

FOR IMMEDIATE RELEASE

3<sup>rd</sup> December 2013

### **One step forward, two steps back:**

*LAPFF recognises progress but **re-emphasises** asset owner input to Collective Engagement Working Group report, published today.*

3<sup>rd</sup> December 2013

In a challenge to today's report by the Collective Engagement Working Group (CEWG) on establishing an Investor Forum, LAPFF chairman Cllr Kieran Quinn said "This report still avoids facing up to the fact that asset owners must be in command when a new Investor Forum is established."

Commenting on the publication of the CEWG report, Cllr Quinn said that the Local Authority Pension Fund Forum wanted to see a governance structure in which asset owners lead the proposed investor forum. This was, in Cllr Quinn's words, "A recognition that fundamental differences exist between the needs and interests of asset owners compared to the interests of asset managers. Both are crucial to successful engagement with UK and overseas listed companies, but as the underlying owners of company shares, pension funds and other end beneficiaries need to be in the driving seat."

The report was commissioned by the IMA, NAPF and ABI and provides a review of the issues and views of the working party on establishing an investor forum in line with the Kay Review recommendation, and comprised asset managers and some asset owners, although the voice of activists asset owners was mainly absent. Kay himself suggested that organising such an investor forum should not actually be given to the trade bodies, which, though not actually represented on the working party, obviously influenced its recommendations.

In the 24 page report several recommendations were made that would advance thinking on practical questions of engagement in LAPFF's view. Cllr Quinn gave a welcome to the proposal that major listed companies should hold an annual strategy meeting for institutional investors, outside the results cycle, where investors and company executives can link governance to the company's long-term strategy without the focus on short-term results. Cllr Quinn said that "This very much chimes in with our own view of the need for what some have called a '5<sup>th</sup> Analyst Call', saving time and money through collective dialogue with companies, in an open atmosphere thus reducing back-door deals between a company and a favoured few investor groups."

However Cllr Quinn expressed further concern about the report's conclusion to squeeze the governance agenda by insisting that 'their (investors) overarching objective should be to build trust amongst each other, and promote a culture of long-term strategic vision and wealth creation over time.'

Cllr Quinn said that "Shareholder engagement must also deal with the more immediate agenda such as incompetent directors, excessive and unjustified pay, neglected shareholder rights and short-term decisions not in shareholders' long-term economic interests. It's not just about 'building trust' it's also about challenge – something UK institutions have been poor at."

The LAPFF chairman made the Forum's views known to the Working Group in a September conference call with several of its members. In that call he reiterated LAPFF's view that there was a possible governance structure for such a forum that includes participation by assert managers and asset owners, where governance rights are shared but governance control should be in the hands of asset owners and their representatives. The LAPFF will publish its own proposals in January 2014 ahead of Ministerial consideration of the next steps in the debate.

ENDS

### **About the Local Authority Pension Fund Forum**

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 58 public sector pension funds based in the UK with combined assets of approximately £120 billion. It exists to "promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest."

PIRC is the Research and Engagement partner to the Forum. [www.lapfforum.org](http://www.lapfforum.org)

### **For Further Information Contact:**

Alan MacDougall  
MD  
PIRC Limited  
[Research and engagement partner to  
LAPFF]

Tel: 020 7247 2323

[AlanM@pirc.co.uk](mailto:AlanM@pirc.co.uk)

Andrew Whiley  
Communications Manager  
PIRC Limited  
[Research and engagement partner to  
LAPFF]

Tel: 020 7247 2323

[Andrew.Whiley@pirc.co.uk](mailto:Andrew.Whiley@pirc.co.uk)

