

CORPORATE GOVERNANCE PROXY VOTING ACTIVITY
DECEMBER 2003 TO FEBRUARY 2004

During the period the Fund voted at 108 UK company meetings and 8 European meetings - a mixture of AGM's and EGM's. In respect of UK company meetings, the Fund opposed 209 resolutions out of a total of 820 resolutions, representing approximately 25% of all resolutions. During this period there were only 39 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 along side a number of other large institutional shareholders. The Fund always chooses to either oppose or support a resolution and never chooses to abstain, compared to many institutional shareholders who choose this route. Going forward, the revised Combined Code will require companies to indicate the number of abstentions received, in order to comply with best practice. This will enable the management of companies to assess the level of support for resolutions, as many institutions choose abstention as opposed to a direct vote against, to indicate that they are not happy with a particular resolution.

The major issues of contention that attracted a high level of shareholder opposition are typically illustrated in the examples in the table below. Once again remuneration issues dominated, which is not surprising, when considering some of the over generous remuneration packages awarded to senior management when compared with the performance of the company they manage. Unless otherwise stated, resolutions are those put forward by the company and not by shareholders.

<u>MEETING</u>	<u>RESOLUTION CAUSING SHAREHOLDER CONCERN</u>	<u>SHAREHOLDERS OPPOSING %</u>
Merant Plc 4 December 2003 AGM	To approve the remuneration report.	40
F & C Emerging Markets I.T. 18 December 2003 AGM	To authorise charitable donations.	31
Canary Wharf Group Plc 22 December 2003 EGM	To approve the disposal of 5 Canada Square and 25 Canada Square.	31
Merant Plc 4 December 2003 AGM	To re-elect Gerald Perkel.	30
McCarthy and Stone Plc 15 December 2003 AGM	To re-elect MWJ Thorne.	27
Compass Group Plc 16 February 1004 AGM	To approve the remuneration report.	26
WH Smith Group Plc 29 January 2004 AGM	To approve the remuneration report.	23

<u>MEETING</u>	<u>RESOLUTION CAUSING SHAREHOLDER CONCERN</u>	<u>SHAREHOLDERS OPPOSING</u>
NHP Plc 29 January 2004 AGM	To approve the remuneration report.	21
Allied Domecq Plc 30 January 2004 AGM	To approve the remuneration report.	19
Compass Group Plc 16 February 2004 AGM	To re-elect Denis Cassidy.	16
Enodis Plc 11 February 2004 AGM	To approve the remuneration report.	16

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

VOTING REVIEW

Merant Plc (AGM)

The Fund considered that the awards paid to the Chief Executive in the year prior to the AGM were excessive when compared to other salaries paid to similar positions in the software and computer services sector. Performance targets attached to the annual bonus were not disclosed and the share option had no performance conditions attached. The Fund considered that the non-executive directors were not sufficiently independent, as for a number of years the board had issued them options. Although this policy has now stopped, the board has paid compensation to all of the non-executive directors based on the average exercise price of the options. A vote representing 40% of shares opposed the resolution to approve the remuneration report and 30% of shares voted also opposed the re-election of Gerald Perkel the Chief Executive. The latter also received 14% abstentions, so in total, over 44% of all shareholders were not happy with this particular resolution.

The Fund opposed both resolutions.

F & C Emerging Markets Investment Trust (AGM)

This resolution concerned the authorisation of charitable donations up to a maximum limit of £10,000. During the year the company made donations of £2,500 to a charity that raises funds to help people in developing countries to fight poverty and build a better future for their communities and £1,000 to the 'Just Children Foundation', a charity providing food, education and shelter for children living on the streets in Zimbabwe. As this company is an investment trust actively involved in investing in emerging markets, the Fund considered the donation to be positive, despite that fact that over 30% of shareholders opposed the resolution.

The Fund supported this resolution.

Canary Wharf Plc (EGM)

This resolution concerned the proposed sale of 2 buildings, numbers 5 and 25 Canada Square. The sale of these buildings had been a long drawn out process, the company having been talking to interested parties since June 2003. At the last moment the founder of the company, Paul Reichmann, did a u-turn and announced that he would oppose the resolution. The board of directors considered that Mr Reichmann was not acting in the interests of the Canary Wharf shareholders. Although 31% of the shareholders including Mr Reichmann, opposed the resolution, 69% voted in favour of the disposals.

The Fund supported the resolution.

McCarthy and Stone Plc (AGM)

At McCarthy and Stone, the Finance Director and Chief Executive have 2 year rolling contracts with takeover provisions of 2 years salary and pension contributions. The company stated that these were historic and the takeover provisions insured that the directors concerned would not be disincentivised should such an event occur. Other executives at the company had one year rolling contracts as would all other new directors. The resolution re-electing the Finance Director received an opposition vote of 27% and abstentions of 5%.

The Fund opposed the resolution.

Compass Group Plc (AGM)

Over 25% of the shares voted on the remuneration report at Compass Group voiced concern over the £4M pay package for the Chief Executive. The pay package included a £1.6M annual bonus, £330,000 from the exercise of options and £1M in free shares, in addition to his £910,000 salary. Abstentions in respect of 4% of the votes were also received for this particular proposal. In addition the resolution concerning the re-election of the most senior member of the Remuneration Committee, a Mr Denis Cassidy, also received opposition votes in excess of 16% as investors decided to register their protest against the committee's decision. The Fund opposed the re-election of Mr Cassidy on the grounds of his non-independence, as he has been on the board for more than 9 years.

The Fund opposed both resolutions.

WH Smith Group Plc (AGM)

The resolution to approve the Remuneration Report at this AGM received opposition votes of 23% and a further 11% in abstentions. Shareholders decided to register their protest at the package put in place for the incoming Chief Executive. The contract included a golden hello and a clause that would pay the Chief Executive 200% of her basic salary in lieu of notice.

The Fund opposed this resolution.

NHP Plc, Allied Domecq Plc, and Enodis Plc (3 AGM's)

All three resolutions involved the approval of the Remuneration Committee reports. High opposition votes against remuneration reports are becoming increasingly common. At NHP, the executive share option scheme used a sole performance criterion of share price appreciation, which was considered to be an inappropriate measure of an executive's performance by many shareholders. Likewise Allied Domecq received criticism for the level of performance targets compared with the potential reward in particular for the Chief Executive. The Enodis resolution concerned similar issues.

The Fund opposed all three resolutions.

One AGM also worth referring to was that of the Daily Mail and General Trust held on the 4 February 2004. The company continues to operate a dual share structure whereby Executive Chairman Viscount Rothermere owns approximately 22% of the total issued share capital. However, due to the dual share structure, he controls over 59% of the group's voting shares on a personal basis. The Fund believes that all equity shareholders bearing the same risks and rewards should hold the same voting rights, therefore the Fund opposed the proposal. However, as the structure means the Fund holds no voting shares, this could not be lodged with the company.

European Issues

The Fund currently votes on the top three hundred European Companies where it has a holding and where it is practically possible to vote. During the period the AGM of the Banco Bilbao Vizcaya Argentaria took place on the 28 February 2004. The BBVA's 12 non-executive directors during 2003 received an extraordinary 3 million euros for board and committee duties. These rates are well in excess of its larger domestic rival Banco Santandor, and approximately four times those of Europe's biggest bank HSBC. The Fund, through the Spanish partner of the European Corporate Governance Service, CG Spain, raised concerns over the high level of fees and absence of adequate justification. To date the Remuneration Committee has not provided any details of how it managed the obvious conflict of interest apparent in setting their own fees.

This information is provided by the Pensions and Investments Research Consultants Ltd (PIRC) in accordance with the Funds voting template.