

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

22 September 2023

Commenced: 09:00am

Terminated: 10:35am

Present: Councillors North (Chair), Fitzpatrick, Jabbar, Smart, Taylor, Walters and Quinn

Mr Caplan

Fund Observers: John Pantall and Councillor John Taylor (Stockport)

In Attendance:	Sandra Stewart	Director of Pensions
	Tom Harrington	Assistant Director of Pensions (Investments)
	Michael Ashworth	Principal Investments Manager
	Kevin Etchells	Senior Investment Manager
	Mushfiqur Rahman	Investments Manager
	Richard Thomas	Investments Manager
	Lorraine Peart	Investments Officer
	Alan MacDougall	PIRC
	Janice Hayward	PIRC
	Tom Powdrill	PIRC
	Conor Constable	PIRC

Apologies for Absence: Councillors Boyle and Jones
Mr Drury and Flatley

8 DECLARATIONS OF INTEREST

There were no declarations of interest.

9 MINUTES

The minutes of the Investment Monitoring & ESG Working Group meeting on the 22 September 2023 were approved as a correct record.

10 MAIN PROPERTY MANDATE : REPORT AND PRESENTATION BY SCHRODERS

Consideration was given to a presentation of representatives of Schroders which provided an overview on the macro economic and real estate market. The presentation detailed Schroders commitment to ESG, ongoing work into Net Zero Carbon transition and external reporting / validation for ESG performance. Members of the Working Group were also provided with a summary of current portfolio managed by Schroders alongside 12 month performance up to June 2023.

The Head of UK Real Estate Investment for Schroders reported that there had been positive asset management progress and a disciplined investment approach taken since handover, with active management that had resulted in benchmark outperformance. Members were updated with regard to the UK real estate performance and it was expected that capital values would stabilise in early 2024 with retail parks, industrial and alternatives anticipated to lead recovery.

Members were presented with an overview of the GMPF portfolio as at 30 June 2023 and it was

reported that the portfolio generally consisted of good-quality assets, with minimal capex requirements. Representatives from Schroders assured Members of the Working Group with regard to a continued pursuit of active management opportunities within the Fund which would drive income growth. Members were further provided with a summary of key events since onboarding.

The Head of Sustainability & Impact, Real Estate at Schroders provided Members with an update on ESG strategy and explained to Members of the Working Group that sustainability was at the heart of investments. It was explained that a full NZC analysis for the Fund would be undertaken and maintaining full EPC coverage was important. Members were advised that Schroders continued to work alongside GMPF which ensured compliance with LGPS requirements. Opportunities to implement processes to enhance portfolio management efficiently would also be explored.

Wide ranging discussion ensued with regards to UK real estate performance and industrial rental growth in relation to office space and retail consumer behaviour. Members were advised that there had been a shift in preferences that had been accelerated by the Covid-19 pandemic which had deepened the disparities in demand between and within related sectors.

The Chair thanked representatives from Schroders for an informative presentation.

RECOMMENDED

That the presentation be noted.

11 RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a presentation of representatives of PIRC with regard to PIRC's recent engagement work which focussed on Tax Transparency, UK Retailers exposure to supply chain risk, High Shareholder Opposition and Freedom of Association/Collective Bargaining.

Members of the Working Group were advised that tax avoidance by companies continued to have a significant impact which was detrimental to public finances and put companies and their investors at risk if policy changed. Representatives of PIRC explained that they continued to request that companies provided public country-by-country reporting (PCbCR) and believed that companies should adopt the GRI Tax Standard, which included (PCbCR). It was reported that during the year, PIRC had held a series of meetings with companies to ask for adoption of the GRI tax standard.

With regard to high shareholder opposition, it was explained that PIRC's engagement with companies that received high opposition continued through the summer and high votes against remuneration was a consistent topic. PIRC further explained that they had concern about the misuse of ESG metrics in pay. It was reported that climate metrics continued to be challenged as PIRC were concerned about the suitability of targets in principle and in practice.

Freedom of Association / Collective Bargaining was also explored as labour issues loomed large in the US. Members were informed that PIRC continued to have engagement with Apple, Starbucks and over US companies over labour rights. It was reported that PIRC had supported all resolutions on Freedom of Association and Collective Bargaining rights during the season and informed Members that an ongoing issue of concern was the use of firms advising on 'union avoidance'. PIRC considered that this was fundamentally incompatible with a commitment to decent work. Detailed discussion ensued with regard to the presentation and in particular the use of climate metrics in remuneration. Members thanked representatives from PIRC for the thought provoking presentation.

RECOMMENDED

That the presentation be noted.

12 URGENT ITEMS

There were no urgent items.

13 DATE OF NEXT MEETING

It was noted that the next meeting of the Investment Monitoring and ESG Working Group was scheduled to take place on Friday 26 January 2023

CHAIR