Corporate Governance Proxy Voting Activity
September 2004 – November 2004

During the period the Fund voted at a total of 155 company meetings - 9 European, 43 US and 103 UK. In respect of these meetings (a mixture of EGMs and AGMs) the Fund abstained or opposed 403 resolutions out of a total of 1,300, representing approximately 31% of all resolutions. During this period there were only 30 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. Within the UK, the Fund chooses to oppose or support a resolution and rarely chooses to abstain, compared to many institutional shareholders who choose this route. Within Europe and the US, the Fund may abstain rather than vote against a resolution due to reasons specific to the voting requirements of different countries. Within the UK, the revised 2004 Combined Code will require companies to publish the number of abstentions received for individual resolutions. Assuming companies choose to comply with best practice, this should enable management to assess the real level of support for resolutions, as many institutions still choose to abstain rather than oppose a particular resolution.

On the 3 November PIRC published their annual Proxy Voting Review. The review highlighted an increase in overall voting levels from 55% to 57% amongst FTSE 350 companies and an increase from 7% to 9% in the number of votes opposing resolutions. In addition the level of abstentions increased noticeably from 9% to 16.4%. Although not huge, this increase in voting levels should be regarded as positive, as it may well reflect the presence of first time voters, encouraged by principles established by bodies such as the Institutional Shareholders Committee and Myners.

The major issues of contention that attracted a high level of shareholder opposition are typically illustrated in the examples in the following table. Yet again remuneration issues dominated, as institutions are less and less willing to allow senior management to award themselves unjustifiable remuneration packages. Unless otherwise stated, resolutions are those put forward by the company and not by shareholders.

MEETING	RESOLUTIONS CAUSING SHAREHOLDER CONCERN	SHAREHOLDERS OPPOSING %
McBride Plc 2 November 2004 AGM	To re-elect Henri Talerman	30.4
Stanley Leisure Plc 10 September 2004 AGM	To approve the directors' remuneration report	27.8
Anite Group Plc 28 September 2004 AGM	To approve the directors' remuneration report	24.8
Finsbury Growth and Income Trust Plc 14 October 2004 EGM	To approve the dis-application of pre-emption rights	22.0

MEETING	RESOLUTIONS CAUSING SHAREHOLDER CONCERN	SHAREHOLDERS OPPOSING %
Greene King Plc 3 September 2004 AGM	To extend the executive share option scheme	20.4
BSkyB Group Plc 12 November 2004 AGM	To authorise rule 9 waiver	17.8
First Technology Plc 15 September 2004 AGM	To re-elect Ruth Atkinson	16.9
BATM Advanced Communications Ltd 10 September 2004	To approve the remuneration report	16.3

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

McBride Plc (AGM)

The resolution to re-appoint the Non-Executive Director Henri Talerman received an opposition vote of more than 30%. Although independent in the company's view, Mr Talerman's membership of the remuneration committee had been for more than 9 years. The length of his tenure on the board deemed him not to be independent. The Fund opposed the resolution.

Stanley Leisure Plc (AGM)

This resolution received opposition votes in excess of 27% and abstentions of over 3%. The policy aims of the remuneration report were only described in general terms and bonus targets were not disclosed. Performance targets were not considered sufficiently challenging as were the EPS target attached to option awards. The Fund opposed the resolution.

Anite Group Plc (AGM)

The resolution to approve the remuneration report received opposition votes of nearly 25%. Policy aims were only described generally and bonus targets and profit targets associated with long term share awards were not disclosed for past or future awards. Also the performance period was only 1 year which is not considered sufficient to encourage long term performance. During the year compensation worth more than 1 years salary and benefits was paid to an executive which is not deemed to be best practice. The Fund opposed the resolution.

Finsbury Growth and Income Trust Plc (EGM)

The company stated that it believed the ability to allot new ordinary shares was in the shareholders' best interests as it would enhance the liquidity of the company's shares in the secondary market. It also considered that it would improve the company's share discount to NAV. The authority sought was limited to 10% of the issued shared capital and institutional guidelines usually limit the issue of shares for cash to 5% to prevent excessive dilution. The Fund supported the resolution on investment grounds.

Greene King Plc (AGM)

This resolution received opposition votes of over 20% and a high level of abstention votes of nearly 14%. It concerned the authority to extend the life time of the 1994 ESOS by 1 year. Although the EPS performance condition was considered acceptable, only a single vesting point and 1 performance condition was applied. The Fund considers that it is best practice to apply at least 2 performance conditions concurrently. Although awards for this specific scheme were not excessive, they were when combined with the 2003 LTIP and the bonus scheme. The Fund opposed the resolution.

BSkyB Group Plc (AGM)

Under Rule 9 of the City Code, News UK Nominees (a subsidiary of News Corporation) which currently has a 35.3% holding in the company, would be required to make an offer to all other shareholders if BSkyB were allowed to repurchase 5% of the issued share capital. The company sought authority to waive this rule. Although the Fund has concerns regarding News Corporation's influence, this proposal was seen as reasonable and the Fund supported it.

First Technology Plc (AGM)

This resolution received opposition votes of nearly 17% and 6% abstentions. The Non-Executive Director was not regarded as independent as he was an Executive Director until May 2002. The Fund opposed the resolution.

BATM Advanced Communications Ltd (AGM)

Yet again this resolution concerned the approval of the remuneration report. The resolution received over 16% in opposition votes and nearly 13% abstentions, a particularly high percentage. The company provided no information on pay policy. In addition there were no performance conditions attached to current awards and there was no statement of mitigation. The Fund opposed the resolution.

One of the more interesting meetings of the three months was that of the DFS EGM. The Yorkshire based furniture retailer was taken private after shareholders accepted Lord Kirkham's offer of £507M. Many institutional shareholders thought he was buying the company on the cheap, hence the Fund opposed the resolution. DFS joins a growing list of companies that have delisted in the last few years. Lord Kirkham stated that one the disadvantages of being listed is that they have to produce an annual report and reveal to competitors in detail the company's strategies. Another entrepreneur, Richard Branson, also decided a few years ago to take his company, Virgin Group private again. He accused the stock market of being unappreciative and having a short term view!

OVERSEAS ISSUES

Symantec Corp. (AGM)

Here, the US software company sought shareholder approval for a new equity based incentive plan. The Fund's advisors PIRC was critical of the degree to which the plan gave discretion to the compensation committee over the nature and amount of awards to participants. This criticism was against a background of excessive executive compensation policy at the company, presided over by the same committee. During the year the chief executive had exercised options with a value of over $21M, a 78% increase compared to those exercised during 2003. In addition, PIRC calculated that in the event of the CEO's contract being terminated without cause, he could receive just under $200M, due mainly to accelerated vesting of share based awards. The Fund opposed this resolution.

Tektronix Inc (AGM)

Although the Fund did not oppose any resolutions PIRC highlighted the lack of board accountability. In common with many US companies the board is classified which means that directors are grouped into one of three classes and each class stands for election in turn. However, unlike the UK, the directors cannot be voted off without the nomination of an alternative candidate by shareholders. This is almost impossible to achieve in the US and is currently the subject of a heated debate between the SEC, issuers and shareholders, which has yet to reach a conclusion. Another issue concerned the decision of the company to grant all non-employee directors twelve year tenure limits. PIRC considered that this policy effectively granted all of the non-employee directors an additional four terms on the board which mitigates a director's ability to act independently. By 2008 the board could in theory have no independent directors (not withstanding any new director appointments). Finally, another feature of 'governance' was the existence of a shareholder rights plan or "poison pill". These plans are quite common in the US and allow shareholders to block a hostile takeover however the adoption of shareholder rights agreements should not be used to entrench badly performing management.

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