

Report on the Socially Responsible Investment Programme

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

The UK FTSE 350 holdings are evaluated in conjunction with participation in the Business in the Community (BITC) Corporate Responsibility Index (CR Index), the FTSE4Good Indices and disclosure of data through participation in the Carbon Disclosure Project (CDP) annual survey. Where an investee company falls below the required standards, further review and dialogue is scheduled.

For the past nine years BITC CR Index has provided a framework on which investee companies could improve and integrate corporate responsibility into their operations focusing on; strategy, integration, management, environmental and social impact areas. Participation in the 2010 BITC CR Index increased from 117 to 143, with 114 reaching an index score of 70% or above to qualify in the annual rankings compared to 111 in 2009, 141 in 2008. Some of the key issues for companies in the CR Index were carbon emissions management, water use and consumption, high levels of unemployment and anti-social behaviour and bribery and corruption. Four of our investee companies achieved platinum plus, and one of the construction companies, whom we encouraged to participate in 2008, has continued to improve, entering the silver category of the CR Index.

There were 15 investee companies that either did not participate in the above indices or fell beyond the remit of the indices due to the nature of their business. All FTSE AllShare companies held by the Funds have a statement in their report & accounts that adequately described their approach to SRI and all submitted data to the CDP.

In January BAPIML became an investor member and signatory to the Carbon Disclosure Project (CDP) Investor CDP, CDP Water Disclosure and Carbon Action initiatives. On behalf of BAPIML and other shareholders carbon, climate change and water information is requested from over 3,000 companies through two annual questionnaires. This information encourages companies to account for, and be transparent about environmental risk, ultimately sustaining long term value to the Funds.

In March 2012 the UK Financial Services Authority (FSA) published the results of its review into anti-bribery and corruption systems and controls, implemented by investment banks, since the Bribery Act 2010 (the Act) came into force in July 2011. The FSA review of 15 firms and a number of smaller operations, found a number of common areas of weakness. Half of the firms did not have an adequate anti-bribery and corruption risk assessment. Management information on the subject was poor therefore, senior management could not provide effective oversight. Only two firms had either started or carried out specific anti-bribery and corruption internal audits. There were also significant issues in firms' dealings with third parties, which were used to win or retain business. Few of the firms had reasonable procedures in place to ensure that gifts

and expenses were appropriate. Following results of the review and consultation, the FSA, and going forward, the Financial Conduct Authority propose to update chapters of the Financial Crime Guide. New guidance and examples of good and poor practice will be drawn from the findings. Fund Managers receive regular updates as part of their training and competence.

Analysis of Global Shareholder Proposals

Fund Managers have continued the policy of monitoring company statements through report & accounts, independent research, on websites and through the corporate governance process. Throughout the reporting year, we examined Annual and Extraordinary General Meetings for shareholder proposals containing environmental, social or ethical issues. The Institutional Shareholder Services (ISS) recommendations are used as a guideline in conjunction with our own research to assist in decision making on shareholder proposals, issues are logged and reported to Trustees on an annual basis.

We have seen a small decrease in environmental and social proposals submitted to shareholder meetings overall. Of the 52 proposals, Japan had the largest decrease with only six shareholder proposals from 29 in 2010, whilst the US had an increase in shareholder proposals from 25 to 43. Europe and Australasia only recorded one proposal each, with one management proposal for the UK.

Shareholder Proposals submitted to Annual/Extraordinary Meeting Agenda's April 2011- March 2012

No of Proposals	Action
35	Against, in line with management and ISS
13	For, against management, in line with ISS recommendation to vote for
1	For, against management, contrary to ISS recommendation to vote against
1	Against, with management recommendation to vote for, contrary to ISS recommendation to vote against
1	Against, in line with ISS, contrary to management recommendation of for

The most common proposals featuring during the monitoring process were the preparation or improvements to sustainability reports, director election specifically with environmental qualifications, the adoption of guidelines for country selection, discrimination based on gender or sexual identity, and reporting on the effects of a chemical. BAPIML voted contrary to ISS on one proposal to re-elect a director with essential environmental skills.

The Fund Managers voted against the remaining 35 shareholder resolutions in line with management and ISS recommendations.

Developments at Portfolio Companies

A UK pharmaceutical company submitted a proposal, "Approve the exemption of the name of the senior statutory auditor in published copies of the auditors reports" at their annual meeting in April 2011. The company had been a target for animal protection groups and in recent years these groups have adopted a more aggressive approach. The proposal to remove the name and personal details of the senior statutory auditor was submitted to avoid the information being used by activists, and to prevent the likelihood that it would create a serious risk that the senior statutory auditor, or any other person, would be subject to violence or intimidation. On this occasion BAPIML vote in line with management on the proposal.

In Japan, a utility company had anti-nuclear proposals submitted to their annual meeting in June 2011, to shut down a nuclear reactor to avoid an earthquake disaster. The company announced they had improved safety measures, a survey on the land have shown solid ground below the plant, and plans to build a sea wall around the plant to improve tsunami defences. BAPIML voted in line with management on all proposals.

On a resolution at a Japanese retail company the Fund Manager voted for the re-election of a non-independent outside director, contrary to ISS recommendation of against. The director has served as special advisor to the United Nations Environment Programme (UNEP) Finance Initiative since 2003, and was recruited as councillor of the company's Environmental Foundation when it was established in 2008. Although the director is not classed as independent by ISS, his expertise in environmental issues is a valuable asset to the company.

At the annual meeting of an Australian oil and gas company, a shareholder proposal to amend the company's constitution was proposed by the Climate Advocacy Shareholder Group. The proposal would require the board to prepare and approve a report on future carbon prices, oil prices, demand for oil and regulation of greenhouse gas emissions in its assessment of new and ongoing major capital expenditure. The second requirement was to for Woodside and its auditors to assess potential impairments of assets. The company provides a sustainability report on its website and participates in the Carbon Disclosure Project with its responses to the CDP publicly available. The company also participates in the Governments Climate Change Business Roundtable and is engaging with them over the design of its proposed carbon price scheme. The information the shareholder group seeks to have disclosed would be commercially sensitive, and negatively impact the company's negotiating ability and competition advantage, therefore a vote against was given.

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

Originator: CG & SRI Specialist, BAPIML
Date: 10th May 2012