

**Corporate Governance Proxy Voting Activity**  
**March – May 2005**

During the period the Fund voted at a total of 688 company meetings - 149 European, 310 US and 294 UK. In respect of these meetings (a mixture of EGMs and AGMs) the Fund abstained or opposed 729 resolutions out of a total of 6,809, representing approximately 11% of all resolutions. During this period there were only meetings where the Fund supported all the resolutions put forward by companies.

The Fund has a bespoke template for voting at UK meetings, however, the Fund currently follows Pirc's voting advice for European companies meetings. Pirc is currently in the process of producing a formal European voting template which it is proposed will be built into the Fund's own template in due course.

<b>MEETING</b>	<b>RESOLUTIONS CAUSING SHAREHOLDER CONCERN</b>	<b>SHAREHOLDERS OPPOSING %</b>
Wyevale Garden Centres Plc AGM	Elect David Williams as a director	39
Croda International AGM	*Adopt Croda International co-investment plan	32
LogicaCMG Plc AGM	Authorise political expenditure	31
LogicaCMG Plc AGM	Authorise LogicaCMG UK Limited to incur political expenditure	31
Croda International Plc AGM	Approve the directors' remuneration report	30
LogicaCMG Plc AGM	*Approve new Articles of Association	23
AG Barr Plc AGM	Approve remuneration report	21
First Choice Holidays Plc AGM	Amend performance targets under Restricted Share Plan	20
First Choice Holidays Plc AGM	Amend performance targets under Senior Executive Plan	20
AstraZeneca Plc AGM	Re-elect Marcus Wallenberg	19

\* Special resolution

Although the Fund opposed most of the resolutions referred to above it will vote for a resolution if it believes the company has followed best practice, despite significant opposition sometimes from other shareholders.

Background details on some of these resolutions where opposition was significant are as follows:

## **VOTING REVIEW**

### **Wyevale Garden Centres (AGM)**

Laxey Partners, a prominent activist group and Wyevale's largest shareholder, opposed the re-election of David Williams as chairman who they wanted to replace with their preferred candidate Robert Ware. Laxey did not achieve the 50% required to enable them to replace Mr Williams with Mr Ware, although it was the largest oppose vote recorded by PIRC during the quarter. Laxey's aggressive tactics, such as borrowing shares in order to inflate their holdings prior to AGMs, are not proving popular with institutional investors, ensuring that their agenda is unlikely to succeed through proxy voting. The Fund voted in favour of re-electing Mr Williams as he was considered independent.

### **Croda International (AGM)**

In line with most companies Croda now meets the governance principle of employing executive directors on rolling contracts, and in this case six month contracts. The company's pre-determined compensation terms of eighteen months, however, will undermine confidence in reduced notice periods helping prevent reward for failure. The Fund opposed the remuneration report as a result. The company also put forward two special resolutions for new incentive schemes that required 75% majority support. The Fund was amongst 67% of shareholders who voted against the schemes because of concerns that they were not sufficiently challenging. In spite of a clear opposition vote, however, the company has declared the resolutions passed. PIRC intend to continue a dialogue with the company on this issue.

### **LogicaCMG (AGM)**

The Fund joined 30% of shareholders in opposing two resolutions seeking authority to make political donations. The Fund's guidelines were not met by the company who sought authority to make such donations for a period of four years, while the maximum sums proposed exceeded acceptable limits for political expenditure. PIRC have drawn the Fund's attention to a proposed provision that would allow persons other than directors to be co-opted onto board committees. While the Fund is not against this proposal in principle, concerns would be raised if it were applied in respect of the audit, remuneration and nomination committees.

### **AG Barr (AGM)**

In assessing the company's remuneration report against its guidelines the Fund had concerns with a number of elements. Firstly, the incentive scheme for directors uses only one performance criteria. In addition, while the company has switched to one year rolling contracts directors still have two year change in control provisions in certain circumstances. It was also noted that a small amount of compensation was paid to certain directors for this change. Given these concerns the Fund joined 21% of shareholders in opposing the remuneration report.

### **First Choice Holidays (AGM)**

The company sought shareholder approval for two resolutions that proposed amending performance targets. The first involved making changes to the way in which performance is measured in order to determine senior executive awards. While it is not clear whether the changes will benefit the participants, the Fund does not consider it good practice for alterations to be made to an award scheme once it has been initiated.

### **AstraZeneca (AGM)**

The company sought approval for a resolution to re-elect Marcus Wallenberg as a non-executive director. The Fund considered that Mr Wallenberg was not independent as he has served on the board for more than nine years and is also CEO of Investor AB, a notifiable shareholder. PIRC felt that independent representation on the board was adequate but shared the Fund's concerns over Mr Wallenberg's commitments which include six other directorships. The Fund joined 19% of shareholders in opposing the resolution.

### **OVERSEAS ISSUES**

#### **Exxon Mobil (US AGM)**

The Co-operative Insurance Society opposed the re-election of Lee Raymond, the chairman and chief executive of Exxon Mobile, the world's largest listed oil company. The Co-operative was concerned with Exxon's reputation for lobbying governments in order to block environmental initiatives, including Kyoto. The Fund joined other institutions in opposing Mr Raymond over his dual role of chairman and chief executive. There were further concerns over the structure of the board, with less than 50% of directors being independent. The Fund also withheld support for a number of independent directors who have served for significant terms of at least 14 years. There were a number of shareholder resolutions across a broad range of issues from political donations to the demand for an equal opportunities policy to be implemented at the company's unit in Indonesia. The Fund supported the resolution seeking a report on Exxon's GHG emission reduction strategy. It was considered it reasonable as it would allow shareholders to make an informed judgement about the environmental and regulatory risks related to their investment. This resolution was backed by a record 28% shareholders.

## **El Paso Corporation (US AGM)**

El Paso announced the results of an investigation into the historical overbooking of natural gas and oil reserves. The rebooking made restatement of the previous year's financial statement necessary. The company stated that the inquiry had concluded that no senior managers were to blame. Many institutions were surprised by this outcome as the company has admitted to weaknesses in its internal control functions. As a consequence the Fund felt it appropriate to oppose the re-election of Juan Carlos Branif. As chairman of the audit committee during the period in which overbookings occurred Mr Branif is responsible for assisting the board in its oversight procedures in order to ensure the integrity of the company's financial statements. The audit committee has specific responsibility for the review of the management's report on internal control and the auditor's attestation on the company's internal control. The Fund opposed a further resolution at the company's meeting sought shareholder approval of a new executive incentive scheme. The scheme gives the compensation committee discretion over the performance basis and level of award.

This information is provided by PIRC in accordance with the Fund's voting template.