



North East Scotland Pension Fund

nespf

Urgent Business Report

August 2023

1. Background

1.1 Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum (LAPFF) exists to promote the long-term investment interests of member funds and beneficiaries and to maximise their influence as stakeholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies. Formed in 1990 LAPFF brings together a diverse range of 87 Local Authority Pension Funds and seven pools in the UK with combined assets of over £350 billion.

For LAPFF and its members, corporate responsibility and long-term shareholder value are two sides of the same coin. LAPFF's members have investments in many of the largest global companies. Working together with the majority of the UK's local authority pension funds and pool companies, LAPFF leads the way on issues such as executive pay, reliable accounting and a just transition to a net zero economy, along with significant and tangible improvements in the practices of some of the world's biggest corporations.

Each year the Forum engages with hundreds of companies, many directly with company chairs. This is made possible by building trust and having a two-way dialogue about corporate responsibility. LAPFF's focus is on improving the policies and practices of companies, which they believe is best achieved by having constructive but robust conversations. This approach is not always successful and progress can be too slow. When this happens the LAPFF escalate their engagements. This may include providing voting recommendations to members for company AGM proposals directly to effect change. To leverage engagement outcomes, LAPFF often work with other asset owners and managers.

The Forum participates in several multi-trillion pound collaborations to amplify their voice and accelerate change. LAPFF's understanding of problems facing companies and ability to voice concerns is enhanced by also engaging with company stakeholders.

For LAPFF's responsible investment objectives to be relevant in a rapidly changing economy they have to stay ahead of emerging trends, alongside the provision of training also supports members in their own responsible investment activities.

1.2 Scheme of Governance

Terms of Reference for 18. Pensions Committee:

"6. Outside Bodies. The Committee shall determine appointments and nominations to the Local Authority Pension Fund Forum (LAPFF) and other outside bodies relevant to its remit."

The extension of time offered by LAPFF for nominations (from 7 August to 11 August) to be received did not provide sufficient time to call for a special meeting of the Pensions Committee therefore an Urgent Business Committee has been requested.

1.3 Administering Authority of the NESPF Current Position

The current Council approved position was agreed at the Council meeting on 26 April 2023 which states that “4) it is appropriate that officers from NESPF represent the Fund in relationships with LAPFF.”

At present the membership of the Pensions Committee is made up predominantly by Members from the Partnership following the meeting of Council on 26 April 2023 (Committee Places COM/23/116), where it agreed:

“(ii) to agree that the Partnership would appoint the appropriate number of members to the Pensions Committee in line with the vacancies on the Committee; and

iii) to agree that should members of the Labour group, or independent members wish to subsequently agree to take up their vacated positions and serve on the Pensions Committee, that their nomination be brought to the appropriate meeting of Council or Urgent Business Committee to have their positions reinstated.”

2. LAPFF Executive

LAPFF aims to assist and protect member pension funds by promoting the highest standards of corporate governance. Being part of the executive enables members to play a prominent role in delivering that mission. Executive membership provides the opportunity to shape the strategic direction of LAPFF as an organisation and to participate in engagements with companies on issues ranging from climate change to employment standards and human rights to executive pay.

Executive members oversee and contribute to the work of LAPFF through quarterly executive meetings, participating in meetings with company chairs and attending AGMs, and more generally supporting initiatives undertaken by LAPFF. The work of the executive is supported by LAPFF’s research and engagement partner who provide executive members with materials to give information and insights into responsible investment and engagement issues and to reduce the time pressures on the executive.

The executive committee is a management body comprised of members, including councillors and other pension committee members, officers from funds and pool representatives. The executive sets the strategic priorities for LAPFF, promotes and protects LAPFF’s reputation, and provides oversight of LAPFF’s work.

The executive discusses and agrees materials, including on engagement priorities, before they go to the membership at business meetings. It also has the power to make decisions on behalf of the Forum that do not need to go to wider membership, including regarding approval of AGM voting alerts. The executive’s role also includes ensuring that LAPFF activities are delivering the agreed workplan within the budget.

LAPFF is marked out as an investor organisation because it is led by its member funds. Rather than third parties engaging companies on its behalf, LAPFF does the engagement work itself as asset owners. That way, LAPFF can manage and lead engagements according to its priorities. Being part of the executive provides members with the opportunity to represent the Forum in engagement meetings with investee companies. Following these meetings executive members have the opportunity to give feedback to the membership at business meetings.

The executive meets at least four times a year and there are a further four business meetings and an AGM with the wider membership. The current plan is for the remaining meetings during 2023 to be held virtually and a further decision will be made by the Executive on whether the meetings scheduled in 2024 will continue to be totally virtual. Those elected to the executive are expected to attend the majority of those meetings. Executive members are expected to maintain appropriate skills in responsible investment and stewardship and abide by the Forum's conflicts of interest policy. Members are also encouraged, depending on individual's availability, to participate in LAPFF initiatives and company engagements. The LAPFF Business meetings are hybrid and this should continue to be the case in 2024.

Executive members are supported by the LAPFF's research and engagement partner, PIRC. The PIRC team provides members with reports for the executive meetings, which cover policy issues (engagement themes and sectors), updates on engagement activity and progress against the workplan. Executive members undertaking policy-related or company engagement meetings will be provided with a briefing document and supported by a member of the PIRC team in the meeting. For a new executive member's first engagement meeting, another member of the LAPFF executive will lead the meeting and provide advice. For a collaborative meeting with other investors, support will be provided by the lead investor or organiser, as well as by PIRC staff.

Executive Committee Member Role Specification

1. Role of the Executive Committee

- Set LAPFF's strategic goals and ensure the necessary financial and human resources are in place to meet LAPFF's objectives.
- Make recommendations and provide advice to the Business Meeting regarding work priorities and manage the annual research and engagement work programme.
- Coordinate the work of all contractors undertaking work for LAPFF.
- Promote the work of LAPFF among colleagues in the pensions, investment and local authority communities, where appropriate.
- Oversee the governance of LAPFF. For more information on the governance aspects of LAPFF and the Executive Committee, please consult the LAPFF Constitution.

2. Role of Executive Members

- Allocate sufficient time to read and reflect on meeting papers and attend Executive Committee and Business meetings.
- Contribute to Executive Committee discussions and decisions regarding LAPFF strategy, the annual work plan and budget, recommendations in papers for discussion and responses to consultations.
- Consider and suggest new ideas and strategies for engagement. Participate in appropriate training sessions as required.
- Monitor and identify key risks or trends that may affect LAPFF's work, brand or reputation.
- Represent LAPFF in company engagement meetings, at annual general meetings, or external events, where practicable.
- Assist the Forum Officer with recruitment and retention of LAPFF members.
- Protect and enhance LAPFF's brand and reputation as the leading collaborative shareholder engagement group in the UK.
- Be familiar with LAPFF's policies with regard to environmental, social and corporate governance issues and make efforts to promote these policies where appropriate.
- Declare any conflicts of interest.
- Agree that all LAPFF Executive Committee and Business meeting documents and papers, as well as all company correspondence (letters and meeting notes) remain strictly confidential, unless otherwise agreed by the Executive Committee.

3. Recommendations

The LAPFF are seeking an Elected Member nomination to the Executive, with a deadline of Friday 11 August 2023. Officers emailed Pensions Committee members in advance of this Urgent Business Committee meeting, providing details and seeking nominations.

Elected members are asked to:

- Consider whether or not to make a nomination, and if a nomination is to be made to agree who the nominee will be;
- Recognise that to fulfil the role of representative of the NESPF that a nominee must be a member of the Pensions Committee, making a clear relationship between the NESPF and LAPFF, so that the insight and knowledge and skills developed through working with each is used to the benefit of each other;
- Note that the Pensions Committee would normally determine a nomination as per Pensions Committee Term of Reference 6 *“The Committee shall determine appointments and nominations to the Local Authority Pension Fund Forum (LAPFF) and other outside bodies relevant to its remit.”*
- Note that LAPFF has extended their deadline for nominations until 11 August 2023 to allow an Urgent Business Committee to make a determination;
- Note that LAPFF require that the nomination is supported by the Convener of the Pensions Committee, and they must sign the nomination form confirming this;
- Note that there are expected to be additional costs from being appointed by LAPFF onto the Executive and those necessary costs will be met by the Pension Fund; and
- Note that the Pensions Committee will be asked to determine this nomination prior to the summer recess in future years, and that the Committee Business Planner will be adjusted accordingly.

The specific recommendations are included in the covering report.

4. Financial Implications

As stated earlier, Executive meetings are currently being held virtually and Business meetings being held in a hybrid manner therefore costs are currently minimised. Travel and associated costs will be incurred if Business or Executive meetings take place in person.

There are also travel costs associated with membership of LAPFF for travel to London and Bournemouth for the AGM.

The necessary travel, accommodation and associated costs will be met in full by the Pension Fund.