

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**

**LOCAL AUTHORITY PENSION FUND FORUM ANNUAL CONFERENCE 2021**

**Purpose of the Report**

1. To report on the Local Authority Pension Fund Forum (LAPFF) Conference 2021.

**Information & Advice**

2. The 2021 LAPFF Conference entitled ‘Engaging for Change’ was held between 8 and 10 December 2021. In accordance with prior approval, and as part of the Fund’s commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills, the conference was attended by Cllr Eric Kerry. Details of the main sessions are set out below. It should be noted that the views set out are those of the presenters, not of LAPFF or the Nottinghamshire Pension Fund.

**Day one**

3. ***LAPFF APPG Just Transition report: Clive Betts MP, Chair of LAPFF APPG Councillor Doug McMurdo, LAPFF Chair Sabrina Muller, Policy Analyst for Sustainable Finance, Grantham Research Institute on Climate Change and the Environment, LSE Paul Hunter, PIRC Limited (Councillor Glyn Caron, Torfaen PF, LAPFF Executive)***

Local authorities have a big role to play in achieving a just transition to net zero by engaging with companies, policy makers and communities. Unjust transition could delay transition. Education is also key. LAPFF has 30 years of experience in engagement. LGPS are not defined as ethical investors but ethics is part of the engagement process including Human Rights, Climate Change, Diversity, Taxation etc.

4. ***How is Sainsbury PLC addressing Climate Change: Martin Scicluna, Chairman, Sainsbury’s PLC (Moderator: Rachel Brothwood, Director of Pensions, West Midlands PF, LAPFF Executive)***

Population expected to increase from today’s 7 billion to 9 billion by the end of the century. Sainsbury’s planning for zero scope 1 & 2 emissions by 2035 and to reduce scope 3 by 2030.

5. ***‘Say on Climate’: Sir Chris Hohn, TCI Fund Management (Moderator: Councillor Rob Chapman, LB Hackney, LAPFF Executive)***

Regulation, policy and taxation necessary to drive transition. Banks have a critical part to play regarding capital for investment. Misleading disclosure by directors could lead to personal liability under fiduciary duty. No evidence that divestment reduces carbon. LAPFF/TCI to hold a “Say on Climate Change” conference in the future (timings to follow).

## Day Two

**6. Accounting and Fraud: Martyn Jones, Former National Technical Partner Deloitte, former President of the ICAEW in conversation with Baroness Bowles of Berkhamsted (Moderator: John Anzani, LAPFF Executive, Lothian PF)**

Standard 'testing' processes need to be forensic. Body language is an important indicator. Disqualification of directors and Sentencing for fraud needs to be tougher, including misleading an auditor. Limited liability is the reward for 'doing things properly'. Investor criticism should be addressed in annual reports.

**7. FRC transforming into ARGA: Sir Jon Thompson CPFA, CIMA, Chief Executive of the Financial Reporting Council (Moderator: Councillor Doug McMurdo, LAPFF Chair)**

Reforms necessary to address corporate failures, audit quality (following Big 4 criticism), aggressive accounting. March 2020 'Restoring Trust' White Paper had over 600 responses. Actions will encourage more engaged investors, improved reporting, more arms-length auditors, auditor competition. Rebuild FRC and its culture as regulator through new governance/board/CEO, increased capacity/capability, improved transparency/best practice, operational separation. ARGA expected to launch in 2023 with a 3-year implementation plan, phased introduction starting with the largest companies. Will have KPI's, but there needs to be more capacity in the market and global rules to improve to enable effectiveness.

**8. What did COP26 do for you?: Mark Campanale, Founder and Executive Chairman, Carbon Tracker (Moderator: Councillor Andrew Thornton, WYPF, LAPFF Executive)**

COP is an Emissions Reduction Treaty. Accelerated discussions regarding carbon related asset depreciation. Cambo oilfield cancelled by Shell on financial, not climate, grounds. Speed of energy transition acceleration impacted by cost of renewables falling but still need to solve the storage problem. Just transition key to adoption with lost jobs v spending power a key risk. No silver bullet solution. Countries need to continue to take ambitious action to achieve 1.5 degrees ambitions.

**9. Who gets ahead and how? Socio-economic background and career progression in financial services.: Mandy Kirby, Chief Strategist, City Hive, representing the City of London Corporation Socio-Economic Diversity Taskforce' (Moderator: Councillor John Gray)**

Lack of socio-economic diversity in financial and professional services. Taskforce to approve strategy and workstream. Working Group to provide insights to guide actions. Advisory Board to champion advisors and critical friends. Is there a case for making poverty a protected characteristic?

**10. LAPFF Mining and Human Rights Report: Professor Robert McCorquodale; Councillor Doug McMurdo, LAPFF, Chair; Lara Blecher, PIRC Limited**

Video connection with translation to the community group leaders for the Brumadinho Tailings dam disaster which occurred on 25 January 2019. Role of investors is increasingly important. ESG is about managing investment risk. Companies do listen to investors. LAPFF supporting victim's campaign and engaging further with BHP/Valley. Divestment is the last resort.

**11. Racial Equity Audits: A critical tool for shareholders: Tejal Patel, Corporate Governance Director, SOC Investment Group (Moderator: Tom Harrington, GMPF, LAPFF Executive)**

Racial equality commitments include 3<sup>rd</sup> party equality audits on impact on communities, stakeholder input and public reporting. Objectives are independent and objective reviews, benchmarking, board oversight, greater transparency. Civil Rights audits also starting to be done in parallel.

**12. *Built on a Lie: Owen Walker, Financial Times (Moderator: Rodney Barton, WYPF, LAPFF Executive)***

Story of Woodford's demise and its impact on Kent County Council Pension Fund following the final collapse on 31/05/2019. Role of FCA, Link (Capita), independent advice and the impact that media exposure can have in promoting mavericks.

**Day Three**

**13. *What's gone on in the Care Sector during COVID: Lisa Nathan, Investor Engagement Adviser, UNI Global Union and Alice Martin, Labour Specialist, PIRC Limited (Moderator: Cllr Yvonne Johnson, LAPFF Executive)***

Pandemic spotlighted long standing problems in care provision. Understaffing, poor care quality, poor working conditions and over-financialisation. Staff retention problematic with 40% of staff considering alternative employment. Polarisation of care supply with main providers either large chains or small family-owned provision. Evidence of National Living Wage violation. Need for improved due diligence from investors regarding business model and HR performance.

**14. *A Company view on the impact of COVID on corporate culture: Mr Lim Cheong Guan, Executive Director, Top Glove Corporation Bhd (Moderator: Tom Powdrill, PIRC Limited)***

Change to more customer focussed corporate culture. 100 billion gloves per annum.

**15. *Split Voting for Pension Funds: The recommendations to Government, Regulators and industry of the Taskforce on PSVI (Moderator: Alan MacDougall, PIRC Limited)***

Research regarding savers voting rights. Large number of participants. People own the shares, not the Fund managers (legally the Fund owns the shares, managed by Trustees). Many who had views would not go on record with those views. Fund managers already split votes when mandates disagree. DWP is consulting. Cost of implementation 10-20bp's.

**16. *Can't see the wood for the greenwash: Leo Johnson, BBC Radio 4, FutureProofing & PWC's Head of Disruption.***

Earth has 29% land. 71% habitable, 19% barren, 10% glaciers. Population 7.9bn now, 10bn by 2050. Uncontrolled deforestation in Brazil. Climate/Biodiversity/Nutrition interconnected. Forestry Commission England Trees Plan 2021-24. Planting doesn't bring net zero, it helps. Conifers grow quicker than broad leaf. Timber construction vs steel/concrete. Biomass (Drax) bordering on greenwashing, but better than coal/oil. PIRC – There is no quick fix. Not enough land to replace fossil fuels with tree carbon capture?

**17. *Where has COVID taken us? Can we build back better? (Moderator: Tom Powdrill, PIRC Limited)***

Covid 'disruption' impacted on traditional supply chains and services.

**Statutory and Policy Implications**

18. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights,

the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

**RECOMMENDATIONS**

- 1) That Pension Fund Committee members continue to attend appropriate conferences to enable members to be kept up to date with the main national topics relating to investments.
- 2) That Members consider if there are any actions they require in relation to the issues contained within the report

**Keith Palframan**

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**For any enquiries about this report please contact: Keith Palframan  
Constitutional Comments (CEH 14/01/2022)**

19. The report falls within the remit of Nottinghamshire Pension Fund Committee.

**Financial Comments (KP 06/01/2022)**

20. There are no financial implications arising from this report

**Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None