

## IMWP

2<sup>nd</sup> March 2022

10.30am

MS Teams

### Attendees

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Councillor Cherry Povall (Vice-Chair)	CP	WBC
Councillor Jayne Aston	JA	Knowsley Council
Councillor Jo Bird	JB	WBC
Councillor Chris Carubia	CC	WBC
Councillor Jeff Green	JG	WBC
Roger Bannister	RB	UNISON
Louis Paul Hill	LH	Aon
Tim Manuel	TM	Aon
Paul Watson	PWa	Independent Adviser
Rohan Worrall	RW	Independent Adviser
Alex Marten	AMa	CBRE
Peter Wallach (Director of Pensions)	PW	MPF
Alex Abela-Stevenson	AA	MPF
Allister Goulding	AG	MPF
Adil Manzoor	AM	MPF
Alan Robertson	AR	MPF
Daniel Proudfoot	DP	MPF
Donna Smith	DS	MPF
Dragos Serbanica	DSe	MPF
Elizabeth Barlow	EB	MPF
Emma Jones	EJ	MPF
Farbod Abarghouei Nejad	FN	MPF
Greg Campbell	GC	MPF
Joseph Hull	JH	MPF
Neil Gill	NG	MPF
Owen Thorne	OT	MPF
Alex Marten	AMa	CBRE

Councillor Adrian Jones	AJ	WBC
Councillor Brian Kenny	BC	WBC
Councillor Helen Collinson	HC	WBC
Councillor Joe Walsh	JW	WBC
Councillor Tony Cox	TC	WBC
Councillor Jane Corbett	JC	LCC
Councillor Paulette Lapin	PL	SBC

## **Declarations of Interest**

It has been agreed that Declarations of Interest are an annual declaration at the

beginning of the municipal year.

### **1. Minutes of IMWP held on 16<sup>th</sup> November 2021**

Noted- no amendments.

### **2. 2.1 Market Commentary - Rohan Worrall**

3.

RW provided a market commentary for Q4 2021. RW noted the economic growth momentum, measured by the Purchasing Managers Index (PMI), had been strong during Q4. Inflation has continued to surge globally, well above 2%, driven by fiscal stimulus, QE and increases in the cost of hard and soft commodities.

In Q4 2021 there was a robust performance across most developed equity markets, although Japan and Emerging markets suffered declines. RW noted since the last financial crisis, growth stocks have outperformed value stocks, partly due to declining interest rates over that period. However, if inflation remains elevated, it may be the beginning of a reversal.

Regarding fixed income, by the end of Q4, nominal 10-Year gilt yields were unchanged. RW added, fixed income products currently are not attractive and do not offer value in the long run.

JG asked whether a reduction of bond yields is positive for the global economy. RW replied in terms of the resilience of the economy, it is negative. RW added, a leveraged economy, driven by low interest rates, is vulnerable to outside shocks.

On currencies, RW noted Sterling's relative strength over 12 months, but Q4 saw some weakness.

RW noted commodity prices have risen significantly in almost all categories.

The general outlook is dominated by inflation concerns. Looking ahead, equity markets are going to be more volatile. Government bonds, while offering little long-term value, may provide some risk protection in the short run.

PC opened for questions.

PC asked about the factors that are driving commodity prices up. RW replied, under-investment in commodity production, such as gas and oil, has created a lag between demand and supply. RW added inflation should begin to moderate, although supply chain constraints may provide short-term upward pressure.

PC asked to what extent the global economy is vulnerable to outside shocks, and referred to Russia's invasion of Ukraine. RW replied the current war is going to have a negative impact since both countries are a significant supplier of commodities such as wheat, gas and oil.

JG asked about the public and central banks' reactions to high inflation rates. RW replied US data suggests that consumer spending has been relatively moderate. Central banks are seeking to maintain a balance between economic growth and inflation. PWA added during market instability, consumers and companies often defer their expenditure, which is a challenge to global economic growth.

JB asked about MPF's exposure to Russia and the impact of sanctions to the Fund. PW replied MPF has invested c.£15m in Russian shares and about £4m in Ukrainian government bonds. PW added, Russia has put a block on foreign investors selling any Russian holdings. MPF does not expect to initiate or add to holdings in Russian and Belarusian investments, and will continue to monitor the situation closely.

CC asked about the impact of divestment from Russia. PW replied, it would be limited, given MPF's exposure to Russia is less than a quarter of one percent of MPF's assets.

## **2.2 Strategic Adviser Update**

LPH provided an update on the Fund's funding level, which is now over 115.7%. LPH anticipates a volatile market in the short term, and highlighted the importance of diversification to reduce the overall portfolio risk in such an environment.

TM continued with an overview of Aon's recent global responsible investment survey results. The survey indicates that engagement on ESG (Environmental, Social and Governance) matters has doubled since 2019. TM added investors are allocating more of their assets to Responsible Investment (RI), with most respondents satisfied with their returns.

At MPF, TM stated the Fund is bringing into line its RI policy with the goals of 2015 Paris Agreement on climate change, as set out in its climate risk strategy. Additionally, MPF has taken several actions towards monitoring and reporting on ESG within the portfolio outside of its regulatory requirements. TM added the Fund has a detailed climate risk strategy and a stewardship plan in place to ensure it is actively engaging with underlying fund managers and investee companies.

PC noted managing climate risks remains at the forefront of the Fund's policy.

RW asked about the impact of the energy price shock on the energy transition. TM replied the global energy crisis has forced countries, especially European, to reconsider their timelines to cut the use of fossil fuels.

PWa asked if engagement with companies was preferred by participants in the survey. TM replied, the survey result indicate that investors are focusing on engagement over divestment.

#### **4. Presentation: Alex Marten — Director, CBRE**

Alex Marten (Ama) provided an overview of MPF's direct property portfolio. AMa started the presentation by highlighting that the UK commercial real estate market had one of its best years in 2021, with a total return of 16.5%. Industrial was the highest performing sub-sector, whilst retail lagged. AMa noted the retail investment market is showing some signs of recovery, albeit demand has been limited for highstreets.

Regarding the office market, AMa noted this sector has been stable over the last 10 years, with significant capital flow. AMa added, good quality buildings with good environmental credentials are increasingly important factors in the office property market.

AMa continued with outlining the performance of the direct property portfolio. In Q4, CBRE reported a total return of 8.3%, and 19.9% during FY2021, outperforming its benchmark by 6.9%.

AMa gave an update on the portfolio transactions. In 2021, two new investments, (an office building and a data centre), were acquired. Disposals were targeted on assets forecast to underperform, or obtained low ESG credentials.

AMa outlined CBRE's RI policy. The fund is proactively incorporating ESG and climate risk factors into investment decisions, by putting ESG-related data and balance scorecards into practical use.

AMa gave an update on the Merseyside Catalyst Fund, which was established to help deliver economic growth to the regional economy.

AMa discussed the effects on rent collection of the moratorium on legal action put in place by government during the pandemic. He advised that from March 2022, a statutory arbitration process will come into effect for those debts that cannot be settled. Consequently, since the start of the pandemic, rent collection has been a challenge, however, the portfolio collected 95% in Q4, ahead of the benchmark.

PC asked about the outlook for town centres. AMa addressed a review of high-street planning by the government, which is seeking to reinvigorate town centres. Local Authorities' intervention in taking control of unloved assets may act as a catalyst for wider development regarding this matter.

PC asked about the outlook for the office property market. AMa replied prime markets are performing well, although space requirements are changing. Changing working practices, (i.e., hybrid model), may mean offices require as much space as they did pre-Covid.

PWa asked about the outlook of commercial real estate market. AMa replied, real estate offers a relatively good risk adjusted return, with mid-single figure growth in the medium term.

RW asked about the impact of ESG ratings, in particular energy efficiency, on property valuations. AMa replied, assets with poor ESG credentials are discounted in the market.

PC asked about CBRE's approach to the Net-Zero Target (The Paris Agreement). AMa addressed CBRE's commitment to achieve net zero carbon emissions by 2040.

## **5. Responsible Investment - Owen Thorne**

OT started by providing a summary of PIRC's Northern LGPS stewardship report for 2022. OT highlighted PIRC's engagements with companies on behalf of MPF to address governance issues with the aim of achieving real-world outcomes. OT noted climate governance is becoming an increasingly important

feature of public policy and regulation. Companies are required to disclose their net-zero target.

OT provided a summary of the Paris Aligned Investment Initiative submission to IIGCC. NLGPS is committed to delivering a fair share of the 50% global reduction in CO2 emissions by 2030, aligned with 1.5°C target.

OT highlighted the UN's Principles of Responsible Investment programme on human rights. The programme is intended to maximise investors' collective contributions by setting international standards. The final report is due to be published in Spring 2022.

JB asked about MPF's engagement progress with companies that are operating in the occupied territories. OT replied currently, LAPFF, on behalf of MPF, is engaging with the concerned companies. Further updates will be provided as they become available.

*PRI's Programme on Human Rights – summary of new initiative from UNPRI for collaborative stewardship on human rights, launching in Spring 2022.*

See overleaf.

# PRI's Programme on Human Rights

LGPS Asset Owner Roundtable, Feb 2022



## Why and how investors should act on human rights



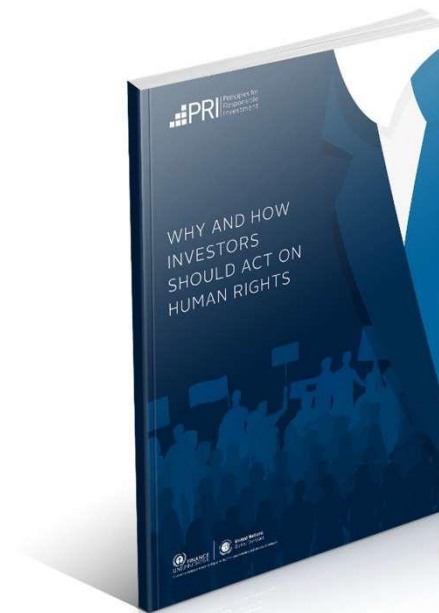
Convergence in policy and regulation driving materiality



Use of international standards to inform responsible investment approach



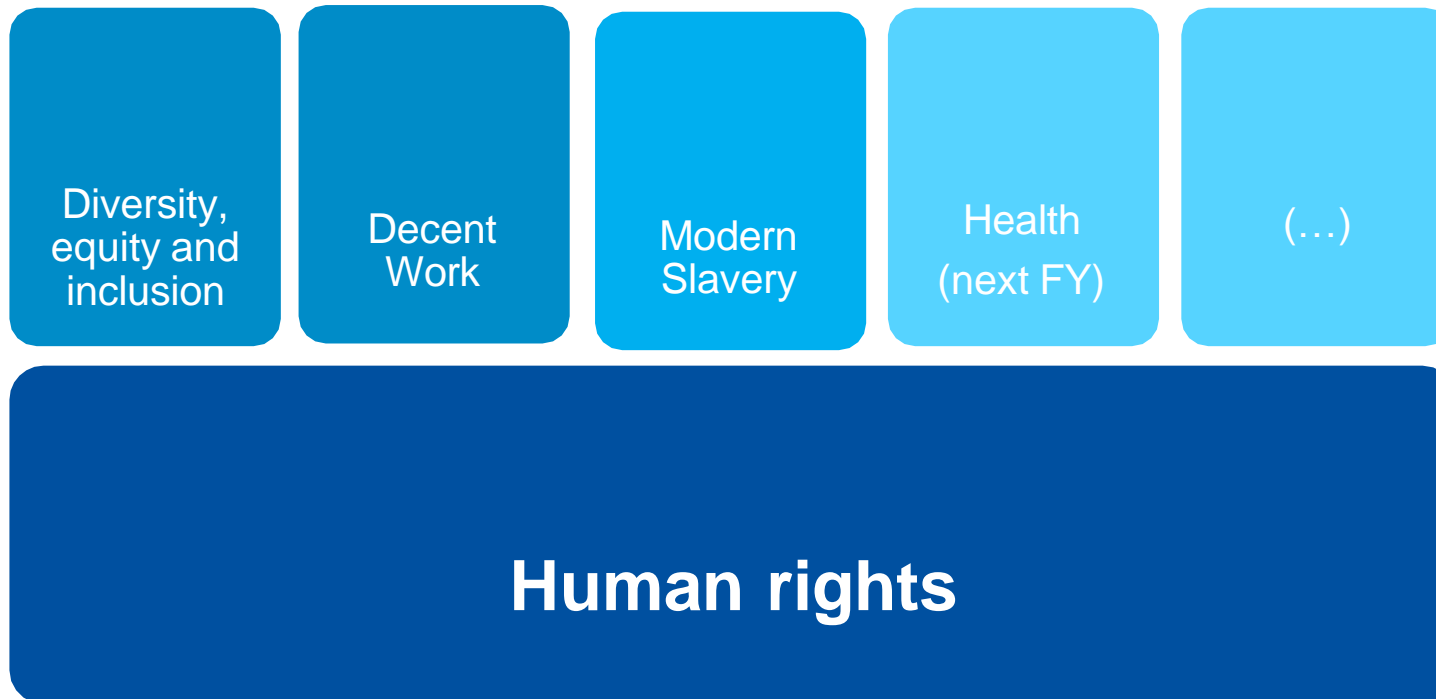
Explaining the responsibility to respect human rights for investors



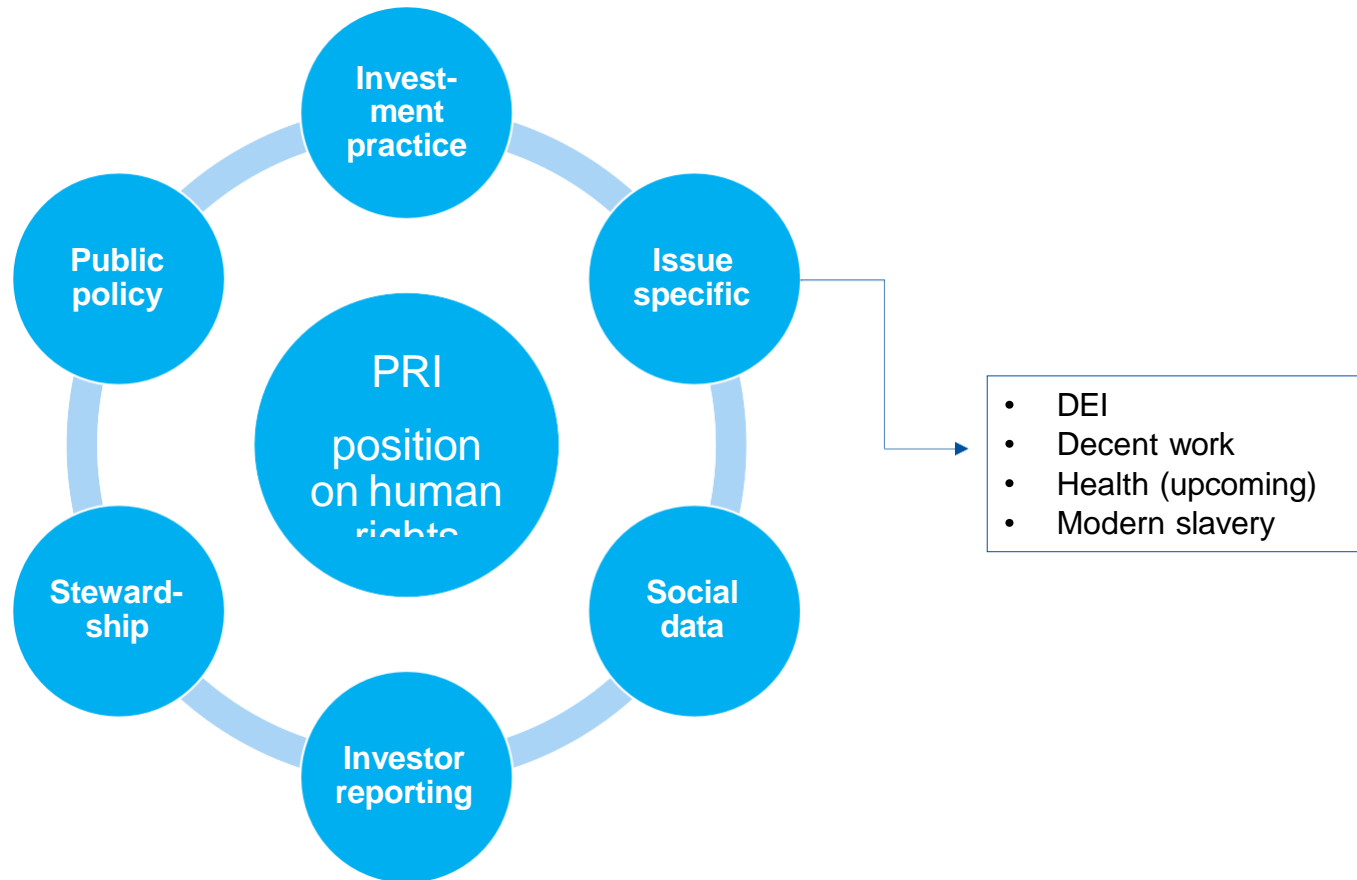
[unpri.org/human-rights](https://unpri.org/human-rights)



## PRI's approach to social issues



## PRI's human rights programme



## PRI's collaborative stewardship initiative

- Head of Stewardship, Social Issues and Human Rights – [Nabylah Abo Dehman](#)
- Aim to **maximise investors' collective contribution to respect for human rights**
- Two groups:
  - ✓ Signatory advisory committee: 15 members
  - ✓ Technical advisory group: 10 members
- Research to establish **sector focus** (2-3) and **target companies** (~50)
- **+300 signatories** have indicated interest to join
- Launch in **spring 2022**



Implementation of the UN  
Guiding Principles



Responsible political  
engagement



Company-specific issues on  
human rights

## Stewardship Initiative on Human Rights Advisory Committee

Name	Organisation
Romy Faulkner	ACSI
Arthur Van Mansvelt	Achmea Investment Management
Nina Roth	BMO Global AM
Lauren Compere	Boston Common AM
Hannah Shoesmith	Hermes EOS
Louise Kranenburg	Pensioenfonds Detailhandel
Rob Wilson	MFS IM
Minako Takaba	Nomura AM
Caroline Eriksen	Norwegian Government Pension Fund Global (Norwegian Ministry of Finance and Norges Bank Investment Management)
Terusha Ramchund	Old Mutual
Kaboo Leung	PIMCO
Valeria Piani	Phoenix Group
Danielle Essink	Robeco
Sarah Couturier-Tanoh	SHARE
Tulia Machado-Helland	Storebrand AM

## Stewardship Initiative on Human Rights Technical Advisory Group

Name	Organisation
Christen Dobson	Business & Human Rights Resource Centre (BHRRRC)
Shalini Ramgoolam	Committee on Workers' Capital (CWC)
Maria-Isabel Cubides	International Federation for Human Rights
Anne Lindsay	International Transport Workers Federation (ITF)
Barbara Bjelic	Organisation for Economic Co-operation and Development (OECD)
Xiaohui Liang	Peking University
Ashleigh Owens	Shift
Signe Andreasen Lysgaard	The Danish Institute for Human Rights
Erik Nyman	UNICEF
Colleen Connors	United Nations Global Compact (UNGC)
Dante Pesce	Vincular Center at Catholic University of Valparaíso-Chile
Dan Neale	World Benchmarking Alliance (WBA)

## **PIRC Quarterly Voting Report**

MPF has adopted PIRC's Shareholder Voting Guidelines (updated annually) as its voting policy and votes all its eligible shareholdings in line with PIRC recommendations. Full disclosure by company of those recommendations is now accessible via the Fund's [website](#). This activity comprises a major part of the Fund's policy on stewardship, as set out in the Investment Strategy Statement.

## **LAPFF Quarterly Engagement Report**

The following report summarises the engagement activity over the quarter carried out via the Fund's active participation in the work of LAPFF. This activity comprises a major part of the Fund's policy on stewardship, as set out in the Investment Strategy Statement

[https://lapfforum.org/wp-content/uploads/2022/01/LAPFF\\_QER04\\_2022\\_Final.pdf](https://lapfforum.org/wp-content/uploads/2022/01/LAPFF_QER04_2022_Final.pdf)

## **Northern LGPS Quarterly Stewardship Report**

[https://northernlgps.org/assets/pdf/stewardq4\\_2021.pdf](https://northernlgps.org/assets/pdf/stewardq4_2021.pdf)

### **4. AOB**

None

PC closed the meeting at 12:30pm

*Date of next meeting: Wed 9<sup>th</sup> June 2022, 10:30am MS Teams.*

LAPFF Quarterly Engagement Report

[https://lapfforum.org/wp-content/uploads/2022/01/LAPFF\\_QER04\\_2022\\_Final.pdf](https://lapfforum.org/wp-content/uploads/2022/01/LAPFF_QER04_2022_Final.pdf)

Northern LGPS Quarterly Stewardship Report

[https://northernlgps.org/assets/pdf/stewardq4\\_2021.pdf](https://northernlgps.org/assets/pdf/stewardq4_2021.pdf)

**5. AOB**

None

PC closed the meeting at 12:30pm

*Date of next meeting: Wed 9<sup>th</sup> June 2022, 10:30am MS Teams.*