

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

19 January 2024

Commenced: 09:00am

Terminated: 10:55am

Present:

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

Mr Caplan and Drury

Fund Observer John Taylor

In Attendance:

Sandra Stewart
Tom Harrington
Paddy Dowdall

Director of Pensions
Assistant Director of Pensions (Investments)
Assistant Director of Pensions (Local Investments)

Andrew Hall
Michael Ashworth
Kevin Etchells
Mushfiqur Rahman
Richard Thomas
Lorraine Peart
Alan MacDougall
Janice Hayward
Tom Powdrill
Conor Constable

Senior Investment Manager
Principal Investments Manager
Senior Investment Manager
Investments Manager
Investments Manager
Investments Officer
PIRC
PIRC
PIRC
PIRC

Apologies for Absence: Mr Flatley

14 DECLARATIONS OF INTEREST

There were no declarations of interest.

15 MINUTES

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

16 INTRODUCTION TO CBRE AS ADVISORY MANAGER TO GREATER MANCHESTER PROPERTY VENTURE FUND

Consideration was given to a presentation of representatives of CBRE which presented their team to the Working Group and outlined their strategy and outlook for 2024.

Members of the Working Group were introduced to the team at CBRE and it was explained that within the last 5 years, the team had executed £4.8bn of investment assets and £2bn of development funding. CBRE's key capabilities were summarised to Members of the Working Group and it was reported that CBRE had experience in all residential sub-sectors, including Single & Multi Family, Affordable, Student and Social Housing. Representatives of CBRE provided Members of the Working Group with examples of recent and imminent investments.

Members were provided with an overview and key aims of the investment strategy which included;

- To gain cost effective, diversified exposure to property development assets located in the North West of England and West Yorkshire with a clear emphasis on Greater Manchester.

- To add value to the local economy by driving economic development, long term job creation and improving living standards.
- To invest responsibly and sustainability in equity, mezzanine and senior debt to achieve the portfolio target return.

With regards to capital allocation and commitments, it was reported that the strategic allocation for GMPVF was approximately £840m and CBRE estimated the Net Asset Value of the GMPVF portfolio at January 2024 was £357m which represented 42% of the total allocation.

Wide ranging discussion ensued with regards to the presentation, particularity in relation to ESG factors and climate change. Members were assured that external oversight on environmental and social impacts was an important principle of CBRE.

The Chair thanked representatives of CBRE for the informative presentation.

RECOMMENDED

That the presentation be noted.

17 UPDATE ON GMPF'S APPROACH TO RESPONSIBLE INVESTMENT – PROXY VOTING ON PASSIVE EQUITIES

Consideration was given to a report of the Director of Pensions. The report identified an area where a further enhancement could be made to the Fund's approach to Responsible Investing, specifically proxy voting on the Fund's passively managed pooled fund equity holdings.

As detailed in GMPF's Responsible Investment policy, it was explained that voting and engagement was a cornerstone of GMPF's RI activities which took the legal right to vote seriously and exercised it in a way that was consistent with its publically disclosed objectives and policy positions.

Members of the Working Group were advised that the Fund followed L&G voting policy on all passively managed pooled fund equity holdings and it was explained that how GMPF voted provided investee companies with an indication of its views as shareholders, as well as to the wider market.

It was explained that L&G had worked with Tumelo and developed a pass-through voting solution which enabled pooled fund investors to vote their shares in proportion to the value of their investment in the fund.

Members were advised that it was proposed that GMPF delegated the proxy voting execution on GMPF's passively managed pooled fund equity holdings to PIRC, to the extent that PIRC's coverage permitted this. It was explained that the enhancement covered those company ballots for which PIRC already provided voting recommendations as part of their coverage of GMPF's segregated, active equity holdings. Longer term, there was scope for PIRC to expand their coverage and include company ballots that were not already covered. The Assistant Director (Investments) summarised the key benefits of the proposal, as detailed within the report.

It was explained that the Fund had engaged with L&G on the proposal to delegate proxy voting to a specialist. L&G continued to work closely with their clients and aimed to reflect their views in relation to important issues, whatever their preferred approach to voting. Members were advised that L&G confirmed that there would not be an increase in the costs directly paid by GMPF as a result of the delegation of proxy voting to a specialist provider.

RECOMMENDED

To delegate the proxy voting execution on GMPF's passively managed pooled fund equity holdings to PIRC, to the extent that their coverage permits this.

18 LEGAL & GENERAL ESG REVIEW

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

Members of the Working Group were reminded that Legal and General had worked with the Greater Manchester Pension Fund since 2000. Legal & General looked after approximately £3.5bn of the funds' assets, in index-tracking equity, corporate bond and government bond funds and provided a return in line with the appropriate market index.

The Senior Global ESG Manager explained that LGIM aimed to raise market standards and safeguard client' assets for the long term with a firm wide commitment with ESG. Members were advised that LGIM published their policies, votes and views on individual companies (ESG Score, Climate Score) and it was reported that LGIM held 1,224 engagements with 902 companies in 2022. Further, LGIM filed 3 shareholder resolutions at AGMs in 2022.

Members were advised on the determination of LGIM's voting policies. One aspect of this was robust annual review processes which had a direct link to current and planned advocacy and engagement activity.

The Working Group were presented with LGIM's stewardship themes which included:

- Executive Pay
- Cyber Security
- Income Inequality
- Health
- Climate
- Diversity
- Biodiversity
- Income Equality
- Political Lobbying
- Digitisation

Members were presented with highlights from these stewardship themes. On diversity, LGIM explained that diversity in business was a crucial step to towards building better companies, economies and societies. Members were provided with 2023 voting engagement data to June 2023 and it was reported that there was 122 diversity engagements and 3 votes against for lack of board-level ethnic diversity. On income equality, LGIM explained that they raised the issue of living wage more broadly as part of their general ESG engagements with companies. Members were provided with living wage engagement data and it was reported that LGIM had engaged with 23 companies and 1 shareholder resolution was filled in 2022.

The Chair thanked representatives of PIRC for the thought provoking presentation.

RECOMMENDED

That the presentation be noted.

19 RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a presentation of representatives of PIRC with regards to PIRC's recent engagement work and an update on GMPF's voting outcomes for 2023.

Members of the Working Group were presented with an overview of GMPF's voting outcomes for 2023 which included voting outcomes for company directors, shareholder resolutions and remuneration policies. It was explained that during 2023, GMPF co-filed resolutions which requested improved tax transparency at four companies. A resolution of this nature was considered

an escalation following insufficient outcomes resulted from engagement meetings.

Members were provided with various case studies of companies with significant shareholder dissent which had triggered engagement. Freedom of Association was explored as labour issues loomed large in the US. Representatives of PIRC reported that resolutions received broad support from institutional investors globally and Members were advised that GMPF continued to use voting power to drive positive change at investee companies.

Detailed discussion ensued with regards to the presentation and Members thanked representatives from PIRC for the informative presentation.

RECOMMENDED

That the presentation be noted.

20 INVESTMENT CONSULTANTS OBJECTIVES FOR HYMANS ROBERTSON

Consideration was given to a report of the Director of Pensions / Assistant Director of Pensions (Investments). The report provided members of the Working Group with an update on investment consultant objectives and a review of Hymans Robertson's performance (versus objectives) for the year 2023.

The Working Group were reminded that the Management Panel agreed to delegate, to the Director of Pensions, the setting of detailed objectives for the Fund's investment consultant (Hymans Robertson) by 10 December 2019, such detailed objectives being in line with the broad framework as set out in the Hymans Robertson report. Hymans Robertson provided GMPF with an initial draft 'menu' of objectives, which formed the basis of the final set of objectives. Officers agreed the final set of bespoke objectives for the investment consultants, Hymans Robertson, on 6 December 2019, a copy of which has been provided to Hymans Robertson. The agreed objectives for the investment consultants were attached at Appendix A.

In June 2019, the CMA published its final order following a review of the investment consulting and fiduciary management markets. Consequently, pension scheme trustees must submit 'compliance statements' which stated that they complied with the requirements. The most recent of which needed to be submitted between 10 December 2023 and 7 January 2024 and annually thereafter. On 3 January 2024, the Chair of the Greater Manchester Pension Fund Management Panel submitted the Fund's annual compliance statement to the CMA confirming the Fund's compliance with Part 3 and Part 7 of the Order.

As part of the Fund's annual review, Hymans Robertson's performance over the preceding year had been evaluated and a qualitative assessment versus objectives undertaken. To support the assessment of performance versus investment consultants objectives, Hymans Robertson provided 'evidence' of work undertaken and areas of focus over the year. Members were provided with this information at appendix B of the report.

Officers concluded that Hymans Robertson had met their investment consultants objectives for 2023. As part of ongoing deliberations, areas of focus and specific projects, as well as feedback had been discussed. It was not proposed to make any changes to the agreed investment consultant objectives at this stage.

RECOMMENDED

That the report be noted.

21 GMPF PROPERTY VENTURE FUND IRRECOVERABLE DEBTS

Consideration was given to a report of the Director of Pensions / Assistant Director of Local Investments and Property. The report detailed the irrecoverable invoiced property debt from the

Greater Manchester Property Venture Fund at 31 December 2023 and sought approval for the write down of these debts.

Members were advised that the irrecoverable debts included those where the tenant had entered administration and recovery of the debt had been exhausted and those debts related to the Coronavirus period. Members of the Working Group were provided with a schedule of the irrecoverable debt proposed for write off at appendix 1 of the report.

It was explained that the Commercial Rent (Coronavirus) Act 2022 established an arbitration system to resolve certain unpaid rent debt attributable to the pandemic. The protected pandemic period was defined in the Act as 21 March 2020 to 18 July 202 and it was explained that the general guidance was that 50% should be written off by landlords.

Members were provided with the schedule at appendix 1 and this included a proposal to write off 50% of outstanding debts related to the defined pandemic period, where the tenant was still active. It was advised that where the tenant had entered administration, and it was considered that the recovery process had been exhausted, the proposal was to write down 100% of the outstanding debts within GMPF accounts.

RECOMMENDED

That Members approve the write off of debt from property investment that is irrecoverable due to tenants being in administration or following arbitration under Coronavirus Act.

22 URGENT ITEMS

There were no urgent items.

23 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 12 April 2024.

CHAIR