GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

21 July 2023

Commenced: 09:00am		**Terminated:** 10:40am
Present:	Councillors North (Chair), Jones, Quinn, Fitzpatrick, Jabbar and Smart	
	Mr Drury and Caplan	
	Fund Observer John Pantall	
In Attendance:	Sandra Stewart	Director of Pensions
	Tom Harrington	Assistant Director of Pensions (Investments)
	Steven Taylor	Assistant Executive Director (Investment Special Projects)
	Michael Ashworth	Senior Investments Manager
	Tom Powdrill	PIRC
	Conor Constable	PIRC
Apologies for Absence:	Councillors Boyle, Taylor and Walters	
	Mr Flatley	
	Fund Observer John Taylor	

1 DECLARATIONS OF INTEREST

There were no declarations of interest.

2 MINUTES

The minutes of the Investment Monitoring & ESG Working Group meeting on the 14 April 2023 were approved as a correct record.

3 UBS ESG UPDATE

Consideration was given to a presentation of representatives of UBS on Environmental, Social and Governance activity in the last 12 months.

Members of the Working Group were advised that climate change had begun to dominate Sustainable Investing and focus had therefore extended into climate change opportunities rather than risk mitigation which demonstrated that progress on Net Zero commitments were expected.

It was explained that engagement was a core part of UBS's investment process and fiduciary duty for active and passive strategies. The prioritization of engagement cases was presented to the Working Group:

- High financial exposure
- Presence of high ESG risks and opportunities
- History of votes against management
- Performance on topics selected for thematic programs
- Presence of significant controversies

It was highlighted that UBS engaged with issuers to manage and integrate climate risk in business planning, seek out transition-related opportunities to support risk adjusted returns, and report their strategy to investors in line with TCFD recommendations. UBS summarized their climate engagement programme and their engagement objectives for issuers. It was reported that UBS had 5 years of dialogue with 45 high emitting issuers (including Oil & Gas and utilities) to increase ambition and climate change performances and reported that more than 58% of companies made good or excellent progress against set objectives over first 3 years.

In regards to engagement at the portfolio-level in the 12 month period to the end of March 2023. Between 31 March 2022, and 31 March 2023, UBS held 105 engagement meetings with issuers from the Fund's portfolio. It was further reported that between 31 March 2022 and 31 March 2023, UBS engaged with 62 issuers in the portfolio. Members of the Working Group were presented with a breakdown of company engagement by sector and region.

Members of the Working Group were presented with engagement examples, which highlighted the ESG issues with the companies, actions taken and the outcomes and next steps of UBS.

Discussion ensued on how outcomes were used in the UBS statistics on engagement and what steps were taken when engagement does not reach the desired outcomes.

RECOMMENDED
That the presentation be noted.

4 UBS: REPORT ON TRADING COSTS

Consideration was given to a presentation of representatives from UBS. The presentation detailed GMPF's trading costs for the year to 31 December 2022. The volume of equities traded was reported, along with the total commission paid and the average commission rate. Members of the Working Group were also presented with a breakdown of counterparties that were traded with.

RECOMMENDED
That the presentation be noted.

5 RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a presentation of representatives of PIRC, which gave an analysis of climate metrics in remuneration.

Members of the Working Group were advised that there had been a significant increase in use of ESG-linked remuneration metrics over recent years and that this had been driven in part by the push towards embedding a more stakeholder-oriented model within established corporate frameworks. It was explained that PIRC did not consider the growth in use of climate metrics in executive remuneration to be an unequivocally positive development.

It was highlighted that despite some of the structural concerns linking climate metrics to remuneration plans, namely transparency and sensitivity to performance, advocates had argued the practice could contribute to driving better corporate performance in managing climate risk if applied correctly. Members of the Working Group were advised that PIRC questioned this view as there remained a real risk that the arena within which shareholders engaged and held to account issuers on climate change progressed shifted from that of strategy to that of pay.

It was further explained when considering the appropriateness of rewarding directors for operating a business responsibly, it was important to consider investor expectations and legal duties of directors In a UK context, directors had a legal duty under Section 172 of the Companies Act 2006 not only to promote the success of the company but when doing so to have regard to the impact of the company's operations on the community and the environment. Meanwhile, investors across the globe increased placing expectations on executives to consider a wide range of social and environmental factors.

RECOMMENDED
That the presentation be noted.

6 UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions for Investments. The report advised Members of the activity and income generated on Underwriting, Stocklending and Commission Recapture during the year ended March 2023.

RRECOMMENDED
That the report be noted.

7 URGENT ITEMS

There were no urgent items.

CHAIR