

WEST MIDLANDS PENSION FUND PROXY VOTING ACTIVITY
SEPTEMBER 2002 – NOVEMBER 2002

During the period the Fund voted at 113 UK company meetings – a mixture of AGMs and EGMs, opposing one or more resolutions at 88 of the 113. During this period the Fund also voted at 5 European meetings opposing 1 or more resolutions at 3 of these meetings. In summary the Fund opposed approximately 27% of all resolutions both in the UK and in Europe.

The Fund uses its role to express its concern over corporate governance issues often alongside a number of other large institutional shareholders. The major issues are typically illustrated by the examples below, where there was significant opposition to specific recommendations. Unless otherwise stated, the resolutions are those put forward by the company.

Meeting	Resolution Causing Shareholder Concern	Shareholders Opposing %
Surfcontrol PLC 31.10.2002 AGM	Amend the Executive Share Option Scheme	27
Surfcontrol PLC 31.10.2002 AGM	Approve the remuneration report	23
Templeton Emerging Markets Investment Trust PLC 19.09.200 AGM	Re-elect Nicholas Brady	20
British Sky Broadcasting Group PLC 08.11.2002 AGM	Re-appoint John Thornton	18
British Sky Broadcasting Group PLC 08.11.2002 AGM	Re-appoint Rupert Murdoch	15
British Sky Broadcasting Group PLC 08.11.2002 AGM	Re-appoint David DeVoe	15

Meeting	Resolution Causing Shareholder Concern	Shareholders Opposing %
British Sky Broadcasting Group PLC 08.11.2002 AGM	Re-appoint Arthur Siskind	14
British Sky Broadcasting Group PLC 08.11.2002 AGM	Re-appoint Martin Pompadur	13
British Sky Broadcasting Group PLC 08.11.2002 AGM	Re-appoint Leslie Hinton	13
Bespak PLC 20.09.2002 AGM	Amend the rules of the 1996 Savings Related Share Option Scheme	13
Bespak PLC 20.09.2002 AGM	Adopt the new Executive Share Option Scheme	13
Bespak PLC 20.09.2002 AGM	Amend the rules of the Share Incentive Plan	13
Templeton Emerging Markets Investment Trust PLC 19.09.2002 AGM	Re-elect Martin Flanagan	12
Templeton Emerging Markets Investment Trust PLC 19.09.2002 AGM	Elect Richard Frank	12

Background details on some of these and other resolutions where opposition was significant are as follows and as can be seen, the Fund has supported as well as opposed a number of the resolutions.

Voting Review

Surfcontrol PLC (AGM)

This meeting received the highest shareholder revolt of the last 3 months receiving an opposition vote of 27% and 13% abstentions. The resolution voted against was that to amend the Executive Share Option Scheme. The amendments to the Scheme would have allowed it to operate in California by meeting local statutory requirements. The Fund viewed the amendments as acceptable as a large majority of this workforce participate in the Scheme. The most likely reason for the relatively high shareholder opposition to this resolution was that the company's limit on shares available for the scheme is 20% which is double the usual UK limit. Some shareholders particularly in the U.S. voiced concerns over the potential dilution of their holdings and voted against it.

The Fund supported the resolution.

The same AGM also attracted high shareholder opposition to the resolution to adopt the remuneration report. Under this resolution, performance targets were not specified for share options or the annual bonus scheme, nor was the performance period for the options clear. In addition there seemed to be no parameters laid out for maximum awards. The level of disclosure fell below that of best practice and a further 15% of shareholders chose to abstain, giving a total of nearly 38% of shareholders who did not approve the resolution.

The Fund opposed the resolution.

Templeton Emerging Markets I.T. PLC (AGM)

This resolution concerned the re-election of the non-executive Chairman. Nicholas Brady had no supporting statement as he was up for annual re-election and the Fund did not consider him to be truly independent as he was a director of more than one trust managed by the same fund management group. In addition to the 20% of shareholders opposing, a further 8% abstained.

The Fund opposed the resolution.

It was for the same reason that the Fund also voted against the re-election of a further non-executive director and the appointment of a new non-executive director. Neither of these were considered by the Fund to be truly independent. Both these resolutions received an opposition vote of 12% and an abstention vote of 18%.

The Fund opposed both resolutions.

British Sky Broadcasting Group PLC (AGM)

The re-appointment of John Thornton as a non-executive Chairman of the remuneration committee received an 18% opposition vote. The vote reflected major concerns over a number of areas of the remuneration policy, including the 2 year notice period for the Chief Executive, inadequate disclosure of incentive schemes, a guaranteed £500,000 annual bonus for the Chief Executive, no performance targets for core awards under the long term incentive plan and excessive awards available from multiple incentive schemes.

High opposition votes were also received for the re-appointment of five further non-executive directors. The Fund did not view these five positions as independent as they were appointed by the controlling shareholder, News International. The appointment of these non-executive directors actually meant there was no true majority of independent non-executives on the board.

The Fund opposed all six resolutions.

Bespak PLC (AGM)

The directors sought authority from the shareholders to increase the authorised limit on shares under option to 15%, a number in excess of accepted UK institutional guidelines. There were three related resolutions put forward to shareholders to consider. This type of authority has seen substantial opposition over recent months following the re-affirmation of the 10% in 10 years principle by the ABI in February 2002.

The Fund opposed all three resolutions.

European Issues

Lafarge (EGM)

The Law on New Economic Regulations (NRE) passed in 2001 introduced significant changes in French corporate law. Most of the changes improved corporate governance arrangements, however, one particular amendment gave companies new rights, enabling them to request identification of beneficial owners from custodian banks. A foreign shareholder who is not properly identified to the satisfaction of the management may be dis-enfranchised, legitimately preventing the shareholder from exercising its voting rights. In order to facilitate this, companies need shareholders to approve these changes. A resolution at Lafarge's EGM was put forward seeking authority to change the foreign shareholder identification process as allowed by the new NRE law. These changes were rejected with a 37% opposition vote, demonstrating the effectiveness of cross-border voting rights. A 75% majority was needed to pass the resolution.

The Fund opposed the resolution.