard companies in 2019 and 2021 about the importance of ESG disclosures and verifying information third party data vendors had on them. Further, LGIM engaged with regulators by responding to key public consultations including the EU Non-Financial Reporting Directive.

Climate change was the key focus of the team, it was stated that LGIM was at the forefront of climate leadership. The presentation detailed how LGIM was leading by example, L&G Group and LGIM had committed to net-zero emissions by 2050 and were longstanding investors in renewable energy, sustainable cities and disruptive technologies. The Working Group was presented with LGIM's Climate Impact Pledge 2.0. It was stated that sought to increase the coverage from 80 companies to 1000 with more 'climate-critical' sectors. This would include enhanced engagement driven by data driven monitoring of companies leading to voting sanctions and in-depth engagement with key companies around the net zero challenge.

Members of the Working Group discussed the emphasis on health and the importance of focusing on poor air quality such as in Greater Manchester. In addition Members enquired on the engagement with governments whose countries relied heavily on coal, the Senior Global ESG Manager explained that LGIM engaged with companies in those countries on the climate impact pledge. Further, since COP some of those countries had signalled to the markets how they planned to transition. The Working Group also discussed the need for split voting and requested an update on this from LGIM to a future meeting.

RECOMMENDED
That the presentation be noted.

17. RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a presenation of representatives of PIRC.

It was highlighted that there had been a lot of pressure for split voting, this was on the basis that there was a growing demand for accountability of asset managers in the way they were voting in pooled investments. It was explained that the Pensions Minister set up a Taskforce on Pension Scheme Voting Implementation. This was a review of the Split Fund voting for pension funds, which explored the possibilities and the pitfalls for reform in this contentious area.

The Task Force sought to help drive solutions to voting system issues and with specific reference to addressing present obstacles, and to increase the number of asset managers who were prepared to engage with their clients' voting preferences. In addition to recommend regulatory and non-regulatory measures to ensure the convergence of asset managers' approaches to voting policy and execution with trustees' policies.

Members of the Working Group were presented with the Task Force Actions, Learnings from the Survey, and details of the 24 recommendations.

It was reported that the Department for Work and Pensions had agreed many of the recommendations linked to them and was consulting. In addition, the FCA had said that expression of wish was allowed, moreover, Blackrock had said it would allow clients in some pooled funds to split their vote.

RECOMMENDED
That the presentation be noted.

18. URGENT ITEMS

There were no urgent items.

CHAIR

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GREATER MANCHESTER PENSION FUND - ADMINISTRATION, EMPLOYER FUNDING AND VIABILITY WORKING GROUP

21 January 2022

Commenced: 11:00 **Terminated:** 12:34

Present: Councillors M Smith (Chair), Cooney, Cunliffe Grimshaw, Jabbar, Joinson, Hartigan, Patrick, Sharif, Ricci, Wills, and Mitchell,

Mr Llewellyn, Mr Drury and Ms Blackburn

In Attendance:

Sandra Stewart	Director of Pensions
Euan Miller	Assistant Director of Pensions (Funding and Business Development)
Paddy Dowdall	Assistant Director of Pensions (Local Investments and Property)
Emma Mayall	Assistant Director of Pensions (Pensions Administration)
Victoria Plackett	Head of Pensions Administration
Georgia Ryan	Strategic Lead (Administration)
Mark Flannagan	Customer Services Section Manager
Matthew Simensky	Employer Services Section Manager
Jane Wood	Member Services Strategic Lead

Apologies for Absence: Councillor Andrews

Mr Flatley and Mr Caplan

Fund Observers: Mr Pantall & Councillor Ryan

24 DECLARATIONS OF INTEREST

There were no declarations of interest.

25 MINUTES

The minutes of the meeting of the Administration, Employer Funding and Viability Working Group on the 1 October 2021 were approved as a correct record.

26 ADMINISTRATION STRATEGIC SERVICE UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development / Assistant Director for Administration. The report provided an update on administration projects and areas of work being undertaken across the Administration, Funding and Accountancy teams.

Members were advised of the key strategy business plan projects for the Administration, Funding and Accountancy teams were:

1. My Pension online improvements
2. Working differently
3. IT infrastructure, DR arrangements and cyber security
4. Ensuring good governance

It was reported that changes to how post and printing was managed continued to be progressed and was helping to strengthen further our business continuity plans. All incoming post was now

being processed by GMPF's print provider along with a series of letters that previously could only be printed in house. Further, the transition to using My Pension online for all key processes also continued, and officers were working to change the deferred into payment process so that newly available My Pension system functionality could be adopted.

Overall, administration workflow and performance remained consistent. The administration performance dashboard for quarter 2, July to September 2021, was attached to the report at Appendix 1.

Member events continued to be well received, 16 online member events were held in quarter 2 with 654 members attending. The events programme included LGPS overview presentations, pre-retirement presentations and sessions for members with benefits on hold. Four employer events were also held on the topics of ill health, employer discretions and pensionable pay, with 40 employer representatives attending one or more sessions.

A key annual task undertaken in quarter 3 was that of calculating and producing pension saving statements for those members who exceed or are close to exceeding the annual allowance tax limits. This work progressed well, and all statements were issued by the statutory deadline of 6 October. GMPF had offered members and employers the opportunity to attend a webinar and a one-to-one guidance session provided by a financial advisor. Three webinars were held, with 213 places being booked by members or employers. Over 90 GMPF members booked a guidance session to discuss the impact of annual allowance tax limits.

It was stated that the accounts for 2020/21 had been produced and the annual report is in the process of being finalised.

Senior Officers continued to meet each month to review employer performance in line with the Pensions Regulators expectations. The timeliness of employer contribution payments and the submission of accurate monthly data returns were the main areas of focus.

In regards to preparations for McCloud, work carried out by officers this quarter on McCloud had been focussed on assessing the impact on software and the team had been working with our software supplier, Aquila Heywood, on the system changes needed. The first set of software amendments were delivered in the latest Altair release. Work had also continued on the challenge of obtaining missing data from employers.

It was stated that Officers have continued to attend Programme Dashboard Programme meetings over the quarter. GMPF's software supplier, Heywood Pension Technologies, was now beginning to undertake some basic testing of system connectivity before a full programme of testing begins.

RECOMMENDED
That the report be noted.

27 ADMINISTRATION MEMBER SERVICES UPDATE

Consideration was given to a report of the Director of Pensions / Head of Pension Administration. The report provided the Working Group with a summary of the work and projects being carried out by the Member Services section of Pension Administration.

It was reported that Pension Savings Statements for those members who had either exceeded or were close to exceeding the annual allowance tax limits were produced and distributed by the statutory deadline of 6 October. Since then, teams across the Member Services section had been supporting these members with any queries they have had. The Working Group were advised that members should submit any scheme pays request they wish to make to GMPF by 31 January 2022.

The project to move processes online continued, with the process for those members who wished to draw their benefits on hold being prepared for moving online. These members would be able to

obtain an estimate of their benefits using an online calculator and then request payment of their benefits directly through My Pension. This would bring efficiencies by removing the need to send an offer of the member's benefits by post prior to payment.

The work to trace members who had lost touch with GMPF continued. Members where no response was received from the initial address tracing exercise had all been written to again.

It was stated that the review of the pension overpayment recovery process had continued over the quarter. Analysis of previous debt raised and recovered had been completed and a set of principles to be applied going forward was being drafted. An analysis of all outstanding member related debt could be found attached to the report at Appendix 1.

Attached to the report at Appendix 2 was information on the survey responses received for the bereavements first stage process, retirement offers, deferred benefit offers and deferred refund processes for the period. Overall, feedback continued to be positive, with members generally indicating that the service provided is good.

It was reported that the new solution for dealing with incoming post was successfully tested and implemented in November 2021. The process was going well with efficiencies being made on teams and the requirement for people needed in the office being reduced. Any issues identified had been resolved quickly with GMPF's provider and Royal Mail.

Work on the member existence check exercise had continued this quarter; the exercise for 2021/22 was almost complete. Notification was received for 34 members confirming they were deceased. Of these, 19 had no overpayment as the pension ceased before the next payment was made. There were 15 pensions that were overpaid, and the Bereavements team has raised an invoice to the personal representative for these cases.

RECOMMENDED
That the report be noted.

28 ADMINISTRATION EMPLOYER SERVICES UPDATE

Consideration was given to a report of the Director of Pensions / Head of Pension Administration. The report provided the Working Group with a summary of the work and projects being carried out by the Employer Services area of Pension Administration.

It was stated that there continued to be a significant number of employers applying to join GMPF with 106 applications being progressed. A further 33 enquiries had also been made by employers considering applying for admission. A list of all applications ongoing and those applications agreed or closed over the last quarter was attached at Appendix 1.

The Employer Data team had been focusing on supporting employers to submit their monthly data returns expediently. The table at section 1 of appendix 2 confirmed the performance of the ten local authority employers with regards to submission of their monthly data returns since April 2021. The GMPF team has continued to work with one of the local authorities to support them in getting up to date with their monthly data submissions. Another local authority has also fallen behind due to the introduction of a new payroll system. The GMPF team is working with this employer to support them with submitting all late files by the end of January 2022.

Employer performance data of the GMPF's larger employers for the latest four months' was available in sections 2, 3 and 4 of appendix 2, together with cumulative figures for the 12 months ending 31 October 2021. Section 5 of appendix 2 also provides information about the most recent employer audits that have taken place, with a brief commentary on items of note.

The timeliness of contribution payments and other employer debts, such as those in relation to the costs associated with early retirements, was also collated. The current position relating to employer

debt could be found in appendix 3.

Over the last quarter, work had continued on devising a draft employer 'Year in Review' document. The intention was to provide employers with a report each April highlighting how well we think they were meeting or exceeding their employer responsibilities based on several key indicators. Draft reports based on data for 2020/21 had been issued to the ten local authorities for initial feedback and work was underway to produce these reports for 2021/22 for the ten local authorities and potentially several other employers. The aim would be to build on the content of the report and widen the distribution to all employers in future years.

Members of the Working Group were advised that training on ill health, discretions, pensionable pay, retirements and leavers and topping up benefits is now available to employers. So far, 163 employer representatives have attended our events, which have been well received with 98% of attendees saying they would recommend the training to others.

RECOMMENDED
That the report be noted.

29 ADMINISTRATION DEVELOPMENTS & TECHNOLOGIES UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration. The report provided the Working Group with a summary of the work and projects being carried out by the Developments and Technologies section of Pension Administration.

It was reported that work on the project to replace and renew both the IT hardware and software infrastructure of GMPF continued. Work this quarter has focussed on two main areas. The first was the migration of data belonging to the pension Legal, Accountancy and Local Investments teams from Tameside MBC managed systems to the GMPF cloud infrastructure. The second was that of system backup and disaster recovery arrangements. Work to migrate files and documents to SharePoint had continued, with all Administration teams having either migrated or being in the planning stage of migrating of their structural team files. In the upcoming months, work would begin on migrating collaborative team documents and data.

With regards to cyber security, attempted cyber-attack statistics had been gathered since April 2021. Details of the statistics for quarter 2 (July to September 2021) could be found attached at Appendix 1.

The report detailed that in 2021, an internal audit of cyber security was carried out by colleagues at Salford City Council and an action plan was created based on the recommendations made. The GMPF team has continued to work on completing this action plan. Several actions had already been completed, such as the documenting of certain policies and procedures, and the remaining ones are currently in progress. One of the actions being progressed was to implement multi-factor authentication, to strengthen the controls in place when colleagues sign into GMPF systems. The current intention was to rollout the new requirements during the first quarter of 2022.

It was stated that work had been undertaken to seek a third party cyber security consultant to work with the GMPF team to address some of the more complex recommendations made by the Audit team. Soft market testing with the specification that was included as an appendix on the last Working Group report had now been completed, however, there a wide variety of responses received from different suppliers. Therefore, further work was being undertaken with the Crown Commercial Services team, TMBC IT Services and the Tameside and Salford City Council Audit teams to enhance the specification to ensure it meets the requirements and attracts the right bidders.

It was highlighted that Appendix 2 outlined the strategic priorities that were set for the Developments & Technologies department for 2020/21. The end of the timeline for the objectives set has now been reached and so a review of the objectives had been carried out and this was detailed in

section 1 of Appendix 2. Section 2 of Appendix 2 outlined the objectives that are intended to be set for the 2022 calendar year.

RECOMMENDED
That the updates provided within the report be noted and that the objectives set out in the Developments and Technologies Strategy 2022 found in appendix 2 be agreed.

30 ADMINISTRATION COMMUNICATIONS & ENGAGEMENT UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Administration. The report provided the Working Group with a summary of the work and projects being carried out by the Communications & Engagement area of Pension Administration.

It was reported that the new telephony system, which was implemented in July 2021, has already had a positive impact on service delivery. In quarter three, 89% of calls were answered, compared to 60% of calls offered over the same period last year. Members were advised that there had been several challenges, mainly due to some initial system configuration issues, and because a telephony partner had some resource issues. However, matters had progressed recently following regular scheduled meetings and almost all the initial changes and issues had either now been made or were in the process of being fixed.

Up to date statistics on the number of members signed up to My Pension and the number of members who had opted for paper communications could be found in Appendix 1**.** The 11 largest employers all had over 40% of their members registered for My Pension. Following the most recent Altair release, some improvements had been made to the My Pension software. This had included those registering being able to see their activation code on screen to avoid input mistakes and users now being automatically logged in once they had registered.

In regards to communication and engagement activities, it was explained that the flow of calls this year so far has been less volatile compared to previous years. This was likely to be due to several reasons, including the fact that more members would now be using the GMPF website and My Pension to obtain information about their pension throughout the year at a time convenient to them. Previously, all members received an annual statement at the same time through the post, which prompted large numbers to contact GMPF simultaneously.

The Communications team has been continuing to assist with the work to move more processes online for both employers and members, by creating several new online forms. The employers' death in service form was the most recent form to become available as an online interactive form.

It was highlighted that winning the Communications Award at the European Pensions Award reflected the hard work undertaken to improve the communications for GMPF members with improvements to the GMPF website, the production of new videos and facilitating online events.

RECOMMENDED
That the report be noted.

31 CEM ADMINISTRATION BENCHMARKING

Consideration was given to a report of the Director of Pensions / Assistant Director for Pensions Administration, the report provided the Working Group with information about CEM's administration benchmarking process and the key outcomes for GMPF from the latest exercise completed for 2020/21. It also highlighted the current plans to ensure that more elements of GMPF's service levels could be measured in the future.

Members of the Working Group were reminded that for many years, GMPF used CIPFA benchmarking services to benchmark its administration costs against other LGPS pension funds.

However, since 2010, the number of funds participating in the CIPFA process had continued to drop year on year with only around 20 funds participating in 2019/20. Therefore, little value was being gained from taking part. Subsequently, in 2019 many of the larger LGPS funds signed up to use CEM benchmarking instead, including GMPF.

There were two main benefits to using CEM compared to the CIPFA service. The first was that the CEM process enabled GMPF to benchmark itself against other non-LGPS UK pension funds that were of a similar size. The second was that CEM benchmarks service alongside cost enabling a 'value for money' assessment to be made.

It was stated that there were caveats to consider when assessing the outcomes. It was very difficult to be sure, like-for-like data was collected across all areas and there would inevitably be differences in interpretation of the questions when funds completed the benchmarking questionnaires. As all staffing structures were different, it could be difficult to know if processes were being measured consistently. Separating out governance and project costs was challenging, and because the questions aimed to cover all CEM clients, some questions just do not apply to or 'fit' with the LGPS or the way it was undertaken. Additionally, it was not particularly easy to see the direction of improvement from the summary analysis, as, because everyone was improving each year and because many improvements took time to be realised in the data, relative position amongst the group tends to stay the same or be similar over the short term.

The Assistant Director for Administration stated that GMPF's peer group comprised of 14 pension schemes whose membership ranged between 90,000 and 607,000 members. Nine LGPS pension funds supplied data and were part of this peer group.

The key outcomes from the 2020/21 benchmarking were highlighted to the Working Group. GMPF's total cost per member was £17.01, being £10.27 lower than the adjusted peer average of £27.28. GMPF's service score was 65 out of 100, being 1 point above the peer median of 64. The total cost per member was slightly higher than last year (by £0.09) and the service score was 1 point lower. The increase in administration costs was mainly due to an increase in average pay.

The service score decreased slightly, mainly due to the challenges faced by the pandemic. CEM reported that they had seen the total member service score for some funds reduce by as much as 5 points this year. They also commented that GMPF's ability to switch so quickly to providing online member events from face to face ones demonstrated the team's ability to adapt quickly when faced with challenges.

The Working Group were advised of future items that might impact on next year's outcomes. It was likely that outcomes for 2021/22 would be very similar to 2020/21. Regarding service levels, a new contact centre had already been implemented and this would facilitate a better service score for several aspects of customer service going forward. However, due to the pandemic, GMPF's offices were still closed for face-to-face visits, and so the service score for this aspect was likely to remain unchanged. Many of the other aspects of service delivery also remain unchanged.

RECOMMENDED
That the report be noted.

32 ACADEMY CONSOLIDATION

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report provided the Working Group with an update on the Multi-Academy Trust's proposal to consolidate its' LGPS interests in a single fund and to consider GMPF's response to the second consultation on the proposal which had recently been issued by the Department for Levelling Up, Housing and Communities ('DLUHC').

Following consideration of a report, the GMPF Management Panel decided at its December 2020 meeting that it does not, as a rule, support consolidation requests within the academy schools

sector at the current time.

Members were advised that in response to some of the comments received in connection with the initial consultation, DLUHC had on 9 December 2021 opened a second consultation, which was due to last 10 weeks. However, DLUHC had not expanded the consultation to Administering Authorities in which the MAT did not participate or other major LGPS stakeholders. The consultation would close on 17 February 2022.

The consultation documents were attached to the report as Appendices 1a, 1b and 1c. There were six questions to answer with pension funds being asked to state whether they support or oppose the proposal. The second consultation had a longer timeframe for responses compared to the first consultation but had not expanded the list of consultees as was requested by GMPF in its response to the first consultation. The majority of the content was unchanged between the two consultations; albeit the second consultation had clarified a small number of apparent omissions or ambiguities identified in the first consultation, the most significant being what would occur should an academy join the MAT in future.

It was stated that, none of the changes made appear to mitigate substantially the concerns that GMPF had about academy consolidation within the LGPS in general as set out in section 4 of the report or the MAT's specific application for a Direction Order.

A discussion took place considering the various risk, benefits and challenges of various approaches to the issue.

RECOMMENDED
That the recent developments regarding the proposed consolidation be noted and support be given to GMPF submitting a consultation response, which strongly objects to the proposed Direction Order, setting out the points raised in section 4 of this report.

33 2022 ACTUARIAL VALUATION AND RELATED MATTERS

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Funding and Business Development. The report summarised some of the main issues to consider going into the 2022 valuation and considered the Governments Actuary's recently unveiled Section 13 report in respect of the previous 2019 actuarial valuation of the LGPS in England and Wales.

It was stated that following the recent decision to re-appoint Hymans Robertson as the Fund's Actuary, GMPF officers had started to consider the key strategic issues, which could arise at the 31 March 2022 actuarial valuation. Hymans Robertson presented their initial thoughts on the 2022 valuation at the December Management Panel meeting. The presentation slides were attached to the report at **Appendix 1**.

It was explained that whilst market conditions could change considerably prior to the valuation date and actuarial assumptions were yet to be formally considered by the Working Group or the Management Panel, at a whole fund level, the early indication was that GMPF could emerge from the 2022 valuation with a similar funding level compared to 31 March 2019. GMPF's investment returns were likely to have exceeded the assumption made at the 2019 valuation, but a fall in real interest rates and an increase in future expected inflation was likely to increase the present value of the Fund's liabilities, offsetting much of the asset gains. One significant area of uncertainty is the long-term impact of the Covid-19 pandemic on future life expectancy.

There would likely be a wide variety of outcomes across employers. Increases in both asset and liability values tended to produce more favourable outcomes for employers that had a section of GMPF that was already well funded and/or employers that had a relatively 'mature' liability profile. Less mature employers were more exposed to the level of the 'Primary Contribution Rate,' which is the cost of active members earning further benefits in the Scheme.

As part of the 2022 valuation GMPF would need to update its Funding Strategy Statement ('FSS') and consult on this with employers. The updating of the FSS would give consideration to prominent issues such as how GMPF structured Multi Academy Trusts' ('MATs') participations and arrangements for funding ill-health retirement strain costs. The consultation on the FSS was expected to take place following the July 2022 Management Panel meeting with preliminary results being notified to employers from September 2022 onwards.

Members were reminded that GMPF's ill health insurance arrangement was approved in principle by the Management Panel at its 12 April 2019 meeting and began operation on 1 April 2020. GMPF had almost two years' experience of operating the arrangement and it had to date appeared to achieve its objectives. Whilst as expected there had been significant variability on a month to month basis, the total cost of ill-health retirements since inception had been close to the amount forecasted by the Actuary.

The report detailed that under section 13 of the Public Service Pensions Act 2013, funded public sector pension schemes must conduct a section 13 report. Section 13 reports examine the compliance, consistency, solvency and long-term cost efficiency of the scheme. In aggregate, the funding position of the LGPS had improved since 31 March 2016 to 31 March 2019.

It was stated that GAD's view of the LGPS' long-term cost efficiency was positive but they flagged four funds as raising potential concern in relation to long-term cost efficiency. Long-term cost efficiency related to not deferring payments too far into the future so that they affected future generations of taxpayers disproportionately.

RECOMMENDED
That the report be noted.

34 PROCUREMENT OF ACTUARIAL SERVICES

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. The report outlined the outcome of the procurement process undertaken to replace the previous contract for actuarial services and benefit consultancy services, which was ending on 31 December 2021.

On 12 November 2021 bidders were notified of the Administering Authority's intention to award the contract for actuarial and benefits consultancy work to Hymans Robertson.

As part of the intention to award notification, a 10-day standstill period was initiated. The purpose of the standstill period was to allow time for unsuccessful bidders to review, and if they deem it necessary, challenge the outcome of the further competition process before any contract is signed.

The standstill period ended on 22 November 2021. No challenge was received from any of the tendering actuarial firms. Following the standstill period, a formal contract award letter was issued to Hymans Robertson and the new contractual period commenced on 1 January 2022. The new contract is intended to remain in force until 31 December 2030, although the contract does allow earlier termination.

RECOMMENDED
That the report be noted.

35 SCHEME ADDITIONAL VOLUNTARY CONTRIBUTIONS

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development. GMPF's main AVC provider Prudential had been experiencing service issues across many of its LGPS clients since the migration to a new administration platform. The report summarised the ongoing issues, the measured being undertaken to address these issues

and implications for GMPF's administration service.

The Assistant Director for Funding and Business Development provided an update on Prudential's performance. It was explained that whilst the deterioration in performance observed in the first half of 2021 appears to have stabilised; Prudential made slower progress than expected in returning service standards to an appropriate level and GMPF officers continued to meet regularly with Prudential to monitor what progress is being made.

It was reported that GMPF was exploring at a high-level alternative options for AVC provision. However, there were several potential impediments to changing provider, including the ability of other potential AVC providers to handle payments coming from multiple employers, which for a metropolitan fund such as GMPF could be well over one hundred.

RECOMMENDED
That the report be noted

36 URGENT ITEMS

There were no urgent items.

CHAIR

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GREATER MANCHESTER PENSION FUND - POLICY AND DEVELOPMENT WORKING GROUP

3 March 2022

Commenced: 11:00am **Terminated: 12.35pm**

IN ATTENDANCE

Councillor Warrington (Chair)	
Councillor Cooney	
Councillor M Smith	
John Thompson	**Trade Union Representative (UNITE)**
John Pantall	**Fund Observer**
Ronnie Bowie	**Advisor to the Fund**
Mark Powers	**Advisor to the Fund**
Sandra Stewart	**Director of Pensions**
Tom Harrington	**Assistant Director of Pensions (Investments)**
Paddy Dowdall	**Assistant Director of Pensions (Local Investments & Property)**
Euan Miller	**Assistant Director of Pensions (Funding & Business Development)**
Steven Taylor	**Assistant Director of Pensions (Special Projects)**
Neil Cooper	**Head of Pension Investment (Private Markets)**
Kevin Etchells	**Senior Investment Manager (Local Investments)**
Dan Hobson	**Head of Real Assets**
Michael Ashworth	**Senior Investments Manager (Public Markets**
Andrew Hall	**Investment Manager (Local Investments)**
Mushfiqur Rahman	**Investment Manager (Public Markets)**
Abdul Bashir	**Investment Manager (Public Markets)**
Alex Jones	**Investment Officer (Local Investments**
Reka Todor	**Investment Officer (Property)**

In attendance for Schroders: Philip Scott, Nick Montgomery, Sophie Van Oosterom, Charlotte Jacques and Paul Myler

In attendance for APAM: Simon Cooke, William Powell, Tony Christie and Francesca Moffatt

Apologies for absence: **Petula Herbert (MoJ)**

66. CHAIR'S OPENING REMARKS

The Chair welcomed everyone to the meeting

67. DECLARATIONS OF INTEREST

There were no declarations of interest.

68. MINUTES

The minutes of the meeting of the Policy and Development Working Group held on the 25 November 2021, were approved as a correct record.

69. DIRECT PROPERTY PORTFOLIOS: INVESTMENT MANAGEMENT ARRANGEMENTS UPDATE.

The Assistant Director, Local Investment and Property submitted a report explaining that, following a strategic review of property management arrangements and a subsequent procurement exercise, Schroders and APAM had been appointed to manage direct national property portfolios for GMPF.

Elaine Torry, Hymans Robertson, presented before Members to provide a background to the strategic context to the appointments.

Representatives of Schroders Capital and APAM then presented before Members and provided an update on progress to date since transition of the portfolios and gave an outlook for the future including their key priorities in managing the portfolios.

Discussion ensued in respect of the content of each of the presentations. In terms of Schroders there was particular focus on ESG and sustainability objectives and ambitions, the appointment of specialist partners and consideration of sector exposure in terms of a holistic approach to the portfolio.

Further clarification was sought from APAM in terms of asset management, particularly with regard to fire risk compliance and EPC. The outlook for the retail sector was also discussed and the challenges of the portfolio were explored.

The Chair thanked all the representatives for their interesting and thought provoking presentations.

RECOMMENDED
That the content of the presentations be noted.

70. MANAGER MONITORING REGIME INCLUDING MONITORING ESCALATION

Consideration was given to a report of the Assistant Director of Pensions Investments, which summarised the results from the Monitoring Escalation Protocol as at 31 December 2021.

The Overall Status Levels and courses of action taken (or to be taken) in relation to the results from the most recent Monitoring Escalation Protocol were provided for each manager in an appendix to the report.

The Manager Escalation Protocol included performance as the sole metric by which the Securities Managers were initially assessed. There were a number of less quantitative, softer dimensions, which could be used to form a view on the Manager's prospects of outperforming going forward. These included the quality of the staff and turnover of key personnel, a coherent and robust approach to linking the underlying philosophy of investing to the actual purchases and sales made, and the underlying investment philosophy itself.

In addition, a traffic light approach (Green, Amber, Red) had been developed to provide a single overall indicator that summarised Officers' current subjective assessment of People, Process and Philosophy for each Manager. The respective traffic light should be viewed as providing additional context to supplement the codified Status Levels of the Monitoring Escalation Protocol.

RECOMMENDED
That the content of the report be noted.

71. POLICY AND PROCESS FOR ASSESSING EMPLOYER EXIT CREDIT PAYMENTS

Consideration was given to a report of the Assistant Director, Funding and Business Development, which proposed that, following the conclusion of a judicial review into LGPS Amendment

Regulations in May 2021, the GMPF exit credit policy be updated and expanded to reflect the learning points from the judgement.

Members were advised that an updated policy and process for assessing exit credit payments had been drafted with the assistance of external legal support. This was attached as an appendix to the report. In line with the legal advice received it was proposed that, subject to any comments made by the Working Group, the policy be approved as an interim position. The approved policy would be appended to the current version of the GMPF Funding Strategy Statement, which would itself be revised and subject to employer consultation later in the year as part of the 2022 actuarial valuation process.

RECOMMENDED
That the Working Group recommend to the GMPF Management Panel that the policy and process for assessing employer exit credit payments be approved as the interim position, subject to consultation with employers which will take place when the Funding Strategy Statement is consulted upon later in the year.

CHAIR

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NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

7 October 2021

Commenced: 11.00am **Terminated: 12.15pm**

Present:	**Councillor Gerald P Cooney (Chair)**	**Vice Deputy – Greater Manchester Pension Fund**
	Councillor Brenda Warrington	**Chair – Greater Manchester Pension Fund**
	Councillor Andrew Thornton	**Chair - West Yorkshire Pension Fund (WYPF)**
	Councillor Pat Cleary	**Chair – Merseyside Pension Fund**
	Councillor Cherry Povall	**Vice Chair – Merseyside Pension Fund (MPF)**

In attendance:

Rodney Barton	**Director of Pensions, WYPF**
Sandra Stewart	**Director of Pensions, GMPF**
Euan Miller	**Assistant Director of Pensions, Funding and Business Development, GMPF**
Tom Harrington	**Assistant Director of Pensions, Investments, GMPF**
Paddy Dowdall	**Assistant Director of Pensions, Local Investments and Property, GMPF**
Steven Taylor	**Assistant Director of Pensions, Special Projects, GMPF**
Greg Campbell	**Merseyside Pension Fund**
Owen Thorne	**Merseyside Pension Fund**
Guy Hayton	**Merseyside Pension Fund**
Joanna Wilkinson	**West Yorkshire Pension Fund**
Alan McDougal	**PIRC**
Janice Hayward	**PIRC**
Tom Powdrill	**PIRC**
Conor Constable	**PIRC**

Apologies for Absence: Liz Bailey

11 DECLARATIONS OF INTEREST

There were no declarations of interest.

12 MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 8 July 2021 were agreed as a correct record.

13 POOLING UPDATE

Consideration was given to a report of the Director of Pensions / Assistant Director for Funding and Business Development, GMPF, which provided an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised relevant national pooling developments.

Members of the Committee were advised that MHCLG had issued its annual request for a further progress update from each of the Pools, setting out of the assets transferred to the pool as at 31 March 2021 and an estimate of cost savings achieved and those expected in the future. It was

stated that the revised and agreed deadline for submission was the 24 September 2021, with the Northern LGPS submission, which set out assets pooled and cost savings achieved and projected in the future attached to the report at Appendix 1.

It was reported that Northern LGPS' cost savings for 20/21 had been calculated as £30.5m, giving total saving since inception of £71.1m. These figures were slightly higher than the future projects made last year and the estimated figures provided at the previous Joint Committee meeting. The increase in cost savings achieved was a result of the continued increase in commitments and assets under management of the GLIL and NPEP vehicles and in particular the commencement of the private equity co-investment arrangement and Harbourvest.

The Assistant Director for Funding and Business Development explained that the cost savings of other LGPS pools were not known and the Government was expected to report aggregated figures across the LGPS as a whole. It was expected that individual pools' figures could be obtained via freedom of information requests. The Northern LGPS cost savings figures achieved to date would be publicly available via the Northern LGPS Annual Report.

It was stated that each of the partner funds in the Northern LGPS Pool were in the process of finalising their 31 March 2021 year end accounts and annual report. A final draft of the 2021 Northern LGPS Annual Report was attached at Appendix 2.

As reported at previous meetings of the Joint Committee the other seven LGPS Pools commissioned research into potential international comparators to LGPS, where the pooling process was at a more mature stage. The research sought to understand the issues and challenges these pools experienced in their evolution and to use the insights gained to support the LGPS Pools' own future development. A copy of the "LGPS in the UK: Learning from International Peers" report was made available to members of the committee.

Members of Committee discussed their performance in delivering savings relative to other LGPS Pools.

RESOLVED
That the report including the Norther LGPS' progress submission to Government as at 31 March 2021 and the final version of the Northern LGPS Annual Report.

14 SCHEME ADVISORY BOARD UPDATE

Consideration was given to a report of the Director of Pensions (MPF), the report provided an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that took place on the 20 September 2021.

Members of the Joint Committee were advised that attached the report at Appendix 1 was the actions and agreements from the meeting on the 19 July.

The principal items on the agenda for the 20 September 2021 included an update on the recent meeting of the Responsible Investment Advisory Group, the Chair of the RIAG group the Director of Pensions (GMPF) delivered an update on the items considered at the meeting of RIAG on the 1 September 2021.

Further, the Sub Committee also considered a report on the CIPFA Pensions Panel. It was reported that the CIPFA Pensions Panel had been wound up and it was proposed that the CIPFA Pensions Panel would be replaced by a SAB Committee. Clarity was being sought over the maintenance of extant CIPFA guidance for the LGPS.

It was reported that the IG&E Sub Committee also considered a report on Cost Transparency and Compliance, received an update on the Good Governance Project and received a DLUHC Regulatory Update.

The Director of Pensions (GMPF) led a detailed discussion on reports received at RIAG, Members of the Joint Committee were advised of the reports received on the Task Force on Climate-related Financial Disclosures (TCFD) consultation and the potential outcomes of the consultation. Further, the Joint Committee discussed the replacement of the CIPFA Pensions Panel and the gaps that would need to be addressed following the Panel being wound up.

RESOLVED
That the report be noted.

15 UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill, PIRC, Ltd, Responsible Investment advisor to the Northern LGPS, presented the Northern LGPS Stewardship Report for April – June 2021 and provided an update on the Northern LGPS Institutional Investor Group on Climate Change (IIGCC). Further, an update was provided on the FRC Stewardship Code.

Members of the Joint Committee were updated on PIRC's engagements over the last quarter. In regards to house builders and leaseholders it was reported that PIRC had engaged with 2 of the 3 PLC that had not reached a settlement with the CMA. PIRC had stressed support for the elimination of increasing ground rent clauses for leaseholders, PIRC had also engaged with staff at the regulator itself. It was reported that in September Countryside had agreed to remove the clauses and PIRC were now pursuing engagements with remaining companies.

The Joint Committee were reminded that PIRC wanted to make Just Transition part of their Responsible Investment approach. As part of this PIRC had been engaging with the Cement Industry. It was stated that there were social issues facing the transition to low carbon cement, this predominantly revolved around the displacement of the employee base and the impact on regional economies. Members of the Joint Committee were advised that initial engagements had revealed a lack of planning and disclosure and companies were underestimating the social impact of a transition to low carbon cement on their employee base.

In regards to Human Rights it was reported that PIRC had identified low scoring companies on the Corporate Human Rights Benchmark (CHRB) and mapped these against common holdings across the Pools. PIRC had been looking at the causes behind the low scores. The Investment advisor to the Northern LGPS explained that these engagements were complicated but there needed to be more disclosure.

It was reported that PIRC had undertaken research on Covid cases in the FTSE100 the research found that 8 out of 10 of the largest employers in the FTSE100 did not report any Covid-19 workforce fatalities. Further, only 5 out of 100 companies in the FTSE100 reported any fatalities. The Investment advisor for PIRC stated that there had been a poor level of disclosure across the FTSE100 and research would continue on Covid related non-disclosure.

It was stated that in February 2021, the Joint Committee resolved that the Northern LGPS pool become a signatory to the IICC Net Zero Asset Owner. Attached at Appendix B was the Net Zero Investor Framework, which provided a high level implementation guidance. The Assistant Director of Pensions for Investments (GMPF) explained that the report sought endorsement of a joint approach to the expedient setting of interim targets under the IIGCC guidance.

RESOLVED
(i) That Members of the Joint Committee note the latest quarterly Responsible Investment report; and
(ii) That Members endorse a joint approach to the expedient setting of interim targets under the IIGCC Net Zero commitment, upon receipt of detailed IIGCC guidance.

16 DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE

Consideration was given to a report of the Assistant Director for Property and Local Investment (GMPF. The report provided an update to Members of the Joint Committee on the progress with the Northern LGPS's direct infrastructure investment platform (GLIL).

It was reported that the quarterly report for GLIL to the end of June was attached as Appendix 1 to this report. It was reported that in May 2021, GLIL acquired a Preferred Equity stake in Smart Meter Assets (SMA) for £100m. It was explained that SMA's smart meters play a role in the UK's energy transition and net zero emissions ambitions.

The report also showed that the performance since inception was satisfactory for the current stage of GLIL's deployment, the since inception at 7.5% IRR. The yield was slightly behind at target at 2.5% largely due to short term factors impacting on ability of specific assets to distribute income.

It was stated that post quarter the key piece of work had been an investment of £100m in an energy storage platform known as Flexion which would deploy capital through the build out of a pipeline of battery units. The returns were a stabilised yield of 9.6%, the structure provided significant governance rights and it provided diversification to the existing renewable energy assets in the portfolio. The next quarterly report would provide a fuller update.

RESOLVED
That the report be noted.

17 PROPERTY FRAMEWORK

Consideration was given to a report of the Assistant Director for Property and Local Investment (GMPF). The report informed Members on the use of the Northern LGPS property Framework by GMPF for lots 1 and 6.

RESOLVED
That the content of the report be noted.

18 PERFORMANCE MEASUREMENT

Consideration was given to a report of the Director of Pensions (GMPF) and the Assistant Director of Investments, (GMPF). The report provided member of the Joint Committee with an update on performance measurement.

It was stated that an extract from the draft Northern LGPS reporting for periods to 30 June 2021 was attached as Appendix A. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

It was reported that officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns in these performance reports, given their importance to the Northern LGPS proposition.

It was stated that universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2020/21 Annual Review was attached as Appendix B. The PIRC LGPS Universe comprised of 64 funds with total assets valued at £230 billion as at 31 March 2021.

RESOLVED
That the content of the report be noted.

19 COMMON CUSTODIAN UPDATE

Consideration was given to a report of the Director of Pensions (GMPF) / Assistant Director of Investments (GMPF). The report detailed the key performance indicators, milestones and deliverables for the quarter 30 June 2021 in relation to the Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in the appendix to the report.

RESOLVED
That the content of the report be noted.

20 NORTHERN LGPS WEBSITE

Consideration was given to a report of the Director of Pensions (MPF), the report informed members of website content including recent updates over the previous 18 months.

Members of the Joint Committee were advised of the news updates to the website over the 18-month period.

It was reported that the website had been updated with 'Northern Private Equity Pool LP holdings' data, up to 31 December 2020. The first quarter data for 2021 was expected shortly for publication. The Responsible Investment Policy as January 2019 was held on the website and would be updated to the new version once ratified.

During the 18-month period, the website had received 12,908 visits with the average daily rate of between 10 and 20 visits. The website had received significant peaks of activity when coinciding with press announcements in May 2020 and October 2020.

RESOLVED
That the content of the report be noted.

CHAIR

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Report To:	**GMPF MANAGEMENT/ADVISORY PANEL**
Date:	18 March 2022
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall, Assistant Director of Pensions, (Local Investments and Property)
Subject:	**GMPF BUDGET 2022/2023 AND MEDIUM-TERM FINANCIAL PLANNING**
Report Summary:	This report asks the Management Panel to approve an expenditure budget for GMPF for 2022/23 and a medium-term financial plan 2022-2025. (An updated version will be included in the Annual report for 2022/23).
Recommendations:	1) That the Management Panel approves the expenditure budget for 2022/23. 2) That the Management Panel approve the Medium-Term Financial Plan.
Financial Implications: (Authorised by the Section 151 Officer)	The financial implications are set out in the report. There is a projected increase in expenditure, which supports strategic change at the Fund to optimise net risk adjusted returns on investments and to provide efficient administration in order to ultimately minimise the contributions paid by employers.
Legal Implications: (Authorised by the Solicitor to the Fund)	There is a duty on the Fund to achieve best value and consequently the Panel need to ensure through such monitoring that value for money is being achieved.
Risk Management:	Failure to properly manage and monitor the Fund's budgets may lead to a reduction in service standards for scheme members or employers, or a loss of confidence in the management of the fund.
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public**.
Background Papers:	Further information can be obtained by contacting Tracey Boyle Head of Pensions Accountancy, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden Telephone: 0161 301 7116 email: tracey.boyle@tameside.gov.uk

1. INTRODUCTION

1.1 This report asks the Management Panel to approve an expenditure budget for GMPF for 2022/23 alongside a medium-term financial plan for 2022 to 2025.

1.2 The medium-term financial plan is essentially dependent upon the assumptions in the Funding Strategy Statement, and the out-turn is largely subject to financial markets and their impact on investment performance.

1.3 The medium-term financial plan 2022 to 2025 will be finalised for the annual report following, approval of budget and Fund Valuation at 31 March 2022.

1.4 CIPFA Guidance on preparing the Annual Report for Local Government Pension Scheme Funds requires GMPF to publish a medium-term financial plan approved by those charged with governance of the Fund. The Management Panel is approving the draft version of this subject to final confirmation in values as at 31 March 2022; and the assumptions and methodology that underpin it.

2. BUDGET FOR 2022/23 AND CHANGES FROM 2021/22

2.1 The Fund remains committed to its core objectives. The last 2 years have seen substantial changes to the way in which the Fund delivers its core objectives in response to the pandemic and the changing requirements of the regulatory landscape. There remains a great deal of uncertainty in the short to medium term in the outlook for inflation. The table below sets out the key assumptions and methodology for budget setting.

Pay Award 2022/23	2.25%
Inflation	Notional 2.5% applied to non-staff costs
Staffing	As in post and recruitment in hand at Feb 2022
Goods and Services	As contracted plus internal estimates for variable usage items
Business development	Centrally allocated provision of £650,000 to implement business plan aspirations

2.2 The level of budget sought for 2022/23 seeks an increase from that in 2021/22. The table below sets out some key movements. This budget covers the expenditure by the Fund on governance, administration and investment costs for oversight and internal management. External Investment Management fees are overseen by Management Panel in a more detailed fashion with comparison to peer Pension Funds provided by CEM. The budget is attached as appendix 1 to this report.

Reconciliation of movements in Budget from 2021/22 to 2022/23

		% change from 2021/22	% contribution of movement
Year 2021/22		**from 2021/22**	
Staffing	£7,132,348		
Other Costs	£6,033,755		
Total	**£13,166,103**		
Year 2022/3			
Staffing	£7,847,671		
Other Costs	£6,508,866		
Total	**£14,356,537**		
Variances to 2023			
Staffing	£715,323	10.03%	60.09%
Other Costs	£475,111	7.87%	39.91%
Total	**£1,190,434**	9.04%	100.00%
Significant elements			
External factor for staff cost increased NI and pay awards	£380,867	5.34%	31.99%
Other staffing increases	£334,456	4.69%	28.10%
Business Plan Implementation 2021/22 items c/f	*£415,000*		
Web design (£50k) and maintenance (£20k)	£70,000		5.88%
Payroll consultancy project	£80,000		6.72%
Adare / Postage above current levels of spend	£100,000		8.40%
Cyber security increase per Emma	£100,000		8.40%
New phone system	£65,000		5.46%
Business Plan 2022/23			
Actuarial Valuation	£150,000		12.60%
Increase in development budget	£150,000		12.60%
Notional 2.5% inflation on non-staff costs	£150,844		12.67%
Balance item	-£390,733		-32.82%
(savings against inflationary increase on other costs plus non-recurring items from 2021/22)			

2.3 To put the budget for GMPF into context, the table below set out some external comparisons for investments and administration against peer groups of comparable funds.

Investment Costs GMPF year end Dec 2021 from CEM		
	£m	**% AUM**
GMPF Actual	92	0.39
Benchmark (CEM specific)	113	0.48
Difference	**-21**	**0.09**

Administration Costs GMPF year end Dec 2021 from CEM	
	£ per member
GMPF Actual	17.01
Benchmark (CEM peer group)	23.65
Difference	**-6.64**

3. INVESTMENT MANAGEMENT FEES

3.1 Members of management panel will be aware of the significant changes made to the disclosure of investment management costs. There is detailed consideration given to these through reporting mechanisms outside of budget setting, particularly through the reporting by CEM. These are not therefore considered in detail as part of this report. For information the table below shows these costs (excluding private markets) for 2022 23 with a comparison to projected out-turn for 2021/22. Individual fund manager fees are not disclosed as there are confidentiality agreements in place.

Manager	**Budget 2022-2023 £m**	**Projected 2021-2022 £m**	**Change £m**
Overall Total	**21.97**	**20.33**	**+1.64**

3.2 From a financial reporting perspective this year will see a change in disclosure of certain costs for certain types of pooled private market investments. These having previously been accounted for within the changes in value of investments will now be identified separately. These are the costs identified by the custodian through their administration and accounting of GMPF private market investments and whilst meeting accounting requirements will not be exactly the same as those calculated by CEM. The estimate is that these will be in the region of £90m per annum from 2022/23. These changes in disclosure make no difference to the projected outcomes for the Fund NAV statement in accounts or the medium-term plan.

4. MEDIUM TERM FINANCIAL PLAN 2019-2022

4.1 The assumptions for medium term financial planning going forward are detailed in the table below.

Fund Investment Return	5.6% per annum over the long term
Inflation	CPI Bank of England
Pay Inflation	2.25%
Employer Payroll	From actuarial valuation
Pensioner Profile	From actuarial valuation
Management Budget	2022/23 projected forward
Investment Management Costs	CEM plus Internal estimate projection

4.2 The draft 3-year medium term plan is detailed below.

	2022/23	**2023/24**	**2024/25**
	£m	**£m**	**£m**
Fund Size at Start of Year	**28,700**	**29,921**	**31,280**
Fund Size at end of Year	**29,921**	**31,280**	**32,687**
Pensions Paid	961	1,005	1,051
Contributions received	700	820	846
Net Transfers	0	0	0
Net Cashflow	**-261**	**-185**	**-205**
Management Costs	**125**	**132**	**139**
Investment Income	435	459	485
Increase in Value of Investments	1,172	1,216	1,267

Net Return from Investments	**1,607**	**1,676**	**1,752**
Net Change in Fund	**1,221**	**1,359**	**1,407**

4.3 Key observations to be considered are:

- The Fund has an increasingly mature liability profile.
- Investment income is still higher than outflows to pensioners net of contributions.
- Investment returns are key driver of outcomes.
- The changes to investment cost disclosure have no impact on overall result and are in effect a movement to costs that was previously deducted from appreciation of investments within the accounting of pooled investment vehicles.

5. RECOMMENDATIONS

5.1 As set out at the front of the report.

APPENDIX 1

GMPF Management Budget 2022/23 excluding external investment management fees

Area	Description / Basis	2022-2023		2021-2022
Staffing	Including indirect costs such as training and oncosts	7,797,671		7,113,177
Leadership & Development	Recharge from TMBC for Corporate Leadership team plus development items	745,703		589,900
Governance	Advisors, Local Board and Pane l costs plus Democratic Services	324,573		269,120
Custody		500,120		488,620
Actuarial Fees		580,500		275,500
Professional Fees	Includes External audit fees	1,960,900		2,080,010
IT and Equipment		1,387,000		1,295,640
Premises	Rent, rates, utilities etc.	1,104,300		1,011,760
Other General Costs	Post, telephone, printing & stationery, media, travel etc. including misc. items < £10,000	672,684		794,309
Central Establishment Charges	Core Services HR Internal Audit etc.	508,086		478,067
Income	Recharge to third parties, divorce and admission fees	(1,225,000)		(1,230,000)
Total Cost		**14,356,537**		**13,166,103**

Report To:	**GMPF MANAGEMENT/ADVISORY PANEL**
Date:	18 March 2022
Reporting Officer:	Sandra Stewart, Director of Pensions Paddy Dowdall Assistant Director (Local Investments and Property)
Subject:	**GMPF STATEMENT OF ACCOUNTS 2021-22 GMPF ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS**
Report Summary	This report covers the. GMPF Accounting Policies and Critical Judgements for 2021-22
Recommendations:	Members are asked to approve the accounting policies and critical judgements attached as **Appendix 1** to this report.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	As the administering authority, Tameside MBC has important responsibilities in relation to the Greater Manchester Pension Fund. As the largest fund in the Local Government Pension Scheme, the Fund also has significant resources it deploys to meet those responsibilities. This paper sets out where the responsibilities lie. The assumptions used for valuing assets will have an impact on the value of assets reported in the accounts. In most circumstances the impact is unlikely to be material.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The administering authority must produce an annual report and accounts in line with statutory provisions.
Risk Management:	GMPF's accounts are used to provide information to a variety of users and for a variety of purposes. The accuracy of the statements is critical in the determination of employer costs and there are clearly reputational issues relating to the validity of the accounts. The audit process provides reassurance on the integrity of the statements and mitigates against the possibility of material misstatement
ACCESS TO INFORMATION:	**NON-CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	Further information can be obtained by contacting Paddy Dowdall Assistant Director (Local Investments and Property) Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden Telephone: 0161 301 7140 Email: Paddy.dowdall@gmpf.org.uk

APPENDIX 1

GMPF ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

1. CHANGES FROM 2021/22

1.1 The only change is that this year will see a change in disclosure of certain costs for certain types of pooled private market investments. These having previously been accounted for within the changes in value of investments will now be identified separately where possible. These are the costs identified by the custodian through their administration and accounting of GMPF private market investments and whilst meeting accounting requirements will not be exactly the same as those calculated by CEM that are disclosed within the Annual Report. The estimate is that these will be in the region of £90m per annum from 2022/23. These changes in disclosure make no difference to the projected outcomes for the Fund NAV statement in accounts or the medium-term plan.

2. STATUTORY BACKGROUND

1.2 GMPF is required to prepare its financial statements under International Financial Reporting Standards (IFRS). The financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 based on IFRS, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This requires that GMPF accounts should be prepared in accordance with International Accounting Standard (IAS) 26, except where interpretations or adaptations to fit the public sector are detailed in the Code. The financial statements summarise the transactions of GMPF and deal with net assets at the disposal of the Management Panel. They do not take account of obligations to pay pensions and benefits which fall due after the end of the GMPF financial year. Under IFRS, GMPF is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a separate note (Note 25). The full actuarial position of GMPF which does take account of pension and benefit obligations falling due after the year end is outlined in the notes to the accounts. These financial statements should be read in conjunction with that information.

2.2 GMPF is a pension fund which administers the statutory Local Government Pension Scheme (LGPS), set up to provide death and retirement benefits for local government employees other than teachers, fire fighters and police officers for whom separate arrangements exist. In addition, other qualifying bodies, which provide similar services to that of local authorities, have been admitted to GMPF.

2.3 GMPF operates a career average scheme whereby as each year goes by members build up a set portion of pay as a pension. It is funded by contributions from employees, which are set out in regulations, and variable contributions from employers, which take account of the relationship of assets held to liabilities accrued (see Actuarial Review of GMPF – Note 22). The benefits of the Scheme are prescribed nationally by Regulations made under the Public Service Pension Schemes Act 2013.

3. ACCOUNTING POLICIES

Basis of preparation:

3.1 The accounts are prepared on an accruals basis. That is, income and expenditure is recognised as it is earned or incurred including contributions receivable and pension benefits payable. The exceptions are that individual and bulk transfers (due to uncertainty over final settlement and timing of payments) and advance payment of employer contributions are recognised on a received or paid basis. There are no accounting standards issued but not adopted in the preparation of the financial statements.

Financial assets and liabilities:

3.2 On initial recognition, GMPF is required to classify financial assets and liabilities into amortised cost, fair value through profit and loss or fair value through other comprehensive income. Financial assets are classified dependent on the reason for holding the assets. Amortised cost assets are those held to generate cash flows and the amounts received are solely principal and interest. Fair value assets through profit and loss or other comprehensive income, are assets which fail the amortised cost categorisation tests, where they are held for trading purposes and/or the amounts received relate to more than solely principal and interest (e.g. equity instruments). Financial liabilities are classified as amortised cost except in certain circumstances where they are classified as at fair value.

Contribution income:

3.3 Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

3.4 Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Additional voluntary contributions (AVC):

3.5 GMPF provides an AVC scheme for its contributors, the assets of which are invested separately from GMPF. These AVC sums are not included in GMPF's financial statements because GMPF has no involvement in the management of these assets. Members participating in this arrangement each receive an annual statement confirming the amount held in their account and the movements in the year. Further details are provided in Note 24.

Additional voluntary contributions income:

3.6 Where a member is able and chooses to use their AVC fund to buy scheme benefits, this is treated on a cash basis and is categorised within Transfers In.

Investment income:

3.7 Interest, property rent and dividends on fixed interest and equity investments and on short-term deposits has been accounted for on an accruals basis.

Accrued investment income:

3.8 Accrued investment income has been categorised within investments in accordance with the appropriate Pensions Statement of Recommended Practice (SORP).

Foreign income:

3.9 Foreign income is translated into sterling at the rate applicable at the date of conversion. Income due at the year-end is translated at the rate applicable at 31 March 2022.

Foreign investments:

3.10 Foreign investments are translated at the exchange rate applicable at 31 March 2022. Any gains or losses arising on translation of investments into sterling are accounted for as a change in market value of investment.

Rental income:

3.11 Rental income from operating leases on investment properties owned by GMPF is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Contingent rents are only recognised when contractually due.

3.12 **Benefits:**

Benefits includes all benefit claims payable by GMPF during the financial year.

3.13 **Investment values:**

All investment assets are valued at their fair value as at 31 March 2022 are determined as follows:

At 31 March 2022	Valuation basis / technique	Main assumptions
Equities and bonds	Pricing from market data providers based on observable bid price quotations.	Use of pricing source. If there are minor variations in the price dependent upon the pricing feed used, the Custodian's valuation will take precedence.
Direct investment property	Independent valuations for freehold and leasehold investment properties at fair value have been valued by Savills plc, Chartered Surveyors, as at 31 December 2021, subsequently adjusted for transactions undertaken between 1 January 2022 and 31 March 2022. Valuations have been prepared in accordance with Royal Institute of Chartered Surveyors (RICS) Red Book.	Investment properties have been valued on the basis of open market value (the estimated amounts for which a property should exchange between a willing buyer and seller) and market rent (the expected benefits from holding the asset) in accordance with the RICS Appraisal and Valuation Manual. The values are estimates and may not reflect the actual values.
Indirect property (part of Pooled Investment Vehicles)	Independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	Freehold and leasehold properties valued on an open market basis. Valuation carried out in accordance with the principles laid down by the RICS Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund.
Cash and other net assets	Value of deposit or value of transaction.	Cash and account balances are short-term, highly liquid and subject to minimal changes in value. All cash is recorded at book value unless there is knowledge of any impairment.

At 31 March 2022	Valuation basis / technique	Main assumptions
Derivatives	Derivative contracts are valued at fair value. Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid market quoted price. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts. The fair value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.	All derivatives are based on a visible price (i.e. not private transactions) and all counter parties are deemed solvent and able to meet their liabilities. The relevant prices and exchange rates used are provided by the Custodian and consistent with those used elsewhere in accounts.
Private equity, infrastructure and special opportunities portfolios	The funds are valued either in accordance with Accounting Standards Codification 820 or with International Financial Reporting Standards (IFRS). The valuation basis, determined by the relevant fund manager, may be any of quoted market prices, broker or dealer quotations, transaction price, third party transaction price, applying earnings multiples of comparable public companies to projected future cash flows, third party independent appraisals or pricing models. The valuation of these assets can take up to six months to come through. GMPF practice when closing accounts is to use the latest available valuation and adjust for cashflows.	In reaching the determination of fair value, the investment managers consider many factors including changes in interest rates and credit spreads, the operating cash flows and financial performance of the investments relative to budgets, trends within sectors and/or regions, underlying business models, expected exit timing and strategy and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and assumptions are reviewed on an on-going basis.

Financial instruments at fair value through the profit and loss:

3.14 Financial assets and liabilities are stated at fair value as per the Net Assets Statement, which is prepared in accordance with the Pensions SORP, requiring assets and liabilities to be reported on a fair value basis. Gains and losses on financial instruments that are classified as at fair value through the profit and loss are recognised in the Fund account as they arise. The carrying values are therefore the same as fair values.

Financial instruments at amortised cost:

3.15 Non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market are classified as at amortised cost.

Cash and cash equivalents:

3.16 Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in values.

Transaction costs of investments:

3.17 Acquisitions costs of investments other than listed equities are included in purchase prices and netted from sale receipts.

Management Expenses:

3.18 Investment management expenses paid directly by GMPF are included within Management Expenses within the Fund account These costs together with other management costs are met from within the employer contribution rate. Certain of GMPF's external securities managers have contracts which include performance fees in addition to the annual management fees. The performance fees are based upon one off, non-rolling, three yearly calculations. It is GMPF policy to accrue for any performance fees which are considered to be potentially payable

3.19 In addition, certain investments in pooled vehicles, predominantly in private markets, alternatives and property have investment costs deducted directly by the investment managers. These costs are charged directly to the Fund Account where information is available to the Custodian by the investment manager. Where costs are deducted by these managers and not disclosed to custodian they are included in the fair value adjustments applied to assets concerned within the Fund Account and corresponding notes. The annual report contains a comprehensive review of investment costs.

3.20 Administration Expenses are included within Management Expenses within the Fund Account. These costs are accounted for on an accruals basis. The costs of administration are met by employers through their employer contribution rate. All staff costs of the administering authority's pension service are charged direct to GMPF.

Net (profit)/loss on foreign currency:

3.21 Net (profit)/loss on foreign currency comprise the change in value of short-term deposits due to exchange rate movements during the year.

Actuarial present value of promised retirement benefits:

3.22 The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, GMPF has opted to disclose the actuarial present value of promised retirement benefits by way of a Note to the Net Asset Statement

Derivatives:

3.23 GMPF uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. GMPF does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in change in fair value. Future contracts are exchange traded and fair value is determined using exchange prices at their reporting date. Amounts due or owed to the broker are amounts outstanding in respect of initial margin and variation margin. Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date, by entering into an equal and opposite contract at that date. All derivatives are based on a visible price (i.e. not private transactions) and all counter parties are deemed solvent and able to meet their liabilities. The relevant prices and exchange rates used are provided by the Custodian and consistent with those used elsewhere in accounts.

Transfers:

3.24 Transfer values represent amounts received and paid during the period for individual members who have either joined or left GMPF during the financial year and are calculated in accordance with Local Government Pension Scheme Regulations.

3.25 Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. This reflects when liabilities are transferred and received. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk (group) transfers, due to uncertainty over final settlement and timing of payments, are recognised on a received or paid basis.

Taxation:

3.26 GMPF is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Critical judgements in applying accounting policies

3.27 In applying the policies, GMPF has to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- GMPF will continue in operational existence for the foreseeable future as a going concern
- No investments are impaired (further detail on the investment strategy and approach to managing risk can be found in notes to the accounts).

3.28 Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. GMPF accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed below:

Unquoted equity, infrastructure and special opportunities investments

3.29 Unquoted equities are valued by the investment managers in accordance with Accounting Standards Codification 820 or with International Financial Reporting Standards (IFRS).

3.30 The valuation of these assets can take up to six months to come through. GMPF practice when closing accounts is to use the latest available valuation and adjust for cashflows.

Pension Fund liability

3.31 The present value of GMPF's liabilities is calculated every three years by an appointed actuary. For the purpose of reporting the actuarial present value of promised retirement benefits, this liability value is updated annually in intervening years by the Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in the notes to the accounts. This estimate is subject to significant variances based on change to the underlying assumptions.

Classification of financial instruments

3.23 Different asset classes of financial instruments are valued in accordance with accounting standards as either fair value or amortised cost.

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Report to :	**PENSION FUND MANAGEMENT/ADVISORY PANEL**
Date :	18 March 2022
Reporting Officer :	Sandra Stewart, Director of Pensions Tom Harrington, Assistant Director of Pensions (Investments)
Subject :	**QUARTERLY UPDATE ON RESPONSIBLE INVESTMENT ACTIVITY**
Report Summary :	This Report provides Members with an update on the Fund's responsible investment activity during the quarter.
Recommendation(s) :	That the Report be noted.
Links to Core Belief Statement:	The relevant paragraph of the Fund's Core Belief Statement is as follows : "2.6 Well governed companies that manage their business in a responsible and sustainable manner will produce higher returns over the long term."
Financial Implications : **(Authorised by the Section 151 Officer)**	There are no direct material costs as a result of this report.
Legal Implications : **(Authorised by the Solicitor to the Fund)**	The provisions underlined by the Regulation 7 guidance for the formulation and maintenance of their ISS, clearly address issues of responsible investment by the Local Government Pensions Scheme administering authorities. Regulation 7(2)(e) requires funds to follow pertinent advice and act prudently when making investment decisions, *"…a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence".* They must consider any factors that are financially material to the performance of their investments, including ESG factors contemplating the time horizon of the liabilities along with their approach to social investments. Regulation 7(2)(f), emphasises that *"administering authorities are encouraged to consider the best way to engage with companies to promote their long-term success, either directly, in partnership with other investors or through their investment managers, and explain their policy on stewardship with reference to the Stewardship Code."* Administering authorities are strongly encouraged to either vote their shares directly or ask their fund managers to vote in line with their policy under the Regulation 7(2)(f) and to publish a report of voting activities as part of their pension fund annual report under Regulation 57 of the 2013 Regulations. Regulation 7 (6) underlines that the ISS must be published by 1 April 2017 and requires it to be reviewed at least every three years.
Risk Management :	Increasing net investment returns needs to be delivered without materially increasing Fund's exposure to investment risks. We

want everyone to have a pension they can be proud of – one which builds a better world, without compromising on returns.

ACCESS TO INFORMATION : **NON CONFIDENTIAL**

This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Papers :

APPENDIX 9A	**PIRC Climate Governance**
APPENDIX 9B	**Chapter Zero: Boardroom Toolkit**
APPENDIX 9C	**RI Partners and Collaborative Bodies**

Any enquiries should be directed to: Mushfiqur Rahman, Investments Manager, on 0161-301 7145 (email: mushfiqur.rahman@gmpf.org.uk).

1. BACKGROUND

1.1 The Fund's approach to Responsible Investment is set out in its Investment Strategy Statement. The Fund has also published a more detailed Responsible Investment policy on its website.

1.2 The Fund is a signatory to the Principles for Responsible Investment (PRI). As a signatory to the PRI, the Fund is required to publicly report its responsible investment activity through the PRI's 'Reporting Framework'.

1.3 Upon becoming a PRI signatory, the Fund committed to the following six principles:

(i) We will incorporate ESG issues into investment analysis and decision-making processes.
(ii) We will be active owners and incorporate ESG issues into our ownership policies and practices.
(iii) We will seek appropriate disclosure on ESG issues by the entities in which we invest.
(iv) We will promote acceptance and implementation of the Principles within the investment industry.
(v) We will work together to enhance our effectiveness in implementing the Principles.
(vi) We will each report on our activities and progress towards implementing the Principles.

2. RESPONSIBLE INVESTMENT ACTIVITY DURING THE QUARTER

2.1 A summary of the Fund's Responsible Investment activity for the latest quarter against the six PRI principles is provided below.

2.2 **We will incorporate ESG issues into investment analysis and decision-making processes.**

2.3 The majority of the Fund's assets are managed by external investment managers. The Fund's approach to Responsible Investment is incorporated into the mandates of each investment manager via their respective Investment Management Agreement. Managers take into consideration ESG issues as part of their investment analysis and decision-making process and engage regularly with companies that are held within the portfolio. The Fund's public equity investment managers report annually on their Responsible Investment activity to the Investment Monitoring and ESG Working Group (IMESG).

2.4 Legal & General Investment Management, GMPF's passive public market manager, presented at the January Investment Monitoring & ESG Working Group meeting. They reported on their approach to investment stewardship highlighting key themes such as health, transparency, diversity and income inequality and providing updates in these areas. They also updated the Working Group on their voting policies and how it evolves through an annual review process recognising regional differences and taking on board client and member feedback through their Tumelo platform. Their presentation included case studies of engagement activities with companies on a range of issues such as deforestation, transparency and the use of coal in emerging markets and explained their escalation strategy when engagement does not have the desired effect.

2.5 The GMPF Investment Committee approved a commitment of £20m for the Impact portfolio to a locally based private debt manager that will engage in direct lending to small and medium sized UK businesses in the North impacted by Covid-19.

2.6 The Investment Committee approved a further £50m commitment towards the Fund's property allocation to a development of UK logistics assets. The developer was the first UK specialist logistics developer to commit to carbon net zero construction on all speculative builds. The developer incorporates other ESG measures such as employing a percentage

of trainees from disadvantaged backgrounds from the locality of each project.

2.7 The Responsible Asset Allocator Initiative (RAAI) recognised GMPF's responsible investment practices in its annual assessment. The RAAI Index analyses how the world's largest long-term investors are developing strategies to manage critical ESG issues along 10 core principles and 30 detailed criteria. The top group of asset allocators are recognised as leaders and standard setters who provide a benchmark of excellence for the broader investment community. Further details of the initiative can be found using the link below. https://www.newamerica.org/responsible-asset-allocator-initiative/

2.8 In February 2021, the Northern LGPS committed to the Paris Aligned Investment Initiative's Net Zero Asset Owner Commitment. At the February 2022 meeting of the Northern LGPS Joint Committee, Members endorsed an approach to interim climate change targets, which will be published in due course. The fund is currently working with the developers of the Paris Aligned Investor Initiative, and its asset managers, with a view to being in the inaugural wave of asset owners to produce such a set of targets. It is anticipated that the targets will include a 50% reduction in carbon intensity by 2030 versus the 2019 benchmark, along with over £1 billion of new investments in climate solutions by 2030, building on our position as the largest LGPS investor in renewables

2.9 **We will be active owners and incorporate ESG issues into our ownership policies and practices.**

2.10 Voting and engagement is a cornerstone to the Fund's RI activities. The Fund retains maximum possible authority to direct voting, rather than delegating authority to the external Investment Managers. The Fund is able to engage with companies both directly and indirectly through its long-standing membership of the Local Authority Pension Fund Forum and as part of the Northern LGPS pool. The Fund's voting record can be found using the link below: https://votingdisclosure.pirc.co.uk/?cl=Uyc0NScKLg==&pg=1

2.11 In 2021 GMPF updated its RI Policy (see link below) which was expanded to include a number of additional themes that reflect developments in the responsible investment landscape. These include Water Stewardship and Public Health. As mentioned in the Fund's RI Policy, GMPF considers shareholder resolutions a useful tool to proactively raise issues of concern where boards of investee companies are resistant to change. GMPF filed a resolution ahead of fast-food giant Chipotle's 2022 AGM. The proposal requested the company undertake an assessment to identify the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk and prepare for water supply uncertainties associated with climate change. The resolution came after over two years of conversations between PIRC and the company over its approach to mitigating the physical risks associated with climate change. Following the most recent engagement GMPF agreed to withdraw the filing from the ballot conditional upon formal commitments being made to improve the approach the company is taking to manage water risk throughout the entire value chain. The specific actions being taken by the company will be disclosed to the market upon publication of its sustainability report in April at which time the Fund can elaborate more on the specific actions Chipotle is taking. The commitments represent significant progress in the company's sustainability practices, the direct result of GMPF's intervention.
https://www.gmpf.org.uk/GMPF/media/About/documents/Responsible-investment-policy.pdf

2.12 In advance of Unilever plc's 2022 annual general meeting, GMPF, along with over 100 other investors, co-filed a resolution requesting the company disclose its sales linked to healthier products aligned with government-endorsed nutrient profiling models. Furthermore, the proposal asked the company to set targets to increase revenues deriving from healthier products over the medium term. Currently, Unilever discloses in alignment with its own nutrient profiling model. This raises concerns for investors in how well positioned the company is to manage the impact tighter regulation on the sales of products based on

nutrition, such as restrictions on the promotion of products with high fat, salt and sugar levels due to come into effect in the UK later in 2022. There is also a broader public health imperative in addressing the ways in which the Fund's investments play a proactive role in improving health outcomes. Obesity levels across the UK have been steadily rising with research suggesting that the North West of England, including areas within Greater Manchester, rising at a higher rate. A series of engagements between Unilever and investor co-filers followed the submission in which the company committed to increase its reporting to measure the sales of its products against major government-endorsed Nutrient Profile Models as well as its own internal metric. The company also committed to working with the Healthy Markets Initiative, of which the Northern LGPS is a member, to develop meaningful targets in this area moving forwards. As a result, the resolution has been withdrawn from the 2022 ballot. The co-filing of this shareholder resolution featured in the Financial Times.

2.13 GMPF also co-filed a shareholder resolution with Amazon requesting the company issue a tax transparency report to shareholders. With the Covid-19 pandemic resulting in large deficits for many governments, there has been an increased focus on whether corporations are paying their fair share of tax and contributing to society. Following the submission of the shareholder proposal the Assistant Director of Pensions (Investments) spoke during a webinar organised by PIRC highlighting GMPF's position on tax arrangements. The submission of the shareholder resolution drew attention to from a number of news outlets.

- https://www.reuters.com/markets/europe/investors-file-shareholder-proposal-amazon-tax-disclosures-pirc-2021-12-17/
- https://www.nasdaq.com/articles/amazon-shareholders-call-for-tax-disclosures-adviser

2.14 In February, PIRC set out a Climate Governance paper, which explained their approach to board governance and oversight for a Just Transition. The paper is attached as **Appendix A**. Policy recommendations are made across the themes of board skill and experience, independence and employee engagement. These recommendations will be built into aspects of the Fund's engagement going forwards.

2.15 PIRC organised the 'Say on Climate' conference relating to an initiative of the same name that asks companies to set out their strategy to manage the transition to a net zero emissions business. Investors are asking for disclosure of these strategies to be consistent with the Taskforce for Climate Related Financial Disclosures (TCFD) and an annual provision to vote on these plans. GMPF's Assistant Director of Pensions represented the Northern LGPS at the conference where he contributed to the discussion of the quality of mandatory TCFD reporting from companies. Sir Chris Hohn spoke of the need for not just disclosing but also having a plan that can be properly assessed by shareholders, and what the essential components of a climate action plan might be.

2.16 Carol Bell of Chapter Zero also spoke at the PIRC 'Say on Climate' conference. The Chapter Zero website sets out how the initiative fits into a global network as follows:

> *"Chapter Zero is the UK Chapter of the Climate Governance Initiative – developed in collaboration with the World Economic Forum – and has shared its experience with new and emerging directors' climate forums around the world. Together, the CGI Chapters are supporting NEDs around the world to help address climate considerations in the boardroom. Each Chapter has signed up to the CGI Charter."*

Chapter Zero have produced a boardroom toolkit for non-executive directors which is attached as **Appendix B**. The benefits of the toolkit appear to transfer well from the role of a non-executive director of a company board, to the role of a pension fund trustee.

2.17 The Fund's passive investment manager, Legal and General, published its ESG Impact report during the quarter.

https://www.lgim.com/landg-assets/lgim/_document-library/esg/q4-2021_esg-impact-report-uk_europe-final.pdf

2.18 Following on from suggestions made at the previous IMESG Working Group meeting the link below provides access to Legal and General's Responsible Investing webpage where more details can be found of the Stewardship activities and scoring of companies from an ESG perspective that Legal and General presented at the Working Group meeting.
https://www.lgim.com/uk/en/responsible-investing/

2.19 **We will seek appropriate disclosure on ESG issues by the entities in which we invest.**

2.20 Improved disclosure means companies can be better assessed for their long-term resilience and the Fund's investment managers can make informed investment decisions.

2.21 The Fund, via the Northern LGPS, is a member of the Workforce Disclosure Initiative (WDI). The aim of this initiative is for greater transparency on workforce policies and practices in their direct operations and supply chains. 173 organisations from 25 countries took part in the WDI survey in 2021, up from 141 in 19 countries in 2020. The best represented country was the UK with 66 responders, an increase from 56 in 2020.

2.22 The Fund supported the CDP's Non-Disclosure Campaign, which ran until the end of September 2021. The campaign provides the global financial sector with a source of self-reported corporate environmental data in a uniform and comparable manner. The results of the 2021 campaign were published during the quarter, which can be accessed using the link below. There was an overall increase to a disclosure rate of 25% across all three themes, up from 20% last year. Companies were more than three times more likely to disclose on forests when they were targeted by financial institutions. Certain high impact sectors such as hospitality, transport and biotechnology were found to have had limited disclosure.
https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/069/original/CDP_2021_Non-Disclosure_Campaign_Report_10_01_22_%281%29.pdf?1642510694

2.23 **We will promote acceptance and implementation of the Principles within the investment industry.**

2.24 All of the Fund's external public markets investment managers are PRI signatories. Many of the Fund's external private markets investments managers are also PRI signatories, and those who are not are encouraged to do so.

2.25 The Department for Levelling Up, Housing and Communities (DLUHC) published the Levelling Up whitepaper in February which includes references to LGPS funds having plans for up to a 5% allocation to projects which support local areas. The Fund currently has an allocation to local investments and a further allocation to infrastructure assets that are UK based and the whitepaper refers to and mentions the GLIL vehicle co-founded by the Northern LGPS as an example of investing in UK infrastructure. The full whitepaper and executive summary can be found using the links below.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052706/Levelling_Up_WP_HRES.pdf

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052046/Executive_Summary.pdf

2.26 Mr Michael Lynk, the UN Special Rapporteur on the Occupied Palestinian Territories (OPT) wrote to numerous LGPS funds during the quarter describing the work he is doing to assess and report human rights violations in companies operating in the OPT. Numerous organisations including the UN Security Council have stated that Israeli settlements are a

violation to international law furthermore the UN Office for the High Commissioner for Human Rights concluded that the Israeli settlements are a significant source of human rights violations against the protected Palestinian population in the occupied territories. The UN compiled a database of businesses operating in the OPT and Mr Lynk asked LGPS funds to disinvest funds from companies operating within these settlements. The Chair of the Local Authority Pension Fund Forum (LAPFF) spoke with Mr Lynk to discuss his letter and agreed to hold further talks and it was made clear to Mr Lynk that LGPS funds take human rights issues seriously and LAPFF are engaging with many of the companies in the database.

2.27 An amendment to the Public Service Pensions and Judicial Offices Bill relating to investment in line with UK foreign and defence policy was passed at the report stage on 22 February. The amendment would enable the Secretary of State to issue guidance to those authorities that administer public sector pension schemes, including the LGPS, that they may not make investment decisions that conflict with the UK's foreign and defence policy. The full extent of the impact of this amendment is not yet fully known and the LGPS Advisory Board will seek further clarity and answers from DLUHC.

2.28 The Pensions Regulator published an appendix to its climate change guidance for pension trustees. The guidance is for trustees of private sector pension schemes who are required to comply with the new climate-related governance and reporting duties in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The new appendix sets out a step-by-step example of the actions that a trustee board should/could be taking. While LGPS funds are currently out of scope the regulation is likely to incorporate LGPS funds in the future and so the guidance and accompanying Appendix may be beneficial to members. We will undertake a gap analysis to check that we have covered all bases.

https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/climate-related-governance-and-reporting?utm_source=SPB%20Email%20Campaign&utm_medium=email

https://tpr-prdsitecore-uksouth-cd.azurewebsites.net/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/climate-related-governance-and-reporting/appendix-a-step-by-step-example?utm_source=SPB%20Email%20Campaign&utm_medium=email

2.29 **We will work together to enhance our effectiveness in implementing the Principles.**

2.30 Where possible the Fund works in collaboration with other like-minded investors to amplify the investor voice and effect positive change. The Fund participates in several initiatives and forums across the full spectrum of ESG issues. A description of the Fund's main RI partners and collaborative bodies is attached as **Appendix B**.

2.31 Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. It focuses on the largest corporate greenhouse gas emitters to ensure they take necessary action on climate change. During the quarter Climate Action 100+ published its progress report for 2021 which covers a selection of focus company commitments as a result of the initiatives work, results achieved during the proxy season, the launch of the Net Zero company Benchmark and key goals for 2022. The full report can be found using the link below.
https://www.climateaction100.org/progress/progress-update/

2.32 The Transition Pathway Initiative (TPI) is an initiative led by asset owners that assesses the progress that companies are making on the transition to a low-carbon economy using publicly disclosed data. During the quarter, the TPI published the Sectoral Decarbonisation Pathways Report which would help investors assess whether companies are on track to transition to net zero. The report can be accessed using the link below and some of the key features are

listed below.

- Sector-specific methodologies are based on the Sectoral Decarbonisation Approach, allocating an absolute, economy-wide emissions budget to each sector
- Sectoral benchmarks are derived from IEA modelling – showing scenarios meeting 1.5 degrees, below 2 degrees, and aligned with National Pledges – for most sectors
- TPI benchmarks cover the majority of lifecycle emissions in each sector
- The benchmarks extend to 2050, allowing investors to see a company's transition pathway in the short, medium, and long term
- In nearly all sectors, company emissions are normalised against a physical activity output therefore allowing comparison between companies
- The benchmark methodologies can be adapted to new models and scenarios

https://transitionpathwayinitiative.org/publications/100.pdf?type=Publication

2.33 The Northern LGPS is a signatory to the 30% Club, a campaign to increase gender diversity at board and executive level in the world's largest companies. During the group's quarterly meetings, it was discussed that more could be done to tackle racial and ethnic diversity also. In March, the 30% Club released a statement addressing the lack of racial and ethnic diversity in UK businesses and outlined the action it is taking to make positive change. The group sent letters to the FTSE 100 companies that are yet to meet the Parker Review targets of at least one member and executive committee member from an ethnic minority background by the end of 2021. The letter warned companies that investors may consider voting against companies at their annual general meetings if they fail to take action. The statement as well as some of the positive media coverage the statement received can be found using the links below.
https://30percentclub.org/wp-content/uploads/2022/02/1-March-30-Club-Race-Equity-Investor-Statement.pdf
https://citywireselector.com/news/time-s-up-14tn-investor-group-puts-pressure-on-ftse-100-to-improve-racial-diversity/a2380965
https://www.esginvestor.net/ftse-100-directors-face-vote-threat-over-racial-diversity/

2.34 This year marks the third anniversary of the tailings dam collapse at Brumadinho, Brazil. Over the last three years LAPFF engaged with Vale and BHP in the wake of both the Brumadinho and Samarco dam collapses and has been dismayed at the lack of progress in addressing the needs of the affected communities. During this time LAPFF has continued its work to ensure the voice of the affected communities is not forgotten and hear stories of loss, devastation and insufficient reparations. LAPFF's press release and some of the media coverage this received can be found using the links below.
https://lapfforum.org/wp-content/uploads/2022/01/Brumadinho-3rd-Anniversary-Press-Release.pdf
https://www.ipe.com/news/stewardship-roundup-tailings-dam-update-asset-manager-priorities/10057581.article?utm_campaign=740758_25.1.22%20IPE%20Daily%20News&utm_medium=email&utm_source=IPE&dm_i=5KVE,FVKM,1BHOSO,1X8E1,1

2.35 **We will each report on our activities and progress towards implementing the Principles.**

2.36 The Northern LGPS Stewardship Report for the latest quarter can be found using the link below. https://northernlgps.org/taxonomy/term/15

2.37 The LAPFF Quarterly Engagement Report for the latest quarter can be found using the link below. https://lapfforum.org/publications/category/quarterly-engagement-reports/

3. RECOMMENDATION

3.1 As per the front of the Report.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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of the Local Government Act 1972.

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Report To:	**GMPF MANAGEMENT/ADVISORY PANEL**
Date:	18 March 2022
Reporting Officer:	Sandra Stewart, Director of Pensions
Subject:	**GMPF CALENDAR OF MEETINGS 2022/23 AND 2023/24**
Report Summary:	Attached is the proposed GMPF Calendar of Meetings for 2022/2023 and 2023/24 Municipal Years.
Recommendations:	That Members note the proposed GMPF Calendar of Meetings for the 2022/23 and 2023/24 Municipal Years.
Policy Implications:	There are no policy implications.
Financial Implications: (Authorised by the Section 151 Officer)	There are no budgetary implications.
Legal Implications: (Authorised by the Borough Solicitor)	Achieves compliance with Procedural Standing Orders.
Risk Management:	Publication of the Meetings Calendar allows for transparent and inclusive decision-making and complies with the Freedom of Information Act 2000.
Access to Information	The background papers relating to this report can be inspected by contacting Carolyn Eaton, Principal Democratic Services Officer by: phone: 0161 342 3050 e-mail: carolyn.eaton@tameside.gov.uk

GMPF MEETINGS 2022/23 & 2023/24

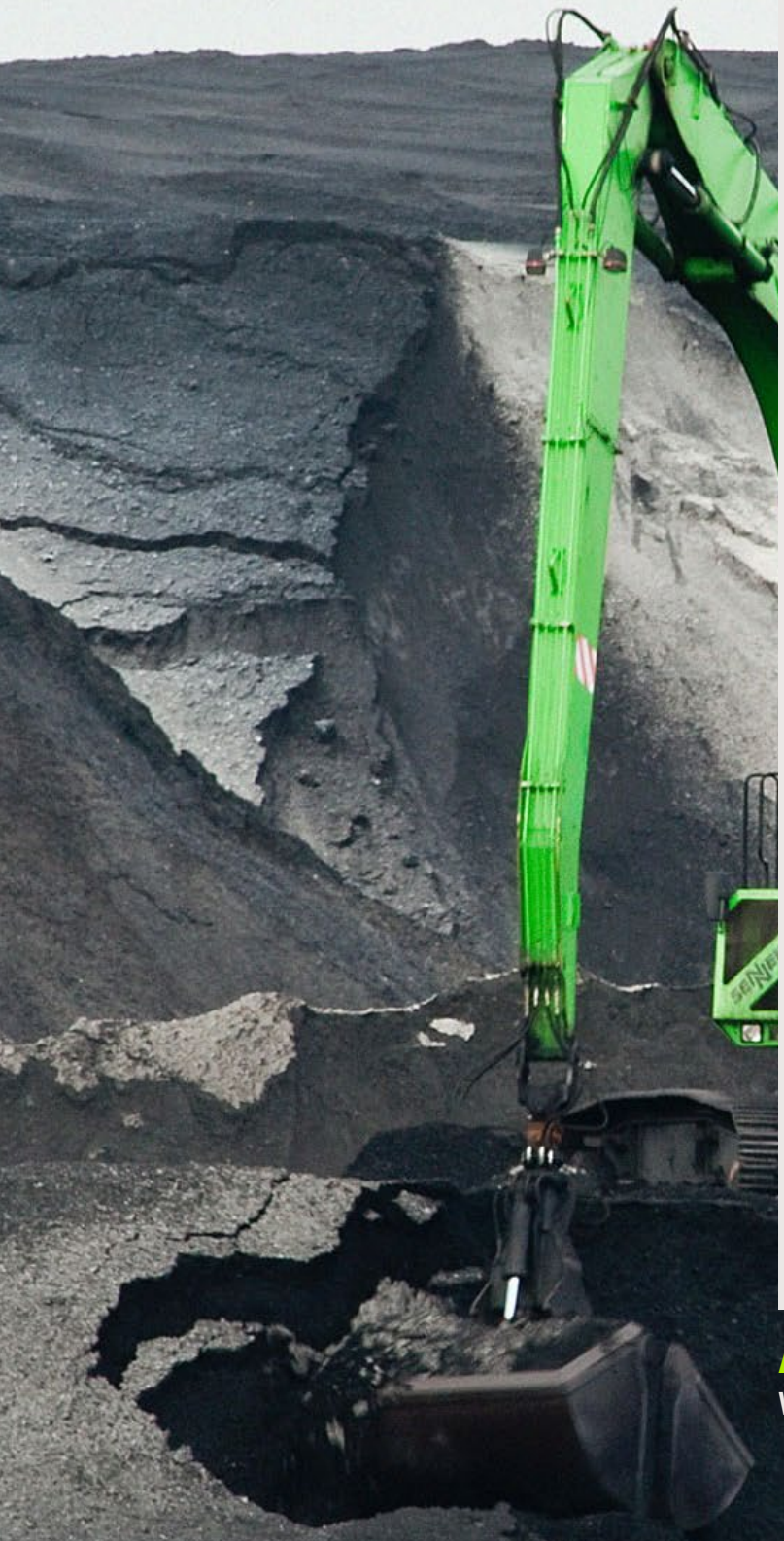
Pension Fund and Working Groups calendar dates:					
Pension Fund Panel	**Friday 10.00am**	15 July 2022	16 Sept 2022	2 Dec 2022	24 Mar 2023
		14 July 2023	15 Sept 2023	1 Dec 2023	8 Mar 2024
Policy & Development	**Thursday 11.00am**	23 June 2022	8 Sept 2022	24 Nov 2022	2 Mar 2023
		22 June 2023	7 Sept 2023	16 Nov 2023	22 Feb 2024
Investment Monitoring & ESG	**Friday 9.00am**	29 July 2022	30 Sept 2022	27Jan 2023	14 April 2023
		28 July 2023	29 Sept 2023	26 Jan 2024	12 April 2024
Administration & Employer Funding Viability	**Friday 11.00am**	29 July 2022	30 Sept 2022	27 Jan 2023	14 April 2023
		28 July 2023	29 Sept 2023	26 Jan 2024	12 April 2024
Local Pensions Board	**Thursday 3.00pm**	28 July 2022	29 Sept 2022	26 Jan 2023	13 April 2023
		27 July 2023	28 Sept 2023	25 Jan 2024	11 April 2024
Northern LGPS Joint Oversight Cttee	**Thursday 11.00am**	7 July 2022	6 Oct 2022	2 Feb 2023	13 April 2023
		6 July 2023	5 Oct 2023	1 Feb 2024	11 April 2024

PIRC

FEB/2022

BOARD GOVERNANCE AND OVERSIGHT FOR A **JUST TRANSITION**

CLIMATE GOVERNANCE



INTRODUCTION

The governance of responding to climate change is an increasingly important issue for both boards and investors. A gap currently exists between public messaging on how companies are addressing climate and social risk versus the skill-set and strategic understanding necessary to manage these risks. In 2021, the Stern Center for Sustainable Business found that, across all 1,188 board members on Fortune100 companies, just five and two board members respectively had relevant experience in the areas of climate and water[1].

Boards need independent non-executive directors with the competencies in order to assess the materiality of environmental and social issues affecting the business. Their role should in part be to question the extent to which companies are able to successfully traverse the transition to a low carbon economy, and even the future viability of the company.

During 2021 PIRC carried out a series of engagements to assess the extent to which current governance arrangements facilitate a meaningful response to mitigating climate-related risks. Initial research and engagement highlighted a number of climate governance issues including: a lack of related skills and experience, a lack of industry independence present on sustainability committees (or equivalent) and a lack of formal mechanisms though which relevant stakeholders (primarily employees) can play a role in shaping the decarbonisation strategy.

AUTHORS
Will Glover, Connor Constable, PIRC

BOARD SKILL & EXPERIENCE

As might well be expected, there is a lack of regulatory guidance available for companies when it comes to establishing or developing existing ESG competence at Board level. This is in contrast to guidance on the formation of an Audit committee which the FRC published in 2017.

A recent survey by PWC[2] also highlighted the need for more relevant ESG skills at Board level finding that only 30% of executives felt that their Board had 'good or excellent' ESG expertise, with only 27% of executives saying their Board is "sufficiently focused on climate change".

This research supports PIRC's own experience when discussing these issues with companies. Responses to questions relating to climate experience are often vague and boards typically cite experience garnered from roles at other companies, rather than specialist climate knowledge.

An example of good practice is highlighted in the Stern Centre's report with regards to Dow Chemicals, a company that had appointed candidates with appropriate experience to mitigate the specific environmental risks facing the company. Dow was considered by the centre to have three board members with relevant 'E' credentials: A member of the US Climate Action partnership, a former EPA Administrator and the Chair of the World Business Council for Sustainable Development.

During engagements on this issue PIRC has requested more granular reporting regarding Board competencies in relation to the governance of sustainability. Ensuring appropriate governance frameworks are in place is critical when assessing the capacity of company decision-making in relation to material climate-related risks.

POLICY RECOMMENDATION

- → Boards should disclose a skills matrix, detailing the skills and experience Board members have which demonstrate why they have been chosen to be on the ESG committee or equivalent.
- → In the case of the Chair of the committee, their understanding of implications from ESG/ Climate issues should be clearly laid out alongside their skills and experience.

INDEPENDENCE

It is a widely accepted principle of corporate governance best practice that maintaining a sufficient level of independence on the board is essential to ensuring a robust and effective decision-making process. Without diverse and independent representation on the Board acting as a counterweight to the executive element, companies' risk having the decision-making process dominated by individuals or small groups of directors.

It is equally important to assess the independence and effectiveness of Board's principal committees, not least those companies that operate a Board-level ESG or sustainability committee. Independence is important here not only with regards to the committee members relationship with the company but also with the sector in which the company operates.

As outlined above, companies often highlight an individual's experience within the industry as sufficient expertise to serve on a sustainability committee (or equivalent). Whilst a level of experience and understanding of how peers are addressing sustainability issues is of course important, industry experience can also have drawbacks. Not least, if a committee lacks members with independence from the sector itself, directors are less likely to challenge existing industry-based narratives or strategies that in turn facilitate a 'business as usual' approach. In carbon intensive sectors this often manifests itself as prioritising technological solutions to managing climate impact as opposed to opting for systemic changes to underlying business models. Sequentially, this risks eroding shareholder value as decisions in relation to capital allocation and expenditure targets are biased towards current business practices as opposed to pivoting to more sustainable revenues.

POLICY RECOMMENDATION

- → Companies should be required to have a fully independent ESG committee (based on the relevant Corporate Governance Code requirements) as well as at least one subject matter expert with experience that extends beyond the immediate industry.
- → If directors do not have sufficient climate expertise, the company should outline the training needed for them to have a sufficient level of understanding.

EMPLOYEE ENGAGEMENT

An important consideration for all businesses managing the transition is how to do so in a sustainable and inclusive manner. It is incumbent on all companies therefore to undertake informed and ongoing consultation with employees and relevant stakeholders, especially companies expected to undergo disruptive transformations.

Employee engagement models is an area PIRC has researched extensively during 2020 and 2021. Many companies in the UK have opted to designate a non-executive board member as responsible for engaging the workforce in order to comply with the latest iteration of the UK Corporate Governance Code. The expectation is for directors to understand and engage on significant issues facing the workforce, of which the energy transition ranks highly. Provisionally, the appointment of the designated NED (or in cases in which companies have opted for an alternative model a NED with relevant experience in employee engagement) to the ESG committee or equivalent could help ensure a company's transition pathway aligned with the needs the employee base. However, our preference remains for employees to have direct representation in governance.

The World Economic Forum (WEF) agrees with this approach as Principle 8 of their guiding climate governance principles[3] is focused around dialogue with stakeholders such as employees to "encourage the sharing of methodologies and to stay informed about the latest climate-relevant risks, regulatory requirements etc."

The notion of employees contributing to a company's decarbonisation strategy is encapsulated by the notion of the Just Transition. As outlined by Anabella Rosemberg as far back as 2010[4], climate change is having and has had huge impacts on employment across the globe and it is vital for companies to offer support and assurances to workers affected by them. With employee engagement and support such a key part of the Just Transition, it should be considered throughout a company's climate strategy and risk management, including formation of appropriate internal governance frameworks

POLICY RECOMMENDATION

→ Boards should have employee or union representation on the ESG committee, preferably through employee directors or equivalents. Where companies have adopted the Designated NED or equivalent model, these directors should serve on the committee.

→ Annual reports should provide information on how employee views have been considered in relation to transition risk.

SOURCES

References

1 'U.S. Corporate Boards Suffer From Inadequate Expertise in Financially Material ESG Matters'
https://www.stern.nyu.edu/sites/default/files/assets/documents/U.S.%20Corporate%20Boards%20Suffer%20From%20Inadequate%20%20Expertise%20in%20Financially%20Material%20ESG%20Matters.docx%20%282.13.21%29.pdf

2 Board effectiveness: a survey of the C suite - https://www.pwc.com/us/en/services/governance-insights-center/pwc-board-effectiveness-a-survey-of-the-c-suite-final.pdf

3 'How to Set Up Effective Climate Governance on Corporate Boards' https://www3.weforum.org/docs/WEF_Creating_effective_climate_governance_on_corporate_boards.pdf

4 Building a Just Transition: The linkages between climate change and employment - http://www.ilo.org/public/libdoc/ilo/P/09238/09238(2010-2)125-161.pdf

Other Sources

'SYSTEMS RULE: How Board Governance Can Drive Sustainability Performance' - https://www.ceres.org/sites/default/files/reports/2018-05/Systems%20Rule%20vfinal.1.pdf

Sustainability Committees: Structure and Practices https://www.ifc.org/wps/wcm/connect/40678b48-7b88-4144-bb0c-ca0bc433e7b0/Focus-15-Sustainability-Committees.pdf?MOD=AJPERES&CVID=nEqC1vz

PHOTOGRPAHY FROM UNSPLASH

Pg 1 Visual Karsa, Pg 2 Bart van Dijk, Pg3 Alex Knickerbocker, Pg4 Chris Henry, Pg5 Albie Patacsil, Pg6 Joshua Brown

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Chapter Zero:

A climate change boardroom toolkit

About this toolkit

This toolkit has been developed for Chapter Zero, the directors' climate forum, by The Berkeley Partnership working with the Hughes Hall Centre for Climate Change Engagement in Cambridge.

Chapter Zero
The Directors' Climate Forum

Established in June 2019, Chapter Zero's goal is to help chairs and non-executive directors address the challenge of managing the transition to a net-zero carbon economy; protecting asset values, adapting to physical risks and reducing emissions. It is part of the World Economic Forum Climate Governance Initiative.

Chapter Zero is supported by Mark Tucker, Chair of HSBC; David Tyler, Chair of Domestic & General and The White Company; Sir John Kingman, Chair of L&G; and Sarah Bates, Chair of MerianGlobal Investors and Polar Capital Technology Trust; and Richard Gillingwater, Chair of SSE plc.

To have access to Chapter Zero's resources and events, enrol as a member by visiting **www.chapterzero.org.uk**

The Berkeley Partnership

The Berkeley Partnership is an independent management consultancy, based in London and New York. Berkeley works with its clients on some of their biggest challenges and opportunities, developing strategies and leading programmes of transformational change. Berkeley has developed this toolkit on a pro bono basis as one of its Positive Social Action investments.

www.berkeleypartnership.com

CENTRE FOR CLIMATE CHANG ENGAGEMENT
HUGHES HALL
UNIVERSITY OF CAMBRIDGE

The Centre for Climate Change Engagement at Hughes Hall, Cambridge was formed in 2018 to engage non-executive directors of UK listed companies in better understanding the risks and opportunities presented by climate change by bringing the expertise and research of Cambridge University into the boardroom. It brings together investors, regulators and board members to debate how to accelerate change and manage risk.

www.hughes.cam.ac.uk

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Note on Version Control. This is **Version 2** of this toolkit, published in **November 2020**. Due to the ever evolving nature of the subject matter, regular updates will be made to the content.

How to use this toolkit

This toolkit has been deliberately designed to provide an accessible resource to be used and dipped in-and-out of, rather than as a detailed 'academic' document to be read cover-to-cover.

Its aim is to help you to understand the key issues relating to climate change and the actions you can take to start addressing them. The main body of the toolkit has been kept short, sharp and to the point, but with drill downs and links to other resources (e.g. WEF and TCFD material) to enable you to access more detail if required.

With the above in mind, it is possible to **view and use this toolkit on your PC, tablet and even Smartphone** (if viewing in landscape) and there are links and buttons throughout to help you quickly navigate it, for example:

Hyperlinks such as the following will take you to published content online:

TCFD recommendations

The '**Contents**' button will take you to the Contents page from where it is possible to drill down into the various sections:

Contents

The '**down arrow**' button drills down into the Section indicated:

The '**process**' icons (in Section 3) take you into specific Steps in the end-to-end process:

STEP 1
Get it on the agenda

Glossary of terms

CBI	Confederation of British Industry
CDP	Carbon Disclosure Project
CO2	Carbon Dioxide
COP21	21st yearly session of the Conference of the Parties (COP) to the 1992 United Nations Framework Convention on Climate Change (UNFCCC)
GHG	Greenhouse Gas
H2O	Water
ICAEW	Institute of Chartered Accountants in England and Wales
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change
NED	Non-Executive Director
CH4	Methane
NOx	Nitrogen Oxides
PPM	Parts per million
SMART	Specific Measurable Achievable Relevant and Timebound
TCFD	Taskforce on Climate Related Financial Disclosures
WEF	World Economic Forum
WRI	World Resources Institute

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About Chapter Zero

It is increasingly clear that corporate board members need to explore the risks and opportunities that climate change poses to their firms, and make efforts to reduce their carbon footprints. All board members need to understand these issues to participate in the debate, both executives and non-executives.

Chapter Zero was established to help this exploration by spreading awareness of climate change and the business risks it poses amongst chairs, committee chairs and other non-executive directors. This toolkit has been designed to help boards to hold informed and strategic discussions and respond effectively to the climate change challenge.

Climate change threatens the bottom line of businesses the world over, and companies find themselves under increasing environmental pressure from a variety of sources. The private sector is key to driving the necessary reduction in carbon emissions over the next decade, and to understand fully the risks to their balance sheets and supply chains.

Consumers are becoming much more climate-aware, and many investors demand higher standards of behaviour from the companies they lend to and invest in. Businesses that fail to address the climate challenge could, in a very short period of time, find themselves burdened with stranded assets and obsolete business models. Over-reliance on fossil fuels or other non-sustainable resources will, in the long run, stymie investment and hamper growth.

Regulators are also demanding change. Governments across the world have made commitments to drastically reduce greenhouse gas emissions. Firms may soon find themselves operating under stricter environmental regulations, and be compelled to disclose their environmental impact. Central banks are also growing increasingly concerned about the threat posed by climate change to financial stability, and are already asking financial sector participants to disclose their exposure to various climate-related risks.

Corporate boards are charged with safeguarding the long-term health of their business, and delivering value to shareholders and society at large. Boards that start to act now, that can get ahead of the curve on this issue, will be in a much better position to compete for customers and investment as society becomes ever more climate conscious.

Use this toolkit now to assess where your companies are on this journey and to encourage informed debate in your boardrooms.

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The Directors' Climate Forum

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Purpose and introduction

Climate change is perhaps the greatest challenge the human race has ever had to tackle. As the World Economic Forum (WEF) recently said: "of all risks, it is in relation to the environment that the world is most clearly sleepwalking into catastrophe"

Without prompt and decisive action, the human and ecological impact could be catastrophic and irreversible – and will affect us all. This is not somebody else's problem.

It will have a significant impact on business viability and shareholder value, including:

- Major disruption to business operations and supply chains
- Profound impact on stakeholder sentiment, making it increasingly difficult for businesses to compete, secure investment and attract top talent if they're not seen to be taking positive action
- Dramatic increase in resource costs and availability – and reduction in asset values
- New rules, regulations and board obligations relating to Greenhouse Gas (GHG) reduction, climate risk disclosure, etc.

However, for businesses that lead the way in transitioning to the low-carbon economy, there could be significant opportunities to achieve commercial and competitive advantage.

Non Executive Directors (NEDs), have the potential to make a huge contribution in addressing this challenge as well as a duty to ensure their boards are fulfilling their legal obligations in this area.

The purpose of this toolkit is to arm NEDs with the evidence, if needed, to get this on senior management's agenda and to show how, through a few clear steps, they can help their board(s) begin to tackle it...

Note on Version Control. This is **Version 2** of this toolkit, published in **November 2020**. Due to the ever evolving nature of the subject matter, regular updates will be made to the content.

Contents:

1. Why this is important and urgent

Overview

The purpose of this section is to demonstrate the importance of businesses acting as a matter of urgency to: (a) ensure they are well prepared for the effects that climate change could have on them; and (b) minimise their climate change impact. It aims to do so by:

1. Clarifying what causes climate change, the current situation and related forecasts.
2. Exploring the significant human and environmental impact that climate change will have unless prompt and decisive action is taken.
3. Demonstrating why time is running out to avert the most extreme consequences of climate change - and to avoid triggering 'tipping points' which could cause climate change to move beyond our control.
4. Exploring the business impact of climate change and how businesses that don't prepare now are potentially placing their future performance and survival at risk.

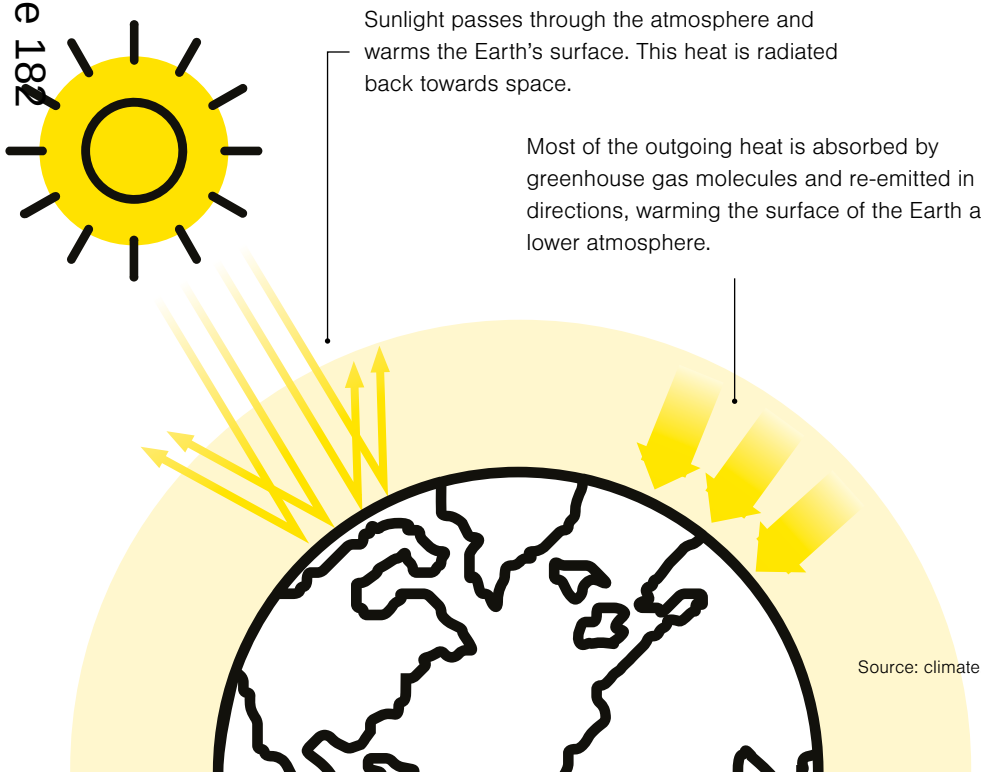
The following slides have deliberately been kept high-level to make them quick and easy to consume the key points. Further reading sources are provided in Appendix A1.1.

Preventing climate breakdown requires rapid transitions of unprecedented scale in economic, social and political systems.
(IPPR, 2019)

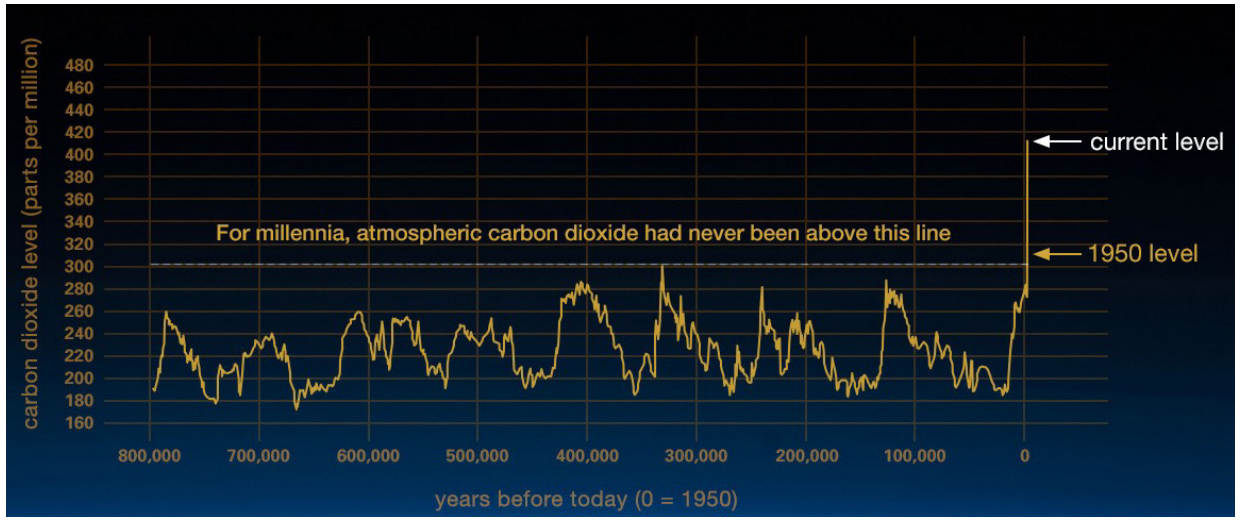
1. Causes of climate change and current situation

Greenhouse gases influencing climate change include:

- Water vapour (H20)
- Carbon Dioxide (CO2)
- Methane (CH4)
- Nitrogen Oxides (NOx)



Source: climate.NASA.gov



Source: climate.NASA.gov

In 2013, CO2 levels passed 400ppm for the first time in recorded history and levels continue to rise, currently at 414ppm.

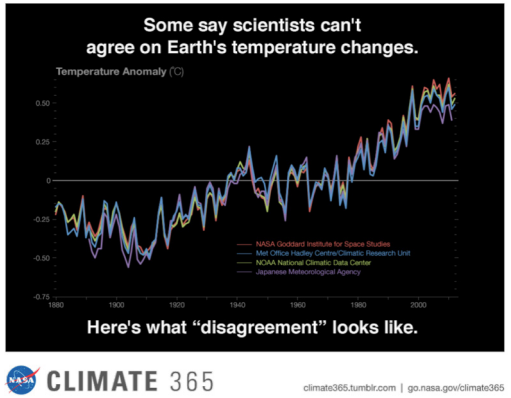
The last time there was this level of atmospheric carbon dioxide was the Pliocene era, 3-5 million years ago when the sea level was 5-40 metres higher and temperatures 3-4°C higher, with the north and south poles even warmer still at 10°C hotter than today.

Current temperatures are lower because temperature increase lags carbon dioxide levels. Without intervention, equivalent or higher temperature change should be expected.

References
Contents

1. Causes of climate change and current situation

- Climate change is already affecting us, with an **average increase of c.1°C**.
- We have entered the '**Anthropocene**' period – so named due to the profound impact of human activity on global temperatures.
- The IPCC recently concluded that there is more than a **95% probability that human activities have warmed our planet** and while there are varying perspectives on the exact level of overall temperature increase, there is high agreement on the warming trend.
- **The Paris Agreement on Climate Change** aims to keep global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit this even further to 1.5°C. The gap between 1.5°C and 2°C puts hundreds of millions of lives at stake[3].
- Based on current projections and progress, we are **on track for increases in temperature of 3-5°C** (IPCC, 2018). While even a 2°C rise targeted by the Paris Agreement has been described as 'catastrophic', the implications of this 3-5°C rise are even more extreme.
- Overall, **every degree of warming costs temperate countries like the US and UK up to 1% of GDP**. The world would be $20trn richer at 1.5°C than 2°C. A 4°C rise could wipe out the possibility of economic growth[4].
- Compared to a trajectory of no climate change, the average projection is for a **23% loss in per capita earnings globally** (Hsiang, Burke and Miguel)[4].



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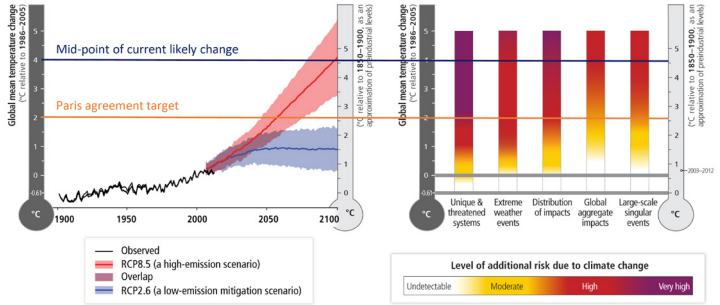

Source: IPCC WGII Box SPM.1Figure 1.1

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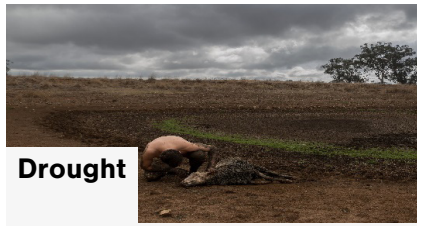
References Contents

1. The environmental impacts of climate change

Extreme heat

21 of the warmest years on record have been in the last 23 years, the past 5 have been the warmest ever.



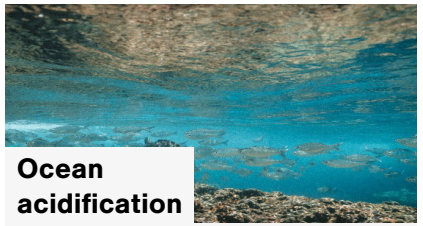
Drought

At 2°C there would be aridification across 27% of land area by 2100[3].

At 3°C, Southern Europe and Africa would be in permanent drought[4].

Soil infertility

Topsoil is being lost 10 to 40 times faster than it is being replenished. Since mid 20th century 30% of the world's arable land has become infertile due to erosion, 95% of earth's land areas could be degraded by 2050[1].



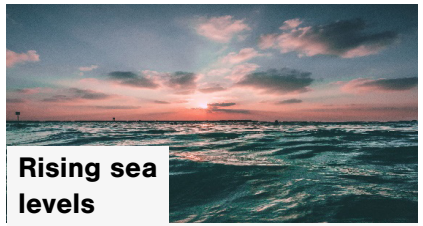
Ocean acidification

25% of CO2 emissions dissolve in oceans, making them more acidic, damaging marine organisms and ecosystems. Acidity has increased by 26% since the beginning of the industrial revolution and could hit 170% by 2100. Coral bleaching has increased 5-fold since 1980s[2].

Flooding (rain fall and sea levels)

Flooding has quadrupled since 1980 and doubled since 2004[4].

It is now estimated that New York City will suffer '500 year floods' every 25 years[4].



Rising sea levels

At 2°C, irreversible loss of polar ice sheets, with 87,000km2 of land lost to sea rise by 2100[3].

At 3.2°C, Miami, Dhaka, Shanghai, Hong Kong and 100 other cities would be flooded[4].

70% of largest European cities have areas vulnerable to rising sea levels[5].

Fires

As with super-storms and hurricanes, climate change significantly increases the scale and frequency of wildfires.

E.g. In 2018, a major California wildfire destroyed 4000 acres in one day and coined a new term 'fire tsunami', and 'Campfire', the deadliest in Californian history, destroyed several hundred square miles and killed dozens[4].

Super-storms and hurricanes

Climate change changes the frequency, duration, timing, coverage and intensity of these events.

A single individual example was the summer of 2018, when 6 hurricanes and tropical storms emerged on the radar at once, 2 of these alone killed 150 and wreaked $18bn of damage[4].

Reduced nutritional value of crops

Warmer temperatures increase the amount of sugars in crops such as rice and wheat. This means lower nutrient levels such as protein, iron, calcium and zinc, risking mineral deficiencies for millions e.g. 175m with zinc deficiency, 122m with protein deficiency, and 1 billion with iron deficiency[4].

Reduced biodiversity – 6th mass extinction

Vertebrate populations have fallen on average by 60% since the 1970s, exceeding 85% in some countries[1].

Insects could be extinct and coral reefs destroyed by the end of the century, with profound impacts on ecosystems[1].

UK is one of 'the most nature-depleted countries in the world'[1].

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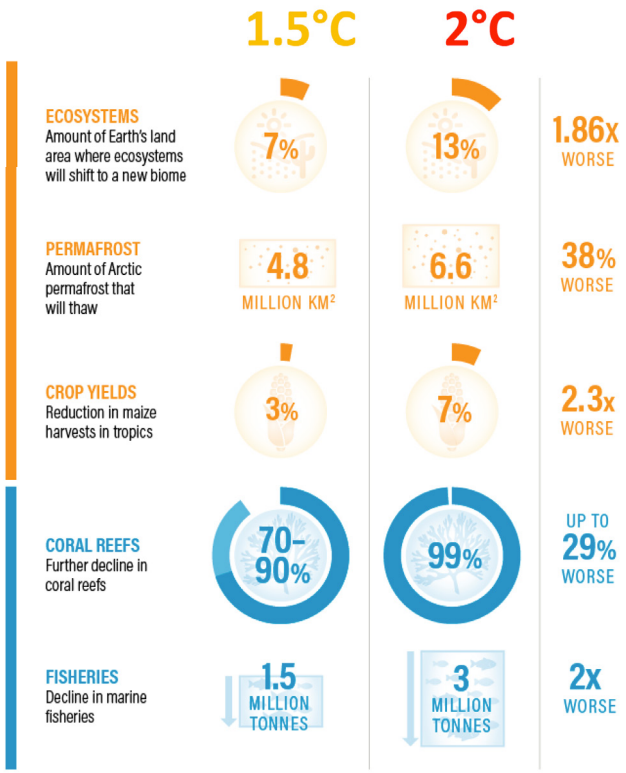
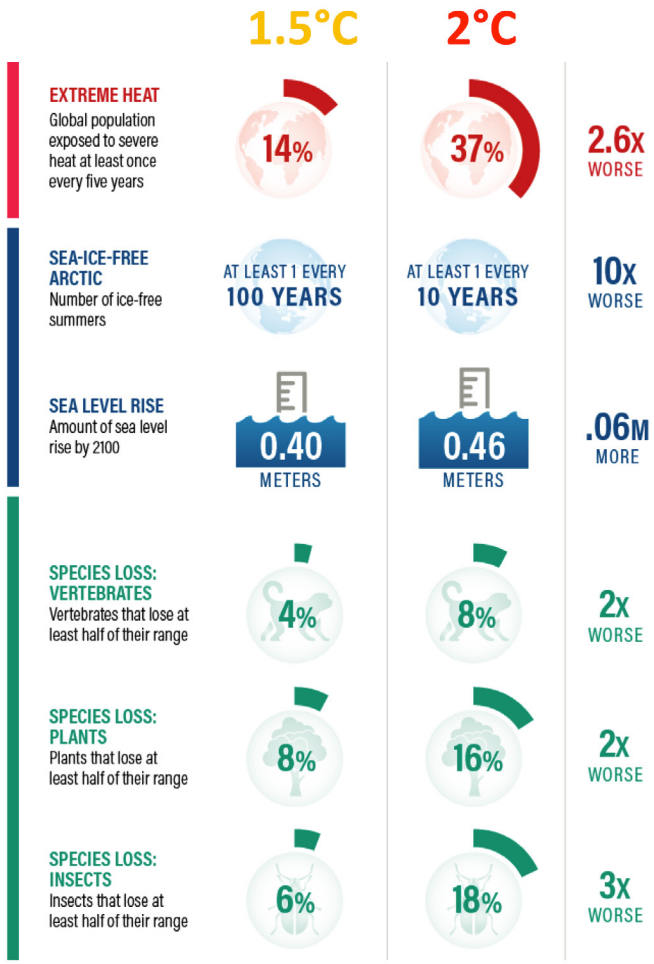
Contents

1. The environmental impacts of climate change

The environmental impacts are significant but sensitive to levels of change and the **risks associated with 1.5°C are significantly less than those at 2°C.**



WRI explanation of IPCC's 1.5°C report.



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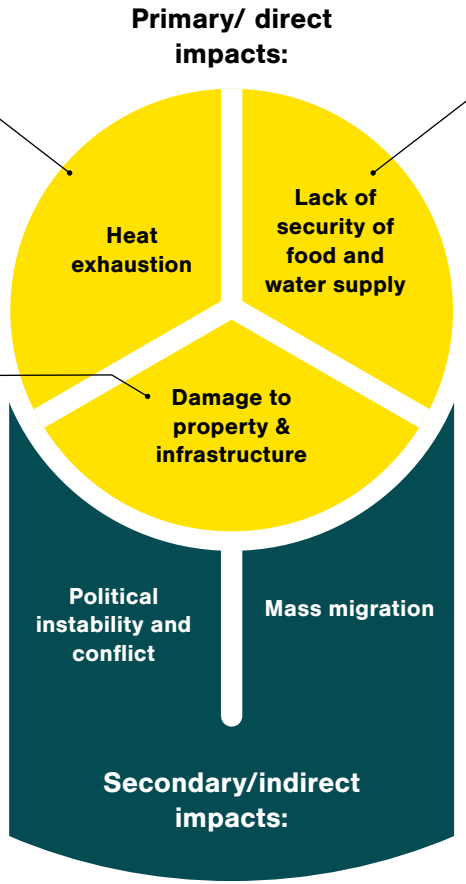
1. The human impacts of climate change

Human impacts are at a local, systemic and socio-economic level. Factors include:

- In 2017, 157 million more people experienced heatwaves than in 2000, creating a serious health burden and costing 153 billion work hours[1]
- In the UK, heat related deaths could reach 7500 p.a. by 2050[1].
- At 4°C, the deadly European heatwave of 2003 that killed up to 2000 per day would be a 'normal' summer[4].

- Flood damage in the UK alone now averages £1.1bn p.a.[6].
- Extreme weather events in the US were responsible for $326bn in 2017, nearly triple those of 2016[1].
- Global cost of rising sea levels could be $14trn per year in 2100[6].
- If no action is taken to curb emissions, global damages from climate change are estimated to be between $14trn -$100trn per year – a wide range but even the lower estimate is 20% of all current GDP, with the higher end larger than all current GDP[4].

- For every half degree of warming, societies will see 10-20% increase in the likelihood of armed conflict[4].
- In Africa, climate change has already elevated the risk of conflict by >10%. By 2030, nearly 400,000 more deaths will be caused from climate related conflict[4].
- The US military is 'obsessed' with climate change and its impacts on stability[4].
- Drought and crop failure was linked to radicalisation by Boko Haram, ISIS and the Taliban[4].



- Drought is reducing crop yields, leading to ill health and malnutrition, and reversing years of improvements in food production[1].
- Flooding also affects food production – e.g. in 2017, two 'once in a generation' hurricanes in a week, Hurricanes Maria and Irma, hit Puerto Rico, flooding agricultural land making much of it unusable for a year[4].
- In 2017, climate related disasters caused acute food insecurity for c. 39 million across 23 countries[6].
- Under current trends, it is predicted that food production must increase by 60% by 2050, requiring a 77% increase in greenhouse gas emissions and further straining supply[1].

- UN estimates that 200m could be forced into migration by 2050, dwarfing the recent 1m Syrian refugee crisis[4].
- A fifth of the world's population could face mass migration by 2100 if climate change is not sufficiently curbed[1].

1. Time is running out

Urgent action is required to avert the most extreme consequences of climate change - and avoid triggering 'tipping point' events which could cause climate change to spiral sharply and irreversibly beyond our control...

- Carbon in fossil fuels has been 'locked up' underground and out of our atmosphere for many millions of years. Burning fossil fuels releases their carbon into the atmosphere as CO2. Once they've been burned and the carbon released as CO2, the impact can't be reversed – without highly expensive carbon capture technology which is not currently viable to scale to a level that will make a meaningful difference...
- ...Consequently, since temperature rises are directly correlated with CO2 levels (see above), to limit global temperature rises to a certain level, there is a corresponding limit we need to place on the total amount of carbon we burn (a 'carbon budget')
- As shown under 'environmental impacts' above, keeping temperature rises to 1.5C could avert the most serious consequences of climate change. However, even in the highly optimistic scenario that global carbon emissions do not increase above current levels, we will have burned through the '1.5C carbon budget' in just 12 years – and the '2C carbon budget' in 30 years WRI summary of IPCC report
- So far, temperature rises have been driven by factors (emissions) which we can control. However, as our actions cause temperatures to rise still further, 'tipping point' events could be triggered which cause temperatures to spiral sharply and irreversibly beyond our control. Examples include:
  - >> The release of large amount of carbon dioxide and methane trapped in artcic permafrost as the ice melts (up to 1.8tr tons of carbon dioxide alone – more than that already suspended in the atmosphere, in addition to high volumes of methane which as a greenhouse gas is 30 times more potent than CO2).
  - >> Temperature induced rainforest die-back reducing the capacity of the planet to absorb CO2 (photosynthesis in plants is a critical process in removing CO2 from the atmosphere)
  - >> Melting of polar ice reducing the amount of solar energy reflected into space (i.e. higher rate of heat absorption)

References Contents

1. The business impact

Failing to prepare for climate change – or being unable to clearly demonstrate positive action – could have a significant impact on the sustainability, performance and risk profile of businesses.

Challenges go across businesses and the relative importance will vary across industries. Global agencies and governments will be pushing a low-carbon transition (e.g. UK Government net-zero target) and so – quite apart from the moral imperative and customer pressure – businesses will have to cope with the significant impact of the low-carbon transition as well as the physical impacts that are already baked in. All challenges are worth considering in the context of competitor positioning even if they may not seem immediately relevant.

Operation

Supply chain disruption – inability to source materials on time, reliably and at a manageable price (WEF: disruptions up 29% since 2012).

Location of operations or services – ongoing viability challenge given heat, extreme weather events, political instability and other impacts.

Insurance – reduced ability/increased cost to insure operations and services against extreme weather impacts.

Employee view – misalignment with employee demands for environmental action leading to reduced ability to attract and retain talent.

Consumer & Customer Attitudes and Behaviour

Sector stigmatisation and Consumer Feedback: Consumer sentiment and preferences can change quickly due to raised awareness, e.g. response to Blue Planet plastics, and availability of other business models such as rental or shared ownership of items, e.g. car clubs.

Consumer Behaviour: Changes could manifest in reduction of overall demand, or moving to competitor equivalent or substitute products with lower environmental impact (e.g. electric cars).

Investor Demands

Green investors are challenging organisations and pushing them harder to be more environmentally responsible – and this trend is expected to increase.

More institutional investors are challenging the long term viability of products and business models. They are expecting more focus and diligence from executives, including scenario analysis and climate-related disclosure of Governance, Strategy, Risk Management, and Metrics and Targets (Source: TCFD). E.g. Schroders have voted on over 60% more climate change and renewable energy shareholder resolutions in each of 2015-2017 compared to 2010.

Regulatory, Policy and Legal

Stricter and more demanding controls – in April 2019, the UK government updated its list of civil penalties for breaches of climate change related regulations.

Wider reaching remit with greater impact – e.g. carbon price is set to rise significantly and will soon cover a quarter of global emissions. With higher costs, demands could fall, demand elasticity could lead to c.10% decrease in profits (Schroders).

Risk of litigation for breaches or lack of progress: In 2018, major litigation cases included Exxon Mobil, the Dutch government, the US government and RWE. Cases weren't all upheld, but illustrate a turn in sentiment against under performance or apathy.

But there are opportunities too:

- Resource efficiency (energy, water, waste etc.)
- New energy sources (renewables)
- Access to government incentives
- Better competitive positioning
- New markets
- New products and services

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2. What difference NEDs can make

Ensuring boards fulfil their obligations

As outlined in Section 1, the scale of the **risks and opportunities** which climate change poses to businesses are **simply too great to ignore**. As a NED, you can play a pivotal role in **helping your board(s) fulfil their obligations** to investors and other stakeholders by ensuring these risks and opportunities are properly assessed and adequately managed.

Capitalising on the vital role already played by UK business

Although the UK represents a relatively small proportion of global GDP, **the often international influence of UK-led business and investment** on the global economy and therefore on emissions and climate-related value-at-risk is significant. What's more, the UK has, for many years, **led the world** in simultaneously delivering **significant growth alongside substantial reductions in GHG** emissions*. Consequently, as a NED on the board of one or more UK led businesses you have a vital role to play as well as a long established track record to build on.

Using their network to broaden impact

NEDs typically have significant opportunity to **drive change in multiple businesses**, either because they sit on several boards and/or because they're able to influence change via their own network. It's critical that you **do not underestimate the impact of your voice** in driving this issue to the top of the agenda through some carefully targeted questions and through careful oversight of the actions your board(s) are taking.

Section 3 gives further details on how....

* In the period 1990 – 2016 UK GDP grew 72% and emissions fell by 43%. By contrast, G7 GDP grew 62% whilst their total emissions fell by only 4% (Analysis by The Deloitte Academy of data from: United Nations Framework Convention on Climate Change (UNFCCC), World Bank, UK Office for National Statistics (ONS) and UK Department for Business, Energy and Industrial Strategy (BEIS)

Contents

3. How to ensure your boards are prepared

The next few slides provide a high level summary of the 5 key steps to take to help set businesses up for success both with respect to minimising their emissions footprint and being prepared for the impact of climate change.

Links are provided throughout these summary slides to help you navigate easily to more detailed content in the Appendix and online, should you require it.

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3. Step 1 – Get it on the agenda

Achieving recognition of the need to act: Key questions to ask

The aim of Step 1 is to achieve a sufficient recognition from the board that there might be some critical climate-related risks or opportunities which are not being addressed in order to secure agreement to a deeper conversation in Step 2.

You will know your own board(s) best, but the following questions might help achieve the above goal:

- The potential asset value-at-risk from climate change has been estimated to reach anything up to US$43trillion by the Economist Intelligence Unit – with sectors 'across the board' affected*. In addition, highlighting the urgency of the issue, a recent report by CDP** found that more than 200 of the world's largest listed companies forecast that climate change could cost them a combined total of almost $1 trillion (£790 billion), with much of the pain due in the next five years. **Are we clear how our assets and value chain will be impacted?**

- The transition to a lower-carbon economy is estimated by the IEA to require around $1 trillion of investments p.a. for the foreseeable future***. **Are we clear how much we'll need to invest? Are we missing opportunities to benefit from this transition?**

- When making investment decisions, investors increasingly evaluate: (a) Preparedness for climate change risks/opportunities and (b) Level of action to reduce GHG emissions. **Are we sure we are taking or demonstrating sufficient action to safeguard future access to capital?**

- As publicity and awareness continue to grow at pace, customers are increasingly choosing to buy from companies that are taking decisive action on climate change. **Are we sure we're doing enough to keep their business? Are there growth opportunities we're missing?**

- **Are we certain we are complying with climate-related regulation?** For example does our Section 172 statement provide sufficient disclosure of our climate-related risks and opportunities to our stakeholders? (For details of Section 172 obligations more broadly see Thomson Reuters reference -†below)

- **Are we reviewing this sufficiently regularly in our strategic planning?** ((a) to take account of new evidence and regulation as it emerges – and (b) to ensure we're delivering on the goals we set)

* The Economist Intelligence Unit, The Cost of Inaction: Recognising the Value at Risk from Climate Change
** Carbon Disclosure Project (CPD), World's biggest companies face $1 trillion in climate change risks
*** International Energy Agency World Energy Outlook Special Briefing for COP21, 2015.
† Thomson Reuters Practical Law Guidance on directors' duties: section 172 and stakeholder considerations

3. Step 2 – Establish need for change

a. Introduction

- Once the topic is on the board agenda, the next step is to **work with the board to**:
  - >> Recognise where the business is starting from (i.e. 'Current')
  - >> Understand the implications of this starting point in terms of business risk and performance
  - >> Specify where the board aims to be (i.e. 'Target') to minimise risk and maximise performance
- Especially, if this is the first time that the board has had a substantive discussion about the impact and implications of climate change (or if this discussion has not taken place for a while), there **may not be an opportunity (or support) for in-depth analysis in advance to inform the above**
- To cater for this, the **Board Readiness Check** has been developed to enable boards to **Self-Assess** their 'Current' state, understand its implications and, based on this, specify their intended 'Target' state*

Board Readiness Check

Please click on the image to open the Board Readiness Check

* Note: The aim of the Board Readiness Check is only to (a) Get the board to recognise the need for action and specify an intended high level direction of travel re improvement -and (b) Provide a platform from which to initiate/direct the in-depth analysis and planning that will be needed to identify and implement specific improvements. The Self-Assessment does not aim to identify and plan specific improvements in detail

STEP 2 CONTINUES...

3. Step 2 – Establish need for change

b. How the 'Self Assessment' works – 4 key levels of attainment

Within the tool, there are a number of questions. Each question has a set of four sample answers each representing a stage on the continuum of Climate Change Action from '1. Unprepared' to '4. Leading'.
For each question, the user is asked which answer best represents 'Current' state and intended 'Target' state.

In broad terms, the **four stages** on the continuum are characterised as follows:

Climate Change Action Level

1 2 3 4

1. Unprepared

Not sufficiently prepared to mitigate or adapt to the risks of climate change – or realise the opportunities of transitioning to the low-carbon economy

2. Compliant

Aware of and taking action to meet current rules and regulations – but typically not going beyond legal obligations to address bigger and broader risks & opportunities

3. Proactive

Aware of the risks of climate change and the opportunities presented by being a low-carbon business. Proactively taking action to address these which goes beyond regulations – but is typically focused within their business and is perhaps behind others in their sector in level of ambition

4. Leading

As for '3. Proactive', but the action they are taking is ahead of others in their sector in level of ambition and achievement – and extends across their end-to-end value chain in partnership with suppliers, consumers, producers of complementary products, etc. Typically they are also leveraging their low-carbon stance as a source of commercial and competitive advantage

STEP 2 CONTINUES...

3. Step 2 – Establish need for change

c. How the 'Self Assessment' works – 5 areas of assessment

Within the tool, the questions asked are divided into the following 5 areas of assessment:

A. Footprint: Understanding and improving your carbon footprint

Covers knowing what your carbon footprint is and its key drivers and taking measurable action to reduce it

B. Compliance: Adhering to the rules on climate change

Covers being clear on duties and obligations under current climate change and emissions rules and regulations and being sighted on and prepared for policy/regulatory change

C. Sentiment: Ensuring your business is in tune with stakeholder sentiment on climate change

Covers being clear on and aligned/ in tune with stakeholder sentiment on climate change. Stakeholder groups include: investors, customers (B2B), consumers, current/prospective employees

D. Risk: Ensuring you're prepared for the impact of climate change on your business

Covers being clear on how the business and operations will be impacted by climate change in future and having governance, disclosures, plans and resources in place to mitigate any physical and transition risks (e.g. w.r.t supply chain, asset values, financial/ cost base, customer base, compensation claims, etc.). See TCFD recommendations for more details

E. Opportunities: Ensuring your business benefits from the transition to a low-carbon economy

Covers being clear on and acting to realise opportunities to deliver enhanced business performance through the transition to a low-carbon economy (e.g. reducing operational cost (resource efficiency), gaining access to government incentives, leveraging positive impact on brand and reputation to achieve competitive advantage, etc.) (See also TCFD above).

STEP 2 CONTINUES...

3. Step 2 – Establish need for change

d. What outputs the Self Assessment provides – and how to use them

i. Implications for 'Current' and 'Target' selections – by Section

1 Do we know what the carbon footprint of our business is - and what drives it?

Climate Action Level
UNPREPARED No. We get the concept of a carbon footprint in general terms, but we're not clear in specific terms what it is or how you measure it
COMPLIANT We know in measurable terms, but only in sectors and facilities which are subject to emissions regulations such as the European ETS
PROACTIVE We know in measurable terms for all aspects of our in-house operations - but we still struggle with end-to-end value chain
LEADING We have a clear, measurable view for all aspects of our end-to-end value chain, both internally and externally

	Unprepared	Compliant	Proactive	Leading
Current State	○	○	○	○
Target State	○	○	○	○

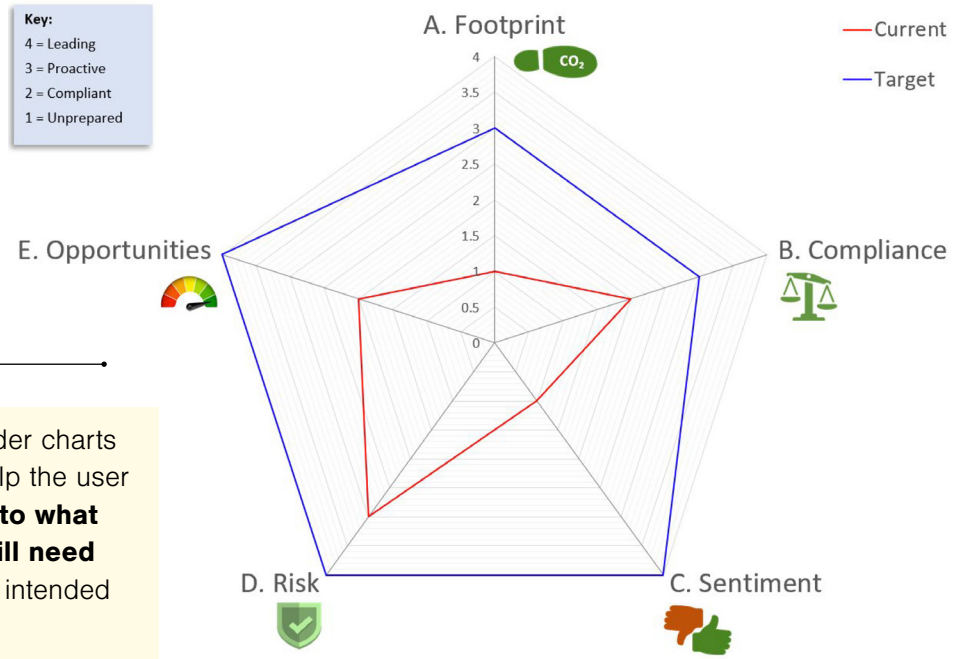
Based on the answers selected for each question, the Board Readiness Check returns **illustrative implications** to provide guidance on how the 'Current' and 'Target' selections made might impact the business. The **contrast** in 'Current' vs. 'Target' risk/ performance may prompt the user to adjust their answers for 'Target' state ambition....

STEP 2 CONTINUES...

3. Step 2 – Establish need for change

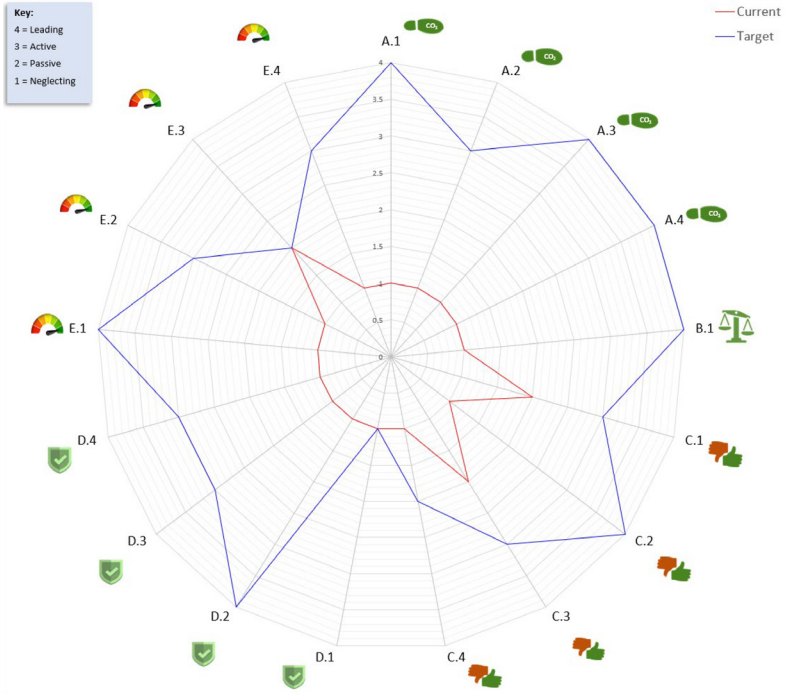
d. What outputs the Self Assessment provides – and how to use them

ii. Current vs. Target for each Section



'Current' vs. 'Target' spider charts are also produced to help the user understand **where and to what extent the business will need** to change to achieve its intended 'Target'

iii. Current vs. Target for each Question



STEP 2 CONTINUES...

3. Step 2 – Establish need for change

e. When to use the 'Self Assessment' with the board

The Board Readiness Check can be used in a wide variety of different scenarios. Some examples.....

1. This is the first time you're discussing climate action as a board and want to establish your current state and its implications – and define a target state ambition as a precursor to determining and planning the change required to achieve your agreed 'target'

2. You're not sure if or why climate action is relevant to your business – and want to find out more about the subject and the relative current state of your business in order to take an informed view

3. You're already on the journey and want to do a quick 'litmus test' of the progress you're making – and what areas for development remain

4. You think you've already done everything that needs to be done with respect to climate action – but want to undertake a high level review to make sure

The next slide **explains how to use the Board Readiness Check with scenario (1) above in mind** (but is broadly applicable to the other scenarios too). Especially if you are getting a number of people to fill in the Board Readiness Check, you will probably need a facilitator to manage the process.

STEP 2 CONTINUES...

3. Step 2 – Establish need for change

f. How to use the 'Self Assessment' with the board

1

Get each board member to fill in the Self-Assessment in the Board Readiness Check, based on their own personal understanding and views – prior to getting them together as a group to discuss it

Doing this has the following benefits:

i. By using the Self-Assessment they'll get familiar with the issues and potential implications of different choices

ii. You'll get to see any key disparities in understanding of 'Current' state and intended 'Target' state

iii. You'll know in advance where to prompt for evidence to back up claims (e.g. if someone has said they think they are '4.Leading' on 'A. Understanding and improving your carbon footprint' - and everyone else has said '1. Unprepared')

2

Summarise what the aggregated results tell you:

i. Where is the board aligned on 'Current' state and where is it not?

ii. What are the implications of 'Current' state in terms of business performance and risk? (i.e. need for action)

iii. Where is the board aligned on 'Target' state and where is it not?

3

Get the board together to:

i. Discuss the aggregate results above - and to align on (a) 'Current' state, (b) Implications of 'Current State' and consequent need for action/change and (c) Intended 'Target' state

ii. Agree on action plan to undertake more detailed analysis and planning to identify specific improvements

iii. Agree how to factor climate action into board level governance on an ongoing basis and monitor and report back on progress and achievement to the board

3. Step 3 – Define change & plan journey

A checklist of key things to check in on in Step 3 is provided below:

a. Evidence of a **comprehensive analysis** across **all areas** of the business – under a **range of temperature scenarios***, with a **long term planning horizon (10+ years)** - and ideally across the **whole value chain** of:

i. Opportunities to reduce **Greenhouse Gas (GHG) emissions**

ii. Climate change related **risks** the business needs to mitigate/adapt to

iii. Climate change related **opportunities** the business could benefit from

b. Evidence that **key actions** (and triggers) have been identified and prioritised to address the findings from (a)

c. Evidence that action has been embodied into **SMART** strategic objectives** for the business. An example of a SMART objective (Unilever Sustainable Living Plan): **By 2030** our goal is to **halve** the environmental footprint of the making and use of our products as we grow our business

d. Evidence of a comprehensive, integrated assessment of the **change required** to deliver on the above action areas and objectives – again across all areas of the business and ideally the end-to-end value chain

e. Evidence of **defined strategic plans** and **business cases** to deliver the change over the short, medium and longer term (10+ years) – in all of the areas of change identified and as an **integral part of broader business/strategic planning**

f. Evidence that sufficient **resources have been allocated** to deliver the change

Reminder: Please click on the buttons to access more detailed content on the points indicated, should you need it....

* When assessing climate related risks and opportunities. The drill down buttons for risks and opportunities provide details on how.
** Specific, Measurable, Achievable, Relevant and Timebound

3. Step 4 – Embed & sustain the change

A checklist of key things to check in on in Step 4 is provided below:

a. Evidence that leadership is **actively setting the right tone** to inspire the required change in culture and behaviours – **not just in what they say, but in what they do**

b. Evidence that effective **corporate governance** has been put in place to oversee climate impact, risks, opportunities and action in line with WEF* Principles

c. Evidence of comprehensive inclusion of climate related risks and opportunities within **financial disclosures** in line with TCFD** recommendations

d. Evidence that corporate goals have been cascaded into the **performance targets and incentives of teams and individuals** to drive and align actions and behaviours

e. Evidence of effective **communication and engagement** across all key stakeholder groups **underpinned by training, education and support** they needed to make the change happen

Reminder: Please click on the buttons to access more detailed content on the points indicated, should you need it....

* World Economic Forum
** Taskforce of Climate related Financial Disclosures

3. Step 5: Monitor & improve performance

A checklist of key things to check in on in Step 5 is provided below:

a. Evidence that **targets are being actively monitored and met as part of BAU – and that they are not standing still** (i.e. they continue to be raised to create stretch and motivate continuous improvement)

b. Evidence that leadership are actively **listening** to stakeholder suggestions and actively encouraging them and **incentivising** them to come up with **improvement ideas** (incentives do not need to be monetary – e.g. competitions to come up with the best ideas and/or make the biggest difference are a great way of making the topic front of mind – and getting people to positively engage)

c. Evidence that levels of **ambition and achievement are being proactively compared** with those of peer and comparator organisations and adjusted accordingly

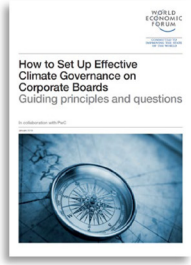
d. Evidence of **proactive networking and collaboration** across the end-to-end value chain and with other businesses and stakeholders across sectors to share (and action) improvement ideas and innovations

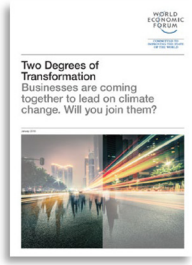
4. Where to go for more help and information

Please click on any of the images below to access the websites of the organisations shown and/or their publications....

Organisations helping to drive and support climate action

WORLD ECONOMIC FORUM

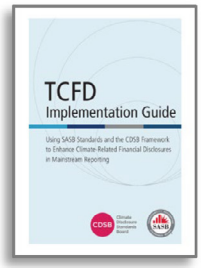


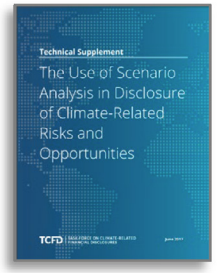


The World Economic Forum (WEF) Climate Initiative provides **a global platform to help raise ambition and accelerate climate action** with a particular focus on collaboration across organisations and sectors. WEF also publishes a range of resources (e.g. re global risks, climate governance, etc.)

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD Knowledge Hub





The Financial Stability Board (FSB) monitors and assesses vulnerabilities affecting the global financial system and proposes actions needed to address them. It formed the Task Force on Climate-related Financial Disclosures (TCFD) to develop **voluntary, consistent climate-related financial risk disclosures** for use by companies in providing information to investors, lenders, insurers, and other stakeholders. In addition to the **recommendations**, it also provides a **knowledge hub** to help businesses understand and implement them

CONTINUES...

4. Where to go for more help and information

Please click on any of the images below to access the websites of the organisations shown and/or their publications....

Organisations helping to drive and support climate action

SCIENCE BASED TARGETS

SBT is a collaboration between CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) which champions, supports development of and independently assesses and approves **SMART science-based targets set by businesses to reduce GHG emissions**

WORLD RESOURCES INSTITUTE

WRI's research **helps integrate environmental sustainability and business strategy** by providing practical guidance, tools and initiatives to help companies assess and reduce impacts along their entire value chains

CDP

The Carbon Disclosure Project (CDP) is a **not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.** It also produces climate change related data, insights and articles (such as $1 trillion impact of climate change risks)

IIGCC
Institutional Investors Group on Climate Change

The Institutional Investors Group on Climate Change is a European membership body **for investor collaboration on climate change**

CONTINUES...

4. Where to go for more help and information

Chapter Zero
The Directors' Climate Forum

Please contact Chapter Zero if you would like some information about organisations that may be able to help you or if you would like to access additional climate change resources.

The Berkeley Partnership

Alternatively, feel free to contact The Berkeley Partnership if you would like some assistance with using this toolkit or support in facilitating your board-level discussion or shaping and mobilising your climate change initiatives.

Appendices:

Note:The 'A' signifies Appendix. The first number refers to the section in the main body of the toolkit that this Appendix is referenced from

A1.1. Why this is important and urgent: Sources

1. Institute for Public Policy Research (IPPR), 'This is a Crisis: Facing up to the age of Environmental Breakdown', February 2019: https://www.ippr.org/research/publications/age-of-environmental-breakdown

2. Open University, 'Our Blue Planet' 2019.

3. Intergovernmental Panel on Climate Change (IPCC) 'Global Warming of 1.5°C', October 2018: https://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf

4. Wallace-Wells, D. The Uninhabitable Earth,2019

5. World Economic Forum (WEF) Global Risks Report 2019: http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf

6. House of Commons library paper on Flood defence spending as at 2014: https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN05755

Back to page 5: Causes of climate change and current situation

Back to page 6: The environmental impacts of climate change

Back to page 8: The human impacts of climate change

Back to page 10: The business impact

A3.1. Reducing GHGs – Key areas of focus

Product development

- **Product Design/Replacement:** Design (or replace) products/services and their packaging to minimise Greenhouse Gas (GHG) footprint in their production, distribution, use and disposal - ideally in collaboration with partners and stakeholders throughout the value chain (e.g. raw material suppliers, manufacturers, distributors, consumers, producers of complementary products and services* etc.)
- **In silico R&D:** Use of AI to simulate product and manufacturing to reduce the impact that comes with real world development/testing

Sourcing

- **Production**: Partner with suppliers to apply the methods elsewhere on this slide to their own operations to reduce their GHG footprint
- **Shipment:** Review where raw materials, components and supplies are sourced from and how they are shipped. Evaluate options to change sourcing location (e.g. closer to consumption) and shipment approach (e.g. air to ship) to reduce GHGs

Operations

- **Energy efficiency:** Evaluate options to improve efficiency of capital goods, equipment, lighting (e.g. type used; use of sensors and timers to control when lighting/ equipment is on; use of Building Energy Management Systems to monitor and optimise energy usage; etc.)
- **Waste:** Evaluate options to reduce waste and increase recycling (e.g. paperless office, avoiding disposables, reducing packaging, etc.)
- **Renewables:** Switch to renewable energy sources, install renewable energy generation in facilities (e.g. solar)
- **Travel:** Encourage use of communications technology such as Zoom, Skype, etc. to replace the need for business travel; incentivise employees to reduce GHG footprint in commuting (walking, cycling, public transport, car share, etc.)
- **Supply chain:** Review how materials, supplies and finished products are produced and moved within the business (e.g. between factories, warehouses, distribution centres, stores, etc.) to minimise GHG impact (number, size and method of movement)
- **Investment:** Review investments to ensure they are focused on low GHG businesses/ventures

Sales and distribution

- **Downstream distribution:** Engage with customers, distributors, franchisees and others who handle, distribute and sell your products downstream of your operations to ensure they are minimising GHG impact through the measures outlined in the rows above
- **Sales and marketing:** Consider the GHG impact on sales and marketing activities (e.g. limiting physical marketing materials and travel and shifting more to digital)

Use and disposal

- **Post sale:** Work with consumers and waste management/recycling companies to evaluate and incentivise the use and disposal of your products and packaging in a way which minimises GHG impact (e.g. amount used, recycling schemes, etc.)

See SBT value chain best practice for further insight inc. chart on p.16 identifying key potential focus areas by sector. See CDP sector research for sector specific insight and case studies. See page 50 onwards of SBT sectoral decarbonisation for sector specific GHG reduction ideas

* An example might be a producer of washing powder collaborating with a producer of washing machines to co-develop (and possibly co-market) washing powder and machines which are capable of being used together effectively at lower temperatures - thus saving the consumer money and reducing the 'GHG impact' of both products

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A3.2. Business risks to consider

The below summarises TCFD guidance on key physical and transition risks to consider. See TCFD final report p.5-8 for more details. To ensure complete/integrated adaptation and mitigation, risks should be assessed **across the entire value chain** (investors, suppliers, own operations, distributors, franchisees, customers, consumers, etc.) – and **against a range of temperature scenarios** as further elaborated in the TCFD implementation guide and TCFD's 'use of scenario analysis'

	Type	Risk	Potential financial impact
Transition*	**Policy and Legal**	• Increased pricing of GHG emissions • Enhanced emissions-reporting obligations • Mandates on/regulation of existing products • Exposure to litigation	• Increased operating costs (e.g. higher compliance costs, increased insurance premiums) • Write-offs, asset impairment, and early retirement of existing assets due to policy changes • Increased costs and/or reduced demand for products and services resulting from fines and judgments See also Section 172 considerations (UK) and Hutley Opinion (Australia) as examples of legal risk
	Technology	• Substitution of existing products and services with lower-emissions options • Unsuccessful investment in new technologies • Costs to transition to lower-emissions tech	• Write-offs and early retirement of existing assets • Reduced demand for products and services • Research and development (R&D) expenditures in new and alternative technologies • Capital investments in technology development • Costs to adopt/deploy new practices and processes
	Market	• Changing customer behaviour • Uncertainty in market signals • Increased cost of raw materials	• Reduced demand for goods and services due to shift in consumer preferences • Increased production costs due to changing input prices (e.g. energy, water) and output reqs (e.g. waste treatment) • Abrupt and unexpected shifts in energy costs • Change in revenue mix and sources, resulting in decreased revenues • Re-pricing of assets (e.g. fossil fuel reserves, land valuations, securities valuations)
	Reputation	• Shifts in consumer preferences • Stigmatisation of sector • Increased stakeholder concern or negative stakeholder feedback	• Reduced revenue from decreased demand for goods/services • Reduced revenue from decreased production capacity (e.g. delayed planning approvals, supply chain interruptions) • Reduced revenue from negative impacts on workforce management/planning (e.g. employee attraction/retention) • Reduction in capital availability
Physical**	**Acute** (event driven)	• Increased severity of extreme weather events such as cyclones and floods	• Reduced revenue from decreased production capacity (e.g. transport difficulties, supply chain interruptions) • Reduced revenue and higher costs from negative impacts on workforce (e.g. health, safety, absenteeism) • Write-offs and early retirement of existing assets (e.g. damage to property and assets in "high-risk" locations) • Increased operating costs (e.g. inadequate water supply for hydroelectric plants or to cool nuclear & fossil fuel plants) • Increased capital costs (e.g. damage to facilities) • Reduced revenues from lower sales/output • Increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations
	Chronic (due to longer term shifts)	• Changes in precipitation patterns and extreme variability in weather patterns • Rising mean temperatures • Rising sea levels	

* The risks associated with transitioning to a lower-carbon economy
** Risks resulting from climate change which could impact on businesses

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A3.3. Business opportunities to consider

The below summarises TCFD guidance on key opportunities which may emerge from successfully mitigating and adapting to climate change*. See TCFD final report p.5-8 for more details. To maximise synergies/efficiencies, opportunities should be assessed **across the entire value chain** – and **against a range of temperature scenarios** as further elaborated in the TCFD implementation guide and TCFD's 'use of scenario analysis'

Type	Opportunity	Potential financial impact
Resource efficiency	• Use of more efficient modes of transport • Use of more efficient production and distribution processes • Use of recycling • Move to more efficient buildings • Reduced water usage/consumption	• Reduced operating costs (e.g. through efficiency gains and cost reductions) • Increased production capacity, resulting in increased revenues • Increased value of fixed assets (e.g. highly rated energy efficient buildings) • Benefits to workforce management and planning (e.g. improved health and safety, employee satisfaction) resulting in lower costs
Energy source (lower-emissions alternatives)	• Use of lower-emission sources of energy • Use of supportive policy incentives • Use of new technologies • Participation in carbon market • Shift toward decentralised energy generation	• Reduced operational costs (e.g. through use of lowest cost GHG reduction) • Reduced exposure to future fossil fuel price increases • Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon • Returns on investment in low-emission technology • Increased capital availability (e.g. as more investors favour lower-emissions producers) • Reputational benefits resulting in increased demand for goods/services
Products and services	• Development/expansion of low emission goods and services • Development of climate adaptation & insurance risk solutions • Development of new low emissions products or services through R&D and innovation • Ability to diversify business activities • Shift in consumer preferences	• Increased revenue through demand for lower-emissions products and services • Increased revenue through new solutions to adaptation needs (e.g. insurance risk transfer products and services) • Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Markets	• Access to new markets • Use of public-sector incentives • Access to new assets & locations needing insurance coverage	• Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks, etc. to support shift to lower-carbon economy) • Increased diversification of financial assets (e.g. green bonds and infrastructure)
Resilience (ability to respond to climate change)	• Participation in renewable energy programs and adoption of energy efficiency measures • Resource substitutes/diversification	• Increased market valuation through resilience planning (e.g. infrastructure, land, buildings) • Increased reliability of supply chain and ability to operate under various conditions • Increased revenue through new products and services related to ensuring resiliency

* Necessarily, some of the opportunities overlap with actions to reduce GHG emissions on the previous slide, since reducing GHGs frequently delivers business as well as environmental benefits

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A3.4. Strategic objectives and KPIs

A **balanced-scorecard of SMART* climate objectives and metrics** should drive reduction in Greenhouse Gas (GHG) emissions as well as driving improvement in the financial performance and risk profile of the business as it adapts to climate change....

Reducing Greenhouse Gas (GHG) Emissions

The Science Based Targets (SBT) initiative champions, supports development of and independently assesses and approves SMART science-based targets set by businesses. A science-based target means a greenhouse gas (GHG) emissions reduction target which is in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

As further outlined in the SBT Target Setting Manual, reduction targets are set between 5 –15 years into the future, with interim milestones to chart progress. Reductions targeted cover 3 'Scopes':

- **Scope 1** emissions are direct emissions from owned or controlled sources
- **Scope 2** emissions are indirect emissions from the generation of purchased energy
- **Scope 3** emissions are all indirect emissions (not included in scope 2) that occur in the value chain* of the reporting company, including both upstream and downstream emissions

Just a few UK companies who've already committed to SBTs....

DIAGEO, Unilever, TESCO, Reckitt Benckiser, gsk, AstraZeneca, M&S, Landsec, BURBERRY

* Emissions along the value chain often represent a company's biggest greenhouse gas impacts – e.g. according to GHG Protocol,Kraft Foods found that value chain emissions comprise more than 90 percent of the company's total emissions.

Climate-related Financial Performance and Risk

Risk

Value at Risk (VaR) has long been used by financial firms to measure portfolio risk. It is now increasingly used as a measure of risk posed by climate change to businesses in general. When used in relation to climate change, it's aim is to quantify how much a business can expect to lose in asset values over a defined time frame at a defined level of probability (or confidence interval) under a defined temperature rise scenario (e.g. what is maximum reduction in asset values I can expect - with 95% or 99% confidence – over the next 15 years under a 3°C scenario). Setting SMART VaR reduction targets could help businesses measurably drive progress in reducing climate exposure. For a broader consideration of Enterprise Risk Management (ERM) relevant to climate change, which includes reference to VaR, see: ERM by COSO and WBCSD

Efficiency

Setting SMART cost reduction targets will help maximise efficiency as the business transitions to the lower-carbon economy (e.g. in relation to reducing energy use, reducing unit energy costs, access to government incentives, cheaper access to capital by virtue of 'green credentials', etc.). Although harder to track, metrics could extend to avoiding cost (e.g. acting now to prepare supply chains for climate change could be a lot less costly than waiting until the issues start hitting & prices of lower risk assets rise)

Growth

In addition to efficiency, setting SMART targets to drive the business to grow through its transition to a low-carbon future is also important. Such targets could, for example, focus on growing contribution of low-carbon products and services, growing contribution from market segments that only buy from low-carbon suppliers, etc.

* Specific, Measurable, Achievable, Relevant and Timebound

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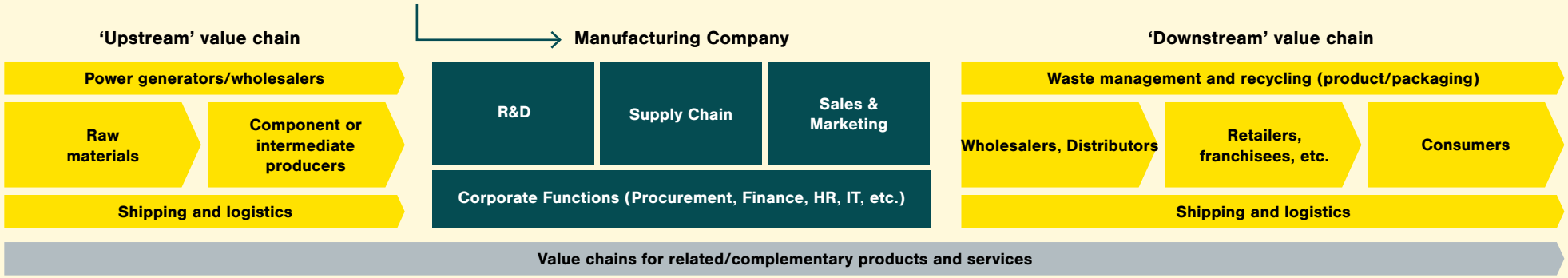
A3.5. Defining a comprehensive portfolio of change

Key 'lenses' to apply in checking that the portfolio of change is comprehensive and well integrated....

Lens	Evidence to check for
1. Action scope	Change is being undertaken to address all action areas – GHG reduction, climate-risk mitigation and climate opportunity realisation (see Appendices A3.1, A3.2 & A3.3)
2. Business scope	Change is being undertaken by all business areas/functions (in service of delivering defined, stretching targets which are aligned across the value chain)
3. Collaboration	Positive collaboration is taking place across the value chain* – and indeed between value chains of related/complementary products and services. Such collaboration is vital, not only to realise synergies** – but also to avoid action in one area unintentionally creating or adding to problems in another***
4. Type of change	All types of change are being applied – **Product** (e.g. changing products and services to reduce GHG creation in their production, shipment, use and recycling); **Process** (e.g. reengineering supply chains), **Technology** (e.g. use of BEMS to reduce energy consumption); **People/Behaviours** (e.g. increased recycling, reduced travel, etc.)

For example, in a **typical manufacturing company**, action would be expected in all of the below value chain – and indeed across them....



* Emissions along the value chain often represent a company's biggest greenhouse gas impacts – e.g. according to GHG Protocol, Kraft Foods found that value chain emissions comprise more than 90 percent of the company's total emissions.

**** Examples of cross-value chain synergies in reducing GHGs:**
- R&D working with Waste Management companies to produce products that are easier to recycle
- R&D working with Supply Chain to create products that require less energy to make and ship
- Supply Chain working with Retailers to increase efficiency and reduce waste in factory to shelf distribution
- Co-development of solutions across related/complementary sectors to reduce emissions (e.g. electronics sensors and controls company working with a managed offices/workspace company to co-define solutions to reduce energy consumption)

***** Example of failure to collaborate 'shifting the problem':**
- R&D developing a product using materials which require less energy during finished goods manufacturing in-house - but which are higher energy to extract and transport and which result in waste which is higher energy to dispose of/recycle after the products are used

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A3.6. Governance of climate-related change

Governance should be in place to provide effective board level oversight of all aspects of the analysis, planning, implementation and operationalisation of climate-related change. The World Economic Forum (WEF) has created a number of principles to guide boards in putting the appropriate governance in place. These are summarised below. Many of them are touched on in other sections of this toolkit:

1. Climate accountability on boards	The board is ultimately accountable to shareholders for the long-term stewardship of the company. Accordingly, the board should be accountable for the company's long-term resilience with respect to potential shifts in the business landscape that may result from climate change. Failure to do so may constitute a breach of directors' duties.
2. Command of the (climate) Subject	The board should ensure that its composition is sufficiently diverse in knowledge, skills, experience and background to effectively debate and take decisions informed by an awareness and understanding of climate-related threats and opportunities
3. Board structure	As the stewards for long-term performance and resilience, the board should determine the most effective way to integrate climate considerations into its structure and committees
4. Material risk and opportunity assessment	The board should ensure that management assesses the short-, medium- and long-term materiality of climate-related risks and opportunities for the company on an ongoing basis. The board should further ensure that the organisation's actions and responses to climate are proportionate to the materiality of climate to the company
5. Strategic & organisational integration	The board should ensure that climate systemically informs strategic investment planning and decision-making processes and is embedded into the management of risk and opportunities across the organisation.
6. Incentivisation	The board should ensure that executive incentives are aligned to promote the long-term prosperity of the company. The board may want to consider including climate-related targets and indicators in their executive incentive schemes, where appropriate. In markets where it is commonplace to extend variable incentives to non-executive directors, a similar approach can be considered.
7. Reporting and disclosure	The board should ensure that material climate-related risks, opportunities and strategic decisions are consistently and transparently disclosed to all stakeholders – particularly to investors and, where required, regulators. Such disclosures should be made in financial filings, such as annual reports and accounts, and be subject to the same disclosure governance as financial reporting.(See TCFD recommendations for further guidance)
8. Exchange	The board should maintain regular exchanges and dialogues with peers, policy-makers, investors and other stakeholders to encourage the sharing of methodologies and to stay informed about the latest climate-relevant risks, regulatory requirements etc.

For more detail on these principles and the questions to ask to assess alignment with them, please refer to WEF Principles

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A3.7. Climate-related Financial Disclosures

Climate change poses **significant financial challenges and opportunities**, now and in the future. The expected transition to a lower-carbon economy is estimated to **require around $1 trillion of investments a year** for the foreseeable future* – and create a **global asset value-at-risk ranging from $4.2 trillion to $43 trillion**** between now and the end of the century. This risk is expected to apply "across the board" with a **very wide variety of sectors and asset types affected**.

To help identify the information needed by investors, lenders, and insurance underwriters to **appropriately assess and price climate-related risks and opportunities**, the Financial Stability Board established an industry-led task force: the Task Force on Climate-related Financial Disclosures (TCFD) to define a consistent approach to climate-related financial disclosures

In summary, to provide investors, lenders and underwriters with the required information, the TCFD recommends that companies include climate related financial disclosures in their mainstream (i.e. public) annual financial filings and that these disclosures should cover the following four elements:

1. **Governance:** The organisation's governance around climate-related risks and opportunities
2. **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
3. **Risk Management:** The processes used by the organisation to identify, assess, and manage climate-related risks
4. **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities

They further recommend disclosures assess the resilience of an organisation's strategy, taking into consideration **different climate-related scenarios**, including a 2°Celsius or lower scenario – in order to ensure better understanding of the potential spectrum of implications of climate change on the organisation and thereby provide more decision-useful, climate-related financial information. TCFD also provides **guidance on how to approach scenario analysis** – including tools and data to use, analytical choices, challenges and benefits, etc.***

In most G20 jurisdictions, **companies with public debt or equity have a legal obligation to disclose material information in their financial filings—including material climate-related information**. Given that climate-related issues are or could be material for many organisations, TCFD recommendations should be useful to G20 based companies in complying more effectively with existing disclosure obligations.

For full details of the recommendations, refer to TCFD recommendations

* International Energy Agency World Energy Outlook Special Briefing for COP21, 2015.
** The Economist Intelligence Unit, The Cost of Inaction: Recognising the Value at Risk from Climate Change
*** TCFD, The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities

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A3.8. Stakeholder communication & engagement

Broad based communication and engagement across the full gamut of stakeholders is vital to **embed the change across the value chain**. Such engagement will also **increase pressure on others in your sector to act** – and could lead to **commercial/competitive advantage** if you are a first or early mover. Areas of action could include:

Employees	• Build **awareness of the importance/urgency** of action to address climate change to mobilise for action • Help them understand (through signposting, training and support) the **actions they can take to make a difference** (e.g. recycling, travel, etc.) • Introduce **incentives/gamification** (e.g. competitions for coming up with the best ideas or making the biggest difference) to make the topic front of mind – and encourage people to positively engage
B2B Customers	• Build awareness of the **action your business is taking to reduce GHG impact and climate-risk** – why it's important and how it makes a difference to their business (e.g. sourcing from a low-carbon supplier improves their low GHG credentials) and sourcing from a 'climate-change prepared' supplier reduces their risk profile • Based on the above, **encourage them to buy from businesses that are taking decisive action** on the above (which will not only help increase pressure to act across your sector – but (if you are an early mover) could give you competitive advantage) • Provide information and guidance on **how to handle/use/dispose of your products in a way which minimises GHG impact** – and engage with them **on how your products and packaging could be further improved** to make it easier for them to reduce their own GHG footprint
Consumers	• As for 'B2B customers', build awareness, encourage them to buy from businesses taking decisive action on climate-change – and give guidance on how to use/handle/dispose of products in a 'low-carbon' way. As with employees competitions/gamification (e.g. coming up with the best improvement ideas, etc.) could encourage positive engagement
Investors	• As for B2B Customers, but with the goal of **encouraging investment in low GHG and climate-change prepared businesses**
Influencers	• Engage with news agencies and organisations promoting GHG reduction or climate-readiness (e.g. CDP, SBT, TCFD, etc.) to **share positive stories** about the steps you have taken and the results you've achieved in GHG reduction and climate-change readiness. Where relevant become **accredited** (e.g. commitment to GHG reduction targets with SBT). Not only does such action **increase pressure for others to act** – it may also **positively reinforce your standing/ credentials with customers, consumers and investors**
Policy makers	• Engage to encourage **tightening of policy and extension of incentives to favour businesses taking decisive action** to reduce GHGs, manage climate-change risk – and transition to the lower-carbon economy

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1. Causes of climate change and current situation

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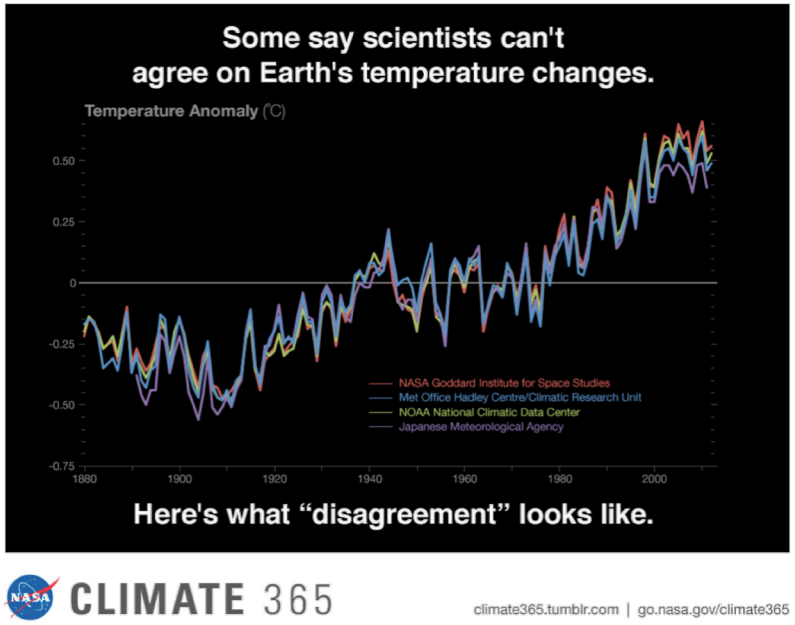

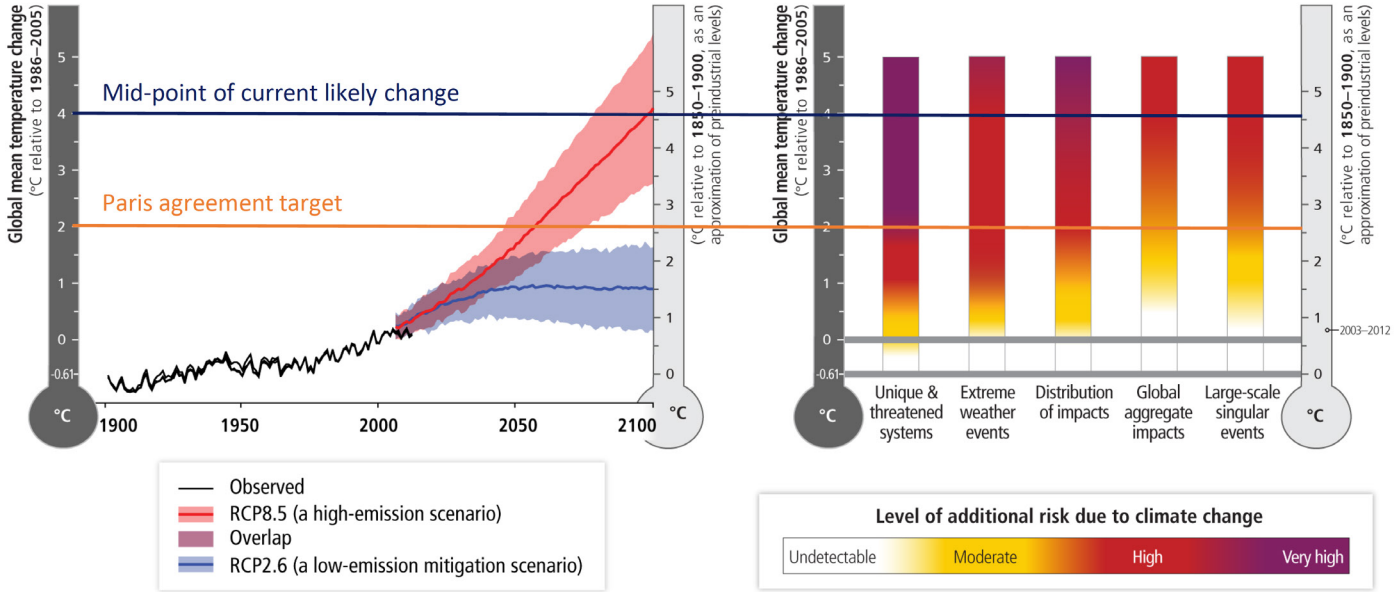

Source: IPCC WGII Box SPM.1Figure 1.1

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We hope you find this toolkit useful.

GMPF'S RESPONSIBLE INVESTMENT PARTNERS AND COLLABORATIONS

2 Degrees Investing Initiative
This climate scenario analysis provides a forward looking assessment of how GMPF's corporate bond and equity holdings compare to a 2°C transition scenario. It helps GMPF to better understand the potential for misallocation of capital and financial risk under a 2°C transition and where GMPF's holdings stand in those industries which are deemed to be the most important in relation to climate change. Web link: https://2degrees-investing.org/resource/pacta/

30% Club
The 30% Club is a group taking action to increase gender diversity on boards and senior management teams with the aim of achieving a minimum of 30% female representation on FTSE 100 boards. GMPF is a signatory to this campaign and is working alongside other signatories to engage with companies on the target list. Web link: https://30percentclub.org/

CDP
GMPF is a member of the CDP (formerly Carbon Disclosure Project). Each year, the CDP supports companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation. Investors can use the annual disclosures as a basis for engagement with companies. Web link: https://www.cdp.net/en

Climate Action 100+
GMPF is a signatory of the Climate Action 100+ initiative. The aim of this group is to work with companies to ensure that they are minimising and disclosing the risks and maximising the opportunities presented by climate change. The organisation has a list of focus companies that they are working through and use the backing of the signatories as leverage.
Web link: http://www.climateaction100.org/

Global Mining & Tailings Safety Initiative
GMPF has been involved in and backed this initiative. Spearheaded by the Church of England Pensions Board and the Swedish Council of Ethics of the AP Pension Funds the initiative aims to tackle the problem of tailings dam safety. PIRC, in its capacity as research and engagement partner to LAPFF, requested a stakeholder engagement component to the initiative, to which the organisers readily agreed. This engagement has highlighted significant discrepancies between company accounts of these disasters and community experiences, prompting important questions for investors regarding the investment propositions of the companies involved.
Web link: https://www.churchofengland.org/investor-mining-tailings-safety-initiative

Institutional Investors Group on Climate Change
GMPF is a member of IIGCC whose aim is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and investors. Officers from GMPF attend seminars and keep up to date with collaborations and initiatives of IIGCC. Web link: https://www.iigcc.org/

Investing in a Just Transition Initiative
GMPF supports the Investing in a Just Transition Initiative which focuses on delivering a transition to a low-carbon economy while supporting an inclusive economy with a particular focus on workers and communities across the UK. GMPF understands this needs to be done in a sustainable way that safeguards against communities being left behind during this transition.
Web link: http://www.lse.ac.uk/granthaminstitute/investing-in-a-just-transition-global-project/

Local Authority Pension Fund Forum
GMPF is a member of LAPFF. Most engagement activity is undertaken through the forum and representatives of GMPF take part in company engagements. LAPFF is a collaborative shareholder engagement group of Local Authority pension funds. Given the long-term nature of the members they can look beyond the short term to ensure a positive impact is made through engagement

activity.
Web link: http://www.lapfforum.org/

Make My Money Matter
GMPF via Northern LGPS is a partner to this initiative. NLGPS' collaboration with MMMM is part of the pool's ambition to invest 100% of assets in line with the Paris Agreement on climate change, and help members understand the importance of knowing where their pensions are invested.
Web Link: https://makemymoneymatter.co.uk/

Principles for Responsible Investment
GMPF is a signatory of the UN backed PRI. The principles were developed by investors for investors and in implementing them, signatories contribute to develop a more sustainable global financial system. Institutional investors have a duty to act in the best interest of their beneficiaries and ESG issues can affect these responsibilities. The principles align investors with broader objectives of society and their fiduciary duties. Web link: https://www.unpri.org/

PIRC
GMPF appointed PIRC Ltd as its responsible investment adviser, to assist in the development and implementation of its RI policy. PIRC Ltd is an independent corporate governance and shareholder advisory consultancy providing proxy research services to institutional investors on governance and ESG issues. Web link: http://www.pirc.co.uk/

Say on Climate
GMPF has given its support via its membership in the Northern LGPS to the Say on Climate initiative. The initiatives aim is for companies to disclose emissions with a comprehensive plan to manage those emissions and to have a shareholder vote on the plan at the AGM.
Web link: https://www.sayonclimate.org/

Transition Pathway Initiative
The Transition Pathway Initiative is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The assessments provide a rating for each company that can be used to target engagements to specific issues relating to climate change.
Web Link: https://www.transitionpathwayinitiative.org/

Trucost
GMPF uses this external organisation to measure its carbon footprint for the actively managed corporate bond and equity holdings. Trucost's backward looking method uses the information from the companies' most recent reports, and third-party sources, to measure the level of GHG emissions of the company over the last year. As such, GMPF's carbon footprint is a measure of its emissions over the last year. This gives GMPF the ability measure itself against a benchmark and take a view on where to focus efforts for engagement. Web link: https://www.trucost.com/

UK Stewardship Code
GMPF takes its responsibilities as a shareholder seriously. Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy. GMPF supports the aims and objectives of the Stewardship Code and is a signatory of the code.
Web link: https://www.frc.org.uk/investors/uk-stewardship-code

Workforce Disclosure Initiative
The Workforce Disclosure Initiative is an organisation that focuses on company disclosure and transparency on how they manage workers with the aim of improving the quality of jobs in multinational companies' operations and supply chains. GMPF is a member and actively promotes the creation of decent work and quality jobs as part of its approach to employment standards and human capital management. Web link: https://shareaction.org/wdi/

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