

Pension fund group asks BP to improve its safety record

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The Local Authority Pension Fund Forum has called on BP to take steps to improve its safety record, and warned that its members would vote against the board if there was insufficient progress.

BP has suffered a series of safety breaches, including a fire at a refinery in Texas in 2005, in which 15 people died, and a major oil spill in Prudhoe Bay, Alaska last year.

The LAPFF, which represents 39 pension funds with £70bn (\$137bn, €105bn) of assets under management, has written to BP calling for a series of internal changes in order to avoid "further damaging safety failures".

The forum wants remuneration incentives for executives and senior management to be tied more closely to health and safety performance, and for greater due diligence on acquisitions.

The LAPFF further suggests that BP's board should seek independent third-party assurances when allegations of health and safety mismanagement arise. The forum has told BP that its members will use their voting rights "strategically" if there is "insufficient progress".

A panel led by James Baker, the former US secretary of state, commissioned after the Texas City explosion, found "material deficiencies" and systemic problems in the stewardship of all five of BP's US refineries when it reported in January.

Darrell Pulk, chair of the LAPFF, said: "The Baker report has vindicated our concerns about procedures within the company, but this is not the end of the story. It is vital for shareholders that BP makes clear that change is under way."

The forum's call is only the latest sign that pension funds are unhappy. On Friday the London Pensions Fund Authority filed a lawsuit aimed at delaying the payment of pension and other retirement benefits to Lord Browne, BP's departing chief executive.

Last October the London fund also joined a derivative action to seek compensation from BP's directors and executives for the fall in the share price resulting from its troubles in the US.

Separately, the LAPFF has launched a campaign of targeted shareholder voting and direct company engagement aimed at improving the audit practices of listed UK companies.

It will be directed at both "the small number" of UK companies without an audit committee and companies where the LAPFF believes the structure of the audit committee poses risks to shareholder interests.

"Credible financial reporting is the lifeblood of efficient capital markets," said Mr Pulk. "There are some laggards in the market who need pulling up to minimum acceptable standards."