

IMWP15th September 2021

10.30am

MS Teams

Attendees

Councillor Pat Cleary (Chair)	PC	WBC
Councillor Jo Bird	JB	WBC
Councillor Martin Bond (Co-Optee)	MB	St Helens Council
Councillor Chris Carubia (Spokesperson)	CCar	WBC
Councillor Jeff Green	JG	WBC
Councillor Adrian Jones	AJ	WBC
Councillor Cherry Povall (Vice-Chair)	CP	WBC
Councillor Les Rowlands	LR	WBC
Roger Bannister (Co-Optee)	RB	UNISON
Adil Manzoor	AM	MPF
Peter Wallach	PW	MPF
Rohan Worrall	RW	Independent Advisor
Paul Watson	PWat	Independent Advisor
Lucinda Downing	LDo	Aon Hewitt
Louis-Paul Hill	LPH	Aon Hewitt
Tim Manuel	TM	Aon Hewitt
Janice Hayward	JH	PIRC
Lara Bletcher	LB	PIRC
Conor Constable	CC	PIRC

Tom Powdrill	TP	PIRC
Alan MacDougall	AM	PIRC
Jennie Baruxakis	JB	LSEG
Aled Jones	AJ	LSEG
Colin Hughes	CH	WBC
Christine German	CG	WBC
Greg Campbell	GC	MPF
Neil Gill	NG	MPF
Daniel Proudfoot	DP	MPF
Donna Smith	DS	MPF
Elizabeth Barlow	EB	MPF
Owen Thorne	OT	MPF
Susannah Friar	SF	MPF
Farbod Abarghouei Nejad	FN	MPF
Alex Abela-Stevenson	AA	MPF
Dragos Serbanica	DS	MPF
Christopher Crawford	CC	MPF
Emma Jones	EJ	MPF

Apologies

Name	Initials	Organisation
Councillor Helen Collinson	HC	WBC
Councillor Brian Kenny	BC	WBC
Councillor Paulette Lappin	PL	WBC
Councillor Joe Walsh	JW	WBC

Declarations of Interest

Councillor Jo Bird: pecuniary interest by virtue of her partner being a member of Merseyside Pension Fund.

Councillor Les Rowlands: pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

This meeting was purely devoted to Responsible Investment and Northern LGPS policy. The IMWP pack was distributed for noting purpose only.

1. Minutes of IMWP held on 29th June 2021

Noted- no amendments.

2. Responsible Investment (RI) at Merseyside: governance & strategy (Owen Thorne; Aon)

Owen Thorne (OT) outlined the Fund's RI policy with a particular focus on the governance framework at MPF. OT stated that the Fund 's intention is to become a signatory of the UK Stewardship Code.

Tim Manuel (TM), head of RI at Aon, summarised the Fund's beliefs within its investment policy. He highlighted the importance of incorporating Environmental, Social and Governance (ESG) overlays into the investment process, and also the ability of fund managers to mitigate ESG risks on behalf of the Fund.

3. ESG toolkit: data, benchmarks & external standards (Aled Jones – FTSE Russell)

Aled Jones (AJ) provided an overview of new standards in relation to climate change, and use of Sustainable Investment (SI) and ESG data to meet those evolving standards. AJ noted that the recent physical climate events have amplified the urgency of the climate change issues, increasing focus on regulatory standards, particularly in Europe.

JG asked whether we are operating under the EU or the UK framework. AJ stated the majority of the EU legislation is translated into the UK framework. OT added, historically the UK has contributed significantly to the EU Sustainable Finance Policy, and going forward, it would continue to be aligned with the EU framework, albeit while seeking to develop its own version.

AJ added climate-related investment strategies have evolved from managing risks towards “Paris aligned portfolios”, in which progressive decarbonisation will over time achieve “Net Zero” emission exposure.

4. Implementing ‘forceful’ stewardship: engagement & escalation, targeting ‘outcomes’, NLGPS policy update (PIRC)

Tom Powdrill (TP) provided an overview of Northern LGPS’ RI Policy, which has been updated to reflect the recent developments.

TP provided an update of the Fund’s engagement with fossil fuel companies, such as BP, Shell and Chevron, in relation to climate stewardship.

Regarding water stewardship, CC noted, in 2020 the Fund became a founding member of the Valuing Water Finance Task Force through its active membership of LAPFF. This body addresses water stewardship and associated water risks.

In regard to human rights, TP highlighted MPF’s engagement with a wide range of companies such as Rio Tinto and Barrick Gold. TP mentioned LAPFF has engaged with a great number of companies over allegations of forced labour, and engaged with labour activists and social auditors to address labour rights issues.

PC stated his concern about climate risk, and companies that are reluctant to engage regarding such issues.

PC opened up for questions.

JG asked whether polluting companies are credited for their positive contributions. AJ stated MPF’s Climate Factor Portfolio is merely capturing direct operational carbon emissions and fossil fuel reserves exposure, although, offsetting activities are captured in broader ESG scores.

JG asked whether exclusion of controversial countries is addressed in the NLGPS RI policy. PW stated the existing RI policy does not explicitly mention divestment from specific countries, however, an amendment is proposed, in relation to companies, which states *“Ultimately, in such cases, Northern LGPS will consider adjusting its investments as appropriate to the risks, in accordance with its Responsible Investment policy and its fiduciary responsibilities”* which would allow for divestment from a company where an escalation policy had been exhausted. TP added the Fund and the Pool retain the rights to review their investments in case of an unsatisfactory engagement.

RW asked about the science-based targets initiative (SBTi) approach as opposed to “Net Zero”. AJ stated SBTi’s guidance on companies decarbonisation commitment is captured by the Transition Pathway Initiative (TPI) analysis, which assesses companies, “climate governance”. OT added the attraction of SBTi lies within its open-source dataset methodologies, in which investors are seeking to set a level of common expectation for sectorial decarbonisation.

RW asked about PIRC’s managers’ voting report regarding ESG issues and whether PIRC is still producing the reports. TP stated that PIRC is providing the analysis on a regular basis, to assess how managers are acting in relation to various ESG issues. TP noted, over the last couple of years, managers engagements have improved significantly, and cited Shell’s climate transition plan as a positive test case.

JB asked whether exclusions/divestments in companies that are inconsistent with MPF’s values are included in the RI policy, and noted the climate and social impact of the armament industry. TM stated MPF’s RI policy emphasises engagement with companies for positive change. However, divestment, as an ultimate sanction is pursued if engagement is not successful.

PC added the proposed RI policy will be reviewed at the next Pension Committee meeting.

PC asked about sustainable issues beyond climate change, such as human rights. TM stated achieving the “Paris Net Zero Target” requires a wide range of commitments beyond carbon emissions reduction. LB highlighted the development of policies and regulations regarding human rights issues, which has started to align climate and human rights.

4. AOB

None

PC closed the meeting at 12:30pm

Date of next meeting: Tue 16th November 2021, 10:30am MS Teams.

5. Presentation decks

Responsible Investment (RI) at Merseyside: governance & strategy (Owen Thorne; Aon)



RI
governance_OT_Sept



Aon_MPF RI actions
& analysis intro - Sep

ESG toolkit: data, benchmarks & external standards (Aled Jones – FTSE Russell)



2021.09.15_FTSE
Russell_SI data, Bmks

Implementing 'forceful' stewardship: engagement & escalation, targeting 'outcomes',
NLGPS policy update (PIRC)



PIRC_MPF Sept
2021.pdf