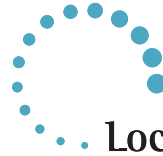


Summer 2010 Edition

[www.lapfforum.org](http://www.lapfforum.org)



Local Authority  
Pension Fund  
Forum

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**The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of 52 public sector pension funds based in the UK. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.**

For more information about the Forum, contact Forum Officer, Keith Bray on 07811 800612.

Alternatively, you can email [postmaster@keithbray.plus.com](mailto:postmaster@keithbray.plus.com) or visit our website at [www.lapffforum.org](http://www.lapffforum.org)

## LAPFF membership as at 1 June 2010

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- Aberdeen City Council
- Avon Pension Fund
- City of Edinburgh Council
- City of London Corporation
- Clwyd Pension Fund
- Derbyshire County Council
- Devon County Council
- Dorset County Pension Fund
- Dyfed Pension Fund
- East Riding Pension Fund
- Falkirk Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Lancashire County Pension Fund
- London Borough of Brent
- London Borough of Camden
- London Borough of Croydon
- London Borough of Ealing
- London Borough of Enfield
- London Borough of Hackney
- London Borough of Haringey
- London Borough of Harrow
- London Borough of Hillingdon
- London Borough of Hounslow
- London Borough of Islington
- London Borough of Lewisham
- London Borough of Newham
- London Borough of Southwark
- London Borough of Tower Hamlets
- London Borough of Waltham Forest
- Lincolnshire County Council
- London Pension Fund Authority
- Merseyside Pension Fund
- Norfolk Pension Fund
- Northamptonshire County Council
- Northern Ireland Local Government Officers Superannuation Committee (NILGOSC)
- North Yorkshire County Council
- Nottinghamshire County Council
- Rhondda Cynon Taf Pension Fund
- Shropshire County Council
- Somerset County Council
- South Yorkshire Pensions Authority
- South Yorkshire Integrated Transport Authority
- Surrey County Council
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire County Council
- West Midlands Pension Fund
- West Midlands PTA Pension Fund
- West Yorkshire Pension Fund
- Wiltshire County Council
- Worcestershire County Council

# Canadian tar sands

## LAPFF recommends support for management at BP & Shell AGMs

The Forum issued alerts to its members advising them to oppose shareholder resolutions focused on the issue of oil sands development at both the BP and Royal Dutch Shell AGMs

The LAPFF has been involved in a prolonged engagement with both companies over the issue, and had organised meetings for LAPFF members to allow both BP and Shell representatives to explain the Canadian tar sands developments in more detail. The Forum also held a meeting with the proponents of the resolutions to hear the arguments for shareholders to support the resolution.

Following these meetings there was a clear consensus amongst the LAPFF Executive that, while the proponents had raised some important issues, the companies had provided sufficient evidence that their approach was well grounded. No evidence was found to indicate that either company had adopted a position that was not supported by technical and economic research. The Forum also does not believe that the companies have failed in this instance to meet the wide range of local requirements set by Government to protect the environment and local communities.

In addition, the proponents' primary request is for further disclosure. While the Forum is generally supportive of further

disclosure, since the resolutions were filed the companies have disclosed a great deal of information on this issue. Given the positive steps taken and willingness to engage openly with the Forum and other investors, the LAPFF Executive felt that the spirit of the resolution had been met.

**LAPFF chairman Cllr Ian Greenwood said: "It is important that shareholders are vocal when they have concerns on environmental, social and governance issues, and the Forum encourages the use of shareholder resolutions to facilitate this. We welcome the proponents' initiative, and believe this has served to focus attention on an important long-term issue for shareowners. However, on this occasion, following extensive engagement with the companies, the Forum believes a vote with management is appropriate."**



# Mergers & Acquisitions

- Consultation on aspects of the Takeover Code
- LAPFF M&A Trustee Guide to be reviewed



After a period of financial turmoil, the level of transactions in the market for corporate control (ie, mergers and acquisitions) is rising. There are a variety of deals under consideration in the UK market, both hostile and friendly, as well as various shareholder challenges to incumbent management taking place.

The recent £11.7bn hostile takeover of Cadbury by Kraft highlighted a variety of issues for shareholders. The US food company's acquisition of the

confectioner, aided by short-term shareholders such as hedge funds, led to calls for reform from business leaders and opened up the issue for review.

On 24 February, the Panel on Takeovers and Mergers announced that it would be consulting on aspects of the Takeover Code. The code is designed principally to ensure shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover. It also seeks to ensure that shareholders of the

same class are afforded equivalent treatment by an offeror. The code provides a framework within which takeovers should be conducted with an overarching goal of promotion of the integrity of the financial markets in conjunction with other regulatory regimes. The Code Committee is initiating the consultation to consider whether certain code provisions and the timetable for determining the outcome of offers could usefully be improved.

The previous government welcomed the review and set out some proposed changes to the takeover regime such as raising the voting threshold for securing a change of ownership to two-thirds from the existing 50.1 per cent limit, and lowering the requirement for disclosure of share ownership during a bid from 1 per cent to 0.5 per cent. It also set out the case that all companies making 'significant bids' in the UK should be required to put their plans to their own shareholders for scrutiny.

There are a range of implications of this trend for increased M&A activity which LAPFF members need to be aware of. For example, with regard to stocklending programmes, member

funds should ensure their lending agents have mechanisms in place to recall stock in order to vote the shares at any forthcoming shareholder meetings associated with an M&A bid.

The Forum will submit a response to the consultation and the LAPFF Trustee Guide will be reviewed.



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## LAPFF members' holdings surveyed to assist engagement

The Forum conducts periodic surveys of member funds' holdings to assist its engagement programme and, in particular, to ensure that engagement is focussed on companies in which members have an interest. The data is collected and held confidentially by David Sellors, Chief Operating Officer.

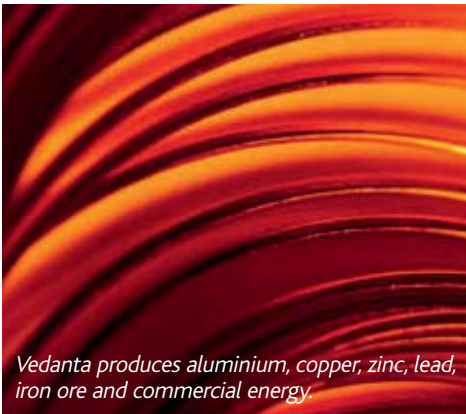
# Vedanta Resources plc – engagement update

Vedanta was flagged as an engagement target due to a number of diverse concerns. The company was identified as an investment risk separately in three different LAPFF engagement projects.



©business.in.com

Anil Agarwal



*Vedanta produces aluminium, copper, zinc, lead, iron ore and commercial energy.*

In the global focus list project, they were short-listed for engagement from 950 listed companies in the US, EU and UK for poor corporate governance practices. In the Climate Change Engagement project, Vedanta was identified as a laggard amongst other FTSE 100 mining companies. Perhaps the most public and egregious practices relate to Vedanta's community relations. Specific allegations levelled at Vedanta relate to environmental damage and complicity in human rights violations, including abuse and forced eviction of tribal peoples in the East Indian state of Orissa. All these issues led Vedanta to be identified as an engagement target early in 2008.

In LAPFF's view, Vedanta exhibits a high-risk profile across a broad spectrum of ESG-related issues. We believe many of these associated issues emanate from a perceived lack of board leadership. Indeed, it is clear that many of the diverse concerns relate back to poor corporate governance fundamentals.

LAPFF is of the view that the presence of Mr Anil Agarwal, the controlling

shareholder, on the nomination committee brings into doubt the independence of the nomination process and therefore the eventual appointees to the board. In this context, we are doubtful of the quality of scrutiny skills on the board and the ability of the board as whole to question Mr Agarwal on difficult issues. In addition the board has no CSR skill base commensurate with competitor global mining companies.

In July 2009, a UN PRI engagement initiative was created specifically to engage with Vedanta. Many other investors had experienced similar resistance from the company in attempted and in some cases prolonged engagement. LAPFF joined the engagement group as it was felt that

the combined holdings of the group would be able to more effectively leverage influence over the company in progressing change. Participants in the PRI engagement initiative include the following: F&C, Blackrock, Legal & General, JP Morgan Asset Management, New Zealand Superannuation Fund, DnBNOR, KLP, Ethix SRI Advisors, Northwest & Ethical Investments, Hermes Equity Ownership Services, Church of England (now disinvested), and Joseph Rowntree Charitable Trust (now disinvested).

The LAPFF will continue participation in UN PRI group and continue to monitor company progress through 2010 to determine potential candidacy as a target for a shareholder resolution in 2011.



*The culture of one of India's most isolated tribes, the Dongria Kondh, is being threatened by Vedanta Resources.*

# Ealing and Enfield join the Forum

The London Boroughs of Enfield and Ealing are the latest funds to join the Local Authority Pension Fund Forum taking membership of the Forum to 52 funds with assets of around £90 billion.

The Ealing decision was taken at the Fund's inaugural AGM by a show of hands of fund members, reflecting the Fund's aim of effectively communicating and engaging with all members and making the decision making process as transparent as possible. Bridget Uku, Group Manager Treasury & Investments at Ealing said: "Joining the LAPFF will enhance Ealing Pension Fund's responsible investment objective. We are delighted that our membership recognised the potential benefits of collaborative engagement."

Paul Reddaway, Head of Treasury & Pensions at Enfield said: "We decided to join the LAPFF because it afforded the Enfield Pension Fund a bigger voice in the world of corporate governance."

Forum Chairman, Councillor Ian Greenwood welcomed both funds to the LAPFF: "We look forward very much to working with Enfield and Ealing. Every new member fund brings its own perspective to the many challenging issues confronting LGPS funds, and I am particularly heartened by the fact that the benefits of Forum membership have been recognised by the Ealing AGM. We now have 16 London Funds as members (including the London Pension Fund Authority and the City of London Corporation) and are, of course, also very

well represented by funds from all parts of the UK. I encourage the other funds who we know to be actively considering the benefits of membership to come along and join us - you will all receive the warmest of welcomes. We face many challenges in 2010, but by acting together we can achieve so much more."

## Save the dates

1 to 3 December 2010

## LAPFF Annual Conference

The Forum's 2010 Conference will be held as usual at the Bournemouth Highcliff Marriot Hotel on 1 – 3 December 2010.

LAPFF members are entitled to two free places at the conference, but are responsible for their own hotel arrangements.

The programme and booking form will be available in late summer. However, if you would like to pre-book yourself or colleagues, please contact Janice Hayward at [janice.hayward@pirc.co.uk](mailto:janice.hayward@pirc.co.uk) to reserve delegate places.

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