Report on the Corporate Governance and SRI Programmes

1st April 2010 –31st March 2011

Overview

This report discusses the activities carried out by BAPIML to fulfil the Trustees' requirements on Corporate Governance (CG) and Socially Responsible Investment (SRI). It examines the major themes emerging over the last year and suggests potential next steps in our continual improvement of the programme. Corporate Governance reports accompany each Investment Committee (IC) meeting providing stock by stock and issue by issue voting records. The individual annual reports on UK and International CG and SRI provide more details on specific engagement/company issues.

The overriding theme during the 2010/11 proxy season was, as always, concentrated on the remuneration report, the re-election of directors, and the independence of Non-Executive Directors (NED). In the UK we have observed an increase in directors' base salary with a trend towards the ratcheting up of base salary after pay freezes. In the US the main emphasis was on pay and performance criteria with focus on the responsibilities of the compensation committee. In Europe, the European Shareholder Rights Directive had significantly improved shareholder meeting communication and disclosure; however, a lack of disclosure on new director nominees was highlighted in Emerging Markets. In Asia share issuance without pre-emptive rights was of concern particularly in Hong Kong, and remuneration plans were opposed due to inappropriate performance criteria in Australia.

Developments in Corporate Governance

The Financial Reporting Council (FRC) reviewed changes proposed by Sir David Walker to the Combined Code in his report entitled "A review of corporate governance in UK banks and other financial industry entities"[1] following the banking crisis and, after consultation the FRC introduced the new UK Corporate Governance Code in July 2010. Further to this announcement the National Association of Pension Funds (NAPF) Corporate Governance Policy and Voting Guidelines were updated to take into account the changes in November 2010. The Walker Review also recommended the creation of a new, independently monitored, Stewardship Code, sponsored by the FRC with the Financial Services Authority (FSA) monitoring investor conformity.

In July 2010 The FRC published the UK Stewardship Code[2] (the Code), aimed at enhancing the good practice in respect of engagement with investee companies. The Code was addressed to firms who manage assets on behalf of institutional shareholders such as pension funds, insurance companies, investment trusts and other collective investment vehicles. The FRC encouraged all firms to publish, by the end of September 2010, a statement on their website of the extent to which they have complied with the Code, and to notify the FRC when they had done so, and of future updates to the Code. The FRC expects firms to disclose on their websites how they have applied the Code, with a requirement to either produce a statement of commitment to the Code, or explain why it is not appropriate to their business model.

The NAPF wholeheartedly encouraged adherence to the Stewardship Code and after recommendations to the Trustee board the Code was approved in September 2010. BAPSL has written to the FRC to register our commitment to the Code, and has provided links to the Statement of Compliance, which can be found on the BAPSL website.

Following implementation of the UK Stewardship Code in September, BAPIML has observed a marked increase in communication from investee companies, proxy solicitation corporate/financial communications firms and Trustee questions on proposals in advance of investee company meetings. We use our judgement on whether it is appropriate to publish engagement in advance of meetings as some issues are sensitive, and may not be suitably reported in a public forum. We strive to implement best practice in corporate governance and consider engagement on Environmental, Social and Corporate Governance (ESG) a fundamental part of managing contentious issues with investee companies.

[1] www.hm-treasury.gov.uk/d/walker_review_261109.pdf
[2] www.frc.org.uk/corporate/investorgovernance.cfm

The European Shareholders' Rights Directive introduced minimum standards to ensure that shareholders of companies, whose shares are traded on an EU regulated market, have timely access to relevant information ahead of the general meetings and simple means to vote at a distance. The publication of documents on the internet, as well as enabling proxy voting and electronic participation, are important elements of this. The Directive also abolishes share blocking and introduces minimum standards for the rights to ask questions, put items on the general meeting agenda and table resolutions.

While nineteen Member States have already fully implemented the Directive, eight Member States (Belgium, Cyprus, Greece, Spain, France, Luxembourg, The Netherlands and Sweden) still have to implement some or all of its provisions. Incomplete implementation means that shareholders in those Member states do not enjoy the same rights as elsewhere in Europe and are denied the rights the Directive gives them when investing in publicly listed companies. The deadline for implementation was 3 August 2009. The European Commission has referred Belgium, Cyprus, Greece, Spain, France, Luxembourg, The Netherlands and Sweden to the Court of Justice for late implementation of the Shareholders' Rights Directive.

Much of the UK's financial services regulation already originates in the European Union (EU) through EU Directives. International and European standard-setting regulatory organisations have become increasingly important in order to address risks and ensure the stability of the financial services market.

In the UK the Government has published details on the implementation of its reforms to financial regulation, "A new approach to financial regulation: building a stronger system"[3] which provides further detail on the Government's proposals. This document expands and further consults on the Government's proposals, set out last year, to disband the Financial Services Authority (FSA) and establish a new system of more specialised and focused financial services regulators.

The Government's reforms focus on three key institutional changes:

- Creation of an independent Financial Policy Committee (FPC) in the Bank of England.
- Establishment of a new Prudential Regulation Authority (PRA) as a subsidiary of the Bank.
- Creation of an independent conduct of business regulator, the Financial Conduct Authority (FCA), which was formerly provisionally titled the "Consumer Protection and Markets Authority".

Following the consultation, the Government will present a further White Paper including a draft Bill for pre-legislative analysis. Once approved the Government expects the new regulatory structure to be in place by the end of 2012.

Meanwhile, in response to amendments made to the EU Capital Requirements Directive (CRD) the FSA, after consultation, published a revised Remuneration Code in December 2010. The Code, which applied from January this year, incorporates the larger banks, building societies, and broker-dealers covered by the old Code as well as a wider group of firms. The principal changes are in the areas of the proportion of variable remuneration paid in shares, the retention period for variable remuneration and guaranteed bonuses. In addition the Independent Commission on Banking, chaired by Sir John Vickers, has been established to look at the structure of banking in the UK and consider how to promote financial stability and competition in the industry. The Commission is due to report to the Government by the end of September 2011.

In August 2010 Lord Davies carried out a review into the barriers to increasing the number of women on the boards of UK companies on behalf of Business Secretary Vince Cable and Minister for Women Theresa May. The report, "Women on Boards"[4], published in February this year debated the challenges for women seeking appointment to corporate boards, their barriers to entry, supply of suitable candidates along with recommendations to Chief Executives and Chairmen of UK companies and the FRC.

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[3] www.hm-treasury.gov.uk/consult_finreg_strong.htm
[4] www.bis.gov.uk/news/topstories/2011/Feb/women-on-boards

The findings put forward a strong business case for increasing the number of women on corporate boards, with evidence suggesting that those companies with a strong female representation at board and top management level perform better, also that gender-diverse boards have a positive impact on decision making and therefore performance.

The key solutions focused on more training for women to include shadowing or mentoring, an open and transparent recruiting process, flexible working options, and the introduction of board quotas. Companies will be required to disclose data on board election processes, the percentage of women on boards disclosed at present and in the future (with FTSE 100 boards expected to have a minimum of 25 % female representation by 2015). Companies are asked to divulge the number of senior positions and female employees as a whole, with a separate section describing the work of the nomination committee including the process for board appointments and how it addresses diversity, with a description of the search and nominations process. Chairmen should announce their forecast targets by September 2011. Companies should report on the above in their 2012 Corporate Governance Statement whether or not the regulation changes are in place. In addition, Chairmen will be encouraged to sign a charter supporting these recommendations. A steering board will meet every six months to consider progress and report annually.

The FRC announced that they will consult on the recommendation from Lord Davies to them that "the Financial Reporting Council should amend the UK Corporate Governance Code to require listed companies to establish a policy concerning boardroom diversity, including measurable objectives for implementing the policy, and disclosing annually a summary of the policy and progress made in achieving the objectives".

The FRC will consult on:

- Whether changes to the UK Corporate Governance Code are an appropriate means of achieving more diverse and more effective boards.
- If so, what form those changes should take.
- The timetable for implementing any amendments to the UK Corporate Governance Code.

Continuing on the theme of gender diversity, in France the Association Française des Entreprises Privées and Mouvement des Entreprises de France (AFEP/MEDEF) Corporate Governance Code of Listed Companies was revised to increase the number of women on boards. The amendment adopted on the 19th April 2010 requires, within three years, that each board should comprise at least 20 % women and within six years at least 40 % women. If a board does not currently have women members it has to propose the election of at least one woman by the second general meeting held after April 19th 2010. On 1 March 2011, the EU Commission called on publicly listed EU companies to sign a pledge to increase the presence of women on corporate boards to 30% by 2015 and 40% by 2020, by actively recruiting qualified women to replace outgoing male board members. The "Women on the Board Pledge for Europe" is to be signed and sent to the Commission. The pledge is a voluntary commitment but if it is unsuccessful the Commission will look at steps, including a law, to force change at the top. Currently, only 12% of board members of Europe's largest companies are women.

In the United States, The Dodd-Frank Wall Street Reform and Consumer Protection Act became law in June 2010. Whilst the legislation is focused primarily on overhauling the U.S. financial regulatory system, the Act contains provisions addressing corporate governance and executive compensation that will have a significant impact on public companies.

The Act established a flexible approach that allowed companies to hold "say-on-pay" votes every one, two or three years based on a vote by each company's shareholders. The Act also specifies additional independence requirements for board compensation committee members, establishes standards for compensation consultant independence, gives compensation committees the authority to hire and oversee independent advisors, and requires clawback policies for executive compensation that has been based on inaccurate financial statements.

Private Equity and Property

The Guidelines Monitoring Group was established in March 2008 to monitor conformity with the Guidelines for Disclosure and Transparency in Private Equity (the "Guidelines")[5] following their introduction in November 2007, and to make recommendations to the British Venture Capital Association (the "BVCA") for changes to the Guidelines if required. The Group's aim is to guide and assist the industry in improving transparency and disclosure.

In April 2010, following a consultation process with private equity firms, the Group announced that the criteria for defining a Portfolio Company should be expanded. In October 2010, following a consultation process with private equity firms, the Group published guidance on the definition of control, which forms part of the definition of a private equity firm for the purpose of the Guidelines. The decision to issue guidance was due to an increased level of dilution of ownership in private equity owned companies during the year. The BVCA will discuss specific cases with private equity firms and feed-back findings to the Group for its consideration.

The BAPIML Head of Private Equity sits on the committee for The Limited Partners (LP) Advisory Board which works to establish effective communication between the LP and General Partners (GP) communities, and to advise the BVCA on its strategies and approach to engaging with institutional investors and other relevant parties of the private equity and venture capital industry.

The property team at BAPIML believe that their "buy and improve" type management strategy, as well as the development aspect to the portfolio, is positively aligned with environmental interests in modernising building stock.

Energy Performance Certificates (EPCs) came into force in April 2008 as part of wider European Legislation: The Energy Performance of Buildings Directive (EPBD). EPCs grade the energy efficiency of individual properties against existing and new build stock. The certificate is required whenever a building is to be sold or let and lasts for a period of 10 years before statutory renewal, although major modifications to the building will inevitably render the EPC obsolete.

The primary purpose of an EPC is to provide a national benchmark to measure the energy efficiency of buildings. When works to existing buildings or new developments is carried out, the property team promotes measures to improve the energy efficiency of buildings provided it is possible to do so in line with the overall investment strategy.

Display Energy Certificates (DECs) are annual and based on actual running costs. The requirement is currently limited to public buildings with a floor area greater than 1,000 sq m. This is being extended to buildings larger than 500 sq m in 2012 and the industry view is that this will be extended to the commercial sector as early as October 2012. Further information about the schemes can be found at Appendix I Bulletin: EPCs and DECs.

The Carbon Reduction Commitment Energy Efficiency Scheme (CRC-EES) is a new mandatory emissions trading scheme, designed to reduce emissions of carbon dioxide and improve energy efficiency. It is part of the strategy to cut greenhouse gas emissions in the UK by the year 2050, by at least 80% compared to the 1990 baseline.

Charges will be raised on properties captured under the scheme, retrospectively on an annual basis. Within the portfolio, periods of vacancy and those properties for which electricity is procured on behalf of occupiers are required to be included. The scheme has evolved to become an environmental tax, enabling costs to be apportioned to tenants through service charges. It is expected that information about the performance in reducing emissions, along with a number of other factors, will place the portfolio in a league table alongside all other participants. It is anticipated that the first charges will become payable in April 2012. Further information can be found in Appendix II.

5 www.walker-gmg.co.uk/?section=11664

Survey Results

We continue to complete surveys as they provide us with a practical benefit allowing us to focus on areas for potential improvements, upcoming trends, regulatory and policy changes. During the Corporate Governance and SRI reporting period 1st April 2010 to 31st March 2011 we completed seven surveys.

In May 2010 the results of the annual NAPF Corporate Governance survey[6] were announced. This survey which we completed in February 2010 was sent to pension funds and forms part of institutional investors' continuing efforts to improve corporate governance and engagement. The results of the survey showed that most pension schemes (79%) delegate engagement to an investment manager, with 11% of cases delegated to a third party. Dialogue between investors and companies appears to have improved on last year with two thirds noting that it was effective or very effective (50% in 2009). 61% of respondents felt the major barrier to engagement was "other priorities" whilst 45% cited "a lack of relevant skills" and "the cost of engagement" at 42% was also classed as a significant barrier.

In June we participated in the Novethic/EIRIS survey[7] which covered 251 European Investors of which 24 investors were based in the UK. The survey was based on how we perceived the integration of Environmental, Social & Governance (ESG) into asset management. More than 87% of asset owners in the UK believe that ESG screening means careful monitoring of companies' sustainable development practices or selecting issues based on ESG criteria. 57% of UK asset owners were convinced that integrating ESG issues were a means to improving financial performance and only the UK investors did not mention protecting their reputation as an option. Nearly three quarters of UK respondents believed in building long-term performance by seeking the best performance in the short and medium term and 70% of UK asset owners believed that the integration of ESG criteria is not in contradiction with their fiduciary responsibility. Emphasis was placed on shareholder engagement.

July saw the annual fund manager survey from the TUC[8], sent out to 45 organisations with 20 full responses received and two completing the second section only. The overall response was just under 50%. Within the data there are large variations in voting stances but very similar engagement practices. The division of opinion varies dramatically even on contentious issues, with a small group supporting 70 to 80 % of all management resolutions versus a very small number supporting less than 40%. The division is equally true on voting remuneration reports; half the sample supported less than a third of the remuneration reports on which votes were sought, and only a few voted for over 60%. Respondents to the survey cited remuneration and issues around board structure as the most common subjects of engagement with companies, indicating that votes against remuneration reports are not being used as an alternative to engaging over pay issues but in addition to it. The TUC look to see future enhances on voting disclosure.

In November we completed the Investment Management Association (IMA) questionnaire, Monitoring Adherence to the FRC's Stewardship Code which focuses on asset owner response to selected investee company issues in the UK, to study adherence to the Code in the period up to September 2010. The results will be released at the end of May 2011.

We have contributed to two global policy questionnaires for our research provider, Institutional Shareholder Services (ISS) which we hope will aid future policy formulation, and have completed a survey for a student doing a doctoral thesis entitled "European Pension Institutions and Responsible Investment", results of which are yet to be made public.

6 www.napf.co.uk/PolicyandResearch/DocumentLibrary/0130_Pension_funds_engagement_with_companies_survey_2010_0510.aspx
7 www.novethic.com/novethic/v3_uk/pop-studies.jsp
8 www.tuc.org.uk/extras/fundmanagervotingsurvey2010.pdf

The next steps – improvements to the programme

The most effective form of engagement on potential issues is directly with investee companies, primarily on board structures and executive remuneration. This compliments the NAPF who provide a service enabling direct contact with company board members, our external research provider ISS who engage on behalf of members during the proxy voting research process and in response to Trustee concerns on specific issues. We have been encouraged by an increase in research from external services and broker houses specifically on ESG topics. This long awaited research covers sector risks and thematic research. Although this is encouraging, the data is still too fragmented to analyse practically. We continue to use specialist news and external research services from providers in the public domain.

In order to log issues and decisions made on proposals as they occur we initiated an SRI reporting process last year. We have seen a slight increase in shareholder proposals overall, with a marked decline in the level of activity in the US, partly due to improved communication between issuers and shareholders. We have documented our findings under "Developments at Portfolio Companies" in the Report on the Socially Responsible Investment Programme.

In addition to participating in surveys, we are continuing to look for ways to improve:

1. We continue to maintain our level of reporting to Trustees by providing links to useful reports, organisations and major developments; these are communicated in the investment update which accompanies every Investment Committee meeting.

2. We continue to monitor our adherence and new developments to the Stewardship Code, and will report back to the FRC on any amendment to our Statement of Compliance with the Stewardship Code.

3. Become a signatory to the United Nations Principles for Responsible Investment (UNPRI). Applying its principles is voluntary, but after an optional year's grace, applicants are required to fill in a mandatory reporting and assessment questionnaire or risk being delisted from the UNPRI, with results published on a yearly basis[9]. In 2010 there were 870 UNPRI signatories in total with two delisted in 2010 compared to five last year. The number of investors invited to complete the survey in 2010 increased from 375 to 540. The UNPRI required extra resources and staff to continue their work so an annual mandatory fee was introduced in April. The fee scales are based on total assets under management and would cost the fund £6,600 to join.

   Joining the UNPRI was discussed again in last year's review and the decision not to sign up was taken at that time. Our stance on joining the UNPRI has not waivered since last year. We still favour working mainly with the NAPF (who are signatories to the UNPRI) on issues and if possible through the confidential case committee system and other collaborative methods such as governance roundtables and one on one meetings. This will provide the best use of resources and is consistent with our fiduciary responsibility. We will continue to assess the benefits of joining the UNPRI and will report back on progress.

4. Following a high profile campaign last year we received information requests from members on our voting stance in relation to a shareholder resolution at an AGM of an investee company. As the campaign was high profile and involved one of our top 100 stocks we made an exception and published a statement ahead of the meeting on the member website, and prepared a dedicated ESG email address to aid with further member enquiries. We will continue to monitor the dedicated ESG email and any future campaigns.

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9 www.unpri.org/files/2010_Report-on-Progress.pdf

5. Stock which is lent cannot normally be voted, as the right to vote is effectively lent with the shares. The stock lending programme covers Australia, France, Germany, Hong Kong, Italy, Japan, Korea, Netherlands, Singapore, Spain, Sweden, Switzerland, UK, US and Fixed income, is managed by BAPSL. BAPIML reserve the right to recall stock on loan in all circumstances, in order to protect the Funds interests. New stock lending procedures have been implemented in time for the proxy voting season to aid in the streamlining of the voting and stock lending process. The new procedures include a clause restricting the voting of stock lent, buffer limits, recall market deadlines, automatic recall for key markets and recall on demand or when there are contentious issues. We are at the experimental stage but signs are encouraging.

Originator: CG & SRI Specialist, BAPIML
Date: 17th May 2011

Class Actions

The distribution for the Shell (SEC) fund was paid in June 2010 and the total amount received across the three funds was $671,503.27. We still have an outstanding claim for Shell (Non-US investors) and this is scheduled to be paid earliest November 2011 assuming there are satisfactory approval procedures and no unresolved disputes.

We are investigating class actions in Belgium, Germany and the UK in respect of three financial institutions and we aim to report back on outcomes in the next annual report.

IPS continues to collect claims on our behalf and the net amount received for the year from 1st April 2010 through to 31st March 2011 was USD 758,260.14. We also continue to monitor class action litigation using Bernstein Litowitz Berger & Grossmann and GE Law.

Originator: Head of Finance, BAPSL
Class Action Specialist
Date: 17th May 2011

Bulletin

EPCs and DECs

Building

Changes to the 2002 Energy Performance of Buildings Directive by the European Commission in May 2010 (EPBD2) will affect the requirement and accessibility of the information obtained from Energy Performance Certificates (EPCs) and Display Energy Certificates (DECs).

EPBD2 is now in force, and the UK Government has until Jan 2013 to implement it. However, we strongly believe this will happen much sooner as EPC and DEC use and enforcement to date has been poor.

EPCs are based on the existing building fabric and installed services and are valid for ten years. DECs are annual and based on actual running costs. They reflect the energy performance of the building in use and provide far more useful results.

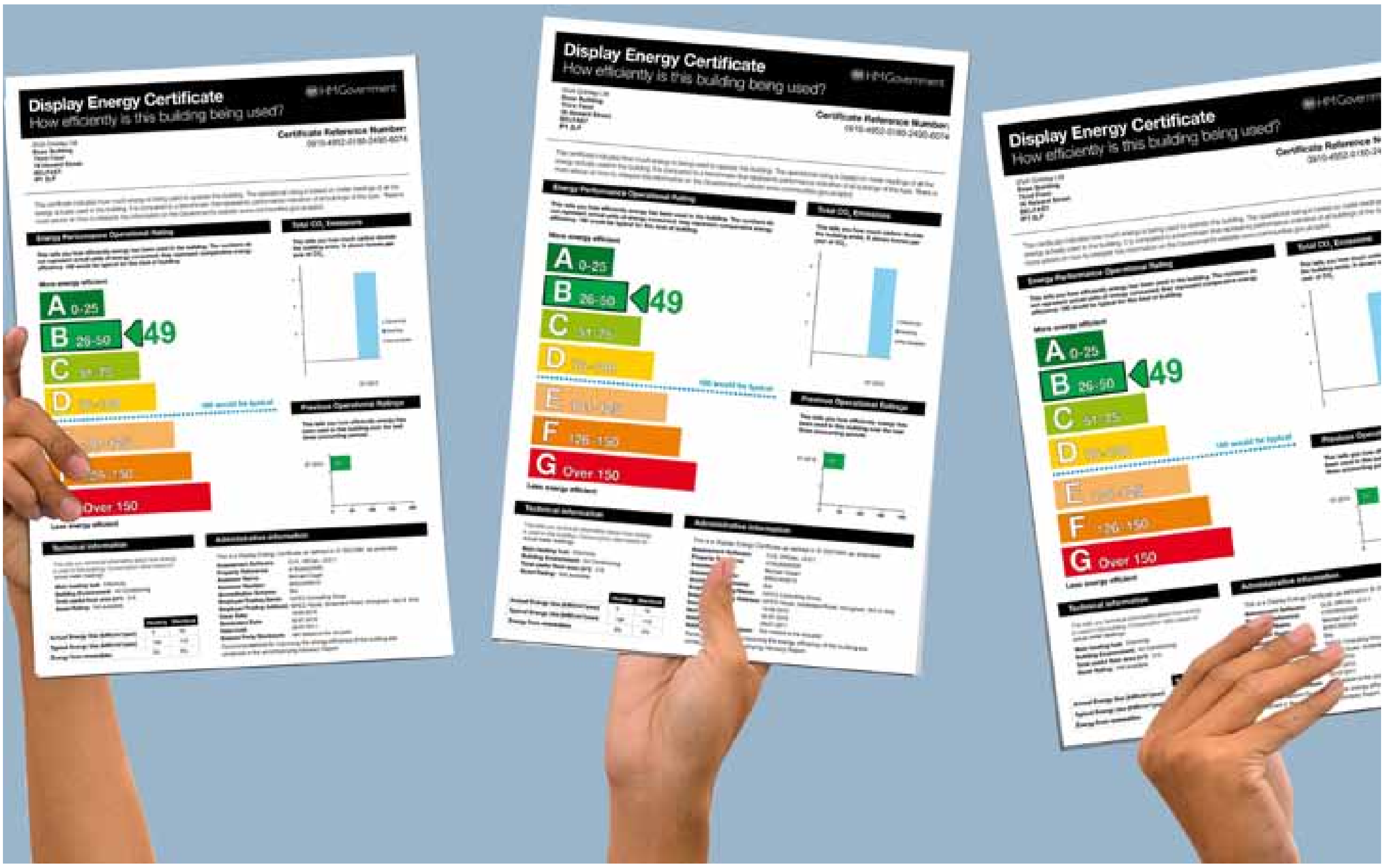
When are they required?

An EPC is required when a new building is constructed, or part or whole of a building with a floor area greater than 50 sqm is sold or let. It equally applies to existing buildings where a tenant assigns or sublets space. Obligation for an EPC is only where the occupier is a "new tenant". The EPC and report should be provided to prospective purchasers or occupiers when viewings occur or property details are provided to interested parties.

DECs must be produced for public buildings with a floor area greater than 1,000 sqm. The information used to produce a DEC is largely based on actual energy consumption of the building over a period of 12 months. As a result, a DEC must be updated annually. The accompanying advisory report must be renewed every seven years.

Impending key changes as a result of EPBD2

- The UK regulations currently only require that the EPC be 'made available' to the prospective tenant or buyer. The updated regulations will require that the EPC is handed over to the prospective buyer or tenant when the property is viewed or the details requested. It cannot wait until exchange of contracts.
- The recommendations must be included in the EPC itself, rather than as an accompanying document.



- The EPC rating must be included in advertisements when a property is marketed for sale or let. Depending on how the implementing legislation is framed, this may mean that agents become liable for any failure to comply.
- The threshold for public buildings that must exhibit a DEC will be lowered from 1,000 sqm to 500 sqm in 2012 and to 250 sqm from July 2015.
- It is likely that owners of private properties that have a total useful floor area of more than 500 sqm, and are 'frequently visited' by the public, will also have to exhibit a DEC at the relevant property.

The UK Government's March 2011 Carbon Plan states that they wish to extend DECs to commercial buildings from October 2012. Clarity is awaited but this is a move the industry has been lobbying for.

Benefits this can bring

Undoubtedly the inclusion of EPC ratings in property promotion will bring opportunities to promote genuinely efficient buildings.

The visual impact of energy certificates being on display in the majority of buildings cannot be underestimated and will bring benefits in the form of energy efficiency measures and reduced costs.

> "The UK Government is planning **mandatory DECs** for commercial buildings"

How GVA can support you

GVA can work with you to gain EPC and DEC certification where required or desired.

In addition we can provide cost effective strategies that will improve the ratings, increase energy efficiency and reduce costs. If required we can also assist in the implementation works to ensure that they are undertaken correctly and monitor ongoing performance.

For further information please contact:

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For our suite of sustainability bulletins or for any other environmental performance queries you may have please contact our sustainability team:

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Bulletin

CRC Energy Efficiency Scheme

The CRC Energy Efficiency Scheme (CRC) is a mandatory carbon trading scheme intended to encourage large private and public sector organisations to reduce their carbon emissions.

The Government has announced amendments to the CRC, changing it from being revenue neutral to raising an estimated £3.5 billion for the Treasury by 2015. This means that participants will no longer be awarded 'recycling payments' or be able to create revenue from the scheme via improved performance. For many participating companies this will equate to an added cost upwards of £1million. As the scheme has in essence become an environmental tax, landlords may now find it possible to apportion the costs to tenants through service charges.

About 20,000 organisations are affected by the scheme and approximately 4,000 of these are 'CRC participants'. These are organisations with 'half hourly meters' and who use at least 6,000mWh p.a. of electricity, equating approximately to £500,000 p.a.

An annual league table of comparative performance is still expected to be published and made publicly available, thereby identifying the most and least progressive organisations in regards to energy efficiency.

How will it work?

Organisations must measure and report their annual energy use. The first "compliance year" of the scheme, April 2010 to March 2011, is a monitoring year only. In the following years, organisations must buy allowances from the Government in April. The first allowance purchase date has been changed from 2011 to 2012. This implies that organisations will be buying allowances retrospectively, to cover the carbon they emitted in the preceding 12 months. This is a substantial change, as organisations will no longer have to predict their future energy use in order to procure the correct number of credits.

For 2011 and 2012 the price of each allowance is currently set at £12 and there is no limit to the number of allowances available. Starting in April 2013 the amount of allowances will be capped and the price determined through a closed auction.

Phase 1

When?		What?	What needs to happen?
2008	**January - December**	Qualification period	No action necessary
2009	**October**	The Environment Agency sent out registration packs to all 'half hourly billing points'	Those who pay bills for half-hourly metered electricity should have received a registration pack
2010	**April**	Start of the 1st compliance & 'monitoring' year (and qualification year for Phase 2)	
	April – September	Registration period	CRC participants to register their 2008 energy use
2011	**April**	Start of the 2nd compliance year	
	July	Footprint Report due 1st Annual Report due	Reporting is via an online registry
	October	1st league table published	
2012	**April**	Start of the 3rd compliance year	
		1st sale of allowances (to cover 2011/12 emissions)	
	July	2nd Annual Report due	As per the previous year
	October	2nd league table published	
2013	**April**	'Introductory phase' ends, 'Capped phase' begins	
		2nd sale of allowances (to cover 2012/13 emissions) Start of Capped Phase future allowances will be auctioned rather than sold at a fixed price	Carbon probably becomes more expensive and so does inefficiency.

A league table based on the relative performance of organisations' carbon emission levels will be published annually by the Government. Performance in this is still expected to be a significant motivator for many organisations. There are three metrics which will dictate league table performance including:

- Early Action Metric which takes into account energy saving measures an organisation put in place before the first compliance year (i.e. during the period 2008-2010).
- Growth Metric which gives credit to companies that are expanding in an energy efficient way.
- Absolute Metric which reflects the relative change in an organisation's CRC emissions.

The implementation of an early action strategy is crucial to performance in year one as it will account for 100% of an organisation's score. Thereafter, the 'Absolute Metric' will be most influential.

The Government is expected to consult on further simplification of the CRC and therefore additional changes are expected. One possible change is that the 6,000mWh p.a. threshold is lowered, thereby increasing the number of participating organisations.

Implications for organisations

Many landlords and large occupiers will be affected, both in the private and public sectors. Some of the many issues that CRC participants will need help with include the following:

- Timing of property transactions
- Changing lease terms
- Addressing service charge arrangements
- Collecting data on energy consumption and ensuring metering is appropriate and accurate
- Carbon reduction strategies
- Establishing and managing CRC funds
- Liaison between landlords and tenants, including mutual appreciation of business strategies

Urgent strategies required

GVA's sustainability team in partnership with energy consultants, Inenco, can assist organisations to assess whether they will need to be a participant in the scheme, including Phase 2, and help to develop and implement strategies in order to reduce CRC costs as much as possible in the short, medium and long term.

For further information please contact:

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