CORPORATE GOVERNANCE PROXY VOTING ACTIVITY

JUNE TO AUGUST 2008

VOTING ACTIVITY

During the period the Fund voted at a total of 479 company meetings – 188 UK, 33 European, 63 US and 195 Japanese. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld* 1,515 resolutions out of a total of 5,702, representing approximately 27% of all resolutions. During this period there were at least 96 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, Japanese 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:

Meeting	Resolutions Causing Shareholder Concern	Shareholders Opposing or Abstaining %
Tesco Plc AGM	Shareholder resolution concerning chicken welfare	91%
Dexion Absolute Ltd AGM	Disapply pre-emption rights	67%
Caledonia Investments Plc AGM	Approve Rule 9 Waiver	39%
RPC Group Plc AGM	Re-Elect Mr Wilbraham	37%
Investec Plc AGM	Issue Investec Plc shares for cash	32%

Although the Fund opposed a number of the resolutions referred to above it will vote for 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 as follows:

Tesco (AGM)

Animal welfare was the subject of an unusual shareholder resolution at Tesco as TV chef Hugh Fearnley-Whittingstall filed a resolution requesting that “the Company set a commitment within a fair time frame to take appropriate measures to ensure that chickens purchased for sale by the Company are produced in systems capable of providing the ‘Five Freedoms’”. The “Five Freedoms” are a principles-based standard laid down by the Farm Animal Welfare Council and endorsed by Tesco in its animal welfare policy.

The Fund abstained from the resolution.

Dexion Absolute Ltd (AGM)

The authority was sought to disapply pre-emption rights in respect of all new issues of shares for cash, but was not clearly disclosed. This does not meet the Fund’s guidelines.

The Fund opposed the resolution.

Caledonia Investments Plc (AGM)

A high opposition was recorded for resolution 12, where the board was seeking shareholder authority for a Rule 9 waiver in connection with the share buy back authority. There have been recent concerns of the issue of ‘creeping control’ since shareholders’ percentage of holding increases through the operation of a buyback programme. If the waiver was not approved then the ‘Concert Party’, who as of record date owned 46.2 % of the total outstanding share capital would be forced to make an offer for the remaining share capital. Only shareholders who are not connected to the controlling shareholder voted on the proposal and all voting was via a poll. While the Fund supports Rule 9 Waivers between 30% and 50% of the issued share capital, it does not support waivers that would convert the controlling shareholder into a majority shareholder. If there is a potential that a controlling shareholders’ stake could increase beyond 50%, the Fund would oppose. In this case however, the directors have given a commitment that the controlling shareholder will not gain control over more than 49.9% of the issued share capital.

The Fund supported the resolution.

RPC Group Plc (AGM)

The board sought to re-elect non-executive director Mr Wilbraham. The Fund considers him to be not independent as he has been on the board for more than nine years and there is insufficient independent representation on the board according to the Fund’s guidelines.

The Fund opposed the resolution.

Investec Plc (AGM)

The board put forward a proposal to issue Investec Plc shares for cash with the authority limited to 10% of the issued share capital. This is higher than the 5% limit that is in line with UK norms and does not meet the Fund’s guidelines.

The Fund opposed the resolution.

Other issues of particular note are detailed below:

Marks & Spencer (AGM)

Contrary to best practice, Sir Stuart Rose combined the roles of Chief Executive and Chairman and was appointed Executive-Chairman, effective 1st June 2008. The company's decision was initially announced on 10th March. The failure to provide an explanation in a timely manner, or to consult with shareholders in advance of the decision, was seen as very poor practice by many shareholders. The company issued a letter to shareholders on 3rd April providing the Board's rationale for the decision.

The Fund considers that the roles of chairman and chief executive are completely different and should be separated. Combining the roles represents a dangerous concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal. The Fund believes the combination of roles at a listed company can only be justified on a temporary basis under highly exceptional circumstances. In this instance we did not consider the circumstances surrounding the decision, nor the company's rationale, to be sufficient to warrant the move; moreover seeking to combine the roles for up to three years in our view goes beyond a reasonable length of time required to implement the separation of roles.

The Fund opposed the resolution.

Burberry (AGM)

Remuneration was a concern at clothing retailer Burberry. Under the Restricted Share Plan neither TSR or profit before tax (PBT) targets were considered challenging at the lower and upper level given the awards available at each polar. The vesting scale was not sufficiently broad and the Fund considers that long term incentives should use two performance criteria concurrently, one with a comparator group, and that separate schemes should utilise different criteria, to avoid rewarding directors twice for the attainment of a single performance measure. Average remuneration was second highest amongst a Midcap retail comparator group. In the year under review, the CEO received variable pay equivalent to 13 times base salary.

The Fund opposed the remuneration report.

N Brown Group (AGM)

There were various serious concerns over the corporate governance structure of N Brown. Two of the current directors, including the chairman, were controlling shareholders and together held 43.49% of the issued share capital. Only two of the non-executive directors were considered independent by the Fund's guidelines. It was considered the lack of a majority of independent directors in conjunction with the absence of a succession planning process to address the deficiency of independent directors on the board, to be material.

The Fund opposed the resolution.

OVERSEAS ISSUES

eBAY Inc. (AGM) – US

The board submitted the 2008 Equity Incentive Award Plan for shareholder approval. The 2008 Plan is designed to permit the grant of performance-based cash bonuses that comply with the requirements of Section 162(m) of the code. Persons eligible to participate in the 2008 Plan include all non-employee members of the board, approximately 15,500 employees and consultants. Although the Fund welcomes the maximum individual limits, there are no performance conditions attached to the awards. There are also concerns that stock options and restricted shares granted during the last fiscal year are not subject to performance hurdles, and that targets attached to restricted stock units are insufficiently challenging. It is also considered inappropriate for directors to administer a Plan under which they may receive rewards.

The Fund opposed the resolution.

Banco Santander (AGM) – Europe

The board sought a resolution to authorise the Board of Directors to issue convertible bonds in shares without pre-emptive rights of Banco Santander for a value of €7.0bn in the next five years. The potential dilution at current market price amounts to 8.62%. Even though this is below the maximum threshold admitted by CG Spain (10%), the total dilution combined with the request to increase share capital, would represent 20.52% of the issued share capital which exceeds the Fund's guidelines.

Authorisation was sought to issue non-convertible debt securities for a maximum amount of €35.0B. The company had not provided any further details on the intended use of such funds. In view of the market turmoil and the need for recapitalisation in many financial institutions such disclosure is essential.

The Fund opposed both resolutions.

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