

GMPF

UK Stewardship
Code 2020

Statement of compliance with the UK Stewardship Code 2020

Enhancing the
quality of
engagement
between
institutional
investors
and companies



Principle 1.

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.



Tameside MBC became the administering authority of the Greater Manchester Pension Fund (GMPF) in 1987 after the abolition of the Greater Manchester County Council in 1986. GMPF covers all ten councils of Greater Manchester, the National Probation Service and numerous other smaller employers.

GMPF is invested to fund the retirements of thousands of beneficiaries. GMPF always acts in accordance with the interests of those beneficiaries and its Responsible Investment activities aspire to make a positive contribution to the region and beyond.

GMPF's long term approach is set out within its [Core Belief Statement](#). These beliefs form the foundation of discussions, and assist decisions, regarding the structure of GMPF, strategic asset allocation and the selection of investment managers. The Core

Belief Statement underscores GMPF's commitment to stewardship as follows:

"Well governed companies that manage their business in a responsible manner will produce higher returns over the long term."

Environmental, Social and Governance (ESG) issues are important to GMPF as they can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes. Achieving sustainable, long-term financial returns underpins the ability to pay pensions. A focus on ESG issues helps reduce risks to GMPF and ultimately the Council taxpayer.

Responsible Investment forms a core consideration within GMPF's [Investment Strategy Statement](#) which is updated at least every three years. Key themes and risks are identified around which GMPF's

A soy plantation
in the Amazon
rain forest.

"Well governed companies that manage their business in a responsible manner will produce higher returns over the long term"

in October 2015 and has completed eight transactions with a total value in excess of £1 billion. GLIL took the opportunity to invest in the "Clyde Extension" Project, which saw the windfarm grow from 350MW to 522MW, making it one of the largest onshore wind-farms in Europe.

In terms of **impact investing**, GMPF is the largest participant of the **Invest 4 Growth** initiative. The objective of this portfolio is to make investments that provide a commercial return and a **beneficial economic, social or environmental impact**. Areas of investment include: - the provision of supported living accommodation, renewable energy, loans to small and medium sized businesses and private equity with a focus on impact investing. Alongside investments into nationally focused pooled funds, GMPF will seek co-investment opportunities to enhance the impact in the North West. GMPF also has an **Impact portfolio** with the same twin aims and seeks to collaborate with other pension funds, specifically the Northern LGPS Pool's members, to develop a diversified portfolio and achieve cost benefits from greater economies of scale.

The **Greater Manchester Property Venture Fund (GMPVF)** has an allocation of up to £700 million and creates property investments by a process of site acquisition, building, direct property development and property letting/management. The enables GMPVF to generate state of the art office, retail and industrial/workshop accommodation. GMPVF has the twin aims of generating a commercial rate of return and **supporting the local area**. GMPVF also seeks to make an environmental impact through regeneration. The target area for GMPVF is the North West of England with a particular focus on Greater Manchester.

The assets of GMPF represent the combined savings of generations of public sector workers, without whom the pension fund would not exist. Therefore, GMPF has a responsibility to act in the best interests of those workers, and actively promote the creation of decent work. GMPF has adopted a wide-ranging **Responsible Investment policy** that details its ambitions to uphold the highest standards of corporate governance at its investee companies and make investments that deliver financial, social and environmental benefits across the North of

Principle 1...

Responsible Investment policy is built.

In the development and implementation of its Responsible Investment policy, GMPF identified themes such as climate change, employment standards and human capital management and corporate governance as risks that needed to be addressed.

GMPF's long-term goal is for 100% of its assets to be compatible with the net zero-emissions ambition by c.2050 in line with the Paris agreement. This goal is regularly evaluated and reported to members. Climate change is a key financially material environmental risk. The Management Panel believe that, over the expected lifetime of GMPF, climate-related risks and opportunities will be financially material to the performance of the investment portfolio. GMPF integrates climate change considerations in the overall investment strategy, with the aim of minimising adverse financial impacts and maximising opportunities for long-term economic returns in all asset classes.

A key element of GMPF's commitment to an orderly transition to a low carbon economy has been implemented, involving the replacement of £2.4 billion of GMPF's passive, index tracking investments, with an enhanced **Factor Based Investing** approach that has significantly reduced GMPF's exposure to carbon emissions and intensity.

GMPF has increased its allocation to alternative investments, and particularly infrastructure which aligns with its long-term approach. GMPF is a partner in **GLIL** which is a joint venture that invests directly in infrastructure assets. GLIL began investing

Principle 1...

England. GMPF actively promotes the creation of decent work and quality jobs as part of its approach to employment standards and human capital management.

GMPF expects all businesses in which it invests to treat their workforce with respect and to employ and reward them fairly. Companies should offer secure, direct employment where possible, and should not interfere with the right of their workforce to seek representation through a trade union. GMPF has directly raised issues during meetings with management at companies relating to working conditions and workers' rights.

GMPF supports the **Investing in a Just Transition** Initiative which focuses on delivering a transition to a low-carbon economy while supporting an inclusive economy with a particular focus on workers and communities across the UK. GMPF understands that delivering a just transition will be key to the UK's success in building a zero-carbon and resilient economy. However, GMPF also knows there is a need for this to be done in a sustainable way that supports an inclusive economy. GMPF considers this to fit well with the objective of seeking to ensure a regional dimension to its Responsible Investment activities.

GMPF considers **shareholder resolutions** a useful tool to proactively raise issues of concern either where boards of investee businesses are resistant to dialogue or change, or to amplify the shareholder voice where engagement with boards has been positive. GMPF has co-filed resolutions at different companies in recent years on issues ranging from climate change to employment practices. GMPF will consider filing or co-filing resolutions in cases where it feels engagement has not resulted in achieving the desired effect.

GMPF does not typically **divest** from businesses unless ESG factors are likely to have a financially material negative impact. Instead, GMPF seeks to use its **influence as investors** to address issues of concern. GMPF recognises its ability to act as an effective steward, and responsibility to do so, is greater where its holdings are greater or more concentrated. Therefore, sizeable investments are closely monitored and engaged where necessary.

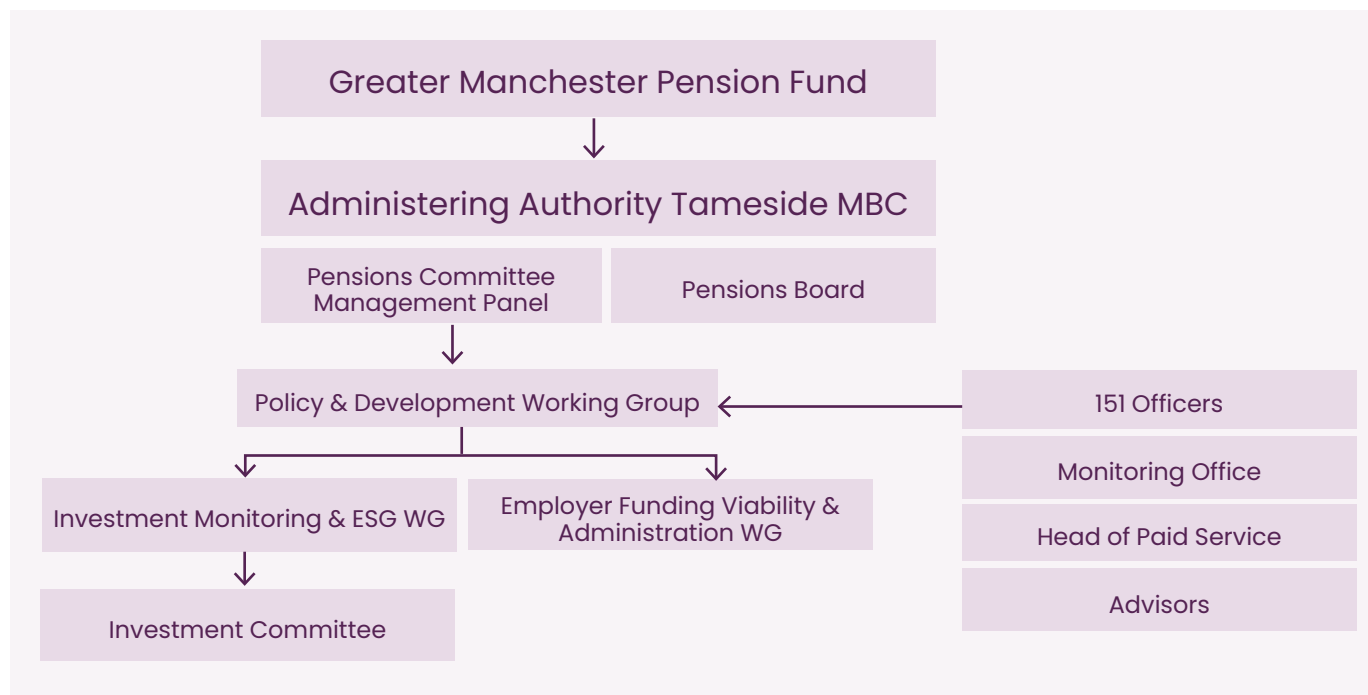
GMPF believes it is often advantageous to work **collaboratively** with other like-minded organisations and gain leverage to influence companies. GMPF has engaged both directly and indirectly with companies on a range of issues and co-filed shareholder resolutions with companies to effect change. □

New houses
in Ardwick,
Manchester, UK.



Principle 2.

Signatories' governance, resources and incentives support stewardship.



➔ GMPF believes strong governance enables it to fulfil its duties. Regular formal meetings ensure that stakeholders can scrutinise its activities. The governance structure is set out above and the [Governance Policy](#) is available on the website.

The **Pension Fund Management Panel** carries out a similar role to the trustees of a pension scheme and they are the key decision makers for:

- **Investment Strategy**
- **Monitoring investment activity and performance**
- **Overseeing administrative activities**
- **Guidance to officers in exercising delegated powers**

Each local authority within Greater Manchester is represented on the Management Panel, as is the Ministry of Justice. The **Pension Fund Advisory Panel** works closely with the Management Panel and advises them on all matters. Each local authority is

represented on the Advisory Panel and there are six employee representatives nominated by the Norther West Trade Union Council.

The Council has delegated all its functions as administering authority of GMPF to the Pension Fund Management Panel which routinely meets on a quarterly basis. The Management Panel appoints the Pension Fund Advisory Panel and external advisors and has dedicated internal Officers of GMPF to advise it on the exercise of its delegated powers. GMPF has four external advisors who assist the Advisory Panel, in particular regarding investment related issues. Their experience is wide ranging to ensure they are able to understand and advise on the activities of GMPF. There are three working groups which report to the Panel on specialist matters and each convene quarterly. GMPF's external managers attend the working group meetings and report specifically on Responsible Investment matters at the Investment Monitoring and ESG (IMESG)

Principle 2...

working group.

The Officers of GMPF attend/participate in **seminars** and **roundtable events** to gain a better understanding of issues such as climate change. Ideas and thoughts discussed at these events and wider learning are discussed within the Investments team at GMPF which feed into the agenda for the Working Group meeting. The Investments Committee meets monthly where investment related matters and proposals are discussed between the investment teams across all asset classes. All new investment proposals from GMPF's internally managed portfolios are presented to the Investments Committee and scrutinised before they move forward for implementation. These regular meetings assist the Director in discharging delegated authority.

GMPF has a **Business Plan** that is updated annually that formally incorporates an objective of enhancing stewardship activities and sets desired outcomes. The objectives include areas such as governance of GMPF, collaboration, local investments and ESG factors. GMPF understands it can make a positive change and so a part of its strategy is to help in the regeneration of the local area. The ESG outcomes include the encouragement of suppliers and investee companies to work towards a just

transition to a net zero emissions economy by c2050 and to minimise the environmental impact in delivering GMPF's ultimate objective of paying its pensioners. GMPF takes its obligation to Responsible Investment seriously and its implementation forms part of the business plan which is reported to and monitored by the Management Panel.

GMPF's **Risk Register** includes an assessment of both long and short term issues that could impact the day to day running of GMPF and ways in which these risks can be mitigated. Brexit and the Coronavirus outbreak are examples of risks that have been identified as risks that could have an immediate impact while ESG risks are considered to have both short- and longer-term impacts. This approach is incorporated into GMPF's **Investment Strategy Statement** which includes a period of public and employer consultation to promote an open dialogue and transparency.

Stewardship is considered at all levels within GMPF's structure. At an individual level all Officers are encouraged and supported to learn about Responsible Investment matters relevant to their area of expertise. As an example, a proposal at the Investments Committee for an investment into the Impact portfolio would be examined against the portfolio's twin aims to ensure that there is indeed a positive local impact as well as a commercial return. The Assistant Director of Pensions (Investments) who reports to the Director of Governance and Pensions dedicates a significant proportion of time to Responsible Investment and is a member of the Local Authority Pension Fund Forum's (LAPFF) executive committee. GMPF is further represented by its vice chair who is also the chair of the Northern LGPS pool and is a member of the LAPFF executive committee. There is one member of the investment team who dedicates the majority of their time to Responsible Investment activities.

Members, as well as Officers of GMPF, attend regular training events and conferences to ensure they are well informed and kept abreast of developments within investments including Responsible Investment. GMPF's external managers typically provide annual training which Members and Officers of GMPF attend. This training, along with wider learning, helps Members understand the issues faced by GMPF and how they are

"GMPF understands it can make a positive change and so a part of its strategy is to help in the regeneration of the local area"

Principle 2...

addressed. This knowledge helps ensure Members of the Management Panel are well equipped to carry out their duties. Further details on GMPF's governance structure and personnel details can be found in the Annual Report.

GMPF has appointed **PIRC Limited** as its **Responsible Investment advisor** to assist in the development and implementation of its Responsible Investment policy. GMPF is an active member in LAPFF and leverages its position to challenge companies in which it has an interest across the full spectrum of Responsible Investment issues. The majority of GMPF's engagement activity is carried out via these relationships. Officers meet regularly with PIRC to ensure the engagement activity is aligned to GMPF's expectations and keep up to date with any new issues. GMPF's formal memberships in organisations such as the Climate Action 100+, IIGCC, the Workforce Disclosure Initiative and less formal membership of groups such as the UK pension fund RI Roundtable and the Cross Pool RI group help GMPF stay well informed of developments and evaluate the effectiveness of its activities. PIRC is also the Responsible Investment advisor to the Northern LGPS. This relationship from a GMPF perspective ensures alignment of Responsible Investment policy between GMPF and the Northern LGPS. Throughout the year PIRC have organised numerous webinars relating to corporate governance issues and the effect the Covid-19 pandemic has had on workers at higher risk of contracting the virus. Members of GMPF receive invitations to attend and are encouraged to participate in these events and with the shift to moving meetings online they have become more accessible.

A quarterly Responsible Investment activity report was introduced during the reporting period to document and demonstrate

GMPF's commitment to responsible investing and communicate its Responsible Investment activities. The report was introduced following feedback received requesting more disclosure of GMPF's positive ESG practices. The report lists activities under each of the six PRI principles. In the interest of transparency, the report is publicly available with contact details available for any feedback. The report is presented to the Management Panel each quarter and can be found in the Agenda reports pack for each GMPF Panel meeting using the link below.

<https://tameside.moderngov.co.uk/ielistMeetings.aspx?Committeed=136>

While GMPF has a range of its managers presenting Responsible Investment related topics at the IMESG working group across a range of asset classes including property and equities, GMPF recognises that further improvement could be made to widen the pool of managers attending the working group meetings to include its specialist fixed income manager.

During the reporting period **Hymans Robertson** reported to the IMESG working group the results of their climate analysis that was carried out in conjunction with their Asset Liability Modelling analysis of GMPF. Hymans looked at GMPF's investment decision making process that is underpinned by key investment beliefs and carried out their analysis under three scenarios. The results of the analysis supported the work GMPF has been doing on integrating Responsible Investment best practices, GMPF's intention of being net carbon neutral by 2050, its implementation of the multi factor Scientific Beta (SciBeta) mandate and the infrastructure allocation to renewables.

GMPF's involvement in collaborative organisations are covered in more detail under Principle 10. ▣

Principle 3.

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.



GMPF expect its external managers to have effective policies addressing potential conflicts of interest that are covered in their Stewardship Code reporting. In respect to conflicts of interest within GMPF, members are required to make declarations of interest at the start of Working Group and Management Panel meetings. Tameside Metropolitan Borough Council is the administering authority of GMPF, and further details of the [Council's policy](#) in relation to declarations of interest are available on the Council's website. GMPF's governance structure in conjunction with the [GMPF Local Pension Board](#) ensure conflicts of interest are managed. GMPF intends to augment the Council and Local Board conflicts policies with its own fund specific policy in 2021.

GMPF retains the maximum possible authority to direct voting, rather than delegating to asset managers. GMPF has dedicated voting guidelines that inform it how votes are cast. This combination of retained authority and a clear framework ensures both a consistent approach is taken across equity holdings and provides clarity to the businesses in which GMPF invests about its expectations. In line with GMPF's commitment to transparency and democratic accountability, GMPF ensures its voting aligns with its engagement and pre-discloses voting.

To avoid any conflicts of interest GMPF's external appointed Responsible Investment advisor, PIRC Ltd, does not take on any paid or unpaid consultancy from companies on which it reports. □



Principle 4.

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.



GMPF is an open defined benefit scheme and therefore long term in nature which requires it to be cognisant of not only short-term risks but also long-term risks and the effects these can have on GMPF. The investments are global and so the risks to GMPF are viewed through a global lens. While climate change has been identified as a key risk and the main focus there are other risks that arise in the short term that could potentially have longer term effects. Officers monitor and stay informed of emerging risks such as the Covid-19 pandemic, Brexit and trade tensions between countries by attending seminars, staying in contact with asset managers and consultants and other service providers in the marketplace. Officers reflect on these risks and how they affect investments in their area of expertise. These are then shared

with the wider team and discussed and analysed before any decisions are made.

GMPF undertakes **engagement** with a range of stakeholders and industry bodies that drive policy and market norms in Responsible Investment matters. GMPF has responded to UK government consultations, collaborated with like-minded investors to write to foreign governments and provided feedback for the enhancement of the Transition Pathway Initiative's tool. Some engagements are done collaboratively, and others are directly or via GMPF's Responsible Investment advisor.

Over the course of 2020 the **Covid-19** pandemic has had a worldwide impact, but it has adversely affected some people more than others. GMPF's Responsible Investment advisor, PIRC, has been engaging with

Working group meetings give GMPF direct access and a voice in shaping conversations in a way that is aligned to GMPF's beliefs.



Principle 4...

companies in sectors that have been disproportionately exposed to the negative impacts of the pandemic. PIRC has been engaging with **food production** companies whose 430,000 strong workforce classed as essential workers have operated throughout the pandemic. In some instances, there have been labour rights issues and safety breaches. PIRC held a webinar regarding these issues, and a worker from a large plant described the health and safety breaches and 'fake' audits. The objective is that investors take a proactive approach with actions such as taking a public stance, promoting full disclosure of Covid-19 cases and targeting the top of the supply chain. GMPF has been represented in meetings with several companies requesting better disclosure of Covid-19 cases and the steps they are taking to mitigate the risk of infection.

The pandemic has also highlighted the **inequalities** in society. Officers attended a number of events on topics such as black and minority ethnic people being

disproportionately affected by Covid-19 and inequality in the workplace. In October, during Black History Month, Officers joined a Talkaboutblack webinar organised by Legal and General focusing on diversity within the investment industry.

Through its membership of LAPFF and direct representation on the LAPFF executive, GMPF is able to play an active role in identifying and formulating the **workplan** formally at the strategy meetings held by LAPFF. During the course of the year, issues such as deforestation, audit reform, the effects of Covid-19 on workers and the raising of awareness of inequalities in society through the Black Lives Matter movement were all issues that were raised as being priorities.

GMPF's external fund managers present at the IMESG working group on ESG related issues. These range from company specific issues to much broader issues that they have engaged with policy makers which provide members of GMPF with an opportunity to scrutinise their approach and provide feedback. These working group meetings give GMPF direct access and a voice in shaping conversations in a way that is aligned to GMPF's beliefs.

GMPF as a member of the Northern LGPS, has recently engaged with the **housebuilding** sector as this is an area that could do more to address ESG risks. Due to the high levels of self-employment, the sector finds itself at the forefront of concerns about precarious work.

Other concerns raised in the engagement include the need for ensuring the workforce is adequately trained to be able to cope with the demands of the increase in housebuilding. With the shift to a low carbon economy under way, it is imperative that the workforce receive sufficient training in new technologies to ensure they are not left behind. Complaints of escalating costs such as ground rents and service charges after the sale of leasehold properties can have reputational risks for companies as well as costs associated with potential compensation and altering of lease agreements. This issue of executive pay as a proportion of pay of the average employee not being disclosed is a further issue. The quarterly Northern LGPS Stewardship report highlights individual engagement activity and also includes a

Training the workforce in new technologies to ensure they are not left behind.

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GMPF is a signatory to the 'Just Transition' initiative as it believes the decarbonisation needs to be done in a sustainable way that supports an inclusive economy.

dedicated section to systemic or policy issues. The reports can be found using the following link:

<https://northernlgps.org/taxonomy/term/15>

GMPF has allocated 1.5% to Impact Portfolio investments. In July a commitment of £40 million was approved from the **Impact Portfolio** and a further £10 million commitment was approved in August. The £40 million commitment made in July aims to support small and medium businesses in the UK by lending necessary funds for them to grow. The August commitment of £10 million is to purchase and refurbish residential properties in the North West region with the aim of accommodating families at risk of homelessness. These commitments at a time when jobs, businesses and people's livelihoods are insecure help relieve some of the burden brought on by the pandemic.

GMPF recognises climate change as its main Responsible Investment focus and the complexities it brings in tackling it. Much of the GMPF's thinking around **climate change** is informed by its membership of the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ (CA100+), the Carbon Disclosure Project (CDP), the Transition Pathway Initiative (TPI). GMPF measures the carbon footprint of its listed equity and corporate bond holdings annually. The results are publicly available, and the external consultant presents the findings to the Management Panel which is the highest level of governance.

GMPF understands that building a zero-carbon and resilient economy relies on ensuring a **just transition**. GMPF is a signatory to the 'Just Transition' initiative as it believes the decarbonisation needs to be done in a sustainable way that supports an inclusive economy, with a focus on workers and communities across the country. The Paris Agreement on climate change states that its Parties take into account "the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities". The need to find a 'Just Transition' is imperative, which ensures the burden is not transferred to the employers and taxpayers of Greater Manchester alike, which would result in significant Council tax hikes, and importantly avoids job losses for residents across the conurbation who are employed in these industries. GMPF's Assistant Director of Pensions spoke at the annual LAPFF conference raising awareness of the initiative and gave reasons why a just transition is important to GMPF and why it should be a consideration for other like-minded pension funds.

GMPF actively supports the recommendations of the Financial Stability Board's **Task Force on Climate-related Financial Disclosures** (TCFD) and reports its approach to managing climate risk within the TCFD's four thematic areas of Governance, Strategy, Risk Management and Metrics and Targets annually. GMPF has voluntarily reported



Effects of Covid-19 on workers and the raising of awareness of inequalities in society through the Black Lives Matter movement are all priorities.

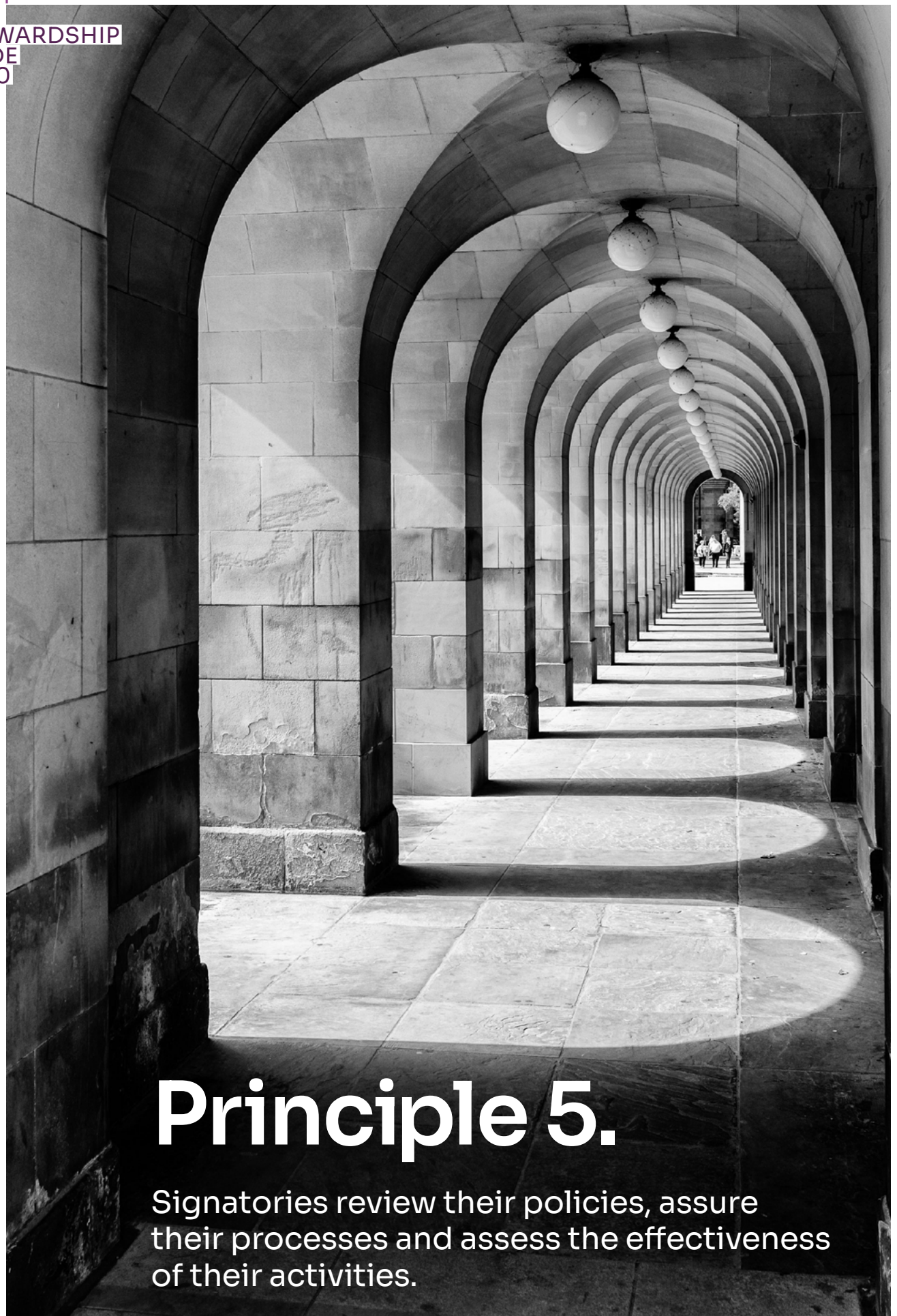
Principle 4...

under the TCFD's framework for four years which forms part of the annual report.

GMPF regularly participates in efforts that are approached in a collective manner. During the reporting period GMPF supported either directly or via the Northern LGPS Pool a number of letters and statements through collaborative organisations such as IIGCC including a letter to the UK Prime Minister calling for a green recovery plan, a letter to EU leaders requesting a sustainable recovery and requesting companies to maintain a focus on Responsible Investment during the pandemic and an investor statement with recommendations for meat processors during the pandemic. GMPF as a member of the Northern LGPS signed the letter to the Brazilian embassy calling for the halting of deforestation. Officers took part in several consultations with the organisers along with other signatories after the letter was sent and attended the meeting with Brazilian Congress. The UK RI Roundtable group of which GMPF is a member of discussed the uptake from large asset managers to the CA100+ initiative. The group engaged with Blackrock which helped in their decision to join CA100+.

GMPF also engages with policy makers where it believes it can add value and promote well-functioning systems. GMPF shares the belief of the PRI that **shareholder proposals** are an important component of investor rights and that they enable investors to engage with companies on critical issues. GMPF added its name to the PRI's letter to the Securities and Exchange Commission to oppose the proposed proxy voting regulation changes in the USA. The changes which came into effect this year have made it more difficult to submit or resubmit a shareholder proposal. GMPF as a member of the Northern LGPS also submitted a response to the Department for Work and Pensions consultation relating to governance and reporting by occupational pension schemes on climate risk. Although the Northern LGPS is not currently covered by the reforms the Pool wished to provide its views given its size and profile as a responsible investor. LAPFF responded on behalf of its members, including GMPF, to a Government consultation on the introduction of a new law to prevent forests and other natural areas from being converted illegally into agricultural land. □





Principle 5.

Signatories review their policies, assure their processes and assess the effectiveness of their activities.



GMPF firmly believes reviewing policies and processes is crucial to the effective implementation of its RI activities. Regular reviews keep GMPF up to date with regulations and best practices and ensures that its policies are consistent and effective. GMPF's business plan has explicit objectives related to its responsible investment approach that are evaluated and renewed each year.

The **IMESG** working group meets quarterly at which much of GMPF's direct Responsible Investment related activities are communicated to Members as well as indirect activities via external managers, PIRC and LAPFF. The working group meeting have a format of a presentation and then time is allotted for questions from members in the audience. Comments and questions from these meetings are used by Officers to evaluate GMPF's approach and ensure members views are taken into consideration and reflected accordingly.

As an example, GMPF measures its **carbon footprint** annually. This exercise has evolved over time from being just a backward-looking measure and forward-looking assessment of GMPF's equity and corporate bond holdings to now include a mapping to the Transition Pathway Initiative's target list of companies. In order to give Members an understanding of the data the presentation this year started with a short introduction to carbon footprinting. As data is now available for a number of years, another recent addition to this exercise has included a graphical representation of GMPF's carbon footprint over time which is easier to visualise for Members and shows trends, avoiding the need to refer to previous reports. Additionally, GMPF asked its external investment managers to also provide information and details of engagements with companies on the Transition Pathway Initiative's list which gave members an understanding of the follow up that takes place which is not always visible.

GMPF is a signatory to the **UN PRI** and reports on its Responsible Investment activity through the PRI's reporting framework annually. GMPF receives feedback on its responses and this feedback is reported to members of the IMESG working group. Whilst the results were typically in line / exceeding the median scores, this year GMPF scored lower than the median score against three

modules. A number of enhancements were noted this year to ensure GMPF is keeping pace with developments and its processes are effective. These include requesting GMPF's specialist fixed income manager to provide examples of ESG incidents and evidencing how ESG incorporation affects their investment decisions and reaching out to all external managers for their PRI transparency reports to assess how the managers are promoting responsible investing and engaging with companies. Officers met with the specialist fixed income manager and the manager demonstrated their investment process and how they incorporate ESG into their thinking. A potential next step is for this manager to present at the IMESG working group with further examples of their engagements and how they promote responsible investing.

GMPF appointed PIRC to assist in the development and implementation of its Responsible Investment policy. GMPF's approach to Responsible Investment is informed by the numerous initiatives it supports. The Responsible Investment policy incorporates themes considered to be important and material in terms of risks and opportunities. PIRC presented their **shareholder voting guidelines** at the IMESG meeting in March 2020. PIRC identify and promote high standards of corporate governance for listed companies and often challenge the boards and individual directors of companies that fall short. PIRC noted in the presentation that in order to remain truly independent it declines any paid or unpaid consultancy from companies on which it reports as this would create an unacceptable conflict of interest. The guidelines were analysed at the meeting and Members were satisfied that the guidelines were in line with GMPF's interests.

GMPF's **Investment Strategy Statement**, which includes a section on its approach to responsible investing, is reviewed triennially. The first iteration of the statement is presented to the IMESG working group, which is followed by a period of public consultation. Any views and comments are considered and potentially incorporated into the final Investment Strategy Statement which is approved by the GMPF Management Panel.

A review of **Investment Strategy** is carried out each year where GMPF seeks the

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Manchester
Central Library in St
Peter's Square.

Principle 5...

opinions and comments of its advisors, external managers and consultant on the strategy it is taking which includes its approach to responsible investing, in the context of strategic asset allocation. The inputs are analysed within the investment team and then reported to the Management Panel. This review provides GMPF with a level of assurance in ensuring its policies and approach are effective and verification regarding the appropriateness of its strategy.

Incremental improvements and continuous changes are an indicator that processes

are effective and constantly evolving. GMPF makes use of both internal and external resources to ensure the policies and practices in place are robust and effective.

LAPFF produce a report covering their engagement activity each quarter. This includes an assessment of engagement and company specific progress updates that help provide an indication of the effectiveness of the different approaches taken with companies. Officers often use these reports as well as wider reading to stay informed of issues at companies that can be raised with GMPF's external fund managers. ▣



Stone Cycle, a
sculpture by Julie
Edwards at Burrs
Country Park, Bury,
Greater
Manchester,
UK.

Principle 6.

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.





GMPF is an open, contributory defined benefit occupational pension scheme. The primary objective of GMPF is to pay the pensions of its **385,000 members** whose average age is 55. The table below provides a breakdown of members. GMPF achieves this objective by maximising the long-term investment return whilst not exceeding an acceptable degree of risk. GMPF firmly believe in strong governance and a long-term approach.

Status	Number of Members	Average Age
Active	112,000	46
Deferred	138,000	47
Pensioner	135,000	71
Total	385,000	55

GMPF has taken a long-term approach as it will need to pay the pension of its members for many decades to come. In order to meet those long-term liabilities, GMPF needs to ensure the assets are sufficiently built up to fund those obligations. Without losing sight of the main objective, GMPF has identified a number of risks both long and short-term in nature that it must navigate to ensure it is well placed to be able to make those pension payments now and in the future.

GMPF's long term approach means it is well placed to withstand short term risks. GMPF has a strong funding level and employer covenant. The bespoke benchmark provides adequate diversification. The strategic balance of investments takes account of the risk/return characteristics of each asset class and the potential for enhanced long-term returns. Risk in relation to any asset class is considered 'in the round'. Complementing this, individual mandates have detailed, specific risk management constraints.

GMPF considers its approach to Responsible Investment to be rooted in financial materiality and risk management and is further informed by understanding its beneficiaries' views. Therefore, GMPF has expectations of investee businesses that encompass more than financial considerations alone. The assets of GMPF represent the combined savings of generations of public sector workers, without whom the pension fund would not exist and takes this

opportunity to act in the best interests of those workers.

GMPF originates from a part of the country that has seen jobs in thriving industries fall away leaving behind relatively high unemployment and often replaced with low-quality or precarious jobs. GMPF understands the needs of its beneficiaries and takes in their comments and feedback to ensure their views are reflected its investment activities. These are the fundamental reasons why GMPF believes and supports the Investing in a Just Transition initiative.

GMPF has an allocation dedicated to **Local Investments** which should also benefit the local economy and regeneration. The Invest 4 Growth portfolio has an objective to provide a commercial return and also a beneficial economic, social or environmental impact. These aims follow and implement the ideas of a significant report of the same name authored by the Smith Institute and commissioned by local authority funds. The portfolio is a collaborative project with several other LGPS, where a number of participating funds pool resources to carry out due diligence and negotiate investment management fees with external managers. This resource sharing and the economies of scale enable GMPF and the other funds to make savings on the investment costs and achieve a diversified portfolio.

Following on from the Invest 4 Growth initiative, GMPF has approved an allocation of up to 2% into an **Impact Portfolio**. The portfolio has the same twin aims of generating a commercial return and delivering a positive local impact. GMPF seeks to collaborate with other pension funds to develop a diversified portfolio and achieve cost benefits.

GMPF's **Investment Strategy Statement** (ISS) is reviewed triennially with the next update due in 2021. The ISS is updated and reported to the IMESG working group after which a period of **consultation** is held. For the current ISS, GMPF received feedback during a Stewardship Day held at Gorton Monastery which was open to a variety of stakeholders and attended by Officers as well as its external investment managers, Responsible Investment advisor, consultants and special interest groups. The event provided an opportunity to learn about GMPF's approach to Responsible Investment and to have an input into shaping the evolution of

Previous page:
Local women enjoy
a cup of tea at the
Lowry Centre
Salford Quays,
Manchester, UK.

Principle 6...

the future approach. Attendees had the opportunity to complete a survey to which the majority supported GMPF's approach to engage with companies rather than divest from them. GMPF's communications team sent out a tweet and added a link to its website where feedback could be provided. An email was also sent to all employers where they could reply with any comments.

The majority of the feedback was related to climate change. GMPF considered the responses and took on board feedback from a special interest group to include additional wording in the Responsible Investment section of the ISS to better reflect climate change related policies, in particular, GMPF's view on climate risk and the collaborative approach taken to mitigate it.

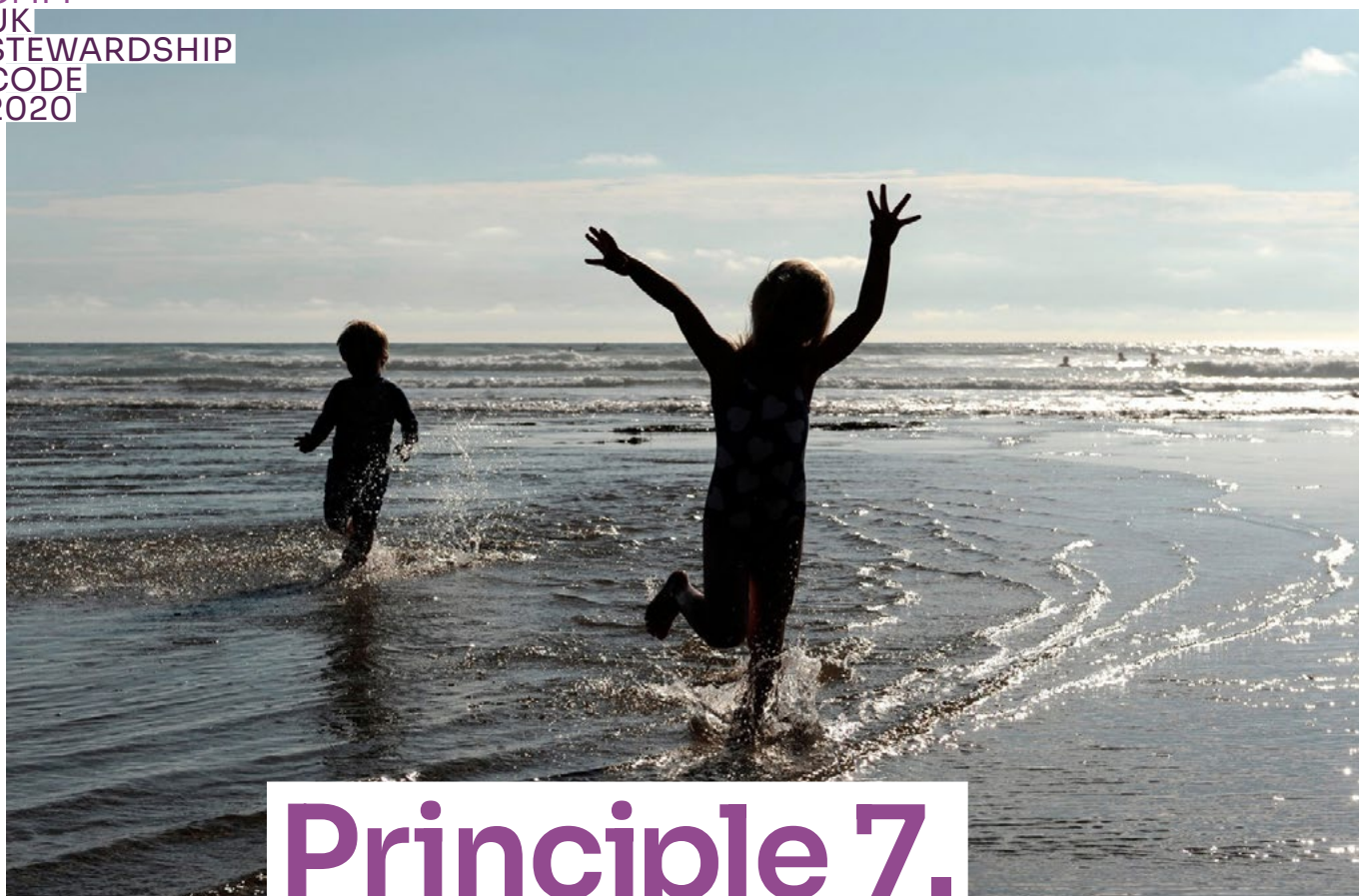
In the interests of transparency and accountability GMPF's quarterly Management Panel meeting is livestreamed and can be viewed by members of the public. GMPF's website has a dedicated section to its Responsible Investment policies and investment beliefs which can be found using the link below.

<https://www.gmpf.org.uk/about/policies-reports-and-statements>

The Northern LGPS website's Responsible Investment section includes the quarterly stewardship reports as well as its Responsible Investment policies. The Northern LGPS has an active Twitter account that help it to take on views of its members and also communicate developments to its beneficiaries. □



Saddleworth in the civil parish of the Metropolitan Borough of Oldham in Greater Manchester.



Principle 7.

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.



GMPF employs a small number of **external public market investment managers** and has not appointed a new manager for a number of years. All current external securities managers are signatories to the PRI. For any new manager appointments GMPF will ensure that its Responsible Investment policies are fully integrated within the investment process of the manager. GMPF would look at the processes and policies in place as well as the effectiveness of procedures of ESG integration and look to examples as evidence. GMPF undertakes significant research and due diligence prior to implementing any new mandates allowing GMPF to integrate its beliefs and responsibilities into the investment process.

GMPF has set itself the target of achieving

net zero emissions by c2050, in line with the Paris Agreement. GMPF has been on this journey for some time and worked very closely with its active managers to understand their approach to managing the risks and opportunities of an orderly and just transition to a low carbon economy.

Factor Based Investing lends itself to incorporating ESG constraints. GMPF worked with SciBeta, and commissioned research from them into a bespoke version of their flagship indices that offers GMPF diversified multi-factor exposure to developed market Global Equity, coupled with a significantly reduced carbon exposure, together with the incorporation of other important risk control design features via a choice of optionalities.

The results of the research undertaken by

A GMPF impact investing aim: Promoting health and wellbeing.

Principle 7...

The replacement of £2.4 billion of GMPF's passive, index tracking investments, with an enhanced Factor Based Investing approach has helped reduce GMPF's exposure to carbon emissions and intensity.

SciBeta on the GMPF Index suggest a reduction in the Carbon Footprint of the Index (vs the market cap weighted Index) of around 45%, and a reduction in the Weighted Average Carbon Intensity of the Index (vs the market cap weighted Index) of around 35%.

The implementation of this mandate involved the replacement of £2.4 billion of GMPF's passive, index tracking investments, with an enhanced Factor Based Investing approach that has helped reduce GMPF's exposure to carbon emissions and intensity. GMPF sees this Low Carbon index as a means of substantially reducing its footprint, whilst maintaining well-diversified exposure to rewarded factors and preserving its expectations around long term returns.

GMPF expects its external **public markets** managers to have embedded ESG analysis into their investment process. One of the main purposes of the IMESG working group meetings is for the manager to demonstrate their capabilities and for GMPF to assess the manager on its ability in carrying out its responsibilities. The investments in public markets are across geographies and it is

GMPF's expectation that ESG issues are given the same attention regardless of the location of the company.

Day-to-day responsibility for managing equity holdings is delegated to the appointed asset managers, and the expectation is that they monitor companies, intervene where necessary, and report back regularly on activity undertaken. Routine written reports from asset managers on engagement activity are received on a quarterly basis.

GMPF has an allocation to **private markets** and has embedded ESG considerations into the new investment process. To help understand and evaluate a General Partner's process for integrating ESG into their investment practices GMPF uses an adapted version of the PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire when considering new investments for private markets. The tailoring of the survey reflects GMPF's strategy, resources and requirements. This is followed up with numerous meetings to gain an understanding of how Responsible Investment is





A GMF impact investing aim: Supporting sustainable living.

resourced and implemented. An internal scoring mechanism is applied based on the responses to the questionnaire and the meetings which is then summarised against the six PRI principles and submitted to the Investments Committee for appraisal. The proposed investment is discussed at which point a decision is made whether to invest or not.

GMF monitor and evaluate each manager annually via a questionnaire and annual investor meetings and reports. A potential area GMF could develop is to report on findings from these assessments particularly in sensitive areas that have been flagged for proactive monitoring.

GMF has an allocation to **Local Investments** which comprises of the Impact Portfolio, the Invest 4 Growth initiative and the Greater Manchester Property Venture Fund (GMPVF). These share the twin aims of generating a commercial return and having a beneficial economic, social or environmental impact in the local area.

The purpose of the allocation in the impact portfolio and Invest 4 Growth portfolio help GMF gain cost effective, diversified exposure to a portfolio of impact investments located predominantly in the North West of England. The principal aims used to

define impact investing being:

- Targeting underserved markets
- Promoting health and wellbeing
- Supporting improvement in education and skills
- Supporting sustainable living
- Renewable energy generation
- Job creation/safeguarding

The Investment Manager responsible for the **Impact Portfolio**, pursues the twin aims of this portfolio, to generate a commercial return and to meet the required impact themes. In all monitoring reviews carried out during the Covid-19 pandemic, Fund Managers are both challenged on their investment strategy to achieve these twin aims, but to also continue upholding the highest ESG standards.

GMF made numerous investments in the Impact and Invest 4 Growth portfolio. Below are examples of investments that highlight GMF's commitment to high standards of ESG incorporation.

New Reflexions is a leading children's residential care provider based in Shropshire. It works with young people with complex needs who are unable to live within a family setting, providing placements that combine care, education and therapy. Its aim is to

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provide a stable, supportive and nurturing environment for young people.

10 of New Reflexions' 19 services (including the school it operates) are now rated as 'Outstanding' by OFSTED, a market-leading performance in the sector. This year, it had on average around 50 young people in its care at any one time, and it delivered a total of 18,000 days of specialist care, almost 10% more than the previous year. It has also made strong progress on employee engagement and training this has led to a decrease in carer absence and attrition rates, and an increase in the number of internal promotions.

As New Reflexions' homes are typically quite remote, mitigating infection risk, its model is unlikely to change post-Covid. The business is currently planning to open three additional homes and a second school, which would increase its current capacity by almost 50%.

In 2019, government passed legislation requiring it to reduce the UK's net emissions of greenhouse gases to zero relative to 1990 levels by 2050. In order to meet this target improving the energy efficiency of existing domestic properties is essential. Recognising that more than 10% of households in the UK live in fuel poverty, inefficient housing and rising household debt forcing people to choose between heating their homes or a meal, GMPF invested in **AgilityEco**, a provider of fuel poverty, energy-efficiency and low-carbon services.

It helps energy providers to meet their obligations under the Energy Company Obligation scheme (to reduce lifetime fuel bills of fuel-poor homes by over £8bn) by arranging the installation of measures such as better insulation and more efficient boilers. It works closely with over 150 Local Authorities to identify households eligible for the Warm Home Discount, a separate scheme for those in particular need.

Transitioning to renewable energy resources is another way of reducing global carbon emissions. GMPF invested in **GEV Wind Power** a wind turbine repair business supporting the transition to sustainable energy. Wind turbine blades are susceptible to erosion and weather damage, which affects their efficiency. GEV's technicians provide repair and maintenance services to both onshore and offshore wind farm

manufacturers and operators to help keep them operating and maximise their energy production.

In 2019, GEV serviced over 1,600 blades, helping its clients produce an estimated 376MW of energy, enough to power almost 350,000 homes. It works with over 200 highly skilled technicians across the UK, Europe and the U.S. and also supports the local community in Hull where its headquarters is based through local recruitment, school visits and other community initiatives. GEV has also developed industry-leading health and safety protocols, with a dedicated health and safety lead on the senior leadership team and bespoke safety management systems across the group to minimise risk.

The **GMPVF** provides GMPF access to property development assets located predominantly in the North West of England with an emphasis on Greater Manchester. Its aim is to add value to the economy of the North West through property development to generate employment, improve long term employment prospects and contribute to the overall development of the local economy. The mandate adopts a very broad definition of property development, to be as flexible as possible to the opportunities available. Examples of investments include purchase of land and property for development either with or without a partner, investment in financial instruments such as debt or equity in property development and investment in collective investment vehicles. The development can involve construction of new buildings or renovation of existing buildings.

As part of the Northern LGPS pool, GMPF's tender documentation for **External Property Manager Mandates**, included ESG focussed questions relating to people and company philosophy and tenders were evaluated having regard to appropriate responses. In addition, GMPF requires external property managers to adhere to its Investment Strategy Statement (ISS) which outlines GMPF's approach to "Socially Responsible Investment" and GMPF monitors and liaises with External Managers in connection with ESG issues as part of wider investment considerations.

GMPF's External Property Manager, **LaSalle Investment Management**, is a PRI signatory, and has issued a Policy on Sustainability and Responsible Investing. ESG is also integral to

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GMPF's due diligence process in making decisions to invest in property investment vehicles and funds, and forms part of the internal reporting process for approvals.

GLIL was established in 2015 by GMPF and London Pensions Fund Authority (LPFA) with £500 million of capital investments. In December 2016, Lancashire County Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund were admitted as members of GLIL increasing committed capital to £1.275 billion. In March 2018 further changes were made to the structure of GLIL to facilitate wider participation by pension funds. GLIL moved to an open-ended fund structure that allowed for the admission of new members.

GLIL was designed by the founding members to better address their needs than many of the commercially available alternatives. Specifically, GLIL seeks to deliver:

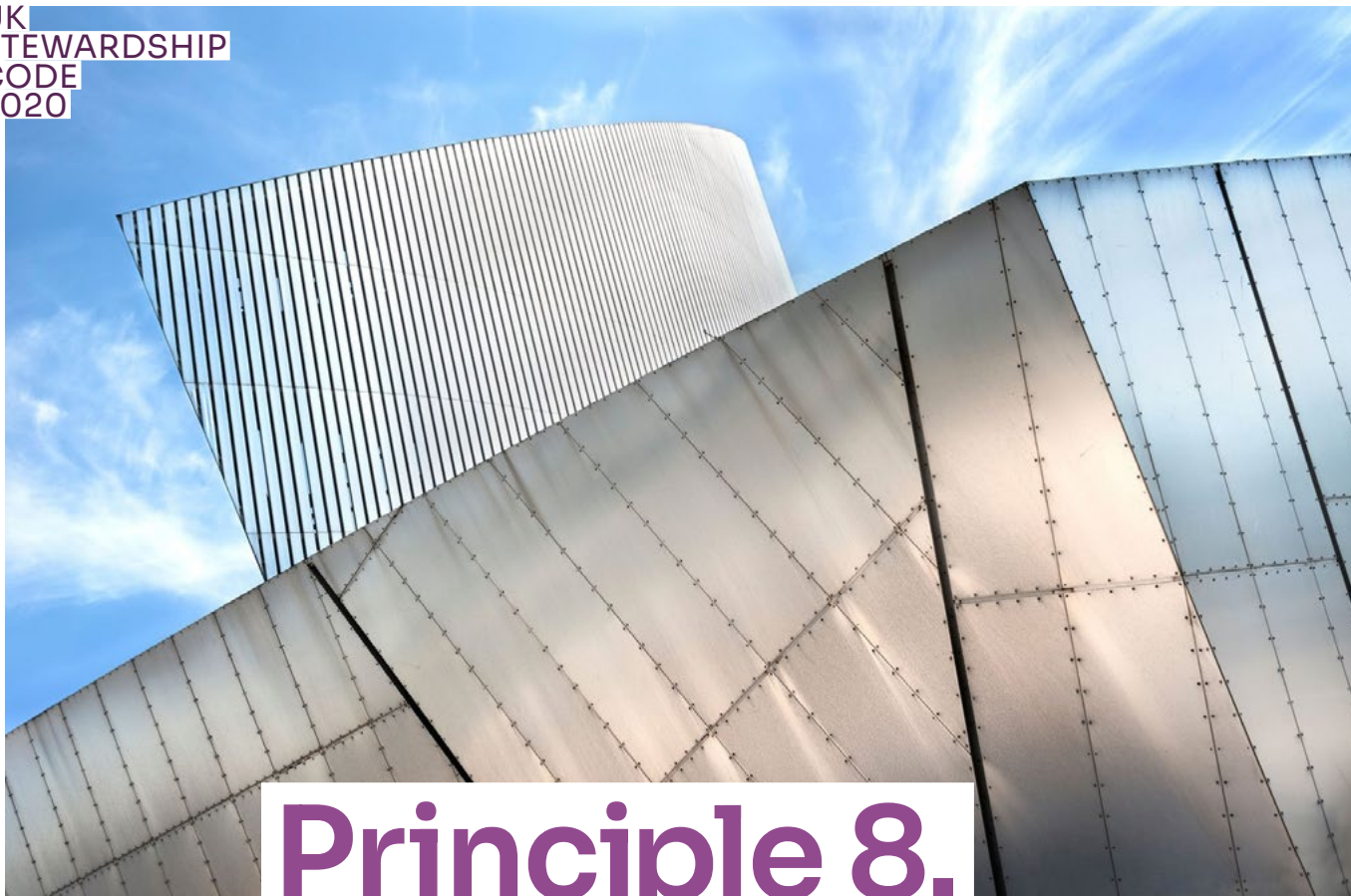
- **Long Term Ownership.** GLIL is an open-ended fund structure that allows for investment with the ultra-long-time horizons of pension fund investors. This avoids the churn of assets every 4-7 years and the associated frictional costs.
- **Strong Governance.** The members are able to secure increased governance rights over their assets and use these rights to ensure business decisions not only match their views on the risk/return profile of the investment but also are aligned with the long-term hold strategy.
- **Pooling of Resources.** There are clear benefits to being able to invest in scale in the infrastructure sector. The combining of not just capital but also professional resources allows members to source and invest in assets that they may not have been able to access had they been investing purely for their own account.
- **Lower Fees.** GLIL's unusual cost sharing model delivers excellent value for money for investors when compared to many commercially available alternatives.

GLIL invests in core infrastructure assets predominantly in the United Kingdom. The investments are expected to have the following characteristics:

- **Substantially backed by durable physical assets**
- **Long life and low risk of obsolescence**
- **Identifiable and reliable cash flows that are explicitly or implicitly inflation-linked**
- **Returns that are largely isolated from the business cycle and competition**
- **Returns that show limited correlation to other asset classes**

GLIL has a 49% equity stake in the portfolio of Cubico. Cubico has been operational for more than three years and comprises over 250 MW of wind and solar projects at 18 sites across the UK. Cubico, which is backed by two of Canada's largest pension funds, Ontario Teachers' Pension Plan and PSP Investments, will provide long-term management services for the day-to-day operation of the assets.

GLIL worked alongside Iona Capital, a specialist firm that develops, builds and operates small-scale Bioenergy Assets. Iona have built out a portfolio of 9 renewable projects on behalf of GLIL. These projects make use of agricultural waste, generating both electricity and heat in an environmentally friendly way. These assets will produce stable, subsidy-backed cashflows for the next 20-25 years. □



Principle 8.

Signatories monitor and hold to account managers and/or service providers.



GMPF's specialist **IMESG working group** which meets quarterly has a particular focus on ESG. To ensure strong governance and accountability all working groups including the IMESG working group have Terms of Reference that are periodically reviewed and updated. All managers, consultants and service providers who advise or act on behalf of GMPF may attend the working group meetings and report on their activities to members and Officers. The IMESG working group has detailed oversight of GMPF's external investment managers and Responsible Investment consultant.

GMPF appointed **PIRC** as its Responsible Investment advisor, to assist in the development and implementation of its Responsible Investment policy. PIRC are Europe's largest independent corporate governance and

shareholder advisory consultancy whose objective is to facilitate and support responsible capital stewardship by long-term investors. PIRC's role is to assist GMPF to effectively exercise its shareowner rights and to identify and mitigate governance risk in its portfolios and set ESG criteria.

PIRC provide a number of services to GMPF including:

- attendance and written briefings at working group meetings
- providing trustee training covering the full range of Local Government Pension Scheme matters
- providing corporate governance research reports
- voting recommendations with research
- proxy voting execution

Imperial War
Museum, Greater
Manchester, UK.

Principle 8...

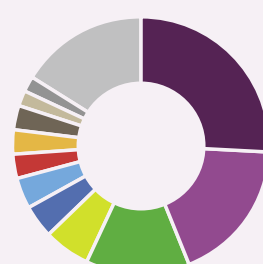
Fig.1



TOPICS DISCUSSED

- 31% Remuneration
- 23% Board Composition
- 10% General governance
- 9% Capital Management
- 7% General ESG
- 7% Climate change
- 4% Environmental concerns
- 4% Social impact concerns
- 3% Audit
- 3% Shareholder rights

Fig.2



REGIONAL SPLIT FOR ENGAGEMENT

- 26% South Africa
- 18% United Kingdom
- 13% United States
- 6% China
- 4% Canada
- 4% Australia
- 3% Botswana
- 3% South Korea
- 3% Brazil
- 2% Sweden
- 2% Netherlands
- 16% Other

PIRC attend all IMESG working group meetings and it is in their remit to question or provide feedback to any other presentation within the meeting as well as presenting their own Responsible Investment updates. This provides GMPF with an additional resource in holding managers and its investment consultant to account.

Officers and PIRC meet regularly to discuss GMPF's strategy and approach to responsible investing. PIRC produce a quarterly report on Northern LGPS engagement activity; this forms part of GMPF's Quarterly Responsible Investment Activity report which is presented to the Management Panel each quarter.

PIRC also report on how they have voted each quarter. A detailed company and issue assessment is provided along with rationale for voting recommendations. Officers of GMPF analyse the recommendations to ensure that voting is aligned to GMPF's policies.

Day-to-day responsibility for managing public market assets is delegated to the appointed asset managers, and GMPF expects them to monitor companies, intervene where necessary, and report back regularly on activity undertaken. Written reports

from the asset managers on engagement activity are received on a quarterly basis. In addition, each appointed external asset manager reports in detail on its policy and activity in these areas by attending the IMESG working group. By way of example, GMPF's specialist equity manager, Ninety One reported a summary of their Responsible Investment activity to the IMESG working group in July 2020, where they presented their ESG integration process and ways in which they engage with companies, with examples of their engagements. A summary of their engagements is shown in Fig.1.

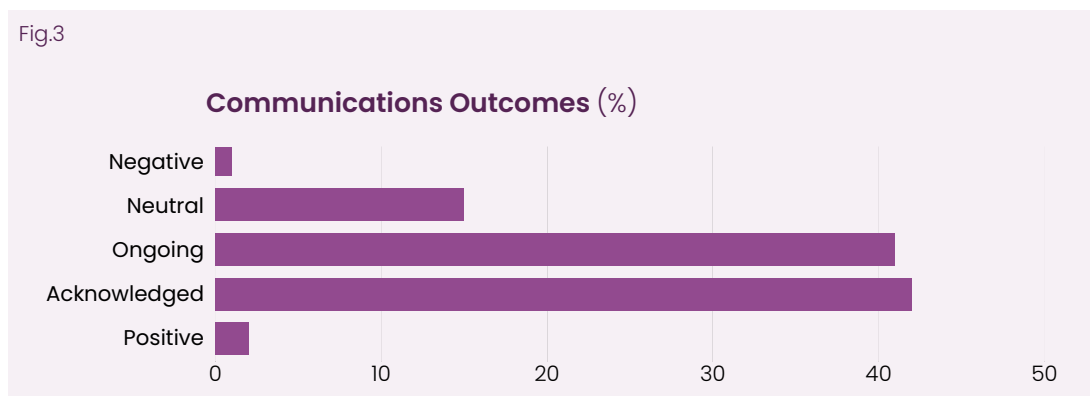
The manager provided a regional split of their engagement activity which can be seen in Fig.2.

The manager also provided their interpretation of the outcomes from the engagements, Fig.3.

GMPF receives its managers' PRI reports and with the exception of the specialist fixed income manager all public market managers are signatories to the UK Stewardship Code. The fixed income manager intends to become a signatory of the new UK Stewardship code. Manager monitoring meetings are structured in order to provide an open platform for Officers to raise issues or

Principle 8...

Fig.3



concerns. Officers take into consideration the investment managers' PRI reports and their engagement activity reports before the monitoring meetings to ensure alignment between GMPF and the manager.

The Competition and Markets Authority (CMA) published its report following a review of the investment consulting and fiduciary management markets. Following this review the CMA issued an order stipulating that Pensions Committees should set objectives for their investment consultants.

GMPF set its first set of objectives for its investment consultant, **Hymans Robertson**, in December 2019. GMPF included Responsible Investment and ESG related objectives for its investment consultant to ensure advice provided should reflect the Management Panel's Responsible Investment policies as well as complying with relevant pensions regulation, legislation and guidance. The investment consultant is assessed against its objectives annually via a meeting between Officers of GMPF and representatives of the consultant.

GMPF uses an external service provider, **Trucost**, to measure its backward-looking carbon footprint of its listed equity and corporate bonds and the results are reported to the Management Panel annually. Officers request that each of the external investment managers provide their own measurements as a comparison to ensure the data and results are consistent. While the data sources used may differ leading to slightly different numbers for some measurements the expectation is that the overall picture should be the same. For example, the highest and lowest carbon emitters in a portfolio would generally be the same. The external consultant presents the results at the Management Panel meeting each year where they provide some background and context as well as the results, and answer questions Members and Advisors have.

The capabilities of providers vary greatly and the area of carbon footprinting is still evolving. Officers keep abreast of developments and meet with other providers to ensure the services received meet the most up to date standards. □



Principle 9.

Signatories engage with issuers to maintain or enhance the value of assets.



GMPF does not typically divest from businesses unless ESG factors are likely to have a financially material negative impact. Instead GMPF seeks to use its influence as investors to address issues of concern. GMPF recognises that its ability to act as an effective steward, and responsibility to do so, is greater where holdings are greater or more concentrated. Therefore, sizeable and local investments are monitored closely, and GMPF engages where appropriate.

The majority of GMPF's engagement activity is done via **LAPFF** and its **external securities managers**. Typically, as a member of the Northern LPGS pool, GMPF also engages directly with companies, in particular with large holdings or those with a regional presence. GMPF employs a mixture of in-house and external asset managers.

Where management is undertaken in-house, ESG factors will be considered as part of the assessment process both before and after investment decisions are made. This integration applies to equity and other asset classes.

GMPF utilises a range of methods for engagement such as meeting with the chair or management of investee companies, raising key issues through written letters of concern and co-filing shareholder resolutions. GMPF believes in magnifying its voice where possible to leverage knowledge, experience and influence but understands this is not always possible and so it raises concerns at investee companies where it feels strongly on a particular issue.

GMPF has co-signed a number of letters or statements during the reporting period on

Housebuilding,
industrial heritage
and the landscape
of the moors in
Bury, Greater
Manchester, UK.

Principle 9...

a wide range of issues, either directly or via the Northern LGPS Pool, that are important to GMPF as well as wider society. Examples of such issues are below:

- a letter to the UK Prime Minister calling for a green recovery plan from the pandemic
- a letter to EU leaders requesting a sustainable recovery and requesting companies to maintain a focus on Responsible Investment during the pandemic
- an investor statement with recommendations for meat processors during COVID-19
- an open letter calling for a halt to deforestation in Brazil. This was the beginning of a much longer-term engagement that GMPF and its Responsible Investment advisor are part of where a meeting was held with the Brazilian government to discuss the issue.
- GMPF, via its membership in LAPFF, signed a letter from the Institutional Investors Group on Climate Change to 36 of Europe's largest companies requesting them to take into consideration decarbonisation and climate change risk as they complete their financial statements.

GMPF considers **shareholder resolutions** a useful tool to proactively raise issues of concern either where boards of investee businesses are resistant to dialogue or change, or to amplify the shareholder voice where engagement with boards has been positive. GMPF co-filed resolutions at Chevron, Citigroup, Comcast, Delta Air Lines, Eli Lilly and Walt Disney Company, during the 2020 AGM cycle. In all cases, the proposal sought alignment of the companies' lobbying practices with their publicly stated positions on climate change. Whilst none of the resolutions was successful this year, each generated significant shareholder support, sending a strong message to the Boards. GMPF has not been deterred by the outcomes of 2020's shareholder resolutions and has co-filed a similar resolution for the 2021 AGM at Citigroup and is actively exploring further opportunities.

Although the resolution co-filed at Delta Air Lines wasn't successful, the lead filer

along with GMPF and its Responsible Investment advisor have been in active dialogue with management as a consequence of the filing of the shareholder resolution. The company shared its reasoning behind its decision to announce its net zero ambition for the current decade and ways it is working to ensure it will achieve this goal.

The ongoing pandemic has provided opportunities for more international engagement. As more companies move their AGM's online it makes it easier to attend and participate in the meetings. There are added complications and issues of transparency that need to be addressed but GMPF welcomes the opportunity to take a more active role.

GMPF, via the Northern LGPS, is a member of the **Workforce Disclosure Initiative (WDI)**. The aim of this initiative is for greater transparency on workforce policies and practices in their direct operations and supply chains. Officers attended a number of update meetings to discuss the companies being engaged with, and associated outcomes. The aims of this initiative complement GMPF's thematic Responsible Investment priority of employment standards and human capital management. The WDI also held a workshop on 'Fast Fashion' which gave an insight into the working conditions for employees in garment factories, including a discussion on best practice from industry experts. Officers took part in small group discussions where they were able to directly raise concerns on how companies manage their supply chains and how they have responded to the pandemic to ensure working conditions and employee rights have been maintained.

As part of its policy to monitor large and local holdings the Assistant Director of Investments at GMPF representing the **Northern LGPS** met with the Chair of **Serco** with the objectives of acquiring the company's assessment regarding the impact of Covid-19 across its operations and understanding measures taken by Serco to mitigate the impact of the pandemic. Serco were questioned on the steps taken to protect employees from infection as well as discussing the broader health argument for full disclosure of infection rates. Serco Group operates private prisons in Western Australia, Queensland, New South Wales and Adelaide

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and has also provided immigration services on behalf of the Australian immigration department since 2009. Prison populations are particularly vulnerable to covid outbreaks because of a number of environmental factors that include the difficulty for prison populations to social distance adequately along with the added difficulty of managing detainees with a pre-existing vulnerability to the virus. On 19 March 2020, there were reports that a Serco guard had tested positive for Covid19 and that detainees who had been in contact with that guard had not been tested for the virus. In light of this Serco were asked to clarify the extent to which Serco had introduced paid pandemic leave to allow workers to self-isolate if they test positive as well as details regarding the development of the company's pandemic plan. With Serco being one of Northern LGPS's larger holdings, the engagement served to ensure the company continues to be doing everything possible to protect the interests of all of their stakeholders during what is undoubtedly a difficult operating environment as well as to impress upon the company Northern LGPS's resolve to maintain responsible stewardship practices.

In October, NLGPS engaged with **Man Group** plc to discuss concerns raised by NLGPS with regards to variable remuneration. Man Group plc operates in the alternative investment management sector. Cllr Cooney, vice Chair of GMPF and Chair of Northern LGPS questioned the company on the extent to which they view their businesses compensation structure as contractual issue, with regards to the fulfilment of fiduciary obligations in operating in the interests of all stakeholders, as opposed a means by which to motivate and retain talent. The company outlined performance based incentive schemes is very much ingrained in the culture of the business and argued profits resulting from good performance were redistributed back to shareholders. The board considers their pay structure is well aligned with the interests of shareholders generally. Cllr Cooney questioned the extent to which alignment is possible given performance is benchmarked on a relative basis as opposed to the actual return as experienced by shareholders. The company pointed to a number of metrics within the remuneration policy to balance a

compensation structure that is geared towards relative returns.

In December NLGPS engaged with **Synthomer** plc, a UK-based chemicals business, to discuss a range of sustainability issues. The company manufactures aqueous polymers the demand for which has increased dramatically during 2020 in response to the world's need for personal protective equipment (PPE). Cllr Cooney questioned the company in relation to its supply chain management, particularly its provision of polymer to PPE manufacturers in Malaysia, one of which has been accused of major breaches of basic human rights. The company reported it had good traceability of its product and actively engaged with their customers on these issues. It will not tolerate modern slavery anywhere within its value chain.

Cllr Cooney also questioned the company with regards to its environmental and sustainability practices, specifically the company's dependency on the petrochemical industry and the risks associated with this reliance over the medium to long-term. As well as pushing for TCFD alignment Cllr Cooney also questioned the company with regards to its strategy on mitigating water risk. The chemical industry is notoriously water intensive and Cllr Cooney requested that the company undertake and disclose a comprehensive water risk mapping exercise to outline areas of the business that may struggle in future scenarios in which fresh water is scarce.

Avison Young, GMPF's advisor for the Greater Manchester Property Venture Fund, presented at the IMESG Working Group during the reporting period. They stated that the focus for the coming year is affordable and suburban housing and sustainable building to achieve net zero carbon in construction. New projects under consideration include Stockport, Manchester, Chorlton and Eccles which make up approximately 1,200 units. Avison Young also presented their thoughts on ways they could achieve net zero carbon in the construction process which include operational changes, efficient insulation, heating decarbonisation and the use of carbon off-setting.

Through membership of **LAPFF** GMPF is able to leverage the voice of over 80 pension funds when engaging. LAPFF engages on the

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Alan Turing
reflecting the times
in Sackville Park,
Manchester.

basis of sizeable holdings within its membership in ESG themes identified in its business meetings. As a member of the LAPFF executive, the Assistant Director of Investments took part in an engagement with **Altice Europe NV**. This engagement was initiated in the light of Altice being identified by the UN as conducting business in the Israeli/Palestinian territories and the objectives were to better understand Altice's position and perspective on its operations in these territories and to have Altice commit to undertaking human rights impact assessments in respect of its operations in the Israeli/Palestinian territories. The company pushed back on LAPFF's request for human rights impact assessments on the grounds that the UN list is political, and the company is compliant with local legal requirements.



The Assistant Director also engaged with **Standard Chartered** to determine whether their response to the pandemic has been adequate and to determine whether the company's approach to working with clients on climate, including emissions reduction is sufficient. The head of Sustainability Strategy and the head of Climate Risk Management represented Standard Chartered. The company stated that it uses the Sustainable Development Goals as a vehicle for delivering sustainable social and economic growth. They are committed to focusing sustainability efforts on three key areas, contributing to sustainable growth, being a responsible company and investing in communities. The company mentioned they had set a new target in 2019 to achieve zero emissions by 2030 and a commitment to engaging with clients to understand their role in transitioning to low-carbon energy and ways they can help their clients. They also recognised that their TCFD reporting is not fully in line with TCFD recommendations yet and are seeking to achieve this. The company recognises the challenges of a just transition stating that emerging markets need reliable and accessible energy to support economic growth and that this needs to be balanced by mitigating the environmental impacts of power generation in a manner consistent with the Paris Agreement.

In relation to the bank's response to Covid-19, they mentioned that the bank has posted information on how it has dealt with Coronavirus internally, through deep cleaning of branches and social distancing, funding personal protective equipment and providing cost funding for manufacturing clients.

Examples of GMPP's external managers engaging with companies are available under the reporting for Principle 11. ■



Principle 10.

Signatories, where necessary, participate in collaborative engagement to influence issuers.



GMPF seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. GMPF strives to achieve this through its membership of collaborative organisations, to engage with companies over environmental, social and governance issues and numerous initiatives and forums that span across the full spectrum of ESG issues. It is more likely that GMPF will collectively pursue thematic engagement, rather than company specific issues, with like-minded investors. GMPF actively contributes to a number of organisations on ESG matters which are listed below.

Principles for Responsible Investment

GMPF is a signatory of the UN backed PRI and reports publicly its Responsible Investment activity through the PRI's reporting framework. GMPF uses shareholder resolutions to express its concerns where it feels engagement is not having the desired effect. GMPF signed a letter from the PRI to the SEC on its proposal to amend the requirements to submit proposals. Although GMPF isn't greatly affected with the minimum holding increasing from \$2,000 to \$25,000 it understands from experience and collaborations with smaller stakeholders this was of great concern.

Climate Action 100+

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. The organisation has a list of focus companies that they are working through and use the backing of the signatories as leverage.

During the reporting period, GMPF signed onto a Climate Action 100+ letter sent to CEOs and Chairs of boards at 161 global companies setting out a benchmark and calling on firms to commit to net-zero business strategies. The benchmark has 8 indicators that will be used to evaluate company action and ambition demonstrated in tackling climate change. The indicators pull together data from several providers, including the Transition Pathway Initiative (TPI) and Investing for a Just Transition.

Steelmaking accounts for 7-9% of global carbon emissions and as the largest steel-maker in the world ArcelorMittal is responsible for a significant share. LAPFF along with UBS, one of GMPF's external securities managers lead the engagement with ArcelorMittal through Climate Action 100+ with a focus on targets for carbon neutrality. The company originally had set targets to reduce carbon emissions by 30% and to be carbon neutral by 2050 for its European operations but after more recent conversations it has set a target to be carbon neutral by 2050 for the whole group.

Institutional Investors Group on Climate Change

GMPF is a member of IIGCC whose aim is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and investors. Officers attend seminars and keep up to date with collaborations and initiatives of IIGCC.

Via its membership in LAPFF, GMPF signed a letter from the Institutional Investors Group on Climate Change to 36 of Europe's largest companies requesting them to take into consideration decarbonisation and climate change risk as they complete their financial statements.

The Institutional Investor Group on Climate Change's Paris Aligned Investment Initiative launched the Net Zero Investment Framework which asset owners can use to define and implement strategies to align their portfolios to the Paris Agreement. It provides recommendations for approaches and methodologies that investors can use to ensure portfolios are net zero. GMPF will seek to incorporate emerging best practice from the Net Zero Investment Initiative into its approach.

CDP

GMPF is a member of the CDP (formerly Carbon Disclosure Project). Each year, the CDP supports companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation. Investors can use the annual disclosures as a basis for engagement with companies.

GMPF works with CDP to follow up with non-disclosing companies on the target list

Previous page:
Dovestone
Reservoir,
Greenfield, Greater
Manchester UK.

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to ensure as many companies as possible are providing disclosure on their practices to better understand their environmental impact.

The Transition Pathway Initiative

The Transition Pathway Initiative (TPI) is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The assessments provide a rating for each company that can be used to target engagements to specific issues relating to climate change. GMPF is a signatory.

The TPI is currently used to assess companies based on equity holdings. It has consulted signatories with GMPF providing feedback, with the aim of broadening its scope to include the fixed income asset class.

<https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2020/07/Final-Fixed-Income-Presentation.pdf>

Investing in a Just Transition Initiative

GMPF supports the Investing in a Just Transition Initiative which focuses on delivering a transition to a low-carbon economy while supporting an inclusive economy with a particular focus on workers and communities across the UK. GMPF understands this needs to be done in a sustainable way that safeguards against communities being left behind during this transition.

Global Mining & Tailings Safety Initiative

GMPF has been involved in and backed this initiative. Spearheaded by the Church of England Pensions Board and the Swedish Council of Ethics of the AP Pension Funds the initiative aims to tackle the problem of tailings dam safety. PIRC, in its capacity as research and engagement partner to LAPFF, requested a stakeholder engagement component to the initiative, to which the organisers readily agreed. This engagement has highlighted significant discrepancies between company accounts of these disasters and community experiences, prompting important questions for investors regarding the investment propositions of the companies involved. Officers have attended seminars where members of affected communities gave accounts of their experiences which helped raise awareness for local people.

Workforce Disclosure Initiative

The Workforce Disclosure Initiative is an organisation that 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. GMPF is a member and actively promotes the creation of decent work and quality jobs as part of its approach to employment standards and human capital management.

Local Authority Pension Fund Forum

GMPF is a member of LAPFF. Most engagement activity is undertaken through the forum and representatives of GMPF take part in company engagements. LAPFF is a collaborative shareholder engagement group of Local Authority pension funds. Given the long-term nature of the members they can look beyond the short term to ensure a positive impact is made through engagement activity.

The LAPFF Executive Committee gathers input from the members and the primary service provider and advises on what engagement collaborations to pursue and prioritise. Where a significant number of LAPFF members hold a company or where LAPFF funds hold a large percentage of the company or a priority issue has been identified, LAPFF will seek to engage with the relevant company.

"GMPF supports the Investing in a Just Transition Initiative which focuses on delivering a transition to a low-carbon economy while supporting an inclusive economy with a particular focus on workers and communities across the UK."

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In advance of LAPFF engagement meetings, specific engagement objectives are set and then outcomes measured against them once the meeting has concluded. To the extent possible, company actions that correspond to LAPFF engagement objectives are assessed and recorded. Through LAPFF engagements, companies are assessed and monitored for progress against engagement objectives.

LAPFF responded on behalf of its members, including GMPF, to a Government consultation on the introduction of a new law to prevent forests and other natural areas from being converted illegally into agricultural land. The response can be found using the link below.

<https://lapfforum.org/wp-content/uploads/2020/09/LAPFF-Response-to-Forest-Risk-Commodities-Consultation.pdf>

Northern LGPS became a signatory to an investor initiative for sustainable forests in collaboration with CERES. The initiative, endorsed by LAPFF, aims to understand how deforestation within cattle and soybean supply chains represent a material risk to companies and seeks to engage with companies in the soy and cattle value chain. While there is a growing awareness of cattle and soybean production being a large driver of the change in land use this engagement also hopes to address wider ESG issues such as land rights, working conditions and the impact on indigenous people. The two investor statements can be found using the link below.

<https://lapfforum.org/wp-content/uploads/2020/09/LAPFF-Response-to-Forest-Risk-Commodities-Consultation.pdf>

Further details on LAPFF activity are available on its website, in particular, its Annual Report, which for 2020 is structured in line with the Stewardship Code principles.

30% Club

The 30% Club is a group taking action to increase gender diversity on boards and senior management teams with the aim of achieving a minimum of 30% female representation on FTSE 100 boards. GMPF is a signatory to this campaign and is working alongside other signatories to engage with companies on the target list.

Make My Money Matter

The Northern LGPS committed to partnering with the Make My Money Matter initiative which aims to collaborate on working towards the pool's ambition to invest all of its assets in line with the Paris Agreement and raise member engagement to increase positive impact. By raising awareness and engaging members with their pensions, Make My Money Matter seeks to align the investment of trillions of pounds in assets with building a better world. The press release can be viewed using the following link.

<https://northernlgps.org/node/81>

UK RI Roundtable/Cross Pool RI Group

GMPF is a member of both these groups set up to collaborate and share insights into their activities related to Responsible Investment. Both groups meet quarterly and are an informal setting for members to assist one another and also use the collective voice to engage with other organisations.

Make My Money representatives presented their organisation to the UK Responsible Investment Roundtable group which was informative. A subset of the UK Responsible Investment Roundtable group including GMPF gathered to explore ways in which carbon reporting could be improved in private markets. Members of the group shared their current practices.

PIRC

During the ongoing COVID-19 crisis GMPF's Responsible Investment advisor, PIRC, has been engaging with companies in sectors that have been disproportionately exposed to the negative impacts of the pandemic. PIRC has been engaging with food production companies whose 430,000 strong workforce classed as essential workers have operated throughout the pandemic. In some instances, there have been rights issues and safety breaches. This briefing can be found using the following link.

http://www.pirc.co.uk/wp-content/uploads/2020/09/PIRC_sector_food_processing.pdf

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CASE STUDY Brazil Deforestation

In response to the letter to the Brazilian embassy in June 2020 that the Northern LGPS supported, the investor group was invited to engage with the Brazilian government in July on the issue of the sustainable management of the Amazon Rainforest. This marks the beginning of the dialogue in which five main issues were raised as being important in assessing progress. Reaction to the original letter sent to the embassy was reported in the Financial Times, Citywire and Bloomberg. Officers and its Responsible Investment advisor attended the initial meetings to provide feedback and their views on ways to approach the engagement after which Storebrand, the principal party in the engagement lead the dialogue.



CASE STUDY Microplastic Pollution

The Northern LGPS joined a collaborative engagement on plastic waste. The aim is to target washing machine manufacturers who have not integrated filters into their products which reduce the amount of micro plastics entering the ocean that have a negative impact on marine life.

First State investors, in collaboration with the leading UK-based science led charity, the Marine Conservation Society, is seeking expressions of interest from like-minded investors, to support an investor engagement programme to engage with the manufacturers of domestic and commercial washing machines to fit, as a standard feature, filters to their products to prevent plastic microfibres entering the world's precious marine ecosystems. This technology is available and today is utilised by very few companies.

Successful outcomes of the engagement programme would provide a significant contribution to Sustainable Development Goal 14, "Life under Water" specifically Target 14.1, "Reduce Marine Pollution". The engagement intends to achieve measurable outcomes to support investors' stewardship related reporting and disclosures.



Principle 11.

Signatories, where necessary, escalate stewardship activities to influence issuers.



Responsibility for day-to-day interaction with companies is delegated to GMPF's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code. GMPF's asset managers report on their stewardship activities to the IMESG working group. Examples of escalation by asset managers and LAPFF are provided below.

In Germany, members of supervisory boards are elected for a period of five years. This weakens shareholders' ability to hold directors accountable for their actions at the annual general meeting.

LGIM, GMPF's passive manager advocate for annual board elections instead. In its public consultation document, the

commission in charge of reforming the German Corporate Governance Code in 2019 planned to limit supervisory board members' tenure to three years, which LGIM supported, with the expectation the market would progress towards annual elections over time. However, the commission failed to adopt this recommendation. LGIM escalated its stance on board elections in Germany by signing a public collaborative letter along with other institutional investors to formally and directly ask DAX30 companies to limit supervisory board members' terms to three years. Collectively, the signatories represented a total of \$8.3 trillion in AUM, and the national press covered this campaign.

Freeport is one of the largest global copper miners with a key asset at Grasberg in Indonesia. GMPF's specialist equity

Encouraging Facebook to strengthen controls to prevent the livestreaming and dissemination of objectionable content.

Principle 11...

manager, Ninety One bought the shares during 2020 as they believe that although copper demand has already started to strengthen, this will likely increase given its importance in “green” infrastructure. Whilst the company’s product is likely to benefit from this sustainability angle, nonetheless their research discovered that the company had historically had environmental and labour issues at Grasberg.

The manager therefore met with the company prior to investment to ascertain that the appropriate responses had been taken and that these risks were now minimized. After the investment was made the manager had a further meeting to discuss the company’s current ESG targets and make proposals in 3 areas where they believe the targets should be upgraded.

- **Environmental:** Encouraging more disclosure on biodiversity impact and amelioration strategies. More disclosure on water recycling and encouraging a target of 100% recycling in water stressed areas. Reduction in GHG emissions through the replacement of coal by indigenous gas.
- **Social:** With safety improvements apparently plateauing the manager encouraged greater focus to continue to push incidents lower especially achieving zero fatalities. Also encouraged faster progress on increasing diversity particularly female participation in the work force whilst recognising the challenges in certain jurisdictions.
- **Governance:** the manager encouraged the introduction of a discretionary cap on bonus payments and the introduction of a policy on director tenure. They fed back that they were very pleased to see that ESG factors now make up 25% of remuneration calculations.

Facebook is the pre-eminent social media company (outside China) through its ownership of Facebook, Instagram and WhatsApp platforms. The fund manager at Ninety One initiated a position in Facebook in 2019 recognising that the investment case was a fine balance between the attractive and improving operating characteristics and compelling valuation set against the significant regulatory risk partly predicated on the company’s past behaviours (particularly

around the issues of privacy and use of data). Acknowledging the importance of these risks to the investment they believed that they should go further than just monitoring Facebook’s development and instead pro-actively engage with the company to help shape its response.

The manager therefore joined a collaborative engagement to encourage Facebook to strengthen controls to prevent the live-streaming and dissemination of objectionable content. This collaboration undertook several steps during 2020 including:

- An open letter to management made available to global media.
- The achievement of direct contact with the company on these issues where previously it had been reticent to engage.
- Following this contact the company has made specific changes particularly around an expanded role and remit of its Privacy Committee. This Committee will now include content related risks and abuse prevention within its wider role of Community safety.

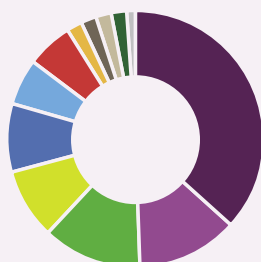
The manager also believe that these shareholder initiatives have encouraged Facebook to progress quickly in other related areas such as Content Policy and investing in tools to help Content Management.

On occasion, GMPF may itself choose to escalate activity, principally via engagement activity through LAPFF. LAPFF engagement is unique in that Councillors take a direct role in the meetings with companies. LAPFF take a constructive and pragmatic approach to engagement, which is typically confidential. LAPFF may escalate an engagement by taking a public stance and press releases are available on the LAPFF website.

Companies are chosen for engagement based on the aggregate holdings of LAPFF members to determine the most widely held companies and based on holdings that pose issues of concern for members. Engagement objectives are developed through combining research on companies and past engagement notes to determine the areas of greatest relevance for LAPFF members both in respect of ESG concerns and in respect of financial returns for members. Engagement methods vary depending on the engagement context. For example, the

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Fig.4



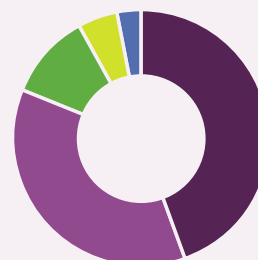
ENGAGEMENT TOPICS

- 38% 18 Climate change
- 13% 6 Human rights
- 13% 6 Cybersecurity
- 9% 4 Environmental risk
- 9% 9 Governance
- 6% 3 Remuneration
- 6% 3 Covid-19
- 2% 1 Employment standards
- 2% 1 Social risk
- 2% 1 Just transition

Forum will most likely send a letter when approaching a company for the first time. However, if a company is not responsive or if the Forum has engaged repeatedly with a company that does not appear to be managing its environmental, social, governance, or financial risks and impacts, LAPFF might escalate its engagement to issue voting alerts and press releases to highlight the company's continued poor conduct. Different geographies require different engagement methods too. For example, companies in the US are less likely to respond to requests for shareholder engagement, so voting alerts are more common early in the engagement process with these companies. In contrast, British and Australian companies are usually responsive to meeting requests, so the Forum tries to conduct most of its engagement with these companies through one-on-one or collaborative investor meetings.

A summary of LAPFF's company engagement activities is published on a quarterly basis, including the company name and domicile, engagement topic, Fig.4, the nature of the activity and its outcome. LAPFF's Quarterly Engagement Reports are available on their website. By way of an example, below is a summary of their engagement activity, Fig.5, for the third quarter of 2020 that was

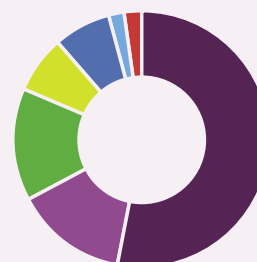
Fig.5



ENGAGEMENT ACTIVITY

- 45% 17 Meeting
- 37% 14 Sent correspondence
- 11% 4 AGM
- 5% 2 Alert issued
- 3% 1 Received correspondence

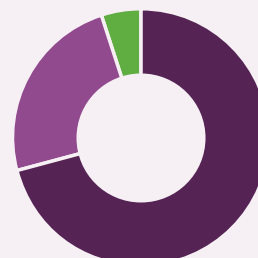
Fig.6



ENGAGEMENT OUTCOME

- 52% 22 Dialogue
- 14% 6 Change in process
- 14% 6 Small improvement
- 7% 3 Moderate improvement
- 7% 3 No improvement
- 2% 1 Satisfactory response
- 2% 1 Substantial improvement

Fig.7



POSITION ENGAGED

- 71% 27 Chairperson
- 24% 9 Specialist staff
- 5% 2 Executive Director or CEO

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reported to the Management Panel. Data for other quarters is available in LAPFF Quarterly Engagement Reports.

LAPFF also provide methods of engagement and outcomes, Fig. 6 and 7.

Additionally, LAPFF provided the position of the person or people engaged with which can often indicate how seriously the company is taking the issue and company domiciles, Fig.8.

GMPF joined a webinar organised by LAPFF to hear from members of the Aboriginal community affected by the actions of Rio Tinto in the Jukkan Gorge, which destroyed the cultural heritage site. LAPFF and GMPF's

asset managers have engaged with Rio Tinto, and LAPFF went public with press releases on the matter, following which the Chief Executive has announced he is stepping down. Subsequently LAPFF organised a second webinar to hear concerns from Roger Featherstone of the Arizona Mining Reform Coalition and an affected community member from BHP and Rio Tinto's mining activities at a heritage sight in Arizona, USA. Informed by the LAPFF engagements, Officers raised the issues with one of GMPF's external asset managers to ensure they are aware of developments, and plan to monitor events and engage. ▣

Fig.8

COMPANY DOMICILES



Members of the Aboriginal community affected by the actions of Rio Tinto in the Jukkan Gorge.





Principle 12.

Signatories actively exercise their rights and responsibilities.



Voting and engagement is a cornerstone of GMPF's Responsible Investment activities. GMPF takes the legal right to vote seriously and exercises it in a way consistent with its publicly disclosed objectives and policy positions. Therefore, in line with GMPF's commitment to transparency and democratic accountability, it ensures that its voting aligns with its engagement. How GMPF votes is one way of providing investee companies with an indication of its views as shareholders, as well as to the wider market.

GMPF retains the maximum possible authority to direct voting in relation to its segregated holdings, rather than delegating authority to asset managers. GMPF has dedicated voting guidelines that inform its voting decisions. This combination of retained authority and a clear framework ensures

both a consistent approach is taken across equity holdings and provides clarity to the businesses in which GMPF invests about its expectations. The importance of accountability to beneficiaries is a central element of GMPF's approach. Therefore, GMPF makes publicly available its voting record. In the case of the GMPF's own voting decisions, GMPF pre-discloses votes on all companies.

GMPF implements its voting policy in partnership with PIRC who provide appropriate research and vote execution services that cover the major markets in which shares with voting rights are held. GMPF votes in line with the recommendations of its advisor, having judged that the advisor's voting guidelines promote high standards of corporate governance and responsibility and enable GMPF to exert a positive influence as

The importance of accountability to beneficiaries is a central element of GMPF's approach.

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shareholders concerned with value and values. With PIRC also being the Responsible Investment advisor, GMPF's voting is always aligned with GMPF's core Responsible Investment values. GMPF's voting policy is reviewed annually and considered by the IMESG working group.

PIRC provide GMPF with voting advice for each resolution proposed at AGM's and EGM's of companies reported on. PIRC provide a quarterly voting report detailing votes executed on GMPF's behalf and voting recommendations including rationale for decisions. The voting report is checked by Officers to ensure voting is aligned to GMPF's Responsible Investment policies. LAPFF provide regular voting alerts that GMPF takes into consideration. The LAPFF voting alerts override PIRC's voting advice should they disagree.

GMPF's voting policy covers a broad range of topics from board composition, reports and accounts best practice, shareholder rights, corporate governance, capital stewardship, sustainability and corporate responsibility reporting and conflicts of interest. Below are **examples** of GMPF's voting that has been informed by its Responsible Investment policy and advisor.

PIRC recommended to oppose **Las Vegas Sands Corporation's** proposal to elect the combined role of Chair and CEO of the company. This falls in line with GMPF's policy that there should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal.

It is the auditors' function to ensure, so far as possible, that the financial information as to the company's affairs prepared by the directors accurately reflects the company's position in order, first to protect the company itself from the consequences of undetected errors or, possibly, wrongdoing. Company accounts need to be fair, balanced and understandable; if a company is found to have defective accounts it can have serious consequences. GMPF voted to oppose the **appointment of auditors** for a number of

companies on the basis of the level of non-audit fees causing major concerns about the independence of the auditor. Additionally, in some instances the current auditors had been in place more than ten years raising concerns that a failure to regularly rotate the audit firm can compromise the independence of the auditor.

GMPF believes climate change is a material risk for companies and they should give consideration to climate risk as they would to all other risks. GMPF voted in line with its climate change policy to ensure companies are recognising the extent of the issue and are mitigating the risks and effects of climate change. As an example, GMPF voted for a shareholder resolution at **JP Morgan Chase** where the shareholders were requesting the bank to issue a report outlining if and how it intends to reduce greenhouse gas emissions associated with its lending activities in alignment with the Paris Agreement's goal of maintaining a global temperature rise of below 1.5 degrees Celsius.

The appointed **external passive securities manager** votes in respect of GMPF at every opportunity in the UK and in respect of companies in the vast majority of overseas markets except where practicalities are a significant obstacle. In casting votes in respect of GMPF in the UK, the appointed external passive securities manager normally implements its own 'Voting Policy'. However, the passive securities manager will vote in respect of GMPF according to GMPF's instructions on a case by case basis should GMPF so require.

GMPF's voting record for its segregated holdings is available [here](#).

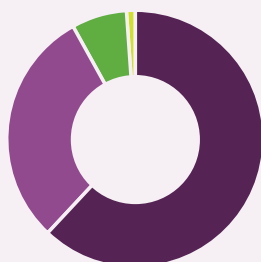
In the reporting period GMPF voted at 1,102 meetings and cast a total of 14,226 votes, Fig.9.

Fig.10 is a breakdown by category of votes against management.

GMPF increased the number of shareholder resolutions it filed for the 2020 AGM season and co-filed six resolutions which were all done in collaboration with other investors. Officers participated in the discussions leading up to the resolutions being filed at Walt Disney Company, Citigroup and Delta Air Lines. On each occasion, GMPF provided support as a large UK investor which gave the group an opportunity to engage

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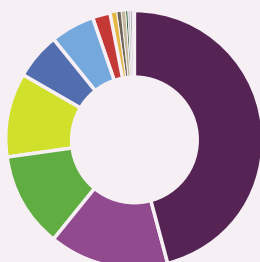
Fig.9



VOTES WITH /AGAINST MANAGEMENT

- 62% For
- 30% Against
- 7% Abstain
- 1% Withheld

Fig.10



VOTES AGAINST BY CATEGORY

- 46.1% Directors
- 14.9% Share Issue/Repurchase
- 12% Annual reports
- 10.6% Auditors
- 5.9% Executive pay schemes
- 5.4% Say on pay
- 2.3% Miscellaneous
- 0.8% NED Fees
- 0.7% Articles of association
- 0.4% Dividend value
- 0.3% All employee schemes
- 0.3% Debts and loans
- 0.2% Share Capital restructuring
- 0.1% Corporate Actions
- 0.1% Corporate Donations

with the companies as one voice with clear objectives. GMPF will continue to co-file shareholder resolutions where it believes companies could do more in the interests of shareholders and wider society. Whilst none of the resolutions were successful this year, each generated significant shareholder support, sending a strong message to the Boards and GMPF will continue to use shareholder resolutions where it feels there is a need.

LAPFF engaged with Barclays ahead of the company's AGM. There was both a shareholder resolution and a resolution submitted by the company. While it was evident that Barclays had made significant progress with its climate strategy LAPFF felt that Barclays needed to make more concrete, short-term commitments that were reflected in the shareholder resolution. GMPF voted in favour of both the proposals. The Barclays resolution passed and although the shareholder resolution did not, there was enough support to send a strong message to the company that it needs to honour its new climate commitments.

In terms of stocklending, GMPF itself has participated in a prudently structured program via its Custodian since March 2003. GMPF does not lend UK and US Equities and does not take cash as collateral. The maximum volumes of stock "on loan" are set at a prudent level. All loans must be pre-collateralised and be subject to recall upon demand.

Certain pooled vehicles within which GMPF invests may undertake an amount of stocklending on behalf of the pooled vehicle investors. Where this occurs, the extent of the activity is disclosed by the pooled vehicle. GMPF considers this aspect of the pooled vehicle when making investment decisions. □

