

Embargo: Not for release before 00.01 am on Monday 2 October 2006

Making shareholder engagement effective: LAPFF challenge to UK fund managers

1. The Local Authority Pension Fund Forum (LAPFF) today launched a challenge to the UK fund management industry: the takeover of shareholder activism by fund managers without critical oversight by their pension fund clients should stop.
2. The new report “Shareholder Engagement: Holding Fund Managers to Account” contains a LAPFF Trustee Guide which encourages pension schemes to conduct a dialogue with their fund managers on how effective their engagement activities are in bringing about change at companies and creating value in the long-term.¹
3. The Trustee Guide, the first of its kind, will help local authority pension fund trustees to assess their fund managers’ engagement strategies, policies and activities, on a regular basis, with an emphasis on creating long-term shareholder value. The Guide sets out relevant questions to ask fund managers about all aspects of delegated shareholder engagement.
4. Cllr Darrell Pulk, chair of the £60 billion strong Forum, said: “This Trustee Guide will help pension schemes ask their managers the difficult questions.”
5. “Effective engagement with companies adds value to pension funds,” added Cllr Pulk. “But trustees need to know how to make their fund managers more effective.”
6. The first Trustee Guide was published in 2005, following a major study into shareholder engagement, which involved a survey of all 98 local authority pension funds in Britain and their 10 leading fund managers, plus in-depth interviews with seven of the funds.
7. The updated version which is published today takes into account insights into practice issues gained in a series of interviews with leading fund managers of local authority pension funds.
8. The Forum publishes its updated guidance against the backdrop of the noticeable improvement of fund managers’ engagement policies, but, on the other hand, slow progress in the improvement of engagement quality, the integration of corporate governance and CSR concerns into mainstream investment processes, and fund manager transparency. “This is despite the fact that these are critical

¹ Available at www.lapfforum.org. The Trustee Guide is also available as a stand-alone document.

factors to the long-term success of shareholder activism that is delegated to fund managers”, said Cllr Pulk.

9. “Pension fund trustees are responsible to their members,” Cllr Pulk went on to explain. “They have to ensure that activism carried out in their name is to the maximum benefit of their members. We want them to talk openly with their fund managers, and this Trustee Guide provides them with the issues to underpin that dialogue.”

ENDS

Notes to editors:

The **Local Authority Pension Fund Forum (LAPFF)**, which was set up in 1991, is a voluntary association of 39 public sector pension funds based in the UK. It exists ‘to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.’ The Forum’s members have combined assets of over £60 billion.

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