

**UK Pension Scheme Transparency on Social,
Environmental and Ethical Issues
November 2006**

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Contents

Page

- i. Executive Summary
- ii. 1. Introduction
 - 1.2 Background
 - 1.3 General commentary on the state of the UK pensions industry
 - 1.4 The legal view of responsible investment
 - 1.5 Overall conclusions
- iii.
- iv. 2. Methodology
- v. Disclosure and Transparency League Table
- vi. Rating Criteria
 - Individual pension scheme analyses (listed best to worst)
 - 1. Universities Superannuation Scheme Ltd
 - 2. British Telecommunications plc
 - 3. Greater Manchester Pension Fund
 - 4. West Yorkshire Pension Fund
 - 5. Coal Pension Trustees
 - 6. BP plc Pension Fund
 - 7. Shell Contributory Pension Fund
 - 8. Strathclyde Pension Fund
 - 9. BBC Pension Scheme
 - 10. British Airways Pension Scheme
 - 11. Corus UK Ltd British Steel Pension Scheme
 - 12. National Grid plc Pension Scheme
 - 13. Railways Pension Scheme
 - 14. Royal Mail Pension Scheme
 - 15. BAe Systems Pension Scheme
 - 16. Lloyds TSB Group plc Pension Scheme
 - 17. Barclays Bank plc UK Retirement Fund
 - 18. Electricity Pensions Services Ltd
 - 19. HSBC Bank plc Pension Scheme
 - 20. Royal Bank of Scotland Group Pension Fund

Key Findings

November 25, 2006

<p>UK Pension Scheme Transparency on Social, Environmental and Ethical issues</p> <p><i>“Members in the dark”</i></p>	<p>What is responsible investment?</p> <p>Responsible investment requires pension schemes to be active shareholders in the companies they own and hold these companies to account for poor environmental and human rights behaviour.</p>
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A ranking of the largest UK pension schemes (comprising over £250 billion in assets) by level of transparency, benchmarked against industry best practice.

Huge divergence of practice between schemes

Only a handful of pension schemes show evidence of serious attempts to develop and disclose robust policies to tackle specific environmental, human rights, or governance problems within their investments.

Members kept in the dark on human rights & environmental behaviour of their schemes

- None of the schemes surveyed disclosed material which mentioned **human rights** as having any impact on whether or not a scheme was willing to be an investor in a company. This was of concern given that many UK pension schemes disclosed investments in companies that have been widely criticised for their human rights behaviour.
- Most pension schemes did not disclose any evidence of a clear policy to tackle the financial risk to their investments from well known issues such as **climate change**.
- Only one scheme (**BT**) has committed to disclosing its full voting record, thereby allowing members to see how their scheme uses its shareholder power to promote good **corporate social responsibility**.
- Only one scheme (**USS**) publicly disclosed their Top 100 investments.

“National institutions” surprisingly secretive on environmental & human rights issues

Schemes provided by the **BBC** and **Royal Mail** showed little transparency on responsible investment; this is noteworthy as these pension schemes have investments in companies that face allegations of serious **environmental and human rights abuses**.

Most financially sophisticated companies have least transparent pension schemes

HSBC and **Barclays** are amongst the few schemes that declined to make their pension scheme documents publicly available. **Lloyds TSB** and **Royal Bank of Scotland** disclosed scheme documents, but showed little evidence of responsible investment, despite overwhelming research showing investing responsibly can enhance returns and lower risk.

Local government shows some commitment, not enough action

The best local authority, **West Yorkshire** (controlling more than £6 billion), achieved only 50% of industry best practice on transparency; other local authorities disclosed little evidence of engagement with companies facing serious environmental and human rights allegations.

Window dressing

Despite a statutory requirement for pension schemes to state whether they take account of social, environmental, or ethical factors, it was noteworthy that only 12 out of 20 schemes publicly disclosed this information.

1. Introduction

This report is the result of research carried out into the top twenty pension schemes¹, based on capital value, and the quality of their disclosure and transparency on Responsible Investment (RI). RI refers to investment where social, environmental, and ethical (SEE) factors are taken into account in the selection, retention and realisation of investments and the responsible use of rights (such as voting rights) attached to investments. We invited schemes to send us their scheme documents (annual report and statement of investment principles (SIP)), as well as any supplementary RI policies they might have, and audited these to benchmark how well they were doing on disclosure and transparency. The results would provide us with a snapshot of evidence into the RI environment of pension schemes in the UK.

1.2 *Background*

The Occupational Pension Schemes Amendment Regulations 1999 introduced a statutory framework, to complement the Pensions Act 1995, which required pension schemes to disclose the extent to which SEE factors were integrated into investment decisions and the policy and execution of rights, including voting rights, attached to investments². The amendments constitute the basis of RI; that is, the consideration of SEE issues in the interest of the scheme value and investor responsibility.

The amendments came in response to growing concern regarding company SEE behaviour, which had not previously been an obvious aspect to integrate into investment decisions. One of the purposes of the amendment was therefore to ensure that adequate information was produced so all persons (members, trustees, and the public) understood the position of the pension schemes in relation to specific SEE factors and voting rights. In practice this would mean if a trustee or member wished to retrieve information on dealings with a company which exhibited questionable corporate behaviour - possibly compromising the value of the investment return - a defined and actionable policy would be accessible.

Prior to Paul Myners' review of institutional investment decision-making in 2000, there was little focus on exactly how policies could be formed to incorporate RI into the investment process. The principles recommended by the Myners review also fell short of providing details on exactly how RI can be used to govern each aspect of a scheme. For this reason, FairPensions began a comprehensive assessment of pension scheme industry best practice on RI in early 2006 to develop a clear usable guide for pension schemes. The assessment took account of existing practices in evidence by UK pension funds, and input was obtained from a number of leading fund managers. The assessment also incorporated the legal opinion on RI from Freshfields Bruckhaus Deringer as well as a guide on RI edited by Charles Scanlan, the former Head of Pensions at Simmons & Simmons. The result of the assessment was the publication of the FairPensions Responsible Investment Trustee Best Practice Guide, a copy of which is available from the FairPensions website (www.fairpensions.org.uk). For purposes of this survey report, pension schemes were assessed against the seven best practice guidelines on disclosure and transparency that are listed in the FairPensions guide.

1.3 *General commentary on the state of the UK pensions industry*

It is apparent from the lack of substantive references to RI in many of the scheme documents that we audited, that many schemes are unaware that RI has rapidly evolved in recent years from being an extra-financial issue to being a factor that has the potential to impose both financial and

¹ Imperial Chemical Industries, the 17th largest scheme by capital value, was omitted from the study as ICI Pension Fund holdings are mainly in bonds

² <http://www.opsi.gov.uk/si/si1999/19991849.htm> (last accessed 25/10/06)

reputational damage on the scheme and its sponsoring organisation(s). Where previously, SEE issues within investee companies were regarded as something of a distraction, today they are resulting in lawsuits, regulatory clampdowns, and revenue-impacting brand damage. It is no wonder therefore that virtually every research report conducted on the financial impact of SEE factors in the last five years shows a very clear correlation between good corporate SEE behaviour and share price performance.

Corporate social responsibility (CSR) has become increasingly important to company image and in influencing the public perception of company behaviour. Consequently many companies now produce CSR reports and provide information regarding their CSR behaviour. However, most of the schemes that we audited did not demonstrate any reflection of either the sponsoring organisations' CSR policy, or the wishes and concerns of the broader scheme membership. We consider this a worrying reality, since pension schemes are an extension of the company and in many cases are of higher capital value than the company itself, thereby representing the potential to impact its very survival.

The perception that SEE factors and voting rights are minor details in the running of such powerful schemes leads many to take a box-ticking approach to RI. We often witnessed lofty statements of intent, but no actual evidence of activity or results of activity. We suspect that if a similar approach was taken to the matter of asset allocation or fund manager selection it would be followed by a chorus of concern from members, trustees, and the Pensions Regulator alike. Instead, the lack of information on RI in most scheme reports means that most pension scheme members and other external parties are "kept in the dark" and are simply not aware that serious financially and morally relevant activities are occurring within their scheme.

1.4 *The legal view of responsible investment*

As the financial relevance of RI has grown, so has the legal view of it. Where pension schemes previously felt legally constrained in implementing RI by a case known as *Cowan v. Scargill*, they are now in fact *obliged* to have clear policies. Indeed, Freshfields Bruckhaus Deringer, which published a legal opinion on RI in 2005, believes that the *Cowan v. Scargill* case is:

*"Misunderstood" and "cannot be relied upon to support the single-minded pursuit of profit maximisation...Fiduciary duties evolve over time according to changes in norms and the values of society. It is, for example, very unlikely that paying equal wages to men and women...would be regarded as breaches of fiduciary duties in the 21st century but all were so regarded not very long ago...It may be a breach of fiduciary duties to fail to take account of ESG [environmental, social and governance] considerations that are relevant and to give them appropriate weight, bearing in mind that some important economic analysts and leading financial institutions are satisfied that a strong link between good ESG performance and good financial performance exists."*³

Despite this clear legal guidance, most pension fund advisors that FairPensions speak to still tend to start meetings by highlighting the limitations that *Cowan v. Scargill* apparently imposes on them. This is a misunderstanding that we hope will soon disappear, as it continues to act as a false barrier to action on RI.

1.5 *Overall conclusions*

In addition to the key findings shown on page (i), a number of overall conclusions can be drawn. While we witnessed a number of examples of pension schemes which clearly understood the importance of disclosure and transparency to members, some schemes appeared to use policy statements as smokescreens for a lack of activity. In fairness to these schemes, some of them were

³ Freshfields Bruckhaus Deringer, A legal framework for the integration of environmental, social and governance issues into institutional investment, 2005, p. 100

often unaware that their fund managers were failing to engage, and a number of schemes have responded robustly to the concerns we raised. Some schemes should be commended for proactively seeking a dialogue with FairPensions to learn more about RI (Coal Pension Trustees, Shell, National Grid, USS), and in this regard Hermes (which is owned by the BT Pension scheme) deserves special commendation for openness and a desire to improve. Others, however, showed little overall evidence of RI (Royal Bank of Scotland, Lloyds TSB) or disclosed no scheme material to us (BAe Systems, Electricity Pensions, HSBC, Barclays Bank).

The results of the report are clear: a majority of the pension schemes we audited show little or no evidence that they are effectively incorporating the financial or reputational risks that arise from investing in companies that face serious environmental, human rights, or ethical problems. Given the direct financial relevance of these issues to portfolio performance, a radical rethink is needed by pension schemes to ensure these issues are being clearly incorporated by the scheme's fund managers. In the same manner as a scheme is expected to receive advice on asset allocation, it should also receive advice on the formulation of an RI strategy. Fund manager sources tell us privately that RI strategies are only actionable and effective if they are *specific*, provide *clear* instructions, and provide *specific financial incentives* to fund managers. For more information on how pension schemes can adopt RI, please see the FairPensions RI Best Practice Guide.

2. Methodology

This report covers the largest twenty UK pension scheme schemes based on capital value. The top twenty are valued in excess of £250 billion; representing approximately 1/3rd of the total £725 billion occupational pension scheme universe. The large size of these schemes means that they wield a significant amount of shareholder power and claim a unique position to influence investee companies. Information was obtained from the pension scheme Annual Report and Accounts, the Statement of Investment Principles, the scheme website and any other written policies provided to us by the pension schemes in the universe. We also offered schemes the opportunity to meet with us to discuss our ranking and methodology, and some took advantage of this opportunity.

For each best practice action that a pension scheme had clearly complied with, one mark was given. A mark of a half was awarded when there was evidence of partial adherence. Where activity had not been clearly evidenced, our audit was obviously not able to award credit. The final scores were rated out of 7, being the total number of single actions on disclosure and transparency in the FairPensions RI Best Practice Guide. It should be clearly noted that the purpose of the exercise was to assess the transparency of the largest pension funds in the UK and to analyse the quality of information disclosed. Therefore if the scheme policies were not disclosed, or did not match disclosure and transparency criteria, credit was not awarded. A key point of contention in this regard is likely to be the question of what constitutes an adequate policy.

Where engagement was clearly specified as being the fund manager's responsibility, and the fund manager *clearly* disclosed *specific* policies and *evidence* of engagement, marks were credited to the scheme. The reason being that both parties had disclosed policies in an accessible manner, thus allowing any member of the scheme to find information if they so wished. We also looked for clear evidence that engagement was occurring and only a handful of funds were able or willing to provide such evidence. Where engagement was stated as being outsourced to a specific fund manager and the fund manager did not disclose a clear strategy, we were unable to award marks. Where engagement was stated as being generally devolved to fund managers, without specific details thereof being disclosed, we were unable to award marks. In some cases, schemes did not state who was responsible for engagement. In these cases, we were unable to award marks given the complete lack of transparency.

UK Top 20 Pension Schemes, Transparency Ranking: League Table
21st November 2006

Rank	Pension Scheme	Score out of 7	% Score	estimated size (£ billions)
1	Universities Superannuation Scheme Ltd	5.5	79%	28.2
2	British Telecommunications plc Pension Scheme	5.0	71%	34.4
3	Greater Manchester Pension Fund	3.5	50%	8.9
4	West Yorkshire Pension Fund	3.0	43%	5.2
5	Coal Pension Trustees	2.5	36%	18.4
6	BP plc Pension Fund	2.0	29%	10.9
6	Shell Contributory Pension Fund	2.0	29%	9.0
6	Strathclyde Pension Fund	2.0	29%	7.0
9	BBC Pension Scheme	1.5	21%	7.9
9	British Airways Pension Scheme	1.5	21%	9.9
9	Corus UK Ltd British Steel Pension Scheme	1.5	21%	8.1
12	National Grid plc Pension Scheme	1.0	14%	12.8
12	Railways Pension Scheme	1.0	14%	16.0
12	Royal Mail Pension Scheme	1.0	14%	21.9
15	BAe Systems Pension Scheme *	0.5	7%	6.2
15	Lloyds TSB Group plc Pension Scheme	0.5	7%	10.1
17	Barclays Bank plc UK Retirement Fund *	0.0	0%	9.6
17	Electricity Pensions Services Ltd *	0.0	0%	18.3
17	HSBC Bank plc Pension Scheme *	0.0	0%	5.8
17	Royal Bank of Scotland Group Pension Fund	0.0	0%	16.8

* = did not provide information in response to FairPensions' request

Scoring Criteria

One point was awarded for complying with each of the following items. Partial credit was awarded where appropriate

Disclosed the Statement of Investment Principles

Disclosed the top 100 equity investments in the scheme

Disclosed the annual voting record

Disclosed policies on RI integration into investment mandates and fund manager monitoring and reporting requirements

Disclosed the specific engagement strategy (specific issues to be acted on) and the results and progress of these efforts

Provide a public website with a section on RI

Provided evidence of a detailed RI section in the annual report

Responsible Investment Best Practice Audit
 Transparency Ranking
 Evaluation Guidelines

One point was awarded for each of the seven items listed below. Where evidence was shown of partial adherence, a half point was awarded. For further information on the methodology of the audit please refer to the methodology section of the report.

Disclosure and Transparency Best Practice	✓ (1)	P (0.5)	✗ (0)
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Trustees should annually disclose:

1. The SIP	Complete SIP is disclosed.	Only part or a summary SIP is disclosed.	No SIP is disclosed.
2. At least the top 100 equity investments in the scheme	All 100 are disclosed.	20 and over.	Under 20.
3. Annual voting record	Full record, including which way votes were made and at what company event.	Provision of voting analysis, but no specific details.	No voting record.
4. Policies on RI integration into investment mandates and fund managing monitoring and reporting requirements	a) Requires and incentivises fund managers to integrate RI into investment decisions. b) Has established fund managing monitoring and reporting requirements.	Shows evidence of either a) requiring and incentivising fund managers to integrate RI into investment decisions, OR b) establishing fund managing monitoring and reporting requirements, from the "complete" criteria	No evidence of either a) requiring and incentivising fund managers to integrate RI into investment decisions, OR b) establishing fund managing monitoring and reporting requirements.
5. The specific engagement strategy (specific issues to act on), and the results and progress of these efforts	A strategy specifically for engagement which covers priority issues and can show evidence of results and progress of the engagement efforts.	Has an engagement strategy, however does not specifically contain details of priority issues and/or results of engagement.	No engagement strategy disclosed.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	A public website with a section which contains information and details concerning RI.	A public website which does not include a separate section on RI.	The scheme has no public website.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	The annual report contains a detailed RI section which covers engagement areas, votes and initiatives.	The annual report contains a section on RI which is fairly detailed on their policy, which should cover engagement, however may not include key votes or initiatives.	No details of a RI policy are contained in the Annual Report.

Responsible Investment Best Practice Audit
Universities Superannuation Scheme Ltd

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Disclosed in Annual Report and Accounts 2005.
2. At least the top 100 equity investments in the scheme	✓	Largest 20 disclosed in Annual Report and Accounts in 2005 and largest 100 disclosed on website.
3. Annual voting record	P	The scheme discloses the frequency of voting, however no specific details of how and where votes were made are provided.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	P	The scheme shows evidence of integrating RI policy into engagement activities. The scheme is also a member of the Enhanced Analytics Initiative, and has staff dedicated to implement and monitor the RI policy. It is unclear if there are fund manager reporting or monitoring requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✓	The scheme engages on a number of issues and documents results and progress of these processes. However we are aware that in a number of cases there is a failure to engage with investee companies which are exhibiting behaviour at odds with USS' RI policy and therefore this needs to be addressed.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	✓	The scheme has a public website with a separate and detailed section on RI. However it should be noted that the section on RI is difficult to find and this needs to be addressed.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	P	There is a section on RI in the Annual Report and Accounts which covers key issues of concern. However there are no details of key company and industry engagements or key votes.

Total 5.5/7

Overall Comment

Although the scheme did not fully comply with all Disclosure and Transparency Best Practice criteria, the scheme should be commended for proactively seeking dialogue with us in order to improve their policies.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- Full details of voting
- How RI is integrated into investment practice and disclose monitoring and reporting requirements
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
British Telecommunications plc Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Disclosed in the Annual Report and Accounts, 2006.
2. At least the top 100 equity investments in the scheme	P	Largest 30 disclosed only.
3. Annual voting record	✓	Hermes (the fund manager owned by the BT Pension Scheme has committed to disclosing full details of the votes made on behalf of the BT Pension Scheme by the end of November.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✓	Hermes engage on behalf of the BT Pension scheme and RI is integrated into investment practice. They are also members of the Enhanced Analytics Initiative, and report to BT on the progress and results of engagement.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✓	The BT Pension Scheme provides a summary of the engagement strategy pursued by Hermes. Hermes also provides details and evidence on the results and progress of engagement efforts.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	The scheme's website contains no separate and detailed section on RI. We are aware that the Hermes website has a section on RI, but no link was made to this from the BT Pension scheme website. For that reason we could not award credit for this.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	*	Very brief comment on RI; investments should be preceded with a consideration of whether companies "behave ethically and [have] regard for the environment and society as a whole".

Total 5/7

Overall Comment

Although the scheme did not fully comply with all Disclosure and Transparency Best Practice criteria, the scheme should be commended for proactively seeking dialogue with us in order to improve their policies.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Greater Manchester Pension Fund

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Disclosed in the Annual Report and Accounts 2006.
2. At least the top 100 equity investments in the scheme	P	Largest 20 disclosed only.
3. Annual voting record	✗	No voting records are disclosed by the scheme.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	P	The SIP states that the Council encourages the investment managers to promote corporate social responsibility and encourage responsible behaviour from companies it invests in. The scheme's appointed external fund managers are also encouraged to operate a policy of "constructive shareholder engagement with companies". The scheme is a member of the LAPFF which provides research and engagement on RI. The scheme also has a working group which monitors and reports on "Ethics and Audit". It is unclear if there are any fund manager reporting or monitoring requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✓	The scheme states that engagement with companies is realised by its membership to the LAPFF. The LAPFF website contains updated information concerning engagement processes and results. Issues to act on are decided through ordinary meetings of the member funds. However it is unclear whether the scheme has its own RI strategy which it will implement if the LAPFF does not achieve a consensus on an issue that Greater Manchester Pension Fund would like to engage on.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	The scheme has an easily accessible website which contains scheme information and updates. However there is no separate RI section.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	There is no separate RI section in the Annual Report. The only information within the scheme referring to RI is a small section in the SIP entitled 'Socially Responsible Investment' which takes a general approach to encouraging good practice from companies in which it invests.

Total 3.5/7

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practice and disclose monitoring and reporting requirements
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
West Yorkshire Pension Fund

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Disclosed in the Annual Report and Accounts, 2005.
2. At least the top 100 equity investments in the scheme	✗	Largest 10 disclosed only.
3. Annual voting record	✗	Although voting is stated as important, and the scheme have an 11-page voting policy, no voting records are disclosed.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	P	It is stated in the scheme SIP that providing the social, environmental or ethical investment results in at least comparable returns, then this would be the usual investment choice. The scheme uses LAPFF to provide research on RI. It is unclear whether there are staff allocated to monitor the policy or if there are any fund manager reporting or monitoring requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✓	The scheme states that engagement with companies is realised by its membership to the LAPFF. The LAPFF website contains updated information concerning engagement processes and results. Issues to act on are decided through ordinary meetings of the member funds. However it is unclear whether the scheme has its own RI strategy which it will implement if the LAPFF does not achieve a consensus on an issue that West Yorkshire Pension Fund would like to engage on.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	The scheme does have an easily accessible website which contains information and reports concerning the pension fund, however there is no separate RI section.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	There is no separate section within the annual report which covers RI in detail.

Total 3/7

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practice and disclose monitoring and reporting requirements
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit

Coal Pension Trustees

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Disclosed in the Annual Report and Accounts 2004/05. However the scheme is exempt from producing a SIP under disapplication rules for section 35 of the 1995 Pensions Act.
2. At least the top 100 equity investments in the scheme	P	Largest 20 disclosed only.
3. Annual voting record	✗	No voting records are shown but at least it is clear who exercises the scheme's voting rights (Hermes).
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✗	Only very brief comments on SEE issues, stating companies "should accept that they have a moral responsibility to operate to high standards in all aspects of their business and the Trustee will be prepared to use its voting rights to encourage such a view.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	P	BCSSS delegate engagement responsibilities to Hermes EOS and encourage processes to form around Institutional Shareholders' Committee statement of principles. However the results and progress of these efforts are not disclosed by the scheme.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	BCSSS website contains fund information and accessible reports and pension updates. However there is no explicit RI section.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	Very brief comments concerning a company's moral obligation to "operate to high standards" and their responsibilities to "employees and the wider community and [to take these into account] in considering the practices adopted by investee companies", but no results or evidence thereof are provided.

Total	2.5/7
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Overall Comment

Although the scheme did not fully comply with all Disclosure and Transparency Best Practice criteria, the scheme should be commended for proactively seeking dialogue with us in order to improve their policies.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practice and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives

FairPensions™ 
The campaign for responsible investment

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Responsible Investment Best Practice Audit
BP plc Pension Fund

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Available on request.
2. At least the top 100 equity investments in the scheme	P	Largest 20 only.
3. Annual voting record	*	There is limited reference to the voting record other than that the responsibility for voting is delegated to the investment managers.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	*	It is stated that investment managers should take account of social, environmental and ethical standards when it is believed to effect the potential of investments. No further details are given.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	*	There are no details provided concerning a specific engagement strategy, or any results thereof.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	BP have a website containing information on their pension scheme where annual reports and investment principles can be accessed. However no information, other than brief comments in the SIP, is held on RI.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	*	There are only brief comments about trustee support "towards investments in companies with positive social, environmental and ethical policies", but no results or evidence is provided thereof.

Total 2/7

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Shell Contributory Pension Fund

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Available on request.
2. At least the top 100 equity investments in the scheme	P	Largest 20 disclosed only.
3. Annual voting record	✗	No voting record or voting policy is disclosed.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✗	The scheme only contains very general comments concerning RI, stating that there should be "consideration of socially responsible behaviour into investment decisions". It is unclear if there are fund manager reporting or monitoring requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	The SIP directs members to the Shell General Business Principles; these are guidelines which govern all Shell companies and how they conduct their affairs. It states, very briefly, that engagement is maintained and Shell are honest and responsible in these processes. No specific details are given.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	The scheme has a public website which navigates users around easily accessible sources and pension scheme literature. However there is no explicit RI section. The SIP states that socially responsible investment can be formed using the Shell General Business Principles as a framework.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	There is no detailed section within the Annual Report which discusses RI, engagements or key votes and initiatives.

Total 2/7

Overall Comment

Although the scheme did not fully comply with all Disclosure and Transparency Best Practice criteria, the scheme should be commended for proactively seeking dialogue with us in order to improve their policies.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practice and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Strathclyde Pension Fund

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Disclosed in the Annual Report and Accounts 2005. A reference guide to the scheme's SIP is included on the website and provides more detail than the original document into 'Social, Environmental and Ethical Considerations' and 'Corporate Governance'.
2. At least the top 100 equity investments in the scheme	✗	Investments are not disclosed by the scheme.
3. Annual voting record	✗	Voting records are not disclosed by the scheme. The 'Corporate Governance' section within the SIP does state that any votes attached to companies invested in by the scheme, UK and overseas, should be exercised whenever practicable.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	P	The scheme only provides limited details of a RI policy. However the Fund subscribes to EIRIS to monitor investment manager progress on SRI issues and to assess engagement carried out by the external fund managers on a quarterly basis.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	There is no specific engagement strategy beyond instructing investment managers to "initiate a process of active engagement.... With companies in which the Fund has invested". No results and progress of these efforts are disclosed.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	The scheme has an accessible public website which contains relevant scheme literature and information. However there is no separate RI section.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	There is no separate section in the Annual Report concerning RI or stating engagements or key votes. The SIP and the SIP reference guide include information on socially responsible investment, however this is brief and there is no evidence of how far these policies are implemented.

Total 2/7

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practice and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
BBC Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Available on request.
2. At least the top 100 equity investments in the scheme	✗	Largest 10 disclosed only.
3. Annual voting record	✗	No evidence of voting is disclosed.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	P	The scheme has recently employed the Hermes EOS service for fund management. The fund manager is required to integrate RI into investment decisions. Also Hermes are a member of the Enhanced Analytics Initiative and therefore have access to external RI research. However it is unclear if there are any fund manager monitoring and reporting requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	There is no explicit engagement strategy and the scheme shows no results of any efforts in this area. Although the scheme has recently acquired Hermes' EOS service, it is unclear how far this has been integrated into the running of the scheme.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	✗	There is no public website for the pension scheme.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	The Annual Report and Accounts contains no separate section regarding RI and does not disclose details of key industry engagements, votes or initiatives.

Total 1.5/7

Recommendations

Myners Principles

Although the scheme states compliance to Myners Principles, there is obvious conflict when there is no overt evidence of Principle 10 which recommends, amongst other measures, a public website. This should be addressed as soon as possible in the interests of the scheme and if the scheme wishes to maintain stating its adherence to the Principles.

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A website which includes a separate section on RI
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
British Airways Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	Available on the pension scheme website.
2. At least the top 100 equity investments in the scheme	✗	Largest 10 disclosed only.
3. Annual voting record	✗	Voting is only referred to in very general terms and no voting results have been disclosed by the scheme.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✗	RI is not covered in the Annual Report and is only briefly mentioned in the SIP. Furthermore it is unclear if there are fund manager reporting or monitoring requirements in place on SEE issues.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	There is no explicit engagement strategy disclosed by the scheme.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	The BA pension scheme have a public website which is easily accessible and informative. However, there is no separate RI section.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	The small section in the SIP which is dedicated to 'Socially Responsible Investment' primarily focuses on limiting adverse effects that the implementation of SEE factors into investment decisions may have on financial returns. A 'responsibility discussion overlay' is an ongoing process of engagement that the BAPIML use to raise awareness of ESG factors in investee companies; however how integral they are to the engagement process as a whole is not clear and no results of engagement processes are disclosed.

Total	1.5/7
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Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Corus UK Ltd British Steel Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	P	The Annual Report and Accounts contains a Summary of the SIP. A full version of the text is not contained in the Annual Report or accessible through the pension scheme website.
2. At least the top 100 equity investments in the scheme	P	Largest 20 disclosed only.
3. Annual voting record	✘	There is no voting record shown or any evidence of policies related to voting.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✘	There is no evidence of an explicit RI strategy and it is unclear if there are fund manager reporting or monitoring requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✘	The SIP contains a brief comment stating that the scheme "engages with companies as appropriate to protect or enhance its investments". No further information on a specific engagement strategy is included.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	The scheme has a public website which is easily accessible and contains scheme information. However there is no separate RI section.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✘	There is no section in the Annual Report that explicitly refers to RI, key industry engagements or key votes.

Total	1.5/7
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Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
National Grid plc Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✓	The SIP is available on request.
2. At least the top 100 equity investments in the scheme	✗	Largest 5 disclosed only.
3. Annual voting record	✗	No voting records are shown. Although a relatively detailed voting policy has been formed for use in the scheme, it does not explicitly reference RI.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✗	Although the Trustees require the fund manager, Aerion, to consider SEE issues in investment decisions. It is unclear to what extent this is done or if there are fund manager monitoring and reporting requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	There is no specific engagement strategy or priority issues disclosed or any details concerning engagement efforts.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	✗	The scheme does not have a public website.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	The Annual Report does not contain a detailed RI section and only briefly comments on RI in stating that it is the responsibility of Aerion Fund Managers to implement the policy on proxy voting and SRI. There is very limited information reported by Aerion on SEE issues.

Total 1/7

Overall Comment

Although the scheme did not fully comply with all Disclosure and Transparency Best Practice criteria, the scheme should be commended for proactively seeking dialogue with us in order to improve their policies.

Recommendations

Myners Principles

Although the scheme states compliance to Myners Principles, there is obvious conflict when there is no overt evidence of Principle 10 which recommends, amongst other measures, the disclosure of a public website. This should be addressed as soon as possible in the interests of the scheme and if the scheme wishes to maintain stating its adherence to the Principles.

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A public website which includes a separate section on RI
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Railways Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✗	Although a SIP is alluded to, it is not accessible either within the latest Annual Report or through the website.
2. At least the top 100 equity investments in the scheme	P	Largest 20 disclosed only. Also includes largest 10 for overseas equities.
3. Annual voting record	✗	The Trustee Company has voted on all its UK holdings since 1992. It is also stated that SEE factors and their implications are taken into consideration. No further information is given.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✗	There are no clear details of RI or how it is integrated into investment mandates. It is unclear if there are fund manager reporting or monitoring requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	The scheme states that voting is seen as the first step in engagement. Furthermore voting and corporate governance is formed around the UK Combined Code on Corporate Governance. No specific details on their engagement strategy or results thereof are given.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	Railway Pensions Scheme website contains information about the scheme and an accessible route to scheme literature. No SIP is contained or any detailed information about the Railway Pensions Trustees Company.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	There is no section in the Annual Report covering RI policy and no details are given concerning key engagements, votes or initiatives.

Total 1/7

Recommendations

Myners Principles

Although the scheme states compliance to Myners Principles, there is obvious conflict when there is no overt evidence of Principle 10 which recommends, amongst other measures, the disclosure of a scheme SIP. This should be addressed as soon as possible in the interests of the scheme and if the scheme wishes to maintain stating its adherence to the Principles.

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- A Statement of Investment Principles
- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and providing results and progress of these efforts
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Royal Mail Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✘	Not disclosed in Annual Report and Accounts or on website. Only available to members by request.
2. At least the top 100 equity investments in the scheme	P	30 largest disclosed only.
3. Annual voting record	✘	Not disclosed in annual Report or on website. The scheme only states that "Investment managers are instructed to use voting rights whenever this is practical".
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✘	The scheme provides no information on the integration of RI policy into investment mandates.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✘	There are no details shown which specify an engagement strategy or results and progress of any engagement processes.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	Royal Mail Group plc website contains information on their pension scheme. However there is no separate RI section.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✘	The Annual Report provides no information on RI and omits information regarding key engagements, votes or initiatives.

Total 1/7

Overall Comment

Whilst we are aware that Hermes does manage some investments on behalf of the Royal Mail Pension Scheme, the extent of the involvement is unclear from documentation and therefore we are unable to give the scheme credit for their work with Hermes since there are no details disclosed.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- A Statement of Investment Principles
- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A separate section on RI within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
BAe Systems Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✘	Not disclosed.
2. At least the top 100 equity investments in the scheme	✘	Not disclosed.
3. Annual voting record	✘	Not disclosed.
4. Policies on RI integration into investment mandates and fund managing monitoring and reporting requirements	✘	Not disclosed.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✘	Not disclosed.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	P	The scheme has a public website, however there is no reference to RI.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✘	Not disclosed.

Total 0.5/7

Overall Comment

No information was provided to us on request.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The formation of a clear and detailed RI strategy needs to be seriously considered and undertaken. In addition, the scheme should commit to disclosing the following information:

- The scheme SIP
- The scheme's top 100 equity investments
- Full details of the annual voting record
- Whether and how RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- Relevant pension scheme material and specific details of a RI policy contained within the scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives

Responsible Investment Best Practice Audit
Lloyds TSB Group plc Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✗	The SIP was not disclosed to us.
2. At least the top 100 equity investments in the scheme	P	Largest 20 only. Largest 10 overseas equity investments also included.
3. Annual voting record	✗	There are no voting records shown or any scheme voting policy.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✗	There is no evidence that RI is an actively pursued policy or that it is integrated into investment mandates.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	There is no specific engagement strategy disclosed by the scheme, or details, results and progress of any engagement efforts.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	✗	Lloyds TSB Pension Scheme do not have a public website.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	There is no explicit RI policy included in the annual Report and Accounts or any general comments concerning RI.

Total 0.5/7

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- A Statement of Investment Principles
- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A public website which includes a separate section on RI
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Barclays Bank plc UK Retirement Fund

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✗	Not disclosed.
2. At least the top 100 equity investments in the scheme	✗	Not disclosed.
3. Annual voting record	✗	Not disclosed.
4. Policies on RI integration into investment mandates and fund managing monitoring and reporting requirements	✗	Not disclosed.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	Not disclosed.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	✗	The scheme does not have a public website.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	Not disclosed.

Total 0/7

Overall Comment

No information was provided to us on request and therefore we have been unable to award the scheme any credit for Disclosure and Transparency Best Practice.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The formation of a clear and detailed RI strategy needs to be seriously considered and undertaken. In addition, the scheme should commit to disclosing the following information:

- The scheme SIP
- The scheme's top 100 equity investments
- Full details of the annual voting record
- Whether and how RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- Relevant pension scheme material and specific details of a RI policy contained on a scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Electricity Pensions Services Ltd

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✗	Not disclosed.
2. At least the top 100 equity investments in the scheme	✗	Not disclosed.
3. Annual voting record	✗	Not disclosed.
4. Policies on RI integration into investment mandates and fund managing monitoring and reporting requirements	✗	Not disclosed.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✗	Not disclosed.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	✗	The scheme does not have a public website.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✗	Not disclosed.

Total 0/7

Overall Comment

No information was provided to us on request and therefore we have been unable to award the scheme any credit for Disclosure and Transparency Best Practice.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The formation of a clear and detailed RI strategy needs to be seriously considered and undertaken. In addition, the scheme should commit to disclosing the following information:

- The scheme SIP
- The scheme's top 100 equity investments
- Full details of the annual voting record
- Whether and how RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- Relevant pension scheme material and specific details of a RI policy contained on a scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
HSBC Bank plc Pension Scheme

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✘	Not disclosed.
2. At least the top 100 equity investments in the scheme	✘	Not disclosed.
3. Annual voting record	✘	Not disclosed.
4. Policies on RI integration into investment mandates and fund managing monitoring and reporting requirements	✘	Not disclosed.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✘	Not disclosed.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	✘	The scheme does not have a public website.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✘	Not disclosed.

Total 0/7

Overall Comment

No information was provided to us on request and therefore we have been unable to award the scheme any credit for Disclosure and Transparency Best Practice

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The formation of a clear and detailed RI strategy needs to be seriously considered and undertaken. In addition, the scheme should commit to disclosing the following information:

- The scheme SIP
- The scheme's top 100 equity investments
- Full details of the annual voting record
- Whether and how RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- Relevant pension scheme material and specific details of a RI policy contained on a scheme website
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives



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Responsible Investment Best Practice Audit
Royal Bank of Scotland Group Pension Fund

Disclosure and Transparency Best Practice

Trustees should annually disclose:

1. The Statement of Investment Principles (SIP)	✘	The full SIP was not disclosed, however extracts of the SIP were provided to us.
2. At least the top 100 equity investments in the scheme	✘	Largest 10 disclosed only.
3. Annual voting record	✘	No voting records are disclosed by the scheme.
4. Policies on RI integration into investment mandates and fund manager monitoring and reporting requirements	✘	The scheme shows no evidence of RI integration into investment mandates or if there are fund manager reporting or monitoring requirements in place.
5. The specific engagement strategy (specific issues to act on) and the results and progress of these efforts	✘	Investment managers are instructed to engage with companies on corporate governance, social, environmental and ethical factors when it is believed to have possible adverse effects on the long-term value of the company. However there are no specific details of results or progress of these efforts.

Transparency should be provided through:

1. A public website with a section on RI which includes the above information	✘	The scheme does not have a public website.
2. A detailed RI section in annual report, including results of key company and industry engagements, key votes and important initiatives	✘	There is no RI section contained in the Annual Report.

Total	0/7
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Overall Comment

While we have commented on the information provided to us by the Royal Bank of Scotland, specific phrases and details used by the scheme have been omitted in respect to the confidentiality requested by the scheme.

Recommendations

Disclosure and transparency: To maintain the most fundamental role of communicating principle information to fund members, as per their legal entitlement.

The scheme's policies should be expanded to provide greater specificity and focus to its RI efforts. The scheme should also commit to disclosing:

- A Statement of Investment Principles
- The top 100 equity investments of the fund
- Full details of voting
- How RI is integrated into investment practices and disclose monitoring and reporting requirements
- A specific engagement strategy which includes issues to be acted on and provides results and progress of these efforts
- A public website which includes a separate section on RI
- A section in the Annual Report containing specific information about the RI policy, including results of key company and industry engagements, key votes and important initiatives