Report to :	**PENSION FUND MANAGEMENT /ADVISORYPANEL**
Date :	14 July 2023
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 8A** – **RI Partners and Collaborations**
	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:

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.*

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.

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

2.2 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).

2.3 Ninety One, GMPF's active public equity market manager, presented at the April Investment Monitoring & ESG Working Group meeting. They presented how their approach to investment stewardship and sustainability has evolved over time. In their approach to sustainability, they presented how they differentiate between ESG integration and impact and how they strategically prioritise their engagements to fully understand risks and ensure they provide the best possible opportunity for companies to improve outcomes. They also presented their net zero target for 50% of financed emissions to have science-based transition pathways by 2030 and transition plan to reduce the absolute emissions of their operations for scope 1 and 2 by 46% by 2030. To illustrate their approach to sustainability they used examples of portfolio holdings to show how they assess a company transition plan which then informs key priorities to engage with a company.

2.4 Ninety One, GMPF's active equity manager produced a report titled "A Disorderly Transition" recognising that the transition to net zero is unlikely to be neat or steady but rather a disorderly one which could feature emissions limits with little warning. Industries will not find low-emission technology that steadily reduces global emissions by 7.6% each year, the pace of reduction which would halve emissions by 2030. The report recognises transition

investments, engaging with high emitting companies and supporting those companies with robust transition plans will help mitigate the level of disorder in the transition. The report supports GMPF's approach of an allocation to the impact portfolio, investing in infrastructure, clean energy and position to engage rather than divest to drive real world change.
https://ninetyone.com/en/insights/a-disorderly-transition?utm_source=linkedin&utm_medium=social&utm_campaign=a-disorderly-transition&utm_content=linkedin_static3&li_fat_id=344eff76-8996-4ddf-a5f9-5a682a4f797b&fm-li-creative-id=216720024

2.5 The GMPF Investment Committee approved a commitment of £20m into a regional private equity fund from the Impact Portfolio allocation under the theme of 'Equity Investment in Underserved Markets'. The manager has been a signatory to the PRI since 2009. The GMPF Investment Committee also approved a co-investment of £75m alongside a fund targeting UK affordable housing from the Property Venture Fund. The focus is primarily on suburban 2-4 bed homes providing affordable rents for working families. The co-investment specifically targets a portfolio of homes located in Liverpool and Greater Manchester.

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

2.6 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

2.7 The Funds RI advisor, PIRC, supports GMPF in forming and implementing its RI Policy which covers voting. In April, PIRC launched their Carbon 1.5 proxy voting service. Carbon 1.5 steps up PIRC's focus on climate change and focuses on the highest emitting companies where investment risks are greatest. PIRC's research team will be analysing company disclosures against expectations that targets are 1.5°C aligned and cover all relevant emissions. This research will then inform voting recommendations that escalate according to how far short companies are of investor expectations on targets.
https://www.pirc.co.uk/updates/

2.8 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/esg-impact-report-q1-2023.pdf

2.9 Legal and General also published the 12th edition of their Active Ownership report where they outline the activities they have undertaken to deliver positive change on behalf of clients on a broad range of ESG issues. The report shows that in 2022, LGIM gave particular attention to stepping up their action on biodiversity, how they exercised their voting rights, and how they engaged on issues such as living wage, deforestation, board level ethnicity and the threat of climate change.
https://www.lgim.com/uk/en/capabilities/investment-stewardship/active-ownership/?cid=emlActive_Ownership_DB_2022

2.10 Legal and General produced a report titled "Net Zero 2050: More affordable than ever, if we act now" which suggest the window to achieve a 1.5°C outcome, consistent with 'net zero' emissions by 2050, is closing fast. But it also highlights the surprisingly positive reductions in the cost to achieve such an outcome. However, one of the conclusions was that, "The one biggest policy lever – that we believe stands several orders of magnitudes above every other – to drive real change remains largely unused: the world still lacks an effective, transparent, consistently applied and above all significant price on emissions that would allow price

signals to drive the market-led solution to this crisis."
https://www.lgim.com/landg-assets/lgim/_document-library/insights/long-term-thinking/climate-solutions-whitepaper.pdf

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

2.11 The Fund's public market passive manager, LGIM, published a research paper relating to scope 3 emissions titled "Scope 3: Omission Impossible" which advocates for the disclosure of scope 3 emissions. Estimates suggest that scope 3 emissions account for over 80% of total emissions in the median MSCI World company and therefore can be a material risk which requires pricing to fully understand climate risks. The challenge for scope 3 emissions lies in the data quality that requires careful considerations such as:
There is no fully developed and agreed methodology

- Not all scope 3 emissions are within a company's control
- Existing calculation approaches do not deliver consistent results and therefore difficult to make investment decisions based on these figures
- Many categories of emissions are not directly comparable
- Reporting oil & gas industry emissions is fraught with complexity

2.12 The paper concludes that despite the complexities companies should report and regulators should support the disclosure of accurate and standardised scope 3 emissions data. Investors should only incorporate scope 3 data into their investment decisions with careful consideration of accuracy, estimation bias and methodology constraints and treat scope 3 data separately from scopes 1 and 2 and ideally separate upstream from downstream emissions within scope 3 are they are very distinct. This accords with GMPF's current approach that while scope 3 data is currently not reliable the inclusion of upstream scope 3 data in the annual carbon footprinting exercise is a practical approach to capture the most reliable data that is within companies' control. The full research paper can be found using the link below.
https://www.lgimblog.com/categories/esg-and-long-term-themes/scope-3-omission-impossible/

2.13 The 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. As a signatory, each year GMPF takes part in the effort to gather more support and request more companies to complete the CDP survey which helps investors manage the risks of climate change, deforestation and water security. In May, the CDP held a UK Signatory Day where attendees were shown the work of the CDP, the importance of disclosure and how signatories aid the non-disclosure campaign. Other presentations included how the CDP is scaling up its adoption of impactful and high-quality frameworks, targeting a four-fold increase in the number of disclosures from 20,000 to 80,000 and how they intend on managing increasing disclosure and the importance of Nature and Water in investments.

2.14 The Northern LGPS is a signatory of the Workforce Disclosure Initiative (WDI). The initiative 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. In April, the WDI organised a webinar to explore the risks of increasing pay packages of CEO's not only to portfolios, but also to wider economic and social stability, and how investors can begin to play part in combatting these risks.

2.15 The WDI also produced its 2022 findings report which found that 167 companies responded to the survey was broadly the same as 2021. There has been a steady increase from 34 responses in 2017. The financial sector had the most responses with 31 and companies in developed economies were more likely to respond. The report found that the top workforce opportunities being reported by companies were diversity & inclusion, training and development and employee engagement and the some of the risks companies identified were modern slavery and child labour, health and safety and wellbeing. The report also explores six thematic findings that were identified:

- Job quality
- Human rights
- Emerging markets
- Marginalised workers
- The cost-of-living crisis
- Supply chain data

2.16 The full report can be accessed using the link below: https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/WDI-2022-Trends-and-Insights.pdf

2.17 Unite the Union, Britain and Ireland's largest trade union, held a webinar for investors in CK Hutchison, for a briefing on their campaign against the potential merger of Three UK – owned by CK Hutchison – and Vodafone UK. The briefing covered the progress their campaign has made to date, plans for future campaign actions, and the material risk that the campaign poses to CK Hutchison. Unite's two main concerns were around the potential increase in mobile phone bills the merger will likely have which will exacerbate the cost of living crisis and the concerns over national security from China.

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

2.18 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 become so.

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

2.19 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 A**.

2.20 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. In March, Climate Action 100+ released its latest Net Zero Company Benchmark framework. The Benchmark assesses the world's largest corporate greenhouse gas emitters on their net zero transition. It is not a disclosure mechanism or database itself. Rather, it is an evaluation tool for investor engagement. The new Benchmark framework embeds a stronger focus on company:

- Emissions reductions, and their key underlying driving factors
- Alignment with 1.5°C pathways, evaluating if companies are on track to meet the goals of the Paris Agreement
- Net-zero transition planning, assessing key levers for company decarbonisation, corresponding capital allocation, and asset-level changes

2.21 Further details of the benchmark can be found using the link below. https://www.climateaction100.org/wp-content/uploads/2023/03/Climate-Action-100-Net-Zero-Company-Benchmark-Framework-2.0..pdf

2.22 The Institutional Investor Group on Climate Change (IIGCC) has published its Net Zero Standard for Oil & Gas, a new framework for investors to assess alignment of oil and gas companies' transition plans with a 1.5°C climate scenario. The framework was developed alongside companies from the oil and gas sector and further informed by the Transition Pathway Initiative (TPI). The framework will help inform investors' corporate engagement priorities and escalation strategies and help them to better understand the transition risk in their portfolios.

2.23 The publication follows a two-year collaborative process led by IIGCC with support from the

TPI, investors and regional investor groups. Provisional indicators were published in September 2021 and subsequently tested in a pilot study covering five major European oil and gas companies. Results from the pilot study showed increasing transparency over decarbonisation plans, including disclosures on the contribution of offsets to targets and guidance on production plans. However, the pilot study also showed the need for continued improvement in several areas, in particular the alignment of all targets and plans with relevant 1.5°C scenario benchmarks. The framework can be accessed using the link below.
https://www.iigcc.org/resource/net-zero-standard-for-oil-gas/

2.24 IIGCC has launched the Net Zero Engagement Initiative (NZEI), to scale and accelerate climate-related corporate engagement. The new initiative aims to support investors align more of their investment portfolio with the goals of the Paris Agreement. By expanding the universe of companies engaged beyond the Climate Action 100+ focus list, including those across the demand side, the objective is to help investors align more of their portfolio with the goals of the Paris Agreement as set out by investor net zero commitments, such as the Net Zero Asset Managers initiative and the Paris Aligned Asset Owners initiative. The central ask of investor engagement via NZEI is a corporate net zero transition plan. 107 focus companies have been sent letters where signatories outlined their expectations for a net zero transition plan. Ninety One and LGIM are signatories to this initiative. Further information on this initiative can be found in the link below.
https://www.iigcc.org/resource/net-zero-engagement-initiative/

2.25 The Northern LGPS signed a letter to Kemi Badenoch MP, Secretary of State for Business and Trade, relating to executive remuneration. The letter asked the Minister to seek a review of shareholder rights in UK companies related to the issue of executive pay. This would signal to the market that the Government is intending to review these rights which would be a positive step at a time when there is enormous scrutiny on excessive executive pay.

2.26 In the previous update to the Panel, Officers reported the shareholder resolution relating to health which GMPF sought to co-file at Nestle, and the subsequent withdrawal. Following the agreement to withdraw with Nestle on the condition that the company develop a healthy sales-based target, GMPF and other investors wrote a statement to the company outlining the group's expectations. The full statement can be accessed using the link below.
https://shareaction.org/reports/public-statement-nestl%C3%A9

2.27 In November, GMPF filed a shareholder resolution at ConocoPhillips relating to tax practices and requesting the company adopts the Global Reporting Initiatives tax standard and publish tax transparency reports for shareholders. At the AGM, the resolution received 17% of the votes in favour building on the breakthrough result at Amazon for a similar resolution. These votes send a clear signal that investors expect meaningful data on issues such as tax which is financially material.

2.28 Officers previously reported that Northern LGPS had signed letters sent to a number of European banks requesting that they halt the direct financing of new oil and gas fields. As a result, BNP committed to this request in May. The links below are the press release from ShareAction and statement from BNP Paribas formally acknowledging the commitment.
https://shareaction.org/news/bnp-paribas-responds-to-investor-pressure-with-new-oil-and-gas-policy-but-gaps-remain
https://group.bnpparibas/en/press-release/bnp-paribas-details-and-strengthens-its-energy-transition-ambitions

2.29 The Northern LGPS also backed an investor statement at Barclays' AGM where ShareAction made the same request as that contained within the initial letters sent to banks. It also asked how the bank will assess the transition plans of its clients and commit to publishing an update of how its Client Transition framework will work in practice. The full statement can be accessed using the link below.
https://cdn2.assets-servd.host/shareaction-api/production/resources/reports/Barclays-

Invetsor-Statement-FINAL.pdf

2.30 The Chair of LAPFF visited communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The Mariana dam is owned by Samarco, which is a joint venture between BHP and Vale. The Brumadinho dam is wholly owned by Vale. LAPFF also visited Conceição do Mato Dentro to see Anglo American's Minas Rio tailings dam which has not collapsed but about which surrounding community members have concerns. LAPFF have published a report of findings and a short video from the visit which is available to the public.

2.31 The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana and Brumadinho disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit. Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently. There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.
https://lapfforum.org/wp-content/uploads/2023/05/LAPFF_MINING_INVESTMENT-RISK-REPORT_FINAL.pdf
https://www.youtube.com/watch?v=P1nSY1IK9rg

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

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

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

2.34 Following on from the IMESG Working Group meeting in April where Officers presented a draft of the report on compliance with the UK Stewardship Code, Officers completed and submitted the necessary reporting in May. Where previously compliance to the Stewardship Code involved signing up to a set of statements, the latest Stewardship Code asks investors to report on how they have exercised their responsibilities across all asset classes in relation to the 12 Principles. Details of the new Stewardship Code can be found using the link below.
https://www.frc.org.uk/investors/uk-stewardship-code

3. RECOMMENDATION

3.1 As per the front of the report.