

Corporate Governance Proxy Voting Activity
June – August 2005

During the period the Fund voted at a total of 286 company meetings - 11 European, 55 US and 220 UK. In respect of these meetings (a mixture of EGMs and AGMs) the Fund abstained or opposed 729 resolutions out of a total of 2,609, representing approximately 21% of all resolutions. During this period there were only 68 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.

The corporate governance debate continues over the role of the chairman. The new Code, which followed the Higgs review, acknowledges that given the nature of the role it is not appropriate to apply a test of independence to the chairman. The Code does require, however, that the chairman should be independent on appointment, and that it is generally not appropriate for an executive to go on to chair the company.

The new Code has prompted many companies to explain the chairman's responsibilities, and it appears that the recommendations made in the Higgs report have been generally accepted. It will now be necessary to focus on those companies who are resisting making appropriate changes to their governance arrangements.

MEETING	RESOLUTIONS CAUSING SHAREHOLDER CONCERN	SHAREHOLDERS OPPOSING %
Goshawk Insurance Holdings Plc AGM	Approve the remuneration report	54.40
ICAP Plc AGM	Amend the Articles of Association	37.39
Marks & Spencer Group Plc AGM	Approve the Performance Plan 2005	17.64
Marks & Spencer Group Plc AGM	Approve the Executive Share Option Plan 2005	16.78
Charter Plc AGM	Re-elect Mr Neill	15.29
Investec Plc AGM	Authority to allot shares with pre-emption rights	14.86
Collins Stewart Tullet Plc AGM	Approve the directors' remuneration report	13.61
Charter Plc AGM	Approve remuneration report	13.52
Spring Group Plc AGM	Approve remuneration report	12.09
William Hill Plc AGM	Approve the Performance Share Plan	11.16

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

Goshawk Plc (AGM)

The remuneration report was opposed by the Fund as share appreciation is not viewed as an appropriate measure of executive performance as it is affected by a number of factors exogenous to management's control. The report was passed by a show of hands at the meeting in spite of opposition from the majority of proxy voters. The argument put forward by Goshawk was that remuneration report votes are not binding.

ICAP Plc (AGM)

The company sought shareholder approval to amend the Articles of Association to allow company funds to be used to pay for auditors' indemnity. The Fund opposed the resolution as it is inappropriate for auditors to be indemnified by the company or for the company to purchase liability insurance for them as such relationships may affect independent judgement.

Marks & Spencer Plc (AGM)

The company proposed a performance plan to replace the existing incentive scheme for executives. The performance targets were not considered sufficiently challenging which resulted in the Fund opposing the resolution. The company put forward an additional proposal seeking shareholder approval for an executive share option plan for use in exceptional circumstances. The pay awards proposed were viewed as potentially excessive when combined with the annual bonus scheme and the performance targets were not considered sufficiently challenging. The Fund opposed both resolutions.

Charter Plc (AGM)

The Fund supported the re-election of Mr Neill as there is sufficient independent representation on the board. This satisfies the Fund's requirement that no less than a third of directors are independent. The company also proposed a new incentive scheme for its chairman\ chief executive. The Fund opposed the scheme as the share appreciation targets it used are not considered an appropriate measure of executive performance as it is affected by a considerable number of factors exogenous to management's control.

Investec Plc (AGM)

The company sought shareholder approval for a resolution that would grant it authority to allot shares with pre-emption rights. The proposal was supported as it met the Fund's voting guidelines, however, there was a significant level of minority opposition. The company's explanation for this was that it was due to a mandate built into the guidelines of large South African shareholders (accounting for 10% of the vote) that dictates an oppose for any proposal to issue shares with pre-emption rights in excess of 10%.

Collins Stewart Tullet Plc (AGM)

The Fund had a number of concerns regarding the company's directors' remuneration report. The combination of executive awards was considered excessive, some bonuses were 1200% of base salary. Maximum awards were not shown for any scheme while performance targets were not fully disclosed. It was this lack of a clear link between incentive and award, along with the excessiveness of the schemes, which led to the Fund opposing the resolution.

Spring Group Plc (AGM)

The company sought shareholder approval for the remuneration report. The company has applied the new Code in restricting directors to one year rolling contracts. The Fund was concerned, however, that the proposed share option scheme uses share price appreciation as a performance target. Share price is not considered a meaningful measure of performance and the Fund opposed the resolution.

William Hill Plc (EGM)

The company proposed a performance share plan that was intended to replace the existing long term incentive plan. The scheme offered possible awards of up to 300% of salary which was considered excessive. There was further concern regarding the scheme as more than 50% of the award would be given for only median total shareholder return performance. The Fund opposed the resolution.

OVERSEAS ISSUES

St Gobain (France)

The management of UK company BPB rejected a hostile bid of £3.6bn from French group St Gobain. BPB management have argued that the bid under values the company while St Gobain have given BPB shareholders until 30th September to accept the offer. St Gobain do not view the bid as hostile but as the opportunity to combine two complimentary building materials producers. Analysts consider that St Gobain will have to improve their offer from 720p per share to 750p in order to persuade BPB management to accept.

AIG (US)

The company's management has regularly dismissed corporate governance as not important and a distraction. The company, which has been the subject of litigation from shareholders and the Attorney General, was forced to admit that reinsurance ceded to several offshore companies were managed by executives so that that the risk reverted to AIG itself. There is further concern as so far, \$2.3bn has been wiped of the worth of the company for the last five years and further restatements feared. During the last six months Maurice Greenberg has stepped down as CEO and resigned from the board.

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