

FOR IMMEDIATE RELEASE

New report by LAPFF places long overdue spotlight on share buybacks

The Local Authority Pension Fund Forum today launched a new report offering guidance and insights for investors into the controversial and thorny issue of share buybacks.

Loved by some, loathed by others, share buybacks have been the recent focus of regulatory attention including by the government's White Paper on Corporate Governance.

Supporters of buybacks argue they boost share prices and enhance shareholder value. Critics see them simply as a means of artificially hitting performance targets to boost executive pay at the expense of independent shareholders.

To move the debate forward, the Forum has decided to publish a new report based on internal guidance for LAPFF members.

The report sheds light on the complexities and implications of share buybacks, a practice that is now commonplace amongst listed companies. In 2014/15 97% of FTSE 100 companies sought authority to purchase shares and over a quarter (28%) actually bought shares.

The report deliberately takes a broader perspective of the issues than those in the White Paper. It includes not just the effect on Earnings Per Share and diversion of productive investment, but also covers the implications of buybacks on the transparency of company performance, tax and the alignment of management and shareholder interests.

LAPFF Co-chair Denise Le Gal said *"No shareholder wants to deter the distribution of surplus capital, but serious question marks still hang over whether buybacks are the right method for doing so, 'it has been clear to me for some time that the interests of asset owners are all too rarely the main driver behind buyback programmes."*

Co-Chair Ian Greenwood said *"As this report shows, buybacks are no longer a minority sport in corporate Britain today. Yet despite the implications of buybacks, the asset management industry has silently ushered them in. It is perhaps about time fund managers showed some teeth on the issue in the interests of both their clients and the companies involved."*

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View the report [here](#)

ENDS>

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About the Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum (LAPFF), founded in 1991, is a voluntary association of 72 public sector pension funds based in the UK with combined assets of approximately £200 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.' www.lapfforum.org. PIRC is the Research and Engagement partner to the Forum.

White Paper on Corporate Governance

The government's White Paper was published in August 2017:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/640631/corporate-governance-reform-government-response.pdf

On buybacks it stated:

'the Government will take forward its manifesto commitment to commission an examination of the use of share buybacks to ensure that they cannot be used artificially to hit performance targets and inflate executive pay. The review will also consider concerns that share buybacks may be crowding out the allocation of surplus capital to productive investment. The Government will announce more details shortly.'