



# Protecting Shareholder Value the Role of the LAPFF

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# The Role and Structure of the LAPFF

The Forum seeks to **protect and enhance the value of our members' shareholdings** by way of shareholder engagement with the companies in which they invest by promoting the highest standards of corporate social responsibility, with a view to improving long term returns.

It is a voluntary association of 82 LGPS funds and 6 LGPS Pools.

The Forum has a quarterly members' meeting preceded by a quarterly Executive meeting.

The Executive is a mix of councillors and officers which is elected by the membership annually. It is currently chaired by an independent councillor and includes councillors from all three major parties.

The Forum's Annual Conference is held at Bournemouth in December.

# LAPFF - Membership

Currently (82) UK Local Authority pension funds

- 29 English Counties
  - 30 London Authorities
  - 8 English/ Metropolitan/Unitary Authorities
  - 8 Welsh Authorities
  - 4 Scottish Authorities
  - 2 Passenger Transport Authorities
  - The Environment Agency
- 
- £250 billion in value
  - 6 Pools
  - **Membership open to all LGPS pension funds and pools**

# LAPFF – What we are about

In pursuing its aim to protect and enhance shareholder value for its LGPS members, the Forum

- facilitates commissioning of research into and engagement with investee companies (where concerns have been identified) more efficiently and effectively than individual members.
- issues occasional voting alerts for members to discuss with their fund managers
- provides a forum for consultation on shareholder initiatives, information exchange and discussion about investment issues.
- facilitates collaboration with other institutional investors both nationally and internationally.
- provides a forum to consider **any** issues of common interest to all pension fund administrators and trustees (e.g. climate change issues).

# Areas of concern for responsible owners

## Environmental, Social & Governance (ESG) issues

- Environmental issues (e.g. Climate change, mineral exploration, waste disposal)
- Supply chain labour standards – reputational risks
- Boardroom structures
- Directors' remuneration
- Accounting standards (particularly as applied to banks)
- Appointment of and role of auditors
- Tax transparency

# The Context

- The LGPS in England and Wales has assets under management of £275bn
- It has 5.8m members
- It has 14,800 employers
- It is the 6<sup>th</sup> largest funded pension scheme in the world

**In short, the LGPS is a very significant institutional investor both nationally and internationally.**

# Fiduciary Responsibility of LGPS Pension Fund Committees

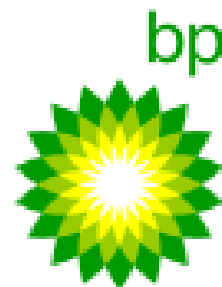
- When making investment decisions, administering authorities **must** take proper advice and act prudently. In the context of the local government pension scheme (LGPS), a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence. This approach is the standard that those responsible for making investment decisions must operate.

## **However**

- The law is generally clear that schemes **should** consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors

*(Source: Department of Communities and Local Government)*

# Some engagement results







# Financial Reporting Council

- The LAPFF has been lobbying strenuously for the replacement of the FRC for several years, on grounds of it being “unfit for purpose.”
- A recent review of the FRC led by Sir John Kingman (former Treasury Official and Chairman of Legal and General) called for the “ramshackle house” to be closed.
- In March 2019 Business Secretary, Greg Clark announced that the FRC will be replaced by a new regulator – Audit, Reporting and Governance Authority – ARGA
- Sr Jon Thompson, CEO of HMRC has been appointed as CEO of the FRC and will be the first CEO of ARGA.



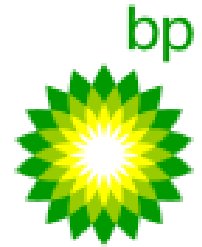
## Remuneration at Barclays

- In 2015, despite unimpressive performance, Barclays paid out more in bonuses than in dividends to investors
- The Forum lobbied aggressively about this, and eventually secured the removal of Sir John Sutherland as Chairman of the Barclays Remuneration Board



# Shell & BP

## Carbon Management



- The boards of **Shell**, and **BP** recommended shareholders support the resolutions filed by a number of LAPFF member funds in conjunction with the Aiming for A coalition of which LAPFF is part. The resolutions addressed ‘strategic resilience to 2035 and beyond’ focusing on carbon management, strategy and disclosure.
- **For a company to recommend voting in favour of a shareholder resolution is unprecedented in the UK and reflects the positive nature of engagement undertaken by the coalition. At the BP and Shell AGMs the resolution received votes of 98% and 99% in support.**



- Following a period of unsuccessful engagement about Sir Stuart Rose's occupation of the roles of both Chairman and Chief Executive, the LAPFF tabled a resolution at the 2009 M&S AGM requiring the company to bring forward the separation these roles.
- The resolution was supported by 37.7% of M&S shareholders.
- Marc Bolland appointed as Chief executive – M&S share price rises 5.5% on news of appointment..

# Where are we now?

- Really beginning to make a difference
- Public support is growing
- Cross party political support
- Constant media interest
- Always more to do

# The future?

- LAPFF to remain a Fund based organisation
- Building relationships with the new LGPS Pools
- Continuing to engage with companies and issue occasional voting alerts. (It is for individual funds to discuss these with their fund managers)
- More collaboration - more effectiveness

# Benefits of LAPFF membership

## Value for money

- Research costs spread over 82 Forum member funds with assets of around £250 billion – strength in numbers
- Assists members in reacting to pressure groups advocating divestment in particular sectors.
- Facilitates collaboration nationally and internationally with other institutional investors
- Forum for discussion and networking about **any** related local government pension fund issues.
- Saves officer time and cost in researching issues
- Annual Subscription £9500p.a. (now £2375 for 2019/20)

Protecting Shareholder Value  
Acting together -Achieving more

## Essex Pension Fund

