

SPRING 2012 EDITION
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the view from the **forum**

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The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of 55 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 or visit our website at www.lapfforum.org

LAPFF membership as at 1 March 2012

- Avon Pension Fund
- Bedfordshire Pension Fund
- Cheshire Pension Fund
- 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
- Gwynedd 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
- Lothian Pension Fund
- Merseyside Pension Fund
- Norfolk Pension Fund
- Northamptonshire County Council
- North East Scotland Pension Fund
- Northern Ireland Local Government Officers Superannuation Committee (NILGOSC)
- North Yorkshire County Council
- Nottinghamshire County Council
- Rhondda Cynon Taf Pension Fund
- Shropshire 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 Pension Fund
- Worcestershire County Council

Women on the board

In 2010, women made up only 12.5% of directors on FTSE 100 boards.

The Lord Davies Review released in February 2011 examined the issue of women on the board and acknowledged the slow pace of change: **“Based on the current trend it would take 70 years for women to hold half the FTSE 100 directorships.”** The review referenced studies produced by McKinsey & Co and other firms demonstrating that companies with a higher proportion of women on the board and in senior management perform better, and that the presence of women on boards has a positive impact on performance.

Davies recommended that UK companies strive to achieve 25% women directors by 2015 and suggested companies should announce their aspirational goals for achieving this target by September 2011. He made further recommendations regarding company policies and their reporting on gender diversity, and with regard to the role of nomination committees in promoting diversity.

The LAPFF's response to the Davies Review expressed support for its recommendations and the Forum proposes to conduct initial research into how many companies in the FTSE 350 have responded to the Davies Review and how many have committed to reaching the target of 25% women on the board by 2015.

Based on the findings of the research, we will contact and congratulate all companies that have replied positively to the Davies Review by indicating that they will strive to reach the target; and we will



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encourage those companies that have not responded positively to the review to do so and urge them to set targets for increasing the representation of women on the board.

The 30% club was formed in November 2010 by Helena Morrissey (*pictured above*), CEO of Newton Investment Management, and others with the goal of increasing women's participation on UK boards to 30%. The members of the club are all chairmen of UK companies that are committed to working towards that goal (30 supporters to date).

continued overleaf →

LAPFF formally announced its support of the 30% Club Investor Group at the end of February, taking the assets represented by this group promoting board diversity to over £1.77 trillion. LAPFF chair Ian Greenwood said, “While our members are long-term investors in the UK’s public companies, we would like to see speedier change in the make-up of Britain’s boardrooms. We want the best candidates appointed to boards, and therefore strongly encourage companies to address diversity, for their benefit and for ours.”

Speakers at the inaugural seminar of the group included company chairmen Robert Swannell of M&S and Sir Roger Carr of Centrica, as well as Baroness Hogg, Chair of the FRC and Helena Morrissey. Sir Roger was clear on the impact of women on the board, noting that those boards with women had better dynamics and were more representative of employees and shareholders. It was recognised that progress cannot be made overnight, but investors such as the Co-operative Asset Management and Legal & General set out their strategies for voting where companies were not

demonstrating measurable action in increasing female representation. The Forum will maintain involvement in the investor group and we will monitor progress and undertake follow up activities with companies during 2012, and continue to participate in relevant collaborative initiatives with other investors.



The 30% Club chairmen and the Steering Committee met with the Prime Minister at a Women in Business reception on 12th October. The PM reiterated that “This is not a ‘special interest’ or a ‘women’s’ issue, but a business issue”, recognising that progress was being made gradually but slowly.

The LAPFF Workplan 2012

The 2012 work plan follows the strategy LAPFF has undertaken over the past few years.



The main focus of engagement in 2012 will be on key campaigns such as the banking sector, corporate governance reform, climate change, employment standards and executive pay. LAPFF also proposes to continue dialogues with key high profile companies such as BP, Shell, News Corp and BSkyB.

In an effort to be more focused and strategic about the engagements we undertake in 2012, we propose to reduce commitments to two existing projects: obesity and Sudan.

The LAPFF work on obesity is coming to a natural close. We had productive discussions with Greggs and Premier Foods and are satisfied that nutrition issues are on the companies' agendas for managing risk. Similarly, we propose to end our formal engagement on Sudan.

The primary reason is that the focus of the UNPRI Sudan dialogue is increasingly targeting quasi-state owned firms and companies based in East Asia, which are not all widely held by LAPFF members.

The LAPFF will re-focus its efforts regarding palm oil, choosing to participate in fewer collaborative

initiatives. We propose to continue a watching brief as part of the initiative coordinated by the UNPRI. One-to-one engagement on climate change with select companies in the transport sector will continue, as will our climate policy activities.

Additionally, the Forum will position itself at the forefront of new ESG agendas where it can provide new leadership on investment issues that reflect the broad allocations within member equity portfolios and market wide concerns to all pension funds. As such, we will seek to expand our work in new strategic areas such as capital market reform, board diversity, international accounting standards, revenue transparency and local economic development.

As in previous years, resources will continue to be allocated to responding to key ESG issues and campaigns as they arise, issuing consultation responses, communicating our activities to members and the wider investment community, and responding to member enquiries.

LAPFF global focus list - key achievements in 2011

In total, LAPFF engaged with twelve companies, three listed in the US, four in the EU and five in the UK.

Key governance areas where we sought improvements:

- Board structure (size, independent representation, succession planning).
- Separation of power (combined chairman/CEO, former chairman as CEO).
- Controlling shareholder influence and ensuring rights of minority shareholders.
- Appropriateness of remuneration incentives (disclosure of awards, nature of targets).
- Auditor independence (audit fee disclosure, high relative non-audit fees).

Key engagement outcomes included:

- successfully communicated the Forum's views of governance best practice and its approach to the use of non-financial incentives in remuneration;
- six companies committed to make governance changes, improve disclosure or review governance practices in light of the Forum's engagement dialogue;
- the Forum issued two voting alerts in cases where companies did not show willingness to improve practices; and
- improved understanding of governance practices in Switzerland and Belgium.

Securities lending update

The securities lending pages of the LAPFF website have now been updated to include the latest report from Gerard Moore. It covers the proceedings of the first meeting of The International Securities Lending Association (ISLA)'s re-convened Corporate Governance Sub-Committee, which included the 'borrowing to vote, issue, the EU Transparency Directive and the anticipated revision of the Stewardship Code.

New LAPFF Executive elected

The following members were elected to the Forum's Executive at the AGM in January.

	Cllr Ian Greenwood	West Yorkshire Pension Fund - Chair of LAPFF
	Cllr Cameron Rose	City of Edinburgh Council - Deputy Chair of LAPFF
	Cllr Geoffrey Watt	Merseyside Pension Fund - Forum Executive
	Cllr Kieran Quinn	Greater Manchester Pension Fund - Forum Executive
	Cllr Toby Simon	London Borough of Enfield - Forum Executive
	Cllr Peter Brayshaw	London Borough of Camden - Forum Executive
	Cllr Richard Greening	London Borough of Islington - Forum Executive
	Rodney Barton	West Yorkshire Pension Fund - Forum Executive
	David Murphy	NILGOSC - Forum Executive
	Mike Taylor	LPFA - Forum Executive
	Brian Bailey until 31 March 2012	West Midlands Pension Fund - Honorary Treasurer
	Geik Drever from 1 April 2012	West Midlands Pension Fund - Honorary Treasurer

When she takes up her position as our Honorary Treasurer (see page 8 of this newsletter), Geik Drever will be the only woman on the Executive. The Forum is eager to see greater representation and involvement from women in LAPFF affairs and will be seeking to achieve this by encouraging more participation from women members.

LAPFF Honorary Treasurer, Brian Bailey, retires



Geik Drever is appointed as new Honorary Treasurer

Following her appointment as Director of Pensions at the West Midlands Pension Fund, we are delighted that Geik Drever has agreed to take on the role of LAPFF Honorary Treasurer. Geik is extremely well known to the LGPS – her former fund, the Lothian Pension Fund, has been a longstanding member of the Forum, so she is very familiar with our work.

Welcome aboard, Geik!

The Forum's Honorary Treasurer, Brian Bailey has announced his retirement. He will leave his post as Director of Pensions at the West Midlands Pension Fund at the end of March.

Brian has given invaluable service for many years in his role as treasurer to the LAPFF. He has, of course, provided the highest standards of stewardship and financial advice to the Forum's Executive, but his contribution to our development has in fact been far greater.

In 1990, as lead officer at the Fund, Brian was there at the very beginnings of what is now the LAPFF,

when the Fund was one of those funds that first joined together to collaborate in the promotion of shareholder activism among local authority funds, to promote high stands of corporate governance and corporate social responsibility at the companies in which they invested.

While there are many that have contributed to the development of the LAPFF, no-one has done more than Brian; his commitment to and enthusiasm for the Forum's work has been immense. As an officer member of the Forum's Executive he has been the

initiator of and the energetic driving force behind many of our activities, while at the same time never failing to provide a voice of caution when he felt it necessary to do so.

In short, words cannot adequately convey the value of his contribution or the debt of gratitude that the Forum owes to Brian.

We will miss you Brian - we thank you for all that you have done for the LAPFF and wish you a very well-deserved, long, happy and healthy retirement.



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