CORPORATE GOVERNANCE PROXY VOTING ACTIVITY
SEPTEMBER 2003 – NOVEMBER 2003

During the period the Fund voted at 100 UK company meetings and 8 European meetings – a mixture of AGM's and EGM's. In respect of UK company meetings, the Fund opposed 200 resolutions out of a total of 786 resolutions, representing approximately 25% of all resolutions. During this period there were only 29 UK meetings where the Fund supported all the resolutions put forward by companies.

The Fund uses its role to express its concern over corporate governance issues, often alongside a number of other large institutional shareholders. Some institutional shareholders choose to abstain on a resolution rather than to vote directly against it. Going forward the revised Combined Code will require companies to indicate the number of abstentions received in order to comply with best practice. As far as the West Midlands Pension Fund is concerned there is no grey area when voting and therefore its strategy is never to abstain, enabling management of the company to assess the level of support for particular resolutions. One resolution at an EGM during the period, namely that of Town Centre Securities Plc, received 63% abstentions on top of 14% opposing votes, indicating a huge level of concern from shareholders.

The major issues of contention that attracted a high-level shareholder opposition are typically illustrated in the examples in the table below. Once again, remuneration issues dominated. Unless otherwise stated, the resolutions are of those put forward by the company and not by shareholders.

Meeting	Resolution Causing Shareholder Concern	Shareholders Opposing
British Sky Broadcasting Group Plc 14 November 2003 AGM	To re-appoint Lord St John of Fawsley	39%
British Sky Broadcasting Group Plc 14 November 2003 AGM	To approve the remuneration report	38%
NXT Plc 13 November 2003 AGM	To approve the 2003 Share Option Scheme	29%
The Go-Head Group 16 October 2003 AGM	To approve the remuneration report	28%
Regent Inns Plc 5 November 2003 AGM	To approve the remuneration report	25%
Hays Plc 19 November 2003 AGM	To approve the remuneration report	24%
NXT Plc 13 November 2003 AGM	To receive the Report and Accounts	24%
Anite Group Plc 24 September 2003 AGM	To approve the remuneration report	22%
British Sky Broadcasting Group Plc 14 November 2003 AGM	To elect Chase Carey	18%
British Sky Broadcasting Group Plc 14 November 2003 AGM	To elect James Murdoch	17%

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

VOTING REVIEW

BSkyB (AGM)

As can be seen from the table a number of resolutions at the BSkyB meetings attracted a high level of opposition. The decision to appoint the 30 year old son of the company chairman and controlling shareholder understandably caused some disquiet in the investment community. To add insult to injury this appointment was made despite the presence of a nomination committee that was supposedly there to oversee the process. To reflect this, 39% of the shares voted were cast against the re-appointment of Lord St John of Fawsley, the Chairman of the nomination committee who recommended James Murdoch's appointment. However, 34.5% of the votes were controlled by Rupert Murdoch through News Corporation and therefore the resolution was never going to be defeated. If the controlling votes are taken out of the equation, 62% of the other shareholders voted not to elect James Murdoch.

There were a number of other resolutions at this AGM that also attracted a high opposition vote, including the approval of the remuneration report and the election of Chase Carey and James Murdoch.

The Fund opposed all four resolutions.

NXT Plc (AGM)

Nearly one third of all shares voted opposed the introduction of a new share option scheme. The directors proposed to introduce a new scheme that would award shares up to a maximum of 100% of salary with no performance conditions attached. This does not equate to good practice and the Fund accordingly opposed the resolution.

Two other resolutions at the AGM also attracted a large number of opposition votes. The resolution to receive the report and accounts received 24% of opposition votes as the company decided to include the approval of the remuneration policy within the same resolution, which is known as 'bundling' and is actually contrary to the provisions of the Combined Code. Under this Code, companies are required to identify areas where this does not comply and explain their reasons for each area of non-compliance. PIRC (The Fund's corporate governance advisors) identified areas of non-compliance, not mentioned by the company. The company has since informed PIRC that it will seek approval for the remuneration report to be within a separate resolution next year, hence solving the problem of 'bundling'. A third resolution to amend the incentive plan also received in excess of 15% opposition votes.

The Fund opposed all three resolutions.

The Go-Ahead Group Plc (AGM)

Nearly one third of shares voted opposed the resolution at this AGM to adopt the remuneration report. Media criticism surrounded the 2 top executives of Go-Ahead, one of the train operators involved in the Paddington rail crash, who collected pension pots worth a total of £3.5M, even though passengers injured in the disaster were still waiting for compensation. In addition to the CEO's considerable pension entitlement, he also saw his pay package rise from £348,000 to £361,000 plus a £57,000 bonus. It was recently announced, that 'Go-Ahead' operating under the name of Thames Trains, has lost its rail operating franchise from March 2004.

The Fund opposed the resolution.

Regent Inns Plc (AGM)

One quarter of all the shares voted opposed this particular resolution that once again concerned the approval of the remuneration report. Basically the Fund considered that performance conditions under the long-term incentive scheme were not sufficiently demanding.

The Fund opposed the resolution.

Hays Plc (AGM)

This resolution yet again concerned the approval of the remuneration report, however, in this particular instance there was some significant disclosure omissions. The maximum awards for the long-term incentive schemes where not disclosed and once again the earnings per share targets for the long-term incentive schemes where not sufficiently demanding, given brokers' consensus forecasts for the company. In addition, one director had a two-year rolling contract and the CEO had a two-year fixed term contract reducing to one-year from 1 November 2004.

The Fund opposed the resolution.

Anite Group Plc (AGM)

22% of all votes received for the resolution approving the remuneration report were opposition votes. The Fund considered that the potential combination of awards under the executive incentive structure were excessive and that the overall dilution limit attached to all schemes was 15% of the issued share capital, which exceeds best practice.

The Fund opposed the resolution.

European Issues

The Fund currently votes on the top 300 European companies where it has a holding. One of the more interesting EGM's during this period was that of Ahold's. Ahold, a Dutch retailer, convened a shareholders' meeting on 4 September to explain the delay in publication of its 2002 Audited Accounts. The Chairman of the supervisory board confirmed that the group accounts would be published shortly and outlined some of the actions that the company had been taking, since announcing accounting irregulatories at its US Food Services Unit.

Also on the agenda were proposals to seek confirmation of the appointments of Chief Executive Officer and Chief Financial Officer who had been brought in earlier in the year to try and turn the company around. Although the appointments were overwhelmingly supported, a number of major shareholders were very unimpressed by the company's last minute announcement at the EGM of the terms of the new CEO's package. In addition, they also objected to the actual terms of the package itself as he had been awarded the potential to earn €10M in addition to a €10M golden parachute. Following public criticism of the CEO's remuneration package, he has since taken the decision to remove guaranteed elements to his severance compensation and bonuses.

This was an interesting situation because although the majority of shareholders supported the resolutions, after the EGM they entered into lengthy communication with the board of Ahold in order to regain the trust of and to improve the company's relationship with the rest of the shareholders as a prerequisite to confidence being restored in the company.

Another interesting situation was that of Ryanair which is quoted on the Irish stock exchange. This exchange has adopted the Combined Code and companies listed there have to report on a 'comply' or 'explain' basis in the same way as a UK listed company. According to the directors, Ryanair had fully adopted the Combined Code, however, the Fund felt the company failed to meet best practice according to the code in a number of areas. Although Ryanair considered the majority of directors to be independent, the Fund only regarded one non-executive as strictly independent. In addition the company gave less than 20 days notice of its AGM which is a provision intended to ensure that shareholders have sufficient time to assess the company's report to make considered use of their votes. Non-executive directors have also been granted share options which is generally not considered a suitable form of remuneration. In addition the company's disclosure on environmental issues is limited to a paragraph on its fleet replacement programme which the company claims will 'positively impact on the environment'. The Fund did not support the resolution seeking approval for the report and accounts.

It is interesting to note that a new Code of corporate governance best practice is to be introduced for Dutch listed companies. The Code includes the concept of 'comply' or 'explain', well known to UK listed companies. However, the Dutch Commission recommends giving this principle a legal basis, thus enabling the legal enforcement of compliance with the Code. This approach reflects the failure by a majority of companies to explain non-compliance with recommendations of an earlier Code.

This information is provided by the Pensions and Investments Research Consultants Limited (PIRC) in accordance with Fund's voting template.