This paper reports the annual findings and actions of the Socially Responsible Investment (SRI) programme. This was agreed in response to the requirement from July 2000 for Trustees to state, in the Statement of Investment Principles, the extent to which social, environmental and ethical considerations are taken into account in forming investment strategy. The programme incorporates SRI into the investment and valuation process by monitoring relevant information, and engaging where the Fund Managers believe a change in company policy will enhance long term returns for the Funds. This is consistent with the overriding objective not to make or retain any investment likely to diminish the financial return on the Schemes’ investments as a whole.

As with the experience in corporate governance, developing trends are as important as any single issue. SRI findings are not analysed in isolation but evaluated with other factors to form a complete picture of the potential risks and returns of a particular investment. This framework allows BAPIML, on behalf of the Management Trustees, to engage with investee companies on SRI issues.

In the UK BAPIML evaluate the FTSE 350 holdings in conjunction with participation in the Business in the Community (BITC) Corporate Responsibility Index (CR Index), the FTSE4Good and Dow Jones Sustainability (DJSI) Indices and disclosure of data through participation in the CDP (formerly known as the Carbon Disclosure Project) annual surveys. Where an investee company falls below the required standards further review and dialogue is scheduled. There were 31 companies held by the funds that either did not participate in the above indices or fell beyond the remit of the indices due to the nature of their business. Of these, 29 companies had a statement in their report & accounts that adequately described their approach to SRI. With regard to the two remaining companies BAPIML the investment in one has been divested, whilst the other has been given latitude as it had only recently listed in the market. This company will be closely monitored.

The BITC CR Index is an in-depth voluntary benchmark of corporate responsibility. The index provides companies with a framework to improve and integrate corporate responsibility into their operations, focusing on: - strategy, integration, management, environmental and social impact areas.

Participation in the 2012 survey for the BITC CR Index 2013 increased from 110 to 126 companies, with 107 reaching an index score of 70% or above to qualify in the annual rankings; this compares to 110 in the 2012 CR Index and 143 in the 2011 CR Index. Participants have maintained high scores over recent years with an average score of 90%. BITC is considering how to adapt the index so that it pushes companies to improve further and think long-term.

In addition to completing the CR Index questionnaire, companies were also evaluated on their long-term sustainability and corporate governance, to achieve “Platinum Big Tick” Status. Six investee companies entered the Platinum Big Tick category for the first time, with one investee company retaining Platinum Big Tick status. One of the construction companies BAPIML has observed since 2008, surpassed a corporate objective of Platinum, entering the Platinum Big Tick category of the CR Index. Three investee companies which achieved Platinum Plus in the 2012 CR Index did not participate on this occasion.

BITC developed a Responsible Investment Business Check Up benchmarking tool specifically for smaller to medium enterprises (SME’s) in 2012. The Check Up benchmarking tool was designed to encourage a strategic and structured approach to responsible business. BITC has offered the service free to users once a year. Participants completed a short survey through a web based portal and receive a practical feedback report which benchmarks participants against peers. There were 168 businesses that completed the web based Check Up tool in 2013.
BAPIML has continued to support the CDP (formerly known as the Carbon Disclosure Project) Investor CDP, CDP Water Disclosure, Carbon Action and CDP Forests Program initiatives. Annual questionnaires are completed, assessed and benchmarked on disclosure of data on carbon, climate change, exposure to deforestation risk, supply chain and water risk. Companies are required to complete the CDP questionnaire online, make their responses public and reach a performance band disclosure score of 50 or above to participate in the indices.

Companies participating in the CDP Forests Program were asked to report on the management of deforestation risk in their operations and supply chain. Commodities covered under deforestation risks were timber, palm oil, cattle products, soy and biofuels. Of the 780 companies asked to report through the CDP 2013 information request, 139 companies responded, a 39% increase over the previous year. Within the UK portfolio three of our investee companies were leaders in their sectors.

As part of the improvements to the SRI Programme BAPIML continues to monitor the dedicated ESG member enquiries email folder which was established in response to investor action group campaigns in 2010. Members are directed to the governance section of the member website and, where appropriate responses are made to individual member enquiries. BAPIML received 18 information requests from 9 members (7 in the previous year, and 9 in 2011) on our position following 3 activist initiatives on implications of climate change, living wage and drilling in the Arctic. There were two member enquiries on companies adopting the Living Wage, 13 of our investee companies have committed to paying the living wage to employees in 2013/14, compared to 11 in 2012/13. Seven scheme members were concerned about an investee company’s drilling in the Arctic. On behalf of scheme members a letter will be sent to make the company aware of the on-going campaign by the shareholder activist group and will ask for a response to the questions laid out in the report. We will continue to monitor the dedicated ESG folder and will report back in the next annual review.

Global Policy Changes

In April 2013 The European Commission proposed amendments to existing accounting legislation in order to enhance business transparency on social and environmental matters. Companies with over 500 employees will need to disclose information on policies, risks and results with regard to environmental matters, social & employee-related aspects, respect for human rights, anti-corruption & bribery issues, and diversity on the boards of directors. Companies are encouraged to use international or national guidelines such as the United Nations Global Compact, International Organisation for Standardisation ISO 26000 on Social Responsibility or the German Sustainability Code.

Changes to the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 took effect from 1 October 2013, requiring all UK quoted companies to report on their greenhouse gas emissions as part of their Strategic Report. That requirement affects all UK incorporated companies listed on the main market of the London Stock Exchange, a European Economic Area market, New York Stock Exchange or NASDAQ. The Department for Environment, Food and Rural Affairs (DEFRA) have released a comprehensive guidance document, “Environmental Reporting Guidelines”, which includes mandatory greenhouse gas emissions reporting guidance for companies to comply with the greenhouse gas (GHG) reporting regulation. BAPIML will monitor investee companies for compliance with the new reporting requirements.

There has been much debate over the usefulness and benefits of zero-hours contracts in the UK. Zero hours contracts are for employees who have no guaranteed hours and agree to be potentially available for work, but are not obliged to accept it. Employee organisations argue that the contracts result in financial insecurity for employees and lack of key employment rights. Employer organisations on the other hand stress that the flexibility of the contract plays a vital role in keeping people in employment. The Department for Business Innovation & Skills (BIS) launched a consultation on zero-hours contracts in December 2013.
The Government-led consultation will address concerns over exclusivity clauses in contracts that offer no guarantee of work. This consultation will consider a ban the use of such clauses, or may issue guidance on the fair use of such exclusivity clauses in employment contracts and the transparency of employee rights whilst on a zero hours contract. BIS are also consulting on whether an employer-led code of practice on the use of exclusivity clauses is suitable and if the legal route available to employees to challenge exclusivity clauses is adequate. The closing date for responses is at the end of March 2014.

Analysis of Global Environmental and Social Proposals

In the period under review BAPIML monitored investee companies’ environmental, social and ethical practice through statements in report and accounts, from company websites and as part of the corporate governance programme. BAPIML utilises independent research from external providers, alongside subscriptions to ESG news feeds and analysis of issues as they arise.

BAPIML log all environmental, social and ethical issues which are subject to a vote at Annual and Extraordinary General Meetings. The Institutional Shareholder Services (ISS) recommendations are used as a guideline, in conjunction with our own research, to assist in decision making on environmental, social or ethical proposals, on a case by case basis.

There has been a slight decline in the number of social and environmental proposals submitted to shareholder meetings from 108 to 107 in the year under review. There were 28 management and 79 shareholder proposals across all regions. Europe had six shareholder proposals and one management proposal, an increase from one shareholder proposal last year. In Emerging Markets there were 23 proposals up from 10 proposals last year, including a management non-voting proposal to present a Social and Ethics Committee Report. Australasia remained consistent with the last two years, recording only one proposal.

Shareholder proposals submitted to meetings in Japan were lower at 41 compared to 52 last year, and the downward trend continued in the US with proposals declining from 40 to 30 proposals last year. There were four management proposals in the UK, three to approve sustainability/corporate responsibility reports and one shareholder proposal to elect a director with specific climate change experience.

<table>
<thead>
<tr>
<th>Environmental/Social Proposals submitted to Annual/Extraordinary Meeting Agenda’s April 2013- March 2014</th>
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<tbody>
<tr>
<td><strong>No of Proposals</strong></td>
</tr>
<tr>
<td>1</td>
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<tr>
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<td>64</td>
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The most common proposals observed during the monitoring process concerned the preparation of, or improvements to, sustainability/ethical reports, the election or re-election of Social and Ethics Committee members and their remuneration, alternative methods of energy production and nuclear activities of energy companies.
Developments at Portfolio Companies

In the US the decline in proposals reaching the agenda of annual meetings was primarily due to US companies seeking to exclude proposals under the Securities Exchange Commission (SEC) rules. Proposals were also withdrawn by proponents due to greater transparency by the company. One shareholder proposal to create a sustainability report on gender equality in the company’s supply chain was withdrawn from the agenda of a US food producer by the proponent just prior to the meeting, following assurances by the Company. The proposal was part of a campaign by the ‘Behind the Brands’ Non-Government Organisation (NGO) initiative to address gender and land issues, specifically highlighting the treatment of women in the cocoa supply chain. Following engagement the Company committed to signing up to the UN Women’s Empowerment Principles (WEP) in February 2013 alongside two other investee companies.

There were five management proposals submitted for approval at an AGM in the UK. Three management proposals were submitted to receive and approve the corporate responsibility/sustainability reports of an insurance company an advertising company and a research & consulting service company, a slight increase on last year. The preparation and shareholder approval of these proposals was classed as a positive step forward, therefore BAPIML voted in favour. BAPIML are encouraged that more companies are starting to report on their greenhouse gas emissions as part of their annual Directors’ Report.

In the UK, for the third year running BAPIML voted for a management proposal at a pharmaceuticals company, to omit the name of the senior statutory auditor. BAPIML voted against a shareholder request to nominate an outside director with climate change experience to the board of a metal & mining company. The Company considered the proposal under the normal Non-Executive Director succession planning channels and deemed the addition of a director, whose focus was primarily on a single issue, would not have added to the effective governance of the company.

In February 2013 one of our UK casino & gaming investee companies, announced that it would establish a social responsibility committee focussing heavily on responsible gambling. The Company said it would be linking executive remuneration and responsible gambling from 2015 onwards, and has become the first UK Company to run a television advert dedicated to encouraging people to gamble responsibly.

At the annual meeting for a Swedish telecommunications company, BAPIML voted against a shareholder proposal to approve a special audit into the company’s exports to Iran. The Company stated that they were honouring existing supply contracts, the last of which would end in 2021, and anticipated the sale of infrastructure products would be phased out during 2013. The company argued that telephony was a basic humanitarian service and that it would continue to work with relevant international organisations.

There was a decline in shareholder proposals in Japan; this was primarily due to movements within the portfolio. The focus was again mostly on anti-nuclear shareholder activist proposals in the energy sector. Three of our investee companies had 30 such proposals between them. BAPIML voted in favour of one proposal to promote reduced energy demand and increase energy efficiency and in favour of the appointment of a shareholder director nominee with an activist background.

BAPIML implements policies and reports directly to Trustees throughout the year with information also being provided annually to members via the website. This information can be found on: www.mybapension.com.

Originator: CG & SRI Specialist, BAPIML
Date: 14th August 2014