

## CORPORATE GOVERNANCE PROXY VOTING ACTIVITY

MARCH 2009 TO MAY 2009

### VOTING ACTIVITY

During the period the Fund voted at a total of 837 company meetings – 276 UK, 192 European and 369 US. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld\* 2,998 resolutions out of a total of 9,626, representing approximately 31% of all resolutions. During this period there were at least 117 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 the voting advice of the Pensions and Investments Research Consultants Ltd (PIRC) for European and US company meetings.

\* It should be noted that due to a combination of US state law and individual company bye-laws, votes pertaining to individual directors cannot be cast as “oppose” but have to be cast as “withheld”.

### VOTING ANALYSIS

The major issues of contention that attracted a high level of shareholder opposition during the period are typically illustrated in the examples in the table below:

<b>Meeting</b>	<b>Resolutions Causing Shareholder Concern</b>	<b>Shareholders Opposing or Abstaining %</b>
The Royal Bank of Scotland Group Plc AGM	Approve the Remuneration Report	90%
Royal Dutch Shell Plc AGM	Approve the Remuneration Report	57%
Amec Plc AGM	Approve the Remuneration Report	40%
BP Plc AGM	Approve the Remuneration Report	34%
Thomas Cook Group Plc AGM	Approve the Remuneration Report	34%

Although the Fund may often oppose a resolution, it will support a resolution if it believes the company has followed best practice, even if there is significant opposition from other shareholders. Background details on some of these resolutions where opposition was significant are detailed on the following page:

## **The Royal Bank of Scotland Group Plc (AGM)**

There were a number of concerns regarding remuneration practices at RBS.

During the year, Sir Fred Goodwin left the company as chief executive and waived any payment due to him with regards to his notice period. Under the rules of the company's defined benefit pension scheme, he is due to receive the full entitlement to his accrued pension, in the remuneration report valued at £693,000 per annum, despite his early retirement and despite some highly criticised poor decision making. This is considered contrary to best practice, and that his provision should have been discounted to reflect his early retirement.

Mr Hester, the newly appointed chief executive, received a restricted share award of over 10.4 million shares, which have no performance conditions attached other than continued employment, to compensate him for lost awards at his previous employer. The Fund only considers such awards to be appropriate when challenging and transparent performance conditions are applied in order that shareholders are guaranteed a return as a result. Additionally there were concerns regarding the performance-measured share award made to the company's newly appointed Chairman Phillip Hampton, of an equivalent potential value of £1.5m. The Fund considers it contrary to best practice for a non-executive director to participate in a performance share plan that links him so closely with the management of the company.

**The Fund opposed the remuneration report.**

## **Royal Dutch Shell Plc (AGM)**

During the year under review, awards with a face value of one times base salary were made to finance director Peter Voser and executives Malcolm Brinded and Linda Cook. The restricted share plan awards have no performance conditions attached, are held for a period of three years and would be limited to a face value of one times base salary. The Fund does not support the use of retention awards, particularly when no performance conditions are applied. Taking the Long Term Incentive Plan (LTIP) and the Deferred Bonus Plan in conjunction, vesting targets are not considered sufficiently challenging in light of the level of award. It was also noted that for 2009, the chief executive award has been increased to 3 times base salary even though he will step down from the board in June.

**The Fund opposed the remuneration report.**

## **Amec Plc (AGM)**

The performance share plan uses two performance conditions concurrently, but performance targets are not considered to be sufficiently challenging given the level of award and the combined level of awards is potentially excessive. The company has introduced a one-off share incentive plan aimed at improving the company's performance. The Fund believes that the standard remuneration policy should be designed to achieve this and does not support such one-off plans, and therefore will not support the remuneration report.

**The Fund opposed the remuneration report.**

## **BP Plc (AGM)**

On remuneration, the company stated that salaries should be frozen at their current level for the year 2009, which was welcomed. Nevertheless, the last increase in salaries is not clearly justified. Non-financial performance conditions are not included in the main incentive scheme, however the bonus scheme includes safety performance. There were concerns over the total level of awards available to executive directors under the executive director incentive plans (EDIP) simple ranking system although the Fund welcomed the introduction of underlying performance conditions such as earnings per barrel and net income. The company had confirmed to PIRC that awards granted under the EDIP do not exceed the maximum limit of 550% of salary. However, it is not specified whether the incentive awards will be performance and time pro-rated.

**The Fund opposed the remuneration report.**

## **Thomas Cook Group Plc (AGM)**

Remuneration was a concern for the Fund at the FTSE100 travel company. There were concerns over the Secured Synergies Bonus Plan, which is a one-off cash plan for executives following the merger with MyTravel. The company has not disclosed the specific performance conditions attached to the plan which awarded the chief executive and the finance director, £5m and £1.275m respectively. In light of this the Fund also considered total remuneration to be excessive and believed that shareholders should oppose the remuneration report.

**The Fund opposed the remuneration report.**

Other issues of particular note are detailed below:

## **Witan Investment Trust Plc (AGM)**

The executive director's bonus increased from 50% of salary to 100% during the year. 60% of this bonus is determined by out-performance of the net asset value of the trust when compared against a composite benchmark, and a bonus payment can also be made up to 50% of salary for other performance targets. This limit can be waived by the remuneration committee if 'substantial value is returned to shareholders', and the remuneration committee has discretion over any further performance targets. Greater disclosure in this regard would be welcomed and therefore the Fund has concerns over the discretionary element of the bonus.

**The Fund opposed the remuneration report.**

## **Barclays Plc (AGM)**

The primary incentive scheme for directors in 2008 was the Performance Share Plan (PSP). The performance conditions are considered to be insufficiently stretching given the level of award. The Fund does not consider that director's should potentially receive an award worth 75% of salary for median performance. Regarding the economic profit performance measure, it is considered that shareholders are not given sufficient information to judge how challenging targets are, and therefore unable to judge their appropriateness.

**The Fund opposed the remuneration report.**

## **OVERSEAS ISSUES**

### **Walt Disney (AGM) – US**

Walden Asset Management initiated a shareholder proposal relating to shareholder advisory vote on executive compensation. The proponents requested that the board adopt a policy that company shareholders are given the opportunity at each general meeting of shareholders to vote on an advisory resolution, to ratify the compensation of the named executive officers set forth in the proxy statements. The company argues that the introduction of an advisory vote is not warranted and would not be constructive. The Fund supports the ability of shareholders to address pay-related concerns through a vote on executive compensation.

**The Fund supported the resolution.**

### **Tyco International (EGM) – Europe/US**

The board was seeking shareholder approval to effect the change of domicile of the company from Bermuda to Switzerland. The board stated that it had chosen to domicile in Switzerland because it is the home of a large number of global companies, offering a highly stable economic, political and regulatory environment, has a well-developed network of relationships with major developed and developing countries globally and has a stable and developed tax regime. The Fund believes that the move corresponds to an overall improvement in corporate governance and shareholders will benefit from newly introduced statutory rights provided by Swiss Law.

**The Fund supported the resolution.**

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