GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

1 October 2021

Commenced: 09:00 **Terminated:** 10:16

Present:	Councillors Cooney (Chair), Jabbar, Joinson, Newton, Mitchell, Ricci, Smith Taylor and Ward, Mr Llewellyn Drury and Caplan Fund Observer Councillor Pantall

In Attendance:	Sandra Stewart	Director of Pensions
	Tom Harrington	Assistant Director of Investments
	Paddy Dowdall	Assistant Director of Local Investments and Property
	Andrew Hall	Investment Manager (Local Investments)
	Neil Cooper	Head of Pension Investment (Private Markets)
	Lorraine Peart	Investment Officer
	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

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

9. DECLARATIONS OF INTEREST

There were no declarations of interest.

10. MINUTES

The minutes of the meeting of the Investment Monitoring and ESG Working Group on the 30 July 2021 were approved as a correct record.

11. AVISON YOUNG / GMPVF PRESENTATION

Consideration was given to a presentation delivered by Avison Young on Climate Resilience and the current position of the GMPVF portfolio.

The Director for Avison Young presented an overview of the financial performance of the GMPVF portfolio. Members of the Working Group were advised currently there was £156.5m committed in Income Generating property and the target for this category was £228m. It was explained that the Equity, Mezzanine and Senior categories had a lower and upper threshold as set in the investment management agreement. Both Equity and Senior investments fell within the lower and higher thresholds after considering those investments in the pipeline. It was further explained that Mezzanine investments were below the threshold and there were not many investment opportunities those opportunities that did present themselves were often quite small.

Members of the Working Group were presented with a breakdown of property sector allocations for income generating properties. It was reported that of the £228m allocation in the investment management agreement, 27% (£62m) had been allocated to offices, 25% (£56m) had been allocated to industrial properties, 17% (£38.5m) had been allocated to other and 31% (£71.5m) was unspent.

In regards to allocations for development property, of the £598m allocated in Investment Management Agreement 21% (£124.45m) had been allocated to offices, 21% (£124.5m) to industrial properties, 26% (£154m) to city centre residential, 16% (96.5m) to suburban residential, 4% (£24m) to retail/leisure and 12% (£73.55m) was unallocated.

The Working Group received an update on new Investment Committee approvals in the last 12 months. Members were advised of the St John's development site in Manchester City Centre, which could provide 180,000sq ft of office space and the creation of 1,800 jobs. This development would be up to £70m GMPFV debt and equity investment. It was also reported that the Kingsway in Rochdale development would see the creation of 300,000 sq ft og logistics warehouse and the creation of workspace for 400 jobs. This would involve a £40m GMPVF investment.

An update was also provided on the Colliers Yard and The Blade and the Circle Court development sites, which had received a £50m and £10m GMPVF investment respectively.

Members received a summary of the portfolio outputs over the last 12 months. Investment Committee approval for new investments totalled £166m and No 8 First Street had been sold for £82m. Final loan repayment had also been received on two suburban residential developments and planning consent had been received for the Island Site in Manchester.

The presentation set out the Manchester office market after Covid. It was stated that the Manchester office market was important to the GMPVF, over £100m had been invested to date and £50m was in the pipeline to 2024. It was explained that occupiers had been retaining existing space and removing surplus space off the market as people had returned to the office and space was required due to the need to social distance. It was expected that over the next 5 years as organisations come to the end of their lease arrangements they could choose to relocate their office space and this could be a 20-30% reduction based on current evidence. There had been an increased focus on ESG, Sustainability and Wellness and the office environment was seen as a means of retaining staff. It was explained that modern accommodation would be in demand as employers sought to meet these needs.

The Sustainability Consultant for Avison Young delivered a presentation on Climate Resilience and the Task force on Climate-Related Financial Disclosures (TCFD).

Members of the Working Group were reminded of the role of the TCFD, which introduced mandatory climate risk reporting for large companies and organisations. The TCFD mapped out a formal process for identifying and disclosing details of material risks and opportunities arising from climate change under differing future climate scenarios. These were based around four themes, governance, risk, management and strategy. It was explained that the TCFD encouraged better business, risk and investment decisions helping markets allocate capital to the right projects at the right price, and guided companies on how to inform stakeholders of a company's climate action plan for risk assessment, as well as its plan to minimise climate-related risks.

It was further explained that the increased scrutiny and reporting procedures required in relation to climate resilience brought a number of important factors to the foreground in contextualising risk for real estate investments. It stated that it was possible to benefit from these arrangements by making the necessary improvements to assets or an investment strategy to improve resilience, reduce carbon emissions and drive operational savings. In addition to leveraging the value of compliance and driving market value through implementing measures to enhance an assets ESG performance.

Members of the Working Group discussed the developments detailed in the GMPVF update and highlighted the importance of transport links in reducing climate emissions, in addition to developing modern, environmentally friendly buildings with a focus on ESG.

RECOMMENDED
That the report be noted.

12. RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a presentation of PIRC, which set out the Northern LGPS Quarterly Stewardship Report.

Members were advised that PIRC had finished their review of the NLGPS Responsible Investment (RI) policy.

It stated that the Social in ESG had become a much more significant aspect of RI over recent years, there had been a particular focus on human rights as a field of investor engagement. NLGPS had been an active participant in such engagement over many years through membership of LAPFF. The Forum had been at the forefront of investor action to tackle a number of major human rights and community issues, particularly in the mining sector. LAPFF had played a vital role in ensuring that the voices of communities affected by tailings dam collapses were heard by investors. More recently the Forum had also played a central role in bringing about governance changes at Rio Tinto following its destruction of the 46,000-year-old Aboriginal heritage site at Juukan Gorge.

It was explained that during 2021 climate change had continued to be the issue that had attracted most attention, and three weeks in May set the tone for this year as fossil fuel giants faced unprecedented pressure from investors. It was highlighted that BP's AGM saw around a fifth of its shareholders back a resolution filled by Follow This. This called for the company to set and publish targets consistent with the Paris Climate Agreement. Royal Dutch Shell's AGM on 18 May was a major challenge for investors wanting to promote both accountability and real change.

It was further explained that Royal Dutch Shell had two resolutions on its ballot relating to climate change. One was a shareholder resolution filed by Follow This, but the board also took the step of putting its own resolution forward to approve its transition plan. Members were advised that NLGPS supported the Say on Climate initiate and therefore welcomed companies taking this step voluntarily. However, the proposal had to be judged on its own metis as well being seen in the context of offering accountability. There was significant engagement with Shell in the run-up to its AGM over the content of its plan and, there was a significant divide between investors over the right approach. LAPFF played a high-profile role in the process and concluded that the company's proposal should be opposed.

Members heard that another area where shareholders had stepped up their activism was in relation to racial justice. Notably the finance sector had been a particular focus for investors and shareholder resolutions were filed at some of the largest American banks calling for racial equity audits. All resolutions on this topic were supported by the NLGPS and, whilst none of them passed, those at Citigroup, JP Morgan Chase and State Street all received votes in favour in the high 30%s. Given that this was the first year in which these resolutions had been filed these were very strong results and a positive response from the companies was expected.

RESOLVED
That the report be noted.

13. URGENT ITEMS

There were no urgent items.

CHAIR