

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)
	Mushfiquir 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 presentation 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