

GREATER MANCHESTER PENSION FUND - INVESTMENT MONITORING AND ESG WORKING GROUP

22 March 2019

Commenced:
9.00 am

Terminated: 10.26 am

Present: Councillors Cooney (Chair), Ricci, Ward, Halliwell, Mitchell, Pantall, Mr Flatley, Ms Fulham, Mr Llewellyn,

In Attendance:	Sandra Stewart	Director of Governance and Pensions
	Tom Harrington	Assistant Director of Pensions (Investments)
	Neil Cooper	Head of Pensions Investments (Private Markets)
	Raymond Holdsworth	Investments Manager
	Lorraine Peart	Investments Officer

Apologies for Absence: Councillors Barnes and Mistry

29. DECLARATIONS OF INTEREST

There were no declarations of interest.

30. MINUTES

The Minutes of the meeting of the Investment Monitoring and ESG Working Group meeting held on 21 December 2018 were approved as a correct record.

31. RESPONSIBLE INVESTMENT UPDATE

Representatives of PIRC Ltd, Alan MacDougall, Managing Director and Janice Hayward, Client Services Director presented PIRC's 2019 UK Shareowner Voting Guidelines and 2018 Annual Corporate Governance Review.

The Working Group was informed that PIRC applied these guidelines to all listed companies covered on the UK market including companies that were incorporated outside the UK.

Mr MacDougall summarised and set out PIRC's expectations of what is asked of companies they engage with, including adopting clear values and high ethical standards throughout the company; Being able to account for shareowner capital and achieving an appropriate return on it; developing a culture of transparency and accountability and focusing on strategic issues; developing appropriate checks and balances to deal with conflicts of interests; maintaining effective systems of financial control and risk management; creating fair remuneration structures that reward the achievement of business objectives at all levels, and, recognising and managing impacts on all stakeholders.

The Group was informed of the Key Principles of PIRC's Shareowner Voting Guidelines and the focus for 2019.

Mr MacDougall explained the challenges still faced as follows: Whistleblowing concerns; Stewardship Code share-voting disclosure framework by asset managers; Shareowner Consultation; Board Level Employee Representation and the Publishing of a Board Director Skills Matrix in company Annual Reports and Accounts.

Discussion ensued with regard to the Board Director Skills Matrix. Mr MacDougall explained that the importance of the Skills Matrix is that it would help manage expectations of pay and conditions.

The Working Group was given a presentation detailing PIRC's Corporate Governance Annual Review 2018. Particular attention was given to the percentage of votes against director elections and FTSE 350 Board gender diversity.

RECOMMENDED

That the report be noted.

32. INVESTEC CORPORATE GOVERNANCE REVIEW

The Working Group welcomed representatives from Investec, Naasir Roomanay, ESG Analyst, Deirdre Cooper, Portfolio Manager and Stephen Lee, Head of UK Client Management, who attended the meeting to provide an update on Corporate Governance activity in the last 12 months.

The Group was informed of the progress achieved over the year, which included the expanded ESG component of Investec's fundamental company research notes, highlighting engagement opportunities, an increase in the number of engagements on ESG issues and the completion of a project which considered the use of multiple ESG factors. Investec informed the Working Group that the focus is now to further develop and roll out the improved ESG component of their fundamental research notes, to encourage activity particularly in Asia and expand the analytical work around ESG factors.

The Working Group was advised of the ESG trends that Investec would focus on during 2019. This included a response to the Taskforce on Climate related Financial Disclosures, anti-biotics in the food supply chain, understanding impact measurement and Sustainable Development Goals and water management.

The Working Group was updated on the progress of Investec's engagements with companies as part of a stronger strategic commitment to aligning business with the Paris Agreement.

A discussion ensued on the importance of ESG including the climate and also working conditions.

RECOMMENDED

That the report be noted.

33. INVESTEC REVIEW OF TRADING COSTS

The Assistant Director of Pensions (Investments) submitted a report, which facilitated Members' scrutiny of Investec's approach to, and practice with regard to, trading costs. Investec's Order Execution Policy and Greater Manchester Pension Fund's 'Level Two' report for the year to 31 December 2018 were appended to the report.

Stephen Lee of Investec presented Greater Manchester Pension Fund's 'Level Two' report for the 12 month period to 31 December 2018. The 'Level Two' report provided an analysis of Greater Manchester Pension Fund's trading volumes and commissions. It was confirmed that officers of the Fund had reviewed the 'Level Two' report and any questions had been satisfactorily answered by Investec.

RECOMMENDED

That the report be noted.

34. UNDERWRITING, STOCKLENDING AND COMMISSION RECAPTURE

The Assistant Director of Pensions (Investments) submitted a report advising Members of the activity and income generated on Underwriting, Stocklending and Commission Recaptured during the quarter.

It was reported that the Fund did not participate in any sub-underwriting via UBS in the quarter ended December 2018. Stocklending income during the quarter was £191,008 compared to £168,218 in the same quarter of 2017, and Commission 'recaptured' was £5,660 compared to £1,852 in the same quarter of 2017.

The report outlined that income from these activities was very sensitive to market conditions, therefore the amounts generated were expected to vary from one quarter to another and from one year to another.

RECOMMENDED

That the report be noted.

35. URGENT ITEMS

There were no urgent items.