



# West Yorkshire Pension Fund

Proxy Voting Review  
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Pensions & Investment Research Consultants Ltd  
9 Prescott Street  
London E1 8AZ  
Tel: 020 7247 2323 Fax: 020 7247 2457  
[www.pirc.co.uk](http://www.pirc.co.uk)

## Table Of Contents

Table Of Contents .....	1
UK Voting Review .....	2
UK Corporate Governance Review .....	6
UK Voting Analysis .....	16
UK Voting Charts .....	17
UK Voting Timetable Q1 2011 .....	19
UK Upcoming Meetings Q2 2011 .....	20
AIM UK Market Voting Charts .....	24
AIM UK Market Voting Timetable Q1 2011 .....	25
AIM UK Market Upcoming Meetings Q2 2011 .....	25
Fledgling UK Market Voting Charts .....	26
Fledgling UK Market Voting Timetable Q1 2011 .....	27
Fledgling UK Market Upcoming Meetings Q2 2011 .....	27
European Corporate Governance Review .....	28
European Voting Charts .....	33
European Voting Timetable Q1 2011 .....	34
European Upcoming Meetings Q2 2011 .....	35
US Corporate Governance Review .....	38
US Voting Charts .....	46
US Voting Timetable Q1 2011 .....	47
US Upcoming Meetings Q2 2011 .....	47
Japanese Voting Charts .....	49
Japanese Voting Timetable Q1 2011 .....	50
Japanese Upcoming Meetings Q2 2011 .....	50
Global Corporate Governance Review .....	51
Global Voting Charts .....	56
Global Voting Timetable Q1 2011 .....	57
Global Upcoming Meetings Q2 2011 .....	58
Asian Voting Charts .....	59
Asian Voting Timetable Q1 2011 .....	60
Asian Upcoming Meetings Q2 2011 .....	61
PIRC Summary Report Appendices .....	62

## UK Voting Review

### Lonmin plc AGM 27<sup>th</sup> January

A new incentive scheme was proposed at Lonmin plc.

The Annual Share Award Plan (ASAP) was proposed in replacement of the Deferred Annual Bonus Plan (DABP) for ease of administration and preservation of tax efficiency. Awards under DABP were to be discontinued.

Under the proposed new arrangements, the annual bonus maximum would have been reduced by 50%, but the ASAP would have been used to make an award over shares of equivalent value to the annual bonus which would vest after three years from award.

Awards should have been made following the assessment of annual performance conditions, normally at the same time as the Remuneration Committee determines the amount of the eligible employee's annual bonus. These performance conditions had not yet been disclosed. The maximum award under the ASAP should have been equal in value to the maximum annual bonus which may be granted to eligible employees under Lonmin's annual bonus arrangements. The current annual bonus maximum would have, as a result, been reduced such that the overall cost of the new annual bonus and ASAP arrangements should not have exceeded the cost to Lonmin of the existing annual bonus arrangements when operated with the Deferred Annual Bonus Plan.

We believed the bonus and this new scheme represented a potentially excessive payout equivalent amount. Moreover, since the performance criteria had not yet been disclosed, it was difficult to assess relative vesting.

We recommended that shareholders oppose the resolution.

### WH Smith plc AGM 26<sup>th</sup> January

Political donations were an issue at WH Smith plc.

Approval was sought to make political donations to political parties or independent election candidates in total to £100,000, to make political donations to political organisations other than political parties in total to £100,000 and to incur political expenditure in total to £100,000. The aggregate exceeded recommended limits and PIRC does not support donations to political parties.

We therefore recommended shareholders oppose the resolution.

### Mitchells & Butlers plc AGM 27<sup>th</sup> January

A lack of independent board representation was an issue at Mitchells & Butlers plc.

Chairman John Lovering, senior independent director Simon Burke and non-executives Michael Balfour and Jeremy Blood were not independent as they were all nominees of Piedmont Inc, the holder of 22.75% of the company's issued share capital. Non-executives Rob Robson and Douglas McMahon were Piedmont appointees. There was no independent representation on the board in our view; therefore we recommended that shareholders oppose the election of all six.

We also recommended that shareholders oppose the remuneration report.

Combined short-term and long-term awards had the potential to be excessive in our view. In addition, we did not approve the changes to the performance criteria used for long-term awards. The new LTIP used market capitalisation and EPS as performance criteria. In our view, the existing Performance Restricted Share Plan previously used two criteria more closely related to the company's objectives. In addition, market capitalisation would be calculated based on share price, which in our view was not a reliable indicator of performance. In addition, both criteria under the new LTIP would use 'cliff vesting', which in our

view failed to encourage higher levels of performance as there was no incentive to achieve EPS growth above target.

We also recommended that shareholders oppose the auditor appointment where Ernst & Young LLP was proposed. Non-audit fees (GBP 700,000) represented 175% of the audit fees for the year under review. On a three-year aggregate basis non-audit fees represented approximately 70% of the audit fees. PIRC had concerns that this level of non-audit fees creates a potential for conflict of interest on the part of the external auditor.

Therefore, we recommended an oppose vote.

## **TUI Travel plc AGM 3<sup>rd</sup> February**

The role of the auditor was an issue at TUI Travel.

PricewaterhouseCoopers LLP proposed replacing KPMG Audit which had decided not to seek re-election following the discovery of serious reporting inaccuracies. Consultancy-related non-audit fees of GBP 3m paid to KPMG were equivalent to approximately 100% of the audit fee during the year, and were equivalent to 60% of total audit fees on a three-year aggregate basis. This raised independence concerns over the external auditors. Given this fee ratio applied to the now former auditors, this was not a concern in itself and we will monitor non-audit fee levels. However, PWC were the incumbent auditor at the predecessor company where fundamental flaws in internal controls led to the reporting inaccuracies which led to the resignation of KPMG, that subsequently discovered these issues. The company was seeking to reinstate PWC as auditor of the continuing entity which we regarded as unacceptable. We therefore recommended shareholders oppose the appointment.

We also recommended that shareholders oppose the appointment of a number of directors. Dr Michael Frenzel, chairman had material links to TUI AG, the controlling shareholder with 54.92% of the issues share capital. PIRC considered this to have potentially serious implications for his capacity to act in an independent and impartial manner and therefore recommended opposition.

Non-executive Tony Campbell was not considered independent by PIRC due to his length of tenure on the boards of First Choice and TUI Travel. We were also concerned that Mr Campbell was unable to attend a full board meeting and one of each of the audit committee and remuneration committee – the company had explained that this was due to clashes with directorial obligations outside the company. However, given the situation at the company in relation to accounting irregularities, missing audit committee meetings was a serious concern. We recommended opposition.

Non-executive director Rainer Feuerhake was not considered independent by PIRC as he was formerly the CFO of TUI AG. We considered there to be insufficient independent representation on the Board and therefore recommended opposition.

Finally, we also recommended that shareholders oppose the remuneration report. Disclosure was considered adequate in terms of cash remuneration, share awards and pension arrangements. However, the company had not quantified the performance conditions for their annual bonus scheme. The TSR target under the DABS and PSP were considered challenging. We also welcomed the use of an underpin for awards to start to vest. EPS targets were not considered challenging in light of broker forecasts, and the same targets were used in two different plans, which did not offer an adequately wide range of criteria. Overall, the remuneration package was considered to be potentially excessive in light of all the schemes under operation as a multiple of basic pay, exacerbated given the CEO's salary ranked at the top end of the comparator group.

## **Compass Group AGM 3<sup>rd</sup> February**

The remuneration policy was an issue at Compass.

Although cash remuneration, share incentive awards and pension entitlements had, for the most part, been disclosed, we encouraged Compass to further disclose the calculation of the expected value of share incentive awards. In order to strengthen the link between its strategic objectives and executive pay,

we would have welcomed the inclusion of non-financial performance criteria for the determination of executive variable pay.

Potential aggregate awards were excessive and combined awards made during the year amounted to more than three times executives' salaries. Performance conditions in use under the Annual Bonus scheme and LTIP were somewhat disclosed but information on specific targets applying to short-term and long-term awards granted during the year was lacking.

Compass denied PIRC's request for increased transparency of the Company's forward looking financial targets by arguing that it was price sensitive information. However, the Group Free Cash Flow targets for the awards granted and vested in the previous three years were disclosed. In addition, we did not consider the targets applying to the TSR-linked part of the LTIP awards sufficiently challenging and did not regard the vesting scale as wide enough.

We recommended shareholders oppose the remuneration report.

## **Holidaybreak plc AGM 2<sup>nd</sup> March**

Remuneration was an issue at smallcap Holidaybreak.

The Company operated the LTIP which was based on two measures, TSR and EPS, however, not concurrently. Whilst the TSR targets were considered challenging with reference to the level of award available, the EPS targets were not in light of the current broker's forecasts. Aggregate awards were considered to be excessive for the year under review. Neil Bright was appointed as the Finance Director during the year on 1 January 2011. On appointment, he was granted share awards under a one-off arrangement in addition to the award under the LTIP. This incentive was provided in lieu of unvested share awards forfeited at his previous employer; a consequence of his leaving to join the Company. The company stated that the one-off award was considered essential to secure his recruitment. However, the awards had no performance-related criteria attached and also did not have any clawback provisions.

All executive directors were employed on one year rolling contracts. Compensation payments for termination of executive director contracts were not clear as the Company stated this amount "should not exceed the value of one year's remuneration package." We recommended shareholders oppose the remuneration report.

## **Domino Printing Services plc AGM 16<sup>th</sup> March**

Remuneration was an issue at Domino Printing Services.

We commended certain elements such as total awards were not excessive and a policy of challenging performance criteria. However, we would have preferred further disclosure on overall balance of pay package, expected values and share grants, to include price at grant date. We also had concerns over directors' contracts. Termination payment allowed further payments equal to the highest bonus percentage awarded during the previous financial year, and the average bonus percentage over the three years prior to termination. PIRC did not advocate termination payments greater than one year's salary.

We recommended shareholders oppose the remuneration report.

## **Autonomy Corporation AGM 24<sup>th</sup> March**

Remuneration and board independence were issues at Autonomy Corporation.

We did not consider the targets for both the Deferred Bonus and Deferred Shares Bonus scheme to be challenging, based on brokers' forecast performance. Vesting scales for both schemes were considered narrow. PIRC considered it best practice for incentive schemes to have at least two performance hurdles in place, one of which should include a comparator group of peers. We noticed that each of these schemes had only one performance criteria in contravention of best practice.

The Company had implemented the Deferred Share Bonus plan, which had not been put forward for shareholder approval. The Company had advised PIRC that the Deferred Shares Bonus scheme operates

under existing authority of the Autonomy Employee Benefit Trust. Any awards were to be satisfied from existing shares held by the trust and were non-dilutive. No new authority was required in 2010 or on an ongoing basis.

Awards made during the year were not considered to be excessive; however, they were potentially excessive in light of all the schemes in operation. We recommended shareholders oppose the remuneration report.

Non-executive director Richard Gaunt was not considered independent by PIRC as he had served as an executive and is the co-founder of Autonomy. Senior independent director John McMonigall was not considered independent by PIRC due to length of time of the board.

There was insufficient independent representation on the board in our view; therefore, we recommended that shareholders oppose the election of both directors.

# UK Corporate Governance Review

## Business Review poll gets no vote

Companies and their representatives were opposed to the idea of a shareholder advisory vote on Business Reviews, according to the Department for Business, Innovation and Skills (BIS).

Just before Christmas BIS released a summary of responses to its consultation on the future of narrative reporting, which had included a question about the value of a shareholder advisory vote on Business Reviews. All ten companies responding, and all but one of the nine business representative bodies expressing a view, were against the proposal. Investors were almost evenly split with five in favour and four against. Four investor representative bodies were in favour, with two against and one not expressing a view. Overall of the 62 organisations expressing a view on the proposal only 20 were in favour, with 42 against.

There was also seemingly little appetite for the reinstatement of the Operating and Financial Review (OFR). The consultation found that the majority of companies and business representatives saw no benefit in doing so. Investor and investor bodies' views were mixed. Most felt the business review had generated useful data but quality of disclosure varied with inadequate forward looking and strategic sustainability information. Some investors saw no advantage in reintroducing the OFR while some saw it as more thorough going and strategically orientated.

The review found that in general respondents felt there was good quality reporting by companies, though there were some who complied more with the letter than the spirit of the regulations. In addition there was some consensus that reporting had improved in recent years.

Perhaps not surprisingly there were divergent views from companies and investors. One issue for companies was meeting the competing needs of different users of their reports – investors, other stakeholders, regulators and so on. Investors appear to have had concerns that some reporting on social and environmental issues was not clearly linked with how companies saw these in terms of potential risks and opportunities.

The consultation also sought views on remuneration reporting and again there were some predictable responses here. Whilst many felt that reporting had improved as a result of the Directors Remuneration Reporting Regulations there were also criticisms. Many found remuneration reports overlong and unclear, particularly in terms of linking pay with company performance. Trade unions and NGOs also raised concerns about pay levels and the gap between the boardroom and other employees.

The responses to the consultation will be considered alongside those to the ongoing short-termism review. Policy proposals on the corporate governance agenda will be put forward by the time of the 2011 Budget.

## FRC targets improved dialogue

The Financial Reporting Council (FRC) has published recommendations aimed at improving the dialogue between company boards and their shareholders.

The FRC's report, *Effective Company Stewardship: Enhancing Corporate Reporting and Audit*, contained seven key recommendations. It responded to lessons of the financial crisis and builds on changes already made, such as the new UK Corporate Governance Code and the introduction of the Stewardship Code for institutional investors.

The report proposed that the whole of the annual report and accounts should be balanced and fair, including the chairman and chief executive reports, rather than just specific parts of it as at present. While the best annual reports continue to improve, research by the FRC showed that some companies fall short of fulfilling their Companies Act requirements. Of 50 companies studied, a half to two thirds fell short in some areas, including in their reporting of principal risks.

The FRC also proposed a more substantial communication role for Audit Committees so that they provide fuller reports to shareholders, particularly in relation to the risks faced by the business. The auditors' report should, in turn, include a new section on the completeness and reasonableness of the Audit Committee report, particularly in relation to the dialogue between them and the Committee.

To assist the FRC in promoting high quality corporate governance and reporting, it proposed to create a new market participants group to spot market developments and identify best practice. It also proposed to form a 'financial reporting lab' which will test financial reporting opportunities and enable trials to take place to encourage greater innovation in the market.

In July 2010 the FRC formed an advisory group made up of senior business leaders and members of the accountancy profession to help the FRC examine lessons from the financial crisis as they apply to corporate reporting, accounting and auditing of non-financial services companies. The advisory group had supported the FRC in identifying and evaluating the recommendations contained in this report.

The FRC will consult on any specific proposals resulting from this publication and, in particular, will seek the views of investors, company directors and auditors. The deadline for stakeholder responses was 31 March 2011.

Stephen Hadrill, Chief Executive of the Financial Reporting Council, said: "The aim of these recommendations is to provide more balanced and comprehensive information to investors and thereby support the effective operation of the capital markets."

## **Vote disclosure a minority pursuit**

A review of the UK Stewardship Code signatories by PIRC revealed that most companies continue to keep voting records private.

Principle six of the Code requires institutional investors to have a clear policy on voting and disclosure of voting activity without specifically obliging companies to publish votes. Yet just under half the asset managers making a statement on compliance with the Code did not make any voting data public. Protection of customer privacy was the main argument from signatories for not disclosing. Notably though, three quarters of the asset owners making a Stewardship Code statement do disclose voting.

Further results showed that of the 106 organisations listed on the Financial Reporting Council's (FRC) website, just one, Fleming Family and Partners, stated that it had chosen to not comply. Investors are given the option to "comply or explain." The complete list of signatories and their statements are available on the FRC's website.

## **What counts as a big revolt?**

Aberdeen Asset Management's language was notable when commenting on the large vote against its remuneration report.

According to reports, the asset manager issued a statement that "The vote on the report was carried by a very substantial majority of shareholders, who recognise that the group needs to retain its world class talent by running an effective remuneration policy."

True as far as it goes, a roughly 70:30 split in your favour does mean that the remuneration report has been carried fairly easily. But a vote against of almost 30% also put Aberdeen amongst the very worst results on a remuneration report. Looking back on the last couple of seasons, a vote against of that scale would only be registered by 5% of companies. In those terms, then, Aberdeen was an outlier. It was a vote the company ought to have taken seriously, rather than try and brush off.

Perhaps it was also symptomatic of a wider problem. Maybe we still haven't figured out how to use the shareholder vote on remuneration reports effectively. At PIRC we despair a little when we read investors arguing that voting isn't important, because much can be achieved behind closed doors. There is truth in the argument, but its risks undermine the vital signalling function of voting. For all we knew there could have been other investors concerned by Aberdeen's policy who had voted for it having expressed reservations privately. Yet the company could legitimately tell the market that almost three quarters of

shareholders had supported it. So the market missed out on negative feedback.

To put it in perspective, since the introduction of a shareholder advisory vote on remuneration reports in 2003, we believe that less than 25 companies have actually been defeated. If all companies interpret or describe anything less than 50% against as a 'win' then perhaps it's not surprising we still have a problem of accelerating executive rewards.

The lack of willingness to vote against is even more galling when you consider that the vote has no legal power, it is simply advisory. At the moment, we would argue, shareholders don't use the rights that they do have effectively. Instead of considering what signal a vote against sends – both to the company and to the market as a whole – it seems some investors use votes as bargaining chips. The net result is that companies can proclaim they received majority support even when they are aware of widespread dissatisfaction.

As we headed into the 2011 season proper, we asked if it was too much to ask that investors put a little bit more thought into how their votes are interpreted, even if that means that – gasp – they ended up voting against slightly more often?

## **Rem comm reform in the Lords**

The idea of employee representation on remuneration committees was raised in the House of Lords, Corporate Law and Governance reports.

From the Labour benches Lord Brooke of Alverthorpe asked the Commercial Secretary Lord Sassoon if he was content with the composition of remuneration committees and whether or not there was a case for diversifying the makeup of the committee to include a broader membership. Sidestepping a direct reply, Lord Sassoon instead pointed to the Financial Reporting Council and its "continu[al] activity to consider a range of ideas for improving corporate governance."

PIRC supports and has recommended opening up remuneration committees. In our submission to the BIS consultation on short-termism, we argued that encouraging remuneration committees to hear divergent views, such as those of employees or shareholder representatives, could improve decision-making.

## **Does Project Merlin lack magic?**

Four of the biggest UK banks signed up to the Government's long-awaited Project Merlin. Barclays, HSBC, Lloyds Banking Group and RBS all committed to increasing funds to medium-sized Enterprises (SMEs), pay disclosure and contributions to the 'Big Society'. But did it do the trick?

First the details - the terms of Project Merlin stipulated that signatory banks must increase 2010 lending of £179 billion to £190 billion in 2011. £76 billion of this lending will be allocated to SMEs; a 15% increase from the £66 billion lent in 2010. Compliance to the agreement will be used as a performance metric for chief executive and senior managers responsible for lending to SMEs.

On pay, disclosure of salaries extended to the five highest paid 'senior executive officers' on an annual basis as well as the remuneration of the executive directors – totalling seven. This information will be published voluntarily until 2012 when the Government will seek to introduce mandatory disclosure extend the number of 'senior executive officer' remuneration to eight. Bank remuneration committee chairs will be responsible for reporting pay and bonuses to the Financial Services Authority, ensuring a reduction in this year's bonuses compared to 2010. The committee must also review and approve remuneration of the ten highest paid staff; something not currently practiced.

Finally, Project signatories, except Santander, also agreed to contribute £1.2 billion to support regional growth and the 'Big Society'. The Bank of England will monitor progress.

From a governance perspective it didn't look like a massive step forwards. Bonuses may well have been lower this year in any case, and the disclosure requirements were still weaker than those proposed in the Walker Review. That said, the decision to extend the remuneration committee's responsibility to the highest-paid below-board staff was an interesting one. Coupled with further disclosure, it will be interesting to see how, if at all, this affects shareholder voting on banks' remuneration reports.

## **If voting changed anything...**

EasyJet became the first company to lose the vote on its remuneration report in 2011. But the nature of the company's response to the defeat raised some concerns about how boards are beginning to interpret high votes against them over pay.

Though voting by founder Sir Stelios was a large factor in the result it was a clear defeat. Overall 48% of shareholders voted against the remuneration package, with an additional 7% abstaining. Just comparing votes for and against the company still lost. This is rare. Only CSR and SIG lost the vote on their remuneration reports last year, and even in the 'record' year of 2009 just five remuneration reports were defeated.

Companies are usually contrite when faced with a big vote against or, much rarer, an actual defeat over remuneration. But what we had started to see was companies appearing to tough it out, effectively stating 'a win is a win', even when facing a major vote against. An example of this was Aberdeen Asset Management, which saw a vote against that would put it in the worst 5% in a typical season, yet it spun the result as a victory.

In the easyJet case, a number of journalists we spoke to told us that the company was briefing that the vote was advisory and did not compel it to do anything. Absolutely true, of course, but this was the first case that we can think of where a company that lost the vote on a remuneration report has stressed that the result did not compel it to do anything.

The company's AGM statement said: "The Board of easyJet acknowledges the concern expressed by some at the retention arrangements made in respect of Andy Harrison. These arrangements were a one off and agreed in unusual and difficult circumstances."

In most cases when a company loses a vote or gets a serious whack over the knuckles you would expect them to, at the very least, consult with major shareholders about where they went wrong. Even better, investors hope that that the experience would lead them to change their approach in the future. However what we may be beginning to see is companies simply shrugging their shoulders when faced with a pay rebellion.

Needless to say, this cannot be a good thing in terms of the legitimacy of shareholder oversight of remuneration. In our view, too few investors use their right on the advisory vote on remuneration effectively in any case. But if companies are going to carry on as before, despite large rebellions, this is going to undermine voting even further. BIS is looking at shareholder engagement over remuneration as part of the short-termism review. Is it time for serious consideration of a binding vote?

## **25% gender target for FTSE100**

Lord Davies' review of board diversity in UK companies called for FTSE 100 companies to increase female board representation to a minimum of 25% by 2015.

Mandatory quotas were ruled out, leaving companies to set their own targets.

However, Davies warned, "If this does not work, if the institutional shareholders do not put pressure on the boards, if the headhunters don't come up with a new talent pool, and if the chairmen don't fix this in the next two or three years, absolutely there should be quotas."

Chairmen have up to six months to announce their targets, according to the report.

The review has put forth a number of additional recommendations:

- annual disclosure of the proportion of women on the board, in senior executive roles and employed in the company in general
- amendment of the UK Corporate Governance Code requiring listed companies to establish a boardroom diversity policy, and a report on progress in their 2012 Corporate Governance Statement
- shareholders should monitor company practice
- a Voluntary Code of Conduct by headhunters addressing gender diversity

Davies also stressed that the initiative was not "just a numbers game" but "about the richness of the

board as a whole.”

The Davies Review was initiated last year in response to the continuing under-representation of women at UK board level. This was despite much evidence linking higher output to gender balanced boards.

A study by Cranfield University School of Management showed minimal progression in appointing female directors in the FTSE100 with women comprising just 12.5% - a three year plateau- and an even lesser amount (7.3%) amongst FTSE 250 companies. Davies’ review found that, at the current rate, it would take over 70 years for adequate female representation.

The review was part of a growing international effort to address the lack of progress in female board representation. Other schemes, such as Australia’s 2010 and Norway’s introduction of a 40% gender quota, have proved successful at boosting the level of female board representation.

## **Bonuses – they still don’t work**

More academic evidence that performance-related rewards don’t actually work very well, this time from the snappily-titled Centre for Decision Research and Experimental Economics.

In a study involving more than 100 volunteers, subjects were assigned the roles of employers or workers and randomly paired over a number of rounds of an “inspection game.” In each round a worker had to decide whether to supply “high” or “low” effort, while at the same time the employer chose whether to “inspect” the worker or not.

In some treatments the worker received a bonus for supplying high effort when inspected, while in others he was fined for low effort. At the end of the experiments volunteers were paid a modest cash reward reflecting their performances and the bonuses and fines incurred.

Dr Daniele Nosenzo, who undertook the research, said: “We found paying bonuses didn’t encourage more effort. Employers tended to reduce the frequency of their inspections when they knew they would have to pay a bonus for high effort. This has a negative impact on encouraging working, which offsets any positive effect of bonuses. In fact, our subjects shirked slightly more often when bonuses were present.”

Expect the usual response – things don’t work like this in the real world. But then isn’t it time that those with a financial interest in whether performance-related pay works – shareholders – started looking properly at how financial incentives actually function?

## **FRC issues Code guidance**

The Financial Reporting Council (FRC) released ‘Guidance on Board Effectiveness,’ to assist companies in applying the principles of the UK Corporate Governance Code.

The new guidance, part of a series of notes published by the FRC, addressed issues covered in Sections A and B of the Code pertaining to leadership and the effectiveness of the board, replacing the former ‘Good Practice Suggestions from the Higgs Report.’ The guidance focused on the following issues: the roles of chairman, senior independent director, other directors in the company secretary; decision-making policies and processes; board composition and succession planning; and evaluating the performance of the board and directors.

The FRC has emphasized that the guidance is not intended to be prescriptive but should stimulate boards’ thinking on their governance arrangements.

## **Bob Diamond’s smaller bonus**

Barclays revealed chief executive Bob Diamond had been awarded £6.5m in bonuses for 2010.

The figure, in addition to Diamond’s £250,000 annual salary, was announced in the company remuneration report. Diamond, who recently told the Treasury select committee that the time for remorse and apology from banks was over, is now the highest paid bank boss in the UK. The amount awarded was significantly lower than the £9m floated in news reports earlier in the year, leading us to ponder if once again an element of bonus news management has been employed. In the smoke and mirrors game

of bonus politics it does no harm for the bank to allow a high figure to be churned in the media and then to subsequently announce that the real figure is lower.

Finally, as the BBC's Robert Peston pointed out, it's worth remembering that Diamond also received major share awards in 2010 under previous incentive schemes, so 2010 wasn't a bad year for him financially.

## **HSBC: who's doing the pushing?**

The Telegraph scoop that HSBC may be seriously thinking about relocating its HQ is worthy of a closer look.

According to the paper, the bank's regular review of where its HQ is located has taken on more significance this time around. According to anonymous investor sources it was looking likely that HSBC would not stay in Canary Wharf. Surely this was evidence at last for the long predicted 'taxodus'?

Subsequent stories saw cold water thrown on the idea that the bank was about to up sticks, though HSBC's official statement did not actually rule it out. Given that HSBC only told the Treasury select committee a month ago that the UK was the best place to have its HQ does suggest that this leak had a strategic purpose.

What else was notable in HSBC's statement in response to the story (which was not a denial) that the role of shareholders in its decision-making was made explicit. The bank said that it was "being increasingly asked by shareholders and investors about the likely additional cost of being headquartered in the UK."

The clear implication was that shareholders were encouraging the company to consider relocation. Yet the initial Telegraph story gave the impression that shareholders had been presented with the idea by HSBC, rather than proactively suggesting it.

Of course if you think, as PIRC is inclined to, that the entire episode was basically a warning shot being fired about the willingness of banks to tolerate any further regulatory intervention then the shareholder element was just a bit of detail. It allowed the bank to call in the support of anonymous third parties who, as its owners, were putting HSBC under pressure to justify its continued presence in Canary Wharf.

Is there anything substantive in these arguments? Are any asset managers actively encouraging HSBC (or other financial institutions) to consider relocation? If so, it would be interesting to know whether they have informed their clients of this stance. And, given its economic significance, presumably they will also be reporting this engagement under the Stewardship Code. Just a thought.

## **Moody's probes bank pay reform**

Moody's released a report showing improved short-term banking reform but uncertainty over the long-term.

The report, Bank Compensation Reform, discussed key changes to remuneration that better align it to new global pay standards and how these changes should lead to increased near-term positive changes. Findings also highlighted that such changes may not persist over the long-term if pay discipline erodes over time, presenting potential negative implications for creditors. Long-term sustainability and creditworthiness of large banks can be maintained if excessive risk taking compensation practices are dissuaded by effective board oversight. If compensation discipline weakens, rating upgrades could be constrained or lead to downwards rating pressure.

## **Where are the resolutions?**

An opinion piece by Responsible Investor called into question why issues such as Deepwater, the Canadian Tar Sands and Russian Arctic drilling were not on the agenda at the company's upcoming AGM.

It's an interesting point. First, let's get the standard defence out of the way. It's not unreasonable to counter that on-going engagement has taken place between investors and BP on both the Gulf of Mexico and other environmental issues. To dismiss or ignore these efforts would do injustice to the outcomes

active engagement can bring, none of which can (or shouldn't be) measured in terms of whether or not a resolution has been filed. What's more, the filing of resolutions is something of a 'one-shot' way to approach interaction with companies, both in terms of timing and topic. Engagement more generally can unfold over time and cover numerous issues.

All that said, what the article did shed an important light on is the continued reluctance of UK shareholders to use resolutions to highlight issues of concern. BP has historically been many investors largest UK equity holding and the largest single source of dividend income. The Gulf of Mexico disaster hurt a lot of investors financially. If ever a company qualified for some public engagement, you might have thought that BP would be it.

However, it should also be remembered that filing a resolution is a tortuous business in the UK, unless you hold 5% or more of the company's stock. The timetable for filing also makes the greater use of resolutions unappealing for investors. Simply dropping the ownership threshold required for a single investor to file a resolution to, say, 1% would make life a lot easier. That struck us as exactly the sort of tweak that BIS might want to consider as it looks to empower shareholders. If such a reform was enacted and resolutions were still not forthcoming then it really would be time to start asking questions.

## **Comp ratios increase in 2010**

Investment banking staff received greater pay relative to revenue and profits last year, according to analysis by Financial News.

The paper looked at comp ratios at leading banks for the past five years. It found that average employee compensation fell by 0.5% in 2010 compared to 2009, but that revenue generated per employee fell by 7% and pre-tax profits by 8%. The result was an increase in the average comp ratio from 36.7% to 37.8%.

## **Hutton Reviews 1 and 2**

Early March saw the publication of the Hutton Review of public sector pensions and the Hutton Review of fair pay in the public sector.

The former was led by former Labour minister Lord Hutton, the latter by the Work Foundation's Will Hutton. The fact that the Conservative-Liberal Democrat Coalition chose two left-of-centre figures to lead the reviews told us that the Government was aware of the political dangers in striking out on its own.

Lord Hutton's report came first, and followed the path set by his interim statement. He recommended shifting public sector workers into career average schemes for future service, whilst ensuring that accrued rights are untouched. Career average schemes are a form of defined benefit provision, so the outcome could have been significantly worse. But such schemes are generally not as generous for those who achieve higher earnings later in life. Hutton also recommended that Normal Pension Age in public schemes (excluding those covering uniformed services) should rise in line with State Pension Age.

In all this would be quite a significant change in public sector provision, and trade unions have already warned of industrial action. But it would still leave state employees with defined benefit schemes, rather than indulging in a 'race to the bottom' of matching the poor level of pension provision in the private sector. It should also mean that the local government scheme should be able to continue as a long-term investor and, by extension, leading advocate of good corporate governance.

Another aspect that received short shrift from the Lord was the idea of enabling public sector schemes to admit private sector employees. This happens already following TUPE arrangements affected by contracting out and privatising public service provision. A lost chance to experiment here we feel.

Also an immediate rise in employee contributions by 3% next year would lead to a substantial exodus from the LGPS if not other from other un-funded schemes and the review's assumption of less than 1% leaving was a significant underestimate. Surely a stepped increase is more equitable in the present economic climate. The debate now starts in earnest on the future of public sector pension provision.

More relevant to the governance community, however, will be the recommendations of Will Hutton's

report into public sector pay. As we have argued previously, this review is likely to have some unintended consequences. Campaign groups like the TaxPayers Alliance have long attacked public sector pay, and made much of examples of highly-paid senior public sector staff. This led the Coalition to explore ideas such as a 20:1 pay ratio, and using the Prime Minister's salary as a comparator.

But inevitably, such a review would have to make some comparison with private sector practice, especially given Hutton's background. As we noted when Hutton (W) published his interim report, there was quite a lot of discussion of executive pay in the private sector, and there was a clear implication that his recommendations for the public sector had wider impacts. The Review's final report made this explicit.

So what does the final report say? Hutton argued against implementing a simple 20:1 ratio, but said instead that the ratio between top and median employee pay must be made transparent, thus facilitating greater accountability to the public.

He also argued that senior executives should be subject to 'earn-back' pay whereby an element of their basic pay needs to be earned back each year through meeting pre-agreed objectives. This was an interesting idea as findings relating to loss aversion suggest that this might have a greater pull on behaviour than positive rewards.

Hutton also suggested the implementation of 'gain-sharing' schemes, so that all employees benefit from the rewards of greater productivity. And he called for all public service organisations to adopt a proposed Fair Pay Code.

At lot of these measures struck us as pretty sensible ideas. However Hutton also suggested that some of them should be applied to the private sector too. For example he said that UK-listed companies should disclose top-to-media pay ratios too, and noted that such a requirement is on the way in the US. Disclosure along these lines appeared to be gaining some traction as an idea, so we wouldn't bet against seeing some movement.

Hutton has also thrown this curveball: "organisations delivering public services should include an employee representative in the membership of their remuneration committees."

Whilst it might look like a recommendation aimed at the state as an employer, but organisations that deliver public services could, of course, include publicly listed companies involved in contracting out like Serco, Capita and Compass. It will be interesting to see whether the Government follows through on this recommendation.

Finally, it is interesting to note Hutton's obvious scepticism about 'comply or explain' (see para 5.13 onwards), to the extent that he argued that such a regime "needs to be supported by the possibility of greater regulatory intervention." Once again, there was a sense of a precedent being set here.

## **NEST set out RI Approach**

The National Employment Savings Trust (NEST) has offered a global ethical fund option.

This new fund aligns with NEST's new Statement of Investment Principles (SIP) that stated "to protect and enhance the value of NEST's investments over the long term, it must act as a responsible and vigilant asset owner and market participant." It aimed to fulfil this by limiting investment in companies that meet ethical criteria, as well as gilts (UK government bonds) and NEST's liquidity fund. NEST also announced that it will become a signatory of the UN Principles of Responsible Investment and to the FRC Stewardship Code. These principles will be used as a benchmark with which to guide its own approach to responsible investment, and will seek to apply responsible investment principles across all the assets in which it invests.

## **Takeover Code Amendments**

The Takeover Panel published a public consultation paper setting out proposed amendments to the Takeover Code following last year's review.

In October last year, the Code Committee set out its response to a consultation on various suggestions for possible amendments to the Code. In it the Code Committee stated that it had concluded

that “hostile” offerors (i.e. offerors whose offers are not from the outset recommended by the board of the offeree company) have, in recent times, been able to obtain a tactical advantage over the offeree company to the detriment of the offeree company and its shareholders, and that it intended to bring forward proposals to amend the Code with a view to reducing this tactical advantage and redressing the balance in favour of the offeree company.

As a result it suggested a number of changes should be proposed to the Code to improve the offer process and to take more account of the position of persons who are affected by takeovers in addition to offeree company shareholders.

The Code Committee concluded that amendments to the Code should be proposed in order to: increase the protection for offeree companies against protracted “virtual bid” periods by requiring potential offerors to clarify their position within a short period of time; strengthen the position of the offeree company; increase transparency and improve the quality of disclosure; and provide greater recognition of the interests of offeree company employees.

The latest paper set out the detailed amendments to the Code that the Code Committee proposed to make in order to implement these conclusions. Comments on the paper are invited with a deadline of Friday, 27th May.

As we have noted previously, the Panel’s review came down firmly against any significant structural changes to the current regime, such as raising the threshold required for a deal to go through or introducing a qualifying period for voting on them. Instead it has focused more on disclosure.

However, broader questions about the takeover regime in the UK may yet be addressed by the short-termism review being undertaken by Business Secretary Vince Cable.

## **Vote disclosure raised in Lords**

Funds’ policies must go beyond generic statements of investment principles to ensure members receive meaningful information, was one of the reasons provided regarding the recent amendments to the Pensions Bill.

Lord German, co-chair of the Liberal Democrat party’s parliamentary committee on Work and Pensions, also said that the amendments, which take environmental, social and governance issues along with shareholder rights into account, will enhance policy reporting by offering easier access to voting records and by ensuring pension funds “meet the spirit of the law.”

German pointed to the Stewardship Code that states asset managers should disclose their voting records and the responsibility they hold in ensuring effective stewardship. Highlighting the equal role pension funds to asset managers play in terms of disclosure, German said very little red tape is involved as most funds need only provide a link on their websites. He then argued that public disclosure would increase accountability to ultimate owners and stated “if the purpose of stewardship is to ensure that the assets of the ultimate owners are safeguarded, there must be accountability to these owners on how stewardship responsibilities are being exercised.”

## **The Budget and reporting**

The Budget saw some announcements on proposed changes to audit and reporting requirements.

In the Plan For Growth published alongside the main Budget report, the Government has said it will –

- reduce the number of UK SMEs required to undertake an audit;
- substantially reduce the burden of financial accounting for UK businesses, by bringing forward legislation in 2012 to exempt many subsidiaries from producing audited accounts; and encouraging the European Commission to exempt the smallest companies from audit; and
- materially simplify narrative reporting for quoted companies in the UK.

Specifically on narrative reporting, the Plan For Growth stated the following:

“The Government will simplify the reporting framework to enable quoted companies to provide clear and relevant information to investors about strategy, performance and risk in a simpler and more concise report, with supporting information provided on the company’s website.”

“The Government will seek views from business by the end of July 2011 on the best ways to reduce burdens. For example, by removing any requirements which duplicate similar reporting; improving non-regulatory guidance; and promoting a framework for company reporting which makes it as easy as possible for businesses to adapt to national and international developments.”

# UK Voting Analysis

Table 1: Top Oppose Votes

	Company	Type	Date	Resolution	Proposal	Funds Vote	Oppose %
1	MITCHELLS & BUTLERS PLC	AGM	27 Jan 11	13	Issue shares with pre-emption rights	Abstain	64.11
2	MITCHELLS & BUTLERS PLC	AGM	27 Jan 11	14	Issue shares for cash	For	61.30
3	MITCHELLS & BUTLERS PLC	AGM	27 Jan 11	17	Amend Articles	For	58.79
4	F&C ASSET MANAGEMENT PLC	EGM	03 Feb 11	4	Shareholder Resolution: That Ian Brindle be and is hereby appointed as a director of the Company	Oppose	45.28
5	ENTERPRISE INNS PLC	AGM	20 Jan 11	2	Approve the Remuneration Report	Abstain	40.48
6	F&C ASSET MANAGEMENT PLC	EGM	03 Feb 11	2	Shareholder Resolution: That Brian Larcombe be and is hereby removed from office as a director of the Company	Oppose	38.92
7	F&C ASSET MANAGEMENT PLC	EGM	03 Feb 11	1	Shareholder Resolution: That Nicholas MacAndrew be and is hereby removed from office as a director of the Company	Oppose	34.89
8	F&C ASSET MANAGEMENT PLC	EGM	03 Feb 11	3	Shareholder Resolution: That Edward Bramson be and is hereby appointed as a director of the Company	Oppose	29.96
9	F&C ASSET MANAGEMENT PLC	EGM	03 Feb 11	5	Shareholder Proposal: That Derham O'Neill be and is hereby appointed as a director of the Company	Abstain	28.86
10	ABERDEEN ASSET MANAGEMENT PLC	AGM	20 Jan 11	15	Approve the Remuneration Report	Oppose	27.95

Note: Levels of opposition percentage represent opposition votes cast as a percentage of all votes cast either in favour or against a resolution.

Table 2: Votes by Resolution

Resolution Type	For	%	Abstain	%	Oppose	%	Withdrawn	%	Total
All Employee Schemes	3	100	0	0	0	0	0	0	3
Annual Reports	33	58	8	14	15	26	0	0	56
Articles of Association	6	85	1	14	0	0	0	0	7
Auditors	40	78	7	13	4	7	0	0	51
Corporate Actions	2	40	3	60	0	0	0	0	5
Corporate Donations	3	30	3	30	4	40	0	0	10
Debt & Loans	0	0	0	0	0	0	0	0	0
Directors	144	79	5	2	30	16	2	1	181
Dividend	23	100	0	0	0	0	0	0	23
Executive Pay Schemes	1	50	0	0	1	50	0	0	2
Miscellaneous	23	100	0	0	0	0	0	0	23
NED Fees	1	100	0	0	0	0	0	0	1
Non Voting	0	0	0	0	0	0	0	0	0

Say On Pay	0	0	0	0	0	0	0	0	0
Share Capital Restructuring	2	50	2	50	0	0	0	0	4
Share Issue/Re-purchase	74	84	14	15	0	0	0	0	88
Shareholder Resolution	0	0	1	20	4	80	0	0	5
Undefined	2	100	0	0	0	0	0	0	2

## UK Voting Charts

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

Total Resolutions		
For		357
Oppose		58
Abstain		44
Withdrawn		2
Total		461

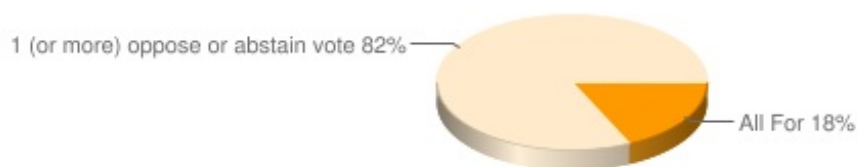
  

Meetings	AGM	EGM	Total
Total Meetings	28	10	38
1 (or more) oppose or abstain vote	23	5	28

### UK Voting Record



### UK AGM Record



### UK EGM Record





# UK Voting Timetable Q1 2011

List of meetings held throughout the period in the fund's portfolio.

## Voted Meetings

Table 3: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted	Proxy Edge	Postal Voting
1	RPC GROUP PLC	06 Jan 11	<b>EGM</b>	21 Dec 10		X
2	BELLWAY PLC	07 Jan 11	AGM	21 Dec 10		X
3	CHRYSLIS PLC	11 Jan 11	<b>EGM</b>	23 Dec 10		X
4	FENNER PLC	12 Jan 11	AGM	23 Dec 10		X
5	RM PLC	17 Jan 11	AGM	22 Dec 10		X
6	BARING EMERGING EUROPE PLC	18 Jan 11	AGM	16 Dec 10		X
7	ENTERPRISE INNS PLC	20 Jan 11	AGM	22 Dec 10		X
8	ABERDEEN ASSET MANAGEMENT PLC	20 Jan 11	AGM	04 Jan 11		X
9	WH SMITH PLC	26 Jan 11	AGM	05 Jan 11		X
10	LONMIN PLC	27 Jan 11	AGM	10 Jan 11		X
11	BRITVIC PLC	27 Jan 11	AGM	11 Jan 11		X
12	MITCHELLS & BUTLERS PLC	27 Jan 11	AGM	11 Jan 11		X
13	MARSTONS PLC	28 Jan 11	AGM	10 Jan 11		X
14	JPMORGAN INDIAN I.T. PLC	28 Jan 11	AGM	11 Jan 11		X
15	IMPERIAL TOBACCO GROUP PLC	02 Feb 11	AGM	14 Jan 11		X
16	COMPASS GROUP PLC	03 Feb 11	AGM	17 Jan 11		X
17	TUI TRAVEL PLC	03 Feb 11	AGM	24 Jan 11		X
18	F&C ASSET MANAGEMENT PLC	03 Feb 11	<b>EGM</b>	24 Jan 11		X
19	VICTREX PLC	08 Feb 11	AGM	21 Jan 11		X
20	MELROSE RESOURCES PLC	08 Feb 11	<b>EGM</b>	28 Jan 11		X
21	GRAINGER PLC	09 Feb 11	AGM	21 Jan 11		X
22	SHAFTESBURY PLC	11 Feb 11	AGM	25 Jan 11		X
23	MISYS PLC	11 Feb 11	<b>EGM</b>	31 Jan 11		X
24	MISYS PLC	11 Feb 11	<b>EGM</b>	31 Jan 11		X
25	MEDICX FUND LTD	24 Feb 11	AGM	08 Feb 11		X
26	MEDICX FUND LTD	24 Feb 11	<b>EGM</b>	10 Feb 11		X
27	ABERFORTH SMALLER COMPANIES TRUST PLC	02 Mar 11	AGM	10 Feb 11		X
28	HOLIDAYBREAK PLC	02 Mar 11	AGM	10 Feb 11		X
29	SAGE GROUP PLC	02 Mar 11	AGM	10 Feb 11		X

30	THROGMORTON TRUST PLC	11 Mar 11	AGM	18 Feb 11		X
31	ADVANCE DEVELOPING MARKETS FUND LIMITED	14 Mar 11	AGM	18 Feb 11		X
32	FERREXPO PLC	15 Mar 11	<b>EGM</b>	11 Mar 11	X	X
33	DOMINO PRINTING SCIENCES PLC	16 Mar 11	AGM	22 Feb 11		X
34	SAFESTORE HOLDINGS PLC	23 Mar 11	AGM	09 Mar 11		X
35	AUTONOMY CORP PLC	24 Mar 11	AGM	09 Mar 11		X
36	STANDARD LIFE UK SMALLER COMPANIES TRUST PLC	28 Mar 11	<b>EGM</b>	16 Mar 11		X
37	WOOD GROUP (JOHN) PLC	31 Mar 11	<b>EGM</b>	17 Mar 11		X

## Not Voted Meetings

Table 4: Meetings not voted in quarter

	Company	Meeting Date	Type	Reason Not Voted
1	DAILY MAIL & GENERAL TRUST	09 Feb 11	AGM	Non-voting shares

## UK Upcoming Meetings Q2 2011

List of meetings scheduled to be held throughout the period by UK companies currently in the fund's portfolio.

Table 5: Upcoming Meetings

	Company	Meeting Date	Type
1	SMITH & NEPHEW PLC	14 Apr 11	AGM
2	RIO TINTO GROUP (GBP)	14 Apr 11	AGM
3	BP PLC	14 Apr 11	AGM
4	ROYAL BANK OF SCOTLAND GROUP	19 Apr 11	AGM
5	HERALD INVESTMENT TRUST PLC	19 Apr 11	AGM
6	REED ELSEVIER PLC	20 Apr 11	AGM
7	MEGGITT PLC	20 Apr 11	AGM
8	CHARTER INTERNATIONAL PLC	20 Apr 11	AGM
9	HUNTING PLC	20 Apr 11	AGM
10	BUNZL PLC	20 Apr 11	AGM
11	ULTRAELECTRONICS HLDGS PLC	21 Apr 11	AGM
12	ANGLOAMERICAN PLC	21 Apr 11	AGM
13	ROTORK PLC	21 Apr 11	AGM
14	WOLFSON MICROELECTRONICS PLC	21 Apr 11	AGM
15	ELEMENTIS PLC	21 Apr 11	AGM
16	PERSIMMON PLC	21 Apr 11	AGM
17	AFRICAN BARRICK GOLD	21 Apr 11	AGM
18	SHIRE PLC	26 Apr 11	AGM
19	BARCLAYS PLC	27 Apr 11	AGM
20	AGGREKO PLC	27 Apr 11	AGM
21	BODYCOTE PLC	27 Apr 11	AGM
22	FORTH PORTS PLC	28 Apr 11	<b>EGM</b>
23	SENIOR PLC	28 Apr 11	AGM

24	ASTRAZENECAPLC	28 Apr 11	AGM
25	CRODAINTERNATIONAL PLC	28 Apr 11	AGM
26	PEARSON PLC	28 Apr 11	AGM
27	HAMMERSON PLC	28 Apr 11	AGM
28	JOHNSTON PRESS PLC	28 Apr 11	AGM
29	JARDINE LLOYD THOMPSON GROUP	28 Apr 11	AGM
30	SEGRO PLC	28 Apr 11	AGM
31	BAT-BRITISH AMER TOBACCO PLC	28 Apr 11	AGM
32	RANDGOLD RESOURCES LTD	03 May 11	AGM
33	F&C ASSET MANAGEMENT PLC	03 May 11	AGM
34	INMARSAT PLC	03 May 11	AGM
35	AMVAPLC	04 May 11	AGM
36	PROVIDENT FINL GROUP	04 May 11	AGM
37	WEIR GROUP PLC	04 May 11	AGM
38	XSTRATAPLC	04 May 11	AGM
39	WSP GROUP PLC	04 May 11	AGM
40	SPIRENT COMMUNICATIONS	04 May 11	AGM
41	BAE SYSTEMS PLC	04 May 11	AGM
42	BBAVIATION PLC	04 May 11	AGM
43	CARILLION PLC	04 May 11	AGM
44	GKN PLC	05 May 11	AGM
45	RECKITT BENCKISER GROUP PLC	05 May 11	AGM
46	SCHRODERS PLC	05 May 11	AGM
47	REXAM PLC	05 May 11	AGM
48	AMEC PLC	05 May 11	AGM
49	AGARANGEMASTER GROUP PLC	05 May 11	AGM
50	NOVAE GROUP	05 May 11	AGM
51	COSTAIN GROUP PLC	05 May 11	AGM
52	STANDARD CHARTERED PLC	05 May 11	AGM
53	GLAXOSMITHKLINE PLC	05 May 11	AGM
54	FISHER (JAMES) AND SONS PLC	05 May 11	AGM
55	MILLENNIUM & COPTHORNE HOTELS	06 May 11	AGM
56	LAIRD PLC	06 May 11	AGM
57	COBHAM PLC	06 May 11	AGM
58	IMI PLC	06 May 11	AGM
59	FIDESSAPLC	06 May 11	AGM
60	PSION PLC	06 May 11	AGM
61	ROLLS-ROYCE GROUP PLC	06 May 11	AGM
62	FORTH PORTS PLC	06 May 11	AGM
63	CENTRICAPLC	09 May 11	AGM
64	SERCO GROUP PLC	09 May 11	AGM
65	MORGAN CRUCIBLE CO PLC	10 May 11	AGM
66	CAPITAGROUP PLC	10 May 11	AGM
67	SPIRAX-SARCO ENGINEERING PLC	10 May 11	AGM
68	AEGIS GROUP PLC	10 May 11	AGM
69	UNITED BUSINESS MEDIA	10 May 11	AGM
70	HGCAPITAL TRUST PLC	10 May 11	AGM
71	IMPAX ENVIRONMENTAL MARKETS PLC	10 May 11	AGM
72	INFORMA	10 May 11	AGM

73	UNILEVER PLC	11 May 11	AGM
74	RATHBONE BROTHERS PLC	11 May 11	AGM
75	ITV PLC	11 May 11	AGM
76	WOOD GROUP (JOHN) PLC	11 May 11	AGM
77	MARSHALLS	11 May 11	AGM
78	GREGGS PLC	11 May 11	AGM
79	HUNTSWORTH PLC	12 May 11	AGM
80	BG GROUP PLC	12 May 11	AGM
81	TULLOW OIL PLC	12 May 11	AGM
82	TULLETT PREBON PLC	12 May 11	AGM
83	COOKSON GROUP PLC	12 May 11	AGM
84	MELROSE PLC	12 May 11	AGM
85	ST JAMES'S PLACE	12 May 11	AGM
86	AMLIN PLC	12 May 11	AGM
87	CATLIN GROUP LTD	12 May 11	AGM
88	PACE PLC	12 May 11	AGM
89	WILLIAM HILL PLC	12 May 11	AGM
90	BALFOUR BEATTY PLC	12 May 11	AGM
91	OLD MUTUAL PLC	12 May 11	AGM
92	HILL & SMITH HOLDINGS PLC	12 May 11	AGM
93	TRINITY MIRROR PLC	12 May 11	AGM
94	ARM HOLDINGS PLC	12 May 11	AGM
95	SPECTRIS PLC	13 May 11	AGM
96	PETROFAC LTD	13 May 11	AGM
97	LADBROKES	13 May 11	AGM
98	KAZAKHMYS PLC	13 May 11	AGM
99	EVOLUTION GROUP PLC	17 May 11	AGM
100	ROYAL DUTCH SHELL PLC	17 May 11	AGM
101	STANDARD LIFE PLC	17 May 11	AGM
102	LLOYDS BANKING GROUP PLC	18 May 11	AGM
103	COLLINS STEWART PLC	18 May 11	AGM
104	CINEWORLD GROUP PLC	18 May 11	AGM
105	RESOLUTION LTD	18 May 11	AGM
106	INTERNATIONAL POWER PLC	18 May 11	AGM
107	CSR PLC	18 May 11	AGM
108	PRUDENTIAL PLC	19 May 11	AGM
109	NEXT PLC	19 May 11	AGM
110	THE VITEC GROUP PLC	19 May 11	AGM
111	CHAUCER HOLDINGS PLC	19 May 11	AGM
112	TT ELECTRONICS PLC	19 May 11	AGM
113	G4S PLC	19 May 11	AGM
114	CAIRN ENERGY PLC	20 May 11	AGM
115	PREMIER OIL PLC	20 May 11	AGM
116	CANDOVER INVESTMENTS PLC	20 May 11	AGM
117	MICHAEL PAGE INTERNATIONAL	20 May 11	AGM
118	INVESCO PERPETUAL UK SMALLER CO'S I.T. PLC	21 May 11	AGM
119	RSAINSURANCE GROUP PLC	23 May 11	AGM
120	F&C PRIVATE EQUITY TRUST PLC	24 May 11	AGM

121	ENQUEST PLC	25 May 11	AGM
122	LEGAL & GEN GROUP PLC	26 May 11	AGM
123	FERREXPO PLC	26 May 11	AGM
124	TRAMS PERKINS PLC	26 May 11	AGM
125	INTERCONTINENTAL HOTELS GRP	27 May 11	AGM
126	HSBC HLDGS PLC	27 May 11	AGM
127	FRESNILLO PLC	28 May 11	AGM
128	TALKTALK TELECOM GROUP PLC	01 Jun 11	AGM
129	SEVERFIELD-ROWEN PLC	03 Jun 11	AGM
130	AFREN PLC	07 Jun 11	AGM
131	LAMPRELL PLC	07 Jun 11	AGM
132	EURASIAN NATURAL RESOURCES	08 Jun 11	AGM
133	HISCOX LTD	08 Jun 11	AGM
134	ANTOFAGASTAPLC	08 Jun 11	AGM
135	MORRISON (WM) SUPERMARKETS	09 Jun 11	AGM
136	SOCO INTERNATIONAL PLC	09 Jun 11	AGM
137	MEARS GROUP PLC	09 Jun 11	AGM
138	JD SPORTS FASHION PLC	09 Jun 11	AGM
139	MELROSE RESOURCES PLC	10 Jun 11	AGM
140	TED BAKER PLC	14 Jun 11	AGM
141	BLACKROCK SMALLER COMPANIES TRUST PLC	15 Jun 11	AGM
142	HERITAGE OIL PLC	17 Jun 11	AGM
143	KINGFISHER PLC	17 Jun 11	AGM
144	WHITBREAD PLC	22 Jun 11	AGM
145	BRAEMAR SHIPPING SERVICES PLC	23 Jun 11	AGM
146	HEADLAM GROUP PLC	25 Jun 11	AGM
147	WPP PLC	29 Jun 11	AGM

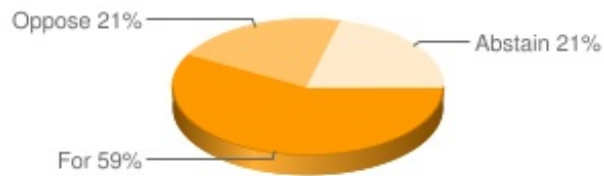
## AIM UK Market Voting Charts

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

Total Resolutions	
For	17
Oppose	6
Abstain	6
Withdrawn	0
Total	29

Meetings	AGM	EGM	Total
Total Meetings	2	1	3
1 (or more) oppose or abstain vote	2	1	3

### AIM UK Market Voting Record



### AIM UK Market AGM Record



### AIM UK Market EGM Record



## AIM UK Market Voting Timetable Q1 2011

List of meetings held throughout the period in the fund's portfolio.

### Voted Meetings

Table 6: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted	Proxy Edge	Postal Voting
1	CARETECH HOLDINGS	15 Feb 11	AGM	28 Jan 11	X	X
2	TITANIUM RESOURCES GROUP	21 Feb 11	<b>EGM</b>	10 Feb 11		X
3	LOW CARBON ACCELERATOR PLC	29 Mar 11	AGM	03 Mar 11		X

## AIM UK Market Upcoming Meetings Q2 2011

List of meetings scheduled to be held throughout the period by AIM UK Market companies currently in the fund's portfolio.

Table 7: Upcoming Meetings

	Company	Meeting Date	Type
1	CAMBIUM GLOBAL TIMBERLAND	14 Apr 11	<b>EGM</b>
2	FYFFES PLC	12 May 11	AGM
3	TOTAL PRODUCE PLC	20 May 11	AGM
4	METALRAX GROUP PLC	25 May 11	AGM
5	CAPE PLC	25 May 11	AGM
6	TITANIUM RESOURCES GROUP	10 Jun 11	AGM

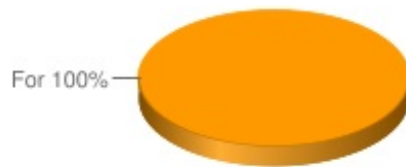
## Fledgling UK Market Voting Charts

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

Total Resolutions	
For	1
Oppose	0
Abstain	0
Withdrawn	0
Total	1

Meetings	AGM	EGM	Total
Total Meetings	0	1	1
1 (or more) oppose or abstain vote	0	0	0

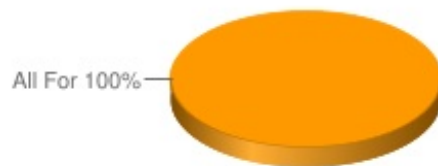
### Fledgling UK Market Voting Record



### Fledgling UK Market AGM Record

There were no AGMs during the last period in the clients portfolio.

### Fledgling UK Market EGM Record



## Fledgling UK Market Voting Timetable Q1 2011

List of meetings held throughout the period in the fund's portfolio.

### Voted Meetings

Table 8: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted	Proxy Edge	Postal Voting
1	JUPITER GREEN INVESTMENT TRUST PLC	10 Mar 11	EGM	24 Feb 11		X

## Fledgling UK Market Upcoming Meetings Q2 2011

List of meetings scheduled to be held throughout the period by Fledgling UK Market companies currently in the fund's portfolio.

Table 9: Upcoming Meetings

	Company	Meeting Date	Type
1	STV GROUP PLC	20 Apr 11	AGM
2	JPMORGAN US SMALLER CO IT PLC	27 Apr 11	AGM
3	XAAR PLC	17 May 11	AGM
4	CAYENNE TRUST PLC	10 Jun 11	AGM

# European Corporate Governance Review

## Porsche wins hedge fund case

A US judge dismissed a lawsuit brought against Porsche by a group of hedge funds.

In 2008 it emerged that Porsche had built up a stake of almost 75% in rival car-maker VW through a combination of options and derivatives. During the same period a number of hedge funds had shorted VW, in a climate in which many car manufacturers seemed to be facing an uncertain future.

However, when the extent of Porsche's interest was revealed, the VW share price rocketed, briefly making it the biggest company in the world by market cap. As a result hedge funds suffered significant losses and they subsequently brought a case against Porsche claiming it had misled the market.

However the case was dismissed. According to the Wall Street Journal Judge Harold Baer Jr. ruled that US securities laws didn't apply in the case because the alleged market manipulation occurred outside the US. Porsche's actions were legal in Germany, if not exactly transparent. With Porsche again coming out on top, and with the dismissal clearing the way for a merger with VW, its own shares have soared.

However it would be a mistake to see this as a rare example of industry putting one over on the 'locusts' of the finance sector. Seeing hedge funds fall victim to sharp market practices might appear to be the type of experience the word Schadenfreude was invented for. But if it were a company on the receiving end of this behaviour there would be uproar, and rightly so. Porsche may have acted within the law, but perhaps then that raises a question about the market regime itself.

## Belgium backs 30% gender target

The Belgian Corporate Governance Commission (CGC) implemented gender diversity into its governance code on a 'comply or explain' basis.

The Commission called on listed companies to increase the number of women serving on the board of directors to increase by at least 30% within seven years. Varying initiatives are undergoing consideration to ensure a more adequate representation of women. "The Corporate Governance Committee considers gender diversity in the board of directors of listed companies absolutely necessary," said the CGC.

The Confederation of British Industry sent a similar request last year in its submission to Lord Davies' review into the shortage of women on UK company boards. The submission also made reference to a similar scheme in Australia that led to an increase of 22% women at board level since commencing in 2009.

## APG tells BP to link pay to safety

APG called on BP to strengthen control of its safety and risk management by linking executive pay to health and safety performance.

In its most recent newsletter on responsible ownership, *Investing in Sustainability*, the Dutch asset management group pointed to an independent review showing minimal safety culture and lack of self-criticism at BP as detrimental to the future of the oil giant. "This is the company's last chance to regain its credibility as a premium brand," said APG.

Although the report highlighted BP's new safety and risk management department as a step in the right direction, APG believes production of a remuneration report that includes safety performance indicators is a must. Linking safety to the employee remuneration structure will, according to APG, "carry more weight." BP has already inaugurated this by making fourth-quarter bonuses dependent on safety performance.

APG further requested BP "to build more checks and balances and top-down supervision into its

operational control procedures,” suggesting that BP should “monitor measurement data on oil platforms in real time at its onshore command centres.”

APG was not the first investor to raise this issue with BP. In 2007 the Local Authority Pension Fund Forum (LAPFF) publicly opposed the company’s remuneration report because of a lack of linkage between safety and pay. It recommended BP’s long-term incentive scheme contain “safety-related and other extra-financial performance elements” applicable to all executive directors.

## **Response to EC audit Green Paper**

The European Commission issued a summary of responses to the audit policy Green Paper it published last October.

The Commission had asked for stakeholder and broader public feedback on a range of issues related to the statutory audit. Just under 700 participants replied; the largest consultation response since the financial crisis. Responses to the Green Paper were broad with investors and the four biggest auditing firms (‘Big Four’) consistently holding divergent opinions on issues pertaining to governance and independence of audit firms.

On the issue of auditor appointment, investors believed an inherent potential conflict of interest exists when the auditor is appointed by the audited entity. Although investors found a number of measures to mitigate risk are in place, they suggested the following measures to deal with possible conflicts: annual approval of the auditor by shareholders and not by the board; minimum standards of transparency regarding the relationship between the company and its auditors; increased transparency on auditor changes and views of out-going auditor (a significant weak point in European corporate governance); an alignment of employees and partners in audit firms’ remuneration with high quality audits instead of focusing on their contributions to turnover and profits; ability of an independent regulator to hold power to disagree on the entity’s selection of an auditor and to appoint another auditor.

Investors had divergent opinions on mandatory rotation of auditors with some, instead, supporting mandatory re-tendering after a specific period of time. However, the majority of investors agreed non-audit services which have no natural connection with the audit must be discouraged or even forbidden as they are the main source of conflicts of interest and provide the audit firm with a competitive advantage which is unwarranted. Investors referred to internal audits, highlighting concerns that “the provision of both internal and external audit services by the same firm has obvious implications for audit independence in that the external audit firm will in effect audit its own work and may be taking on management functions.”

On the issue of market concentration, investors called for increased transparency to address this issue, suggesting that greater disclosure should lead to a system of ‘check and balance’ and creating a better understanding of the circumstances and the process of appointment. The Big Four, which control over 90% of total market share, argued that their long-standing reputation of high quality performance has contributed to market domination.

The Commission hosted a high level Conference on 10<sup>th</sup> February to discuss the present Green Paper, the main findings of the responses and possible ways forward. The Commission will announce any appropriate follow up measures later this year.

## **EC governance paper due in April**

The European Commission issued its Internal Market Consultation timetable confirming 5 April, this year, as the release date of its green paper on the European Union corporate governance framework.

The paper will focus on three key areas: boards of directors, shareholders’ engagement and the “comply or explain” approach. The consultation will also include 25 questions on issues such as diversity, executive remuneration, risk management, shareholder cooperation, proxy advisors, minority shareholder protection and the functioning of the corporate governance system.

## **Novethic working paper on SRI**

Novethic released a working paper, *Shareholder Engagement: A Promising SRI Practice*, which analyses diverse methods, motivations and challenges investors encounter in the shareholder engagement process.

The study, focussing primarily on Europe, found that long-term value creation, managing reputational risks and environmental, social and governance reporting were the main motivators for most institutional investors and investment managers, whereas NGOs and organisations traditionally adopt an “activist” engagement approach.

According to the report, 30% of the €5,000bil in the “Broad Socially Responsible Investment” category is allocated to engagement, with the UK holding the most assets subject to this approach and France the least. However, the report concluded that despite on-going development, shareholder engagement continues to fall short of a clear definition or scope. It also found that a methodically consistent approach can lead to significant company change, suggesting a combined engagement programme with a responsible investment approach having the most successful outcome.

## **Ireland pans ‘comply or explain’**

One of the outcomes of the change of government in Ireland looked set to be a significant shift away from a ‘comply or explain’ approach to corporate governance.

As noted by the excellent Corporate Law and Governance blog, the Fine Gael-Labour coalition’s programme for government includes a commitment to make governance requirements mandatory for public companies.

It reads: “We will make good corporate governance the law, not an optional extra, and enact legislation to provide for a binding code of practice for corporate governance, which will be obligatory for companies wishing to be listed on Irish stock exchange.”

It appeared that this commitment comes from the Labour side of the coalition, which used very similar language in its election manifesto. In it the party described a ‘voluntary’ approach to corporate governance as ‘a blank cheque for corporate misconduct’ and called for a binding code.

Of most interest to governance watchers, however, will be what ground a binding governance regime might cover. In this respect a paper published by Labour in April 2009 entitled ‘Never again’ may provide some clues. In the paper Labour criticised the ‘comply or explain’ approach to governance, describing it as ‘optional’ for companies and, as such, not providing sufficient confidence to investors in Irish companies.

Instead the party proposed introducing a Corporate Governance Code of Practice Bill which would:

- Provide for the drawing up of a binding code of practice for corporate governance
- End the practice of cross-directorships
- Limit the number of boards on which a non-executive director may sit
- Prohibit the positions of chairman and chief executive of a company being held by the same person
- Prohibit a former chief executive from being elected chairman
- Prohibit non-executive directors from serving on a board for more than seven consecutive years
- Require companies to establish independent auditing committees, comprised of members with relevant expertise
- Require the chairman and chief executive to assume direct responsibility for ensuring good corporate governance and transparency in corporate reporting
- Require non-executive directors to demonstrate the time and skills necessary to contribute effectively to the board
- Regulate the appointment of non- executive directors who are connected to the company’s bank or auditors

At the risk of stating the obvious, if enacted, this kind of regime would mark a complete break with ‘comply or explain’ and represent a strict code. Ireland had essentially already moved to a more regulatory approach to governance for banks and other financial institutions. Perhaps this was not surprising given the country’s experience during the financial crisis. However, extending this approach to Irish-listed companies as a whole marks a new departure. To put things in context we have looked at how

a prohibition on serving more than seven years would impact Irish companies. We found that, in a sample of 15 Irish-listed companies, 48 non-execs would currently be captured by such a rule. This would affect big name companies such as Bank of Ireland, Paddy Power and RyanAir.

More generally, the decision of Ireland to move away from 'comply or explain' was further evidence that fundamental questions about corporate governance continue to be asked. It would be strange if Ireland's decision did not lead to some reflection in other markets.

## **Italy legislates for gender target**

An Italian bill on gender quotas passed the Senate's Finance Committee – a key obstacle. Once the measure passes the Senate and House, which observers believed was likely, from next year firms listed on the Italian stock exchange must have 20% female board representation.

In 2015, the number will increase to 30%. Eurostat, the European Union's statistics bureau, had placed Italian female employment rates at 63.9% between the ages of 25 and 54, while the EU average is 75.8%. Another study by Manageritalia placed Italy at the bottom of the EU with less than 12% of women holding management positions.

## **Disclosure to improve in Spain**

The Sustainable Environment Act was approved in Spain.

The law included two provisions which can be seen as important advances for corporate governance. First, it vastly increased the disclosure requirements for executive remuneration as it makes article 61 bis of the Ley 24/1998 of 28 July, Mercado de Valores, binding. This implies that listed companies will now be required to include information on all elements of each director's remuneration in the annual corporate governance report and submit it to shareholder vote as a separate point on the agenda of the AGM.

Second, companies with more than 1000 employees will be required to submit an annual report on corporate social responsibility. The report must state whether it has been externally verified, should be based on international standards and include information on transparency, good corporate governance, community and environmental commitments, respect for human rights, improving labour relations, promotion of the integration of women, equal rights for men and women, equal opportunities and access for the disabled and sustainable consumption.

It remains to be seen how these provisions will be carried out in practice.

## **CEOs with daughters are fairer**

Researchers found that having a daughter makes CEOs more sensitive to female pay gaps.

The study, which examined male CEOs at Danish firms, found that shortly after having a daughter female employee wages increased, effectively reducing the gender wage gap. The effect was most significant if the daughter was the first born of the CEO. However, the birth of a son had no influence over wage gaps.

## **Pressure grows over diversity**

European Justice Commissioner Viviane Reding issued a final call for all listed companies in Europe to address the under-representation of women on boards.

At a summit in Brussels, Vice President Reding pointed to the latest research from the Report on Progress on Equality between Women and Men in 2010 to stress the continued failure of businesses in Europe to appoint women to board level positions. Analysis from the Report showed in a typical boardroom only one in 10 board members at Europe's largest companies are women and that men chair the board in 97% of cases. Figures vary according to country whereas women comprise one of every three board positions in Sweden and Finland (26% women), while Italy and Luxembourg boards have

fewer than 5% female board representation.

The Commission will measure corporate Europe's progress over the next 12 months before determining if further measures such as regulation are required.

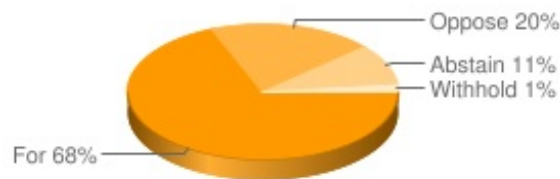
## European Voting Charts

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

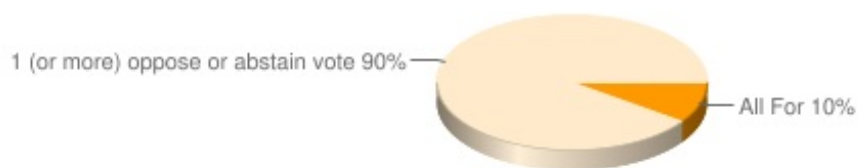
Total Resolutions	
For	338
Oppose	98
Abstain	52
Withhold	6
Withdrawn	0
Total	494

Meetings	AGM / Combined	EGM	Total
Total Meetings	30	9	39
1 (or more) oppose or abstain vote	27	7	34

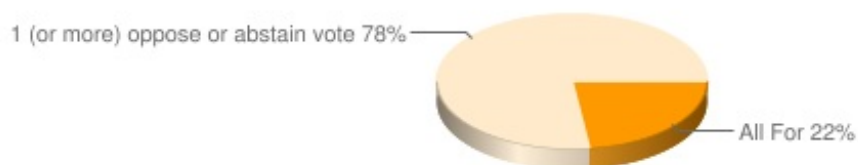
### European Voting Record



### European AGM Record / Combined



### European EGM Record



## European Voting Timetable Q1 2011

List of meetings held throughout the period in the fund's portfolio.

### Voted Meetings

Table 10: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted	Proxy Edge	Postal Voting
1	EFG EUROBANK ERGASIAS SA	10 Jan 11	<b>EGM</b>	23 Dec 10	X	
2	PRYSMIAN SPA	21 Jan 11	<b>EGM</b>	06 Jan 11	X	
3	THYSSENKRUPP AG	21 Jan 11	AGM	05 Jan 11	X	
4	ARCELORMITTAL SA	25 Jan 11	AGM	10 Jan 11	X	
5	SIEMENS AG	25 Jan 11	AGM	10 Jan 11	X	
6	EFG EUROBANK ERGASIAS SA	27 Jan 11	<b>EGM</b>	20 Jan 11	X	
7	EFG EUROBANK ERGASIAS SA	08 Feb 11	<b>EGM</b>	31 Jan 11	X	
8	NOVARTIS AG	22 Feb 11	AGM	07 Feb 11	X	
9	KONE CORP	28 Feb 11	AGM	11 Feb 11	X	
10	NOVOZYMES AS	02 Mar 11	AGM	15 Feb 11	X	
11	MAPFRE	05 Mar 11	AGM	21 Feb 11	X	
12	REC (RENEWABLE ENERGY CORPORATION) ASA	09 Mar 11	<b>EGM</b>	23 Feb 11	X	
13	BANCO BILBAO VIZCAYAARGENTARIA SA (BBVA)	10 Mar 11	AGM	23 Feb 11	X	
14	AGEAS NV	23 Mar 11	<b>EGM</b>	22 Feb 11	X	
15	NOVO NORDISK A/S	23 Mar 11	AGM	07 Mar 11	X	
16	SVENSKAHANDELSBANKEN	23 Mar 11	AGM	10 Mar 11	X	
17	BANK OF CYPRUS PUBLIC CO LTD	23 Mar 11	<b>EGM</b>	14 Mar 11	X	
18	CARLSBERG AS	24 Mar 11	AGM	08 Mar 11	X	
19	DE SAMMENSLUTTEDE VOGNMAEND	24 Mar 11	AGM	08 Mar 11	X	
20	OUTOKUMPU OY	24 Mar 11	AGM	08 Mar 11	X	
21	SKANDINAVISKAENSKILDABANKEN (SEB)	24 Mar 11	AGM	08 Mar 11	X	
22	NORDEABANK AB	24 Mar 11	AGM	09 Mar 11	X	
23	ELISACORP	25 Mar 11	AGM	11 Mar 11	X	
24	SWEDBANK AB	25 Mar 11	AGM	11 Mar 11	X	
25	ENAGAS SA	25 Mar 11	AGM	11 Mar 11	X	
26	VESTAS WIND SYSTEMS AS	28 Mar 11	AGM	11 Mar 11	X	
27	GALP ENERGIASGPS SA	28 Mar 11	<b>EGM</b>	15 Mar 11	X	
28	DANSKE BANK AS	29 Mar 11	AGM	15 Mar 11	X	
29	AGEAS NV	30 Mar 11	<b>EGM</b>	15 Mar 11	X	
30	HOLMEN AB	30 Mar 11	AGM	15 Mar 11	X	
31	METSO OYJ	30 Mar 11	AGM	15 Mar 11	X	
32	FERROVIAL	31 Mar 11	AGM	15 Mar 11	X	
33	KONINKLIJKE (ROYAL) PHILIPS ELECTRONICS NV	31 Mar 11	AGM	17 Mar 11	X	
34	BANCO ESPIRITO SANTO SA	31 Mar 11	AGM	17 Mar 11	X	
35	LVMH (MOET HENNESSY - LOUIS VUITTON) SA	31 Mar 11	AGM	17 Mar 11	X	

36	FORTUM OYJ	31 Mar 11	AGM	17 Mar 11	X	
37	ZURICH FINANCIAL SERVICES	31 Mar 11	AGM	18 Mar 11	X	

## Not Voted Meetings

Table 11: Meetings not voted in quarter

	Company	Meeting Date	Type	Reason Not Voted
1	ROCHE HOLDING AG	01 Mar 11	AGM	No voting rights
2	FIAT SPA	30 Mar 11	AGM	Shares not held at record date

## European Upcoming Meetings Q2 2011

List of meetings scheduled to be held throughout the period by European companies currently in the fund's portfolio.

Table 12: Upcoming Meetings

	Company	Meeting Date	Type
1	SAMPO OYJ	14 Apr 11	AGM
2	ACS (ACTIVIDADES DE CONSTRUCCION Y SERVICIOS) SA	14 Apr 11	AGM
3	NESTLE SA	14 Apr 11	AGM
4	ENERGIAS DE PORTUGAL SA(EDP)	14 Apr 11	AGM
5	ORKLAASA	14 Apr 11	AGM
6	NESTE OIL OYJ	14 Apr 11	AGM
7	GAS NATURAL SDG SA	14 Apr 11	AGM
8	BRISA- AUTO-ESTRADAS DE PORTUGAL SA	15 Apr 11	AGM
9	SWISS RE	15 Apr 11	AGM
10	GAM HOLDING	19 Apr 11	AGM
11	ATLANTIASPA	19 Apr 11	AGM
12	SYNGENTAAG	19 Apr 11	AGM
13	MEDIASET SPA	19 Apr 11	AGM
14	REED ELSEVIER NV	19 Apr 11	AGM
15	PIRELLI & CO	20 Apr 11	AGM
16	RTL GROUP	20 Apr 11	AGM
17	ATLAS COPCO AB	20 Apr 11	AGM
18	MUENCHENER RUECK AG (MUNICH RE)	20 Apr 11	AGM
19	IBERDROLASA	20 Apr 11	AGM
20	RWE AG	20 Apr 11	AGM
21	SCHNEIDER ELECTRIC SA	21 Apr 11	AGM
22	VIVENDI SA	21 Apr 11	AGM
23	AUTOGRILL SPA	21 Apr 11	AGM
24	LOREAL SA	22 Apr 11	AGM
25	ASSICURAZIONI GENERALI SPA	26 Apr 11	AGM
26	ABERTIS INFRAESTRUCTURAS SA	26 Apr 11	AGM
27	WOLTERS KLUWER NV	27 Apr 11	AGM
28	ALFALAVAL AB	27 Apr 11	AGM
29	AKZO NOBEL NV	27 Apr 11	AGM
30	AXA	27 Apr 11	AGM
31	UNICREDIT SPA	27 Apr 11	AGM

32	TELECOMITALIASPA	27 Apr 11	AGM
33	UBS AG	28 Apr 11	AGM
34	DNB NOR ASA	28 Apr 11	AGM
35	EXOR SPA	28 Apr 11	AGM
36	HENNES & MAURITZAB (H&M)	28 Apr 11	AGM
37	SKF AB	28 Apr 11	AGM
38	AGEAS NV	28 Apr 11	AGM
39	SYNTHESES INC	28 Apr 11	AGM
40	LUXOTTICAGROUP SPA	28 Apr 11	AGM
41	ASSAABLOY AB	29 Apr 11	AGM
42	BANCO POPOLARE SCRL	29 Apr 11	AGM
43	BANCAMONTE DEI PASCHI DI SIENASPA	29 Apr 11	AGM
44	ENEL SPA	29 Apr 11	AGM
45	ENI SPA	29 Apr 11	AGM
46	BAYER AG	29 Apr 11	AGM
47	FINMECCANICA SPA	29 Apr 11	AGM
48	REC (RENEWABLE ENERGY CORPORATION) ASA	29 Apr 11	AGM
49	UNIONE DI BANCHE ITALIANE SCPA	29 Apr 11	AGM
50	CASINO GUICHARD PERRACHON SA	29 Apr 11	AGM
51	CREDIT SUISSE GROUP	29 Apr 11	AGM
52	SAIPEM SPA	30 Apr 11	AGM
53	VINCI	02 May 11	AGM
54	GDF SUEZ	02 May 11	AGM
55	NOKIA OYJ	03 May 11	AGM
56	SANDVIK AB	03 May 11	AGM
57	HUSQVARNA AB	04 May 11	AGM
58	CARREFOUR SA	04 May 11	COMBINED
59	ALLIANZ SE	04 May 11	AGM
60	CGG VERITAS	04 May 11	AGM
61	AIR LIQUIDE SA	04 May 11	AGM
62	CRH PLC	04 May 11	AGM
63	NORSK HYDRO ASA	05 May 11	AGM
64	E.ON AG	05 May 11	AGM
65	BASF SE	06 May 11	AGM
66	CELESIO AG	06 May 11	AGM
67	SANOFI-AVENTIS	06 May 11	AGM
68	VEOLIA ENVIRONNEMENT	07 May 11	AGM
69	ING GROEP NV	09 May 11	AGM
70	INTESA SANPAOLO SPA	09 May 11	AGM
71	KERRY GROUP PLC	10 May 11	AGM
72	YARA INTERNATIONAL ASA	10 May 11	AGM
73	BNP PARIBAS	11 May 11	AGM
74	AEGON NV	12 May 11	AGM
75	DEUTSCHE TELEKOM	12 May 11	AGM
76	ADIDAS AG	12 May 11	AGM
77	LAFARGE SA	12 May 11	AGM
78	SWATCH GROUP AG	12 May 11	AGM
79	BMW AG	12 May 11	AGM
80	LINDE AG	12 May 11	AGM

81	UNILEVER NV	12 May 11	AGM
82	TOTAL	13 May 11	AGM
83	FRESENIUS SE	13 May 11	AGM
84	INVESTMENTS AB KINNEVIK	17 May 11	AGM
85	TELE2 AB	17 May 11	AGM
86	STATOILHYDRO ASA	19 May 11	AGM
87	TELENOR ASA	19 May 11	AGM
88	SUEZ ENVIRONNEMENT SA	20 May 11	AGM
89	NATIONAL BANK OF GREECE	21 May 11	AGM
90	DEUTSCHE POST AG	25 May 11	AGM
91	SOCIETE GENERALE SA	25 May 11	AGM
92	MILLICOM INTL CELLULAR SA	25 May 11	AGM
93	BANK OF CYPRUS PUBLIC CO LTD	26 May 11	AGM
94	OMVAG	26 May 11	AGM
95	FCC (FOMENTO DE CONSTRUCCIONES Y CONTRATAS) SA	27 May 11	AGM
96	DASSAULT SYSTEMES SA	27 May 11	AGM
97	DEUTSCHE BANK AG	27 May 11	AGM
98	GALP ENERGIASGPS SA	30 May 11	AGM
99	MAN SE	27 Jun 11	AGM

# US Corporate Governance Review

## Boston Common drops Cisco

Failed human rights commitment and dubious voting results led Boston Common to divest its Cisco holdings.

The US investment manager, which specialises in sustainable and responsible equity, led a coalition worth 20 million Cisco shares against the company since 2005 over its failed human rights risk management and unwillingness to engage on the issue. Boston Common also cited Cisco's manipulation of proxy voting results, which calculated proxy results using two different methods to downplay shareholder sponsored votes. After another failed attempt by Cisco to address Boston Common's concerns at the company annual meeting in November, the asset manager was instructed by its environmental, social and governance team to divest.

Since 2006, Cisco has appeared in federal court twice regarding its human rights activities and involvement in the marketing of equipment to the Chinese Ministry of Public Security.

## US firms poor on GHG reporting

Just a handful of smaller companies listed in the Russell 2000 index disclosed greenhouse gas emissions (GHG), according to new research.

Risk and Opportunity in a Low-Carbon Business Climate: Small and Mid-Caps and Climate Change, a report by Helen Mou, Sustainability Intern at Pax World Management and Climate Fellow at Clean Air-Cool Planet, analyzed the reporting activities of 364 companies listed on the Russell 2000 index of small to medium businesses representing the top 50% of market capitalisation since 2009. Just four companies - Timberland, Otter Tail, Green Mountain Coffee Roasters and Jet Blue - disclosed their GHG emissions.

Results suggested that corporate social responsibility (CSR) or sustainability reports are not universal as climate-related risks have a greater chance of being disclosed by higher-emitting sectors within the group. Not a startling fact given that little pressure has been placed on these businesses. In fact, only 56 firms in the research published these reports whereas only 39 (10.7%) acknowledge climate change.

The dismal outcome was a far cry from the Carbon Disclosure Project's (CDP) 2010 S&P 500 report that found a 59% increase in GHG reporting with 54% including such data in their annual corporate reports.

## One head is better than two

The award for least convincing argument in favour of combined chair and chief executive roles went to Rockwell Automation.

The US based firm said it has combined the roles of Chairman and CEO "to enhance the Board's effectiveness in overseeing risk." To us that read like they are saying that it's better to have just one set of eyes looking over risk than two.

## Call for corporate board shake-up

Corporate board structures were the root cause of the present state of ineffective institutional reform according to a recent article in the Wall Street Journal.

In the opinion piece, Robert C. Pozen, chairman emeritus of MFS Investment Management and senior lecturer at Harvard Business School calls for a reshaping of the business model. He claims that an excessive number of board members with little relevant experience and a misdirected emphasis on

procedure contribute to the weakened state of professional boards. Instead, Pozen suggests boards should comprise fewer but more proficient members who can allocate the time necessary to maintain the accountability of management.

Citing a theory utilised by Harvard psychologist Richard Hackman known as 'social loafing,' Pozen claims groups of individuals consisting of more than six or seven are less productive as they rely on others in the group to achieve the group's goal. The average number of board members among the S&P 500 in 2009 was 11.

He also disagrees with the amount of time typically allocated to board business – one day face-to-face, every other month. Instead, he argues that for an outside director to be effective, at least two days per month should be dedicated to company business.

Pozen refutes any possible objection to his proposal on the grounds that roles of the board and management may become blurred given that "although the new model will give power to professional directors, it would not empower them to cross the line into day-to-day operations."

Rather than implementing more procedures for corporate boards, he suggests increasing the number of proficient directors who view their board role as their principal profession.

## **Governance failures and the crisis**

Failures in corporate governance and risk management at major financial institutions were key factors in the economic crisis, according to the report of the Financial Crisis Inquiry Commission (FCIC) in the US.

The FCIC's report pointed to the widely misguided attitude among those in financial firms that regulation would inhibit innovation and that any form of risk-taking would, in turn, be shielded by the firm's own survival instincts. Mathematical models replaced judgement in many instances at both credit rating agencies and financial institutions.

Citigroup CEO informed the Commission that a "\$40 billion position in highly rated securities would not in any way have excited my attention," while the co-head of Citigroup's investment bank stated that only "a small fraction of 1%" of his time was spent on those securities.

In an environment where short-term gains became priority and "cheap money, intense competition and light regulation" the norm, any long-term consequences of these activities fell by the wayside. The result? Over 26 million Americans unemployed, 8.5 million without homes or have slipped into foreclosure and a loss of almost \$11 trillion in household wealth. And it will likely be felt for a generation.

The Commission also attributed the economic crisis to: widespread failures in financial regulations and supervision; a combination of excessive borrowing, risky investments, and lack of transparency; an ill prepared government with an inconsistent response that contributed to the uncertainty and panic in the financial markets; a systemic breakdown in accountability and ethics.

## **Monsanto annual pay vote**

At the first S&P 500 AGM under the new say-on-pay US regulations, Monsanto shareowners overwhelmingly denied management's recommendation for triennial votes on executive compensation.

Just over 62% of investors supported an annual vote, 1.4% voted in favour of biennial and 35.9% supported the board's suggested triennial poll. 0.5% abstained. The Monsanto result was significant as it was the first major company to face a vote since the Say on Pay rules came into force for US companies. PIRC views annual votes on executive compensation as best practice for companies and, therefore recommended an annual vote.

The outcome of the vote was also of particular importance given Monsanto's large market capitalisation; potentially influencing other US investors to follow suit. Tim Smith, senior vice president at Walden Asset Management, said, "The Monsanto vote of 62% for annual votes on Say on Pay is the shot that will be heard around America's boardrooms."

The company's other proposal, compensation of certain executive officers, received 64.92% of votes in favour with 33.8% voting against and 1.27% abstentions. PIRC found the compensation package could become excessive due to the compensation committee's use of discretion when awarding annual

bonuses and lack of information assuring challenging targets. Also, the stock options, which vest rateably over three years, did not have performance hurdles attached. PIRC believes long-term awards should vest after a performance period of at least three years. The change in control agreements were potentially excessive considering accelerated vesting of long-term incentives followed by a change-in-control. PIRC had recommended an oppose vote.

## **Ceres files ‘fracking’ resolutions**

A coalition of leading US investors filed shareholder resolutions against nine giant oil and gas companies.

Ceres, an alliance of institutional investors with \$9trn in assets, spearheaded the resolutions filed at ExxonMobile, Chevron, Ultra Petroleum, El Paso, Cabot & Gas, Southwestern Energy, Energen and Anadarko and Carrizo Oil & Gas. The resolution put pressure on companies to disclose their policies and strategies on issues and risks associated with natural gas hydraulic fracturing (known as “fracking”) in the US. The shareholder proposal was also demanding companies adopt best management practices.

Thomas DiNapoli, New York State Comptroller, whose office filed a resolution with Cabot Oil & Gas, said: “The risks associated with unconventional shale gas extraction have the potential to negatively impact shareholder value.”

Fracking has become more common in the industry as it allows companies to extract previously unattainable natural gas. Mismanagement of this method can lead to environmental risks such as drinking water contamination, well blowouts and gas leaks. These practices have led to increased reputational and litigation liabilities for companies while some states have adopted a temporary moratorium on new permits or instituted an outright ban. Research from the American Petroleum Institute estimates that 60 to 80 percent of natural gas wells drilled in the next decade will require hydraulic fracturing.

Investors are aware that fracking facilitates the use of natural gas and the crucial role it plays in reducing greenhouse gas emissions. Therefore, they were not calling on companies to discontinue production but they were requesting companies adopt best practices to avoid risks and make their risk mitigation and management strategies available to both investors and the public.

## **Siemens urged to leave Chamber**

John C. Liu, New York City Comptroller, called on engineering conglomerate Siemens AG to sever all ties to the US Chamber of Commerce.

In a letter to the German firm, Liu requested Siemens revoke its membership pointing to the sharp contrast between the firm’s role as a green technology leader and the Chamber’s vehement anti-climate change stance.

“It’s not right for our shareholders’ money to support efforts that perpetuate environmental harm. Siemens is known for green innovation, but it’s supporting a group that bends over backwards to stand in the way of environmental protection,” said Liu.

Apple, Exelon and PG&E Corporation have already withdrawn Chamber membership on the same grounds.

Meanwhile, Liu and the NYC Pension Funds have also requested six companies publicly disclose their political contributions. The proposal asked Charles Schwab Corp., Coventry Health Care, DTE Energy Co., Regions Financial, Sprint Nextel Corp. and WellCare Health Plan, Inc. to disclose all of their political contributions, including payments to trade associations, twice a year to increase accountability. Norfolk Southern, a recent signatory to the proposal was cited as an example of commitment to transparency.

## **Lyons vs Citizens United**

Vermont senator Virginia Lyons issued a resolution to amend the US Constitution, revoking corporations’ rights to personhood.

The introduction of the bill fell on the one year anniversary of *Citizens United* – a Supreme Court

ruling that allows corporations to contribute unbridled amounts of money in political elections; in effect giving corporations the same rights to free speech as American citizens. Sources believed the bill had a good chance of passing given the significant two-to-one margin in opposition to *Citizens United* among the American population.

## **Institutions fail Carbon Principles**

More than two years after their launch, the Carbon Principles project continued to fall short of its original aspirations.

The project originated in 2008 on a promise by six leading financial institutions to make it “tougher to finance conventional coal-fired plants in the US” by encouraging renewable energy investment, endorsing energy efficiency and assessing risks linked to financing fossil fuels. However, *The Principle Matter*, a publication by the Rainforest Action Network (RAN) proved otherwise.

Findings from the report showed that founding signatories – Bank of America, Citi, Credit Suisse, JPMorganChase, Morgan Stanley and Wells Fargo - continued to finance coal plants. The report found no clear pattern emerged distinguishing CP banks from non-CP banks based on the percentage of financing deals involving utilities. Further research showed that the CP banks combined account for over “55% of the \$125 billion loan and bond underwriting in the United States” since its 2008 inception.

RAN had recommended a more robust climate risk framework, phasing out support for new and existing coal-fired power plants, and coal extraction and delivery projects along with a commitment to financing renewable energy.

## **First Say on Pay defeat of 2011**

Jacobs Engineering became the first US company to lose its Say on Pay vote as the resolution received nearly 54% against at the company's AGM.

The company also saw a clear majority support an annual vote on compensation on its Say When on Pay resolution. PIRC views an annual vote on executive compensation to be best practice for companies and, therefore, had advised investors to oppose the board's recommendation for a three year frequency.

The Dodd-Frank Act gave shareholders the right to vote on a board's remuneration every one, two or three years. Early indications were, unsurprisingly, that companies will propose triennial votes. However, shareholders generally supported an annual poll. At the end of January 39 institutional investors, representing more than \$830bn in assets, issued a public call for companies to support an annual advisory vote.

## **AFL-CIO Key Votes Survey 2010**

The American Federation of Labour and Congress of Industrial Organizations released its annual key vote survey *How Investment Managers Voted in the 2010 Proxy Season* .

The survey consisted of a record of how 98 investment managers, mutual funds and proxy voting consultants voted on key issues during the 2010 proxy season. Some of the worst performing investment managers to be included in the bottom tier were BlackRock, Fidelity, and Vanguard.

## **CalPERS goes after Lehmans**

As a last effort to recover losses, California Public Employees' Retirement System (CalPERS) filed a lawsuit against former Lehman Brothers executives and underwriters, as reported in the Financial Times.

The US pension fund, representing \$1.6billion in assets, sued the investment bank over disingenuous information regarding its condition during the crisis. CalPERS suffered major losses on stocks and bonds purchased during June 2007 and September 2008. Defendants included chief executive Richard Fuld, and finance chiefs Christopher O'Meara and Erin Callan as well as numerous bond offering underwriters.

## **US climate resolutions increase**

Energy sector shareholder engagement in the US surpassed prior years making 2011 the most climate centric proxy season to date.

Ceres, the Boston-based sustainable investment group, reported a surge in energy and climate related shareholder resolutions resulting in 66 climate filings at 41 coal, electric power and oil companies - a 50% increase compared to last year. Overall, the total number of resolutions stood at 96, including non-direct climate related business trends such as real estate, food companies, building and financial services, with the electric power sector receiving the majority.

Companies are pushed by the shareholder resolutions to consider climate related issues such as hydraulic fracturing in the US and oil sands extraction in Canada. Investors have also increased the number of filings recommending linking executive compensation to sustainability metrics.

## **CSR pays say Conference Board**

A report by The Conference Board Director Notes maintained a direct link between corporate social responsibility (CSR) and financial performance exists.

*Investing in CSR to enhance Customer Value*, part of a series of publications by business experts, suggested CSR related activities have the potential to enhance customer value. The report, consisting of a review of 163 articles, established the following four points as distinct forms of CSR-related value for customers: efficiency of a product or service, aesthetic appreciation of consuming a product, social status a customer acquires from using a product and the social or environmental benefit a community can derive from widespread dissemination of a product. Also included in the report were 10 recommendations for business leaders to improve CSR activity effectiveness on customer responses, such as: long-term commitment to each activity in the CSR portfolio and optimal level of CSR investment rather than over-investing. Further findings highlighted the importance of designing a CSR programme that reflects the numerous mediating variables involved to ensure positive outcomes.

## **CalPERS won Apple voting reform**

A shareholder proposal filed with Apple by CalPERS seeking majority voting for director elections passed with an overwhelming shareholder backing of 74% of votes in favour at last week's AGM.

CalPERS had issued a shareowner alert on the matter due to Apple board inaction. The proposal provided shareholders a more meaningful role in uncontested elections in contrast to the current plurality voting method. PIRC views majority voting to be best practice as it allows for the will of shareholders to be expressed. Therefore, PIRC recommended a vote in favour.

A second proposal filed by the Central Laborers' Pension Fund calling on the company to adopt and disclose a written CEO succession planning policy received 30% votes in favour. PIRC found CalPERS' proposal not overly prescriptive and enabled the Board to maintain a sufficient level of discretion over confidential information whilst informing shareholders on a key aspect of good corporate governance. PIRC advised shareholders to vote in favour.

## **As You Sow Proxy Preview**

As You Sow's Proxy Preview showed unprecedented investor support for environmental and shareholder resolutions last year, and expects the same in 2011.

The report, which contains a compendium of nearly 400 shareholder resolutions on governance and social issues, indicated continued growth in investor interest. One third or 131 resolutions fell into climate change, natural resource management and toxic categories. Coal and fracking resolutions dominated the group with 44 proposals. Political donations received the second highest amount of resolutions as 84 proposals were filed. Other issues with significant resolutions were diversity (46), labour and human rights

(30) and mortgage foreclosures (15). A number of major players such as the Interfaith Center on Corporate Responsibility and the New York State Common Retirement Fund filed the majority of resolutions at 55 and 33, respectively. The report was part of a collaborative effort by As You Sow, Sustainable Investment Institute and Proxy Impact.

## **The state of engagement**

A study on engagement between US corporations and their investors found a significant increase in the level of activity.

According to the report, *The State of Engagement between U.S. Corporations and Shareholders*, 87% of public corporations (issuers), 70% of asset managers and 62% of asset owners engaged at least once over the past year. Almost no investors and just 6% of issuers reported a decrease in engagement in contrast to a reported increase among asset owners (53%), asset managers (64%) and issuers (50%).

Whilst engagement is on the increase, don't expect to hear much about it. In total 80% of issuers stated most of their engagement was undertaken in private, along with 72% of asset owners and 62% of asset managers.

Analysis from the report suggested that divergent perspectives among the three groups on what constitutes successful engagement played a significant role in how the groups viewed outcomes. Additionally, the study concluded that broad shareholder agreement is needed for engagement to lead to concrete change by issuers.

The report was conducted by Institutional Shareholder Services for the Investor Responsibility Research Centre Institute to address lack of analysis on investor/corporate engagement.

## **US investors back yearly pay vote**

Results from a review of the first month under new Security and Exchange Commission (SEC) regulations showed strong shareholder support for annual "Say on Pay" votes but also contentment with executive salaries.

Nearly half of shareholder proxy results from companies involved in the analysis demonstrated preference for annual SOP votes thus, according to the research by Schulte Roth & Zabel, companies seeking a biennial or triennial vote will most likely meet strong opposition.

The analysis suggested that just three out of 14 companies with over \$5billion in market capitalisation received shareholder support for biennial or triennial votes, while two of these companies had insiders holding over 50% voting power. Shareholders at companies with a \$1bil to \$5bil market capitalisation voted for biennial and triennial elections at just one out of nine companies with the one company having insiders holding over 50% of voting power. Smaller companies with less than \$1bil market capitalisation received more shareholder support as 26 out of 38 voted in favour of biennial or triennial votes. However, at these companies, seven had at least 20% insider voting control and another seven had at least 50%. Despite these numbers, researchers believe boards will continue to push for biennial and triennial elections given that of the 213 companies filing proxy materials, 126 recommended triennial SOP votes, 63 recommended annual, 13 biennial and 11 made no recommendations.

In stark contrast, 93 out of 95 company AGMs saw shareholders approve SOP with an average of 90% votes in favour. Out of approximately 290 SOP votes in 2010, there were just three instances of a majority voting against NEO remuneration. However, researchers believe this is set to change during the coming proxy season given the new regulations requiring mandatory SOP voting.

## **Support for immigration reform**

A coalition of over 60 institutional investors called for CEOs to speak out for immigration policy reform.

The diverse group of investors, with \$145bn under management, wrote to CEOs at top US companies urging them to consider participation in debates on national level reform that will provide a path to citizenship for current unauthorised immigrants. Initiative leaders, City of New York Comptroller, Mercy

Investment Services, Inc., Boston Common Asset Management, Walden Asset Management and the Unitarian Universalist Association, argued that with an ageing US population, immigration reform is essential for long-term economic growth. The group also pointed to the current anti-immigrant climate as means for developing policies that address human rights issues in the US. Signatories pointed to a similar programme, Partnership for a New American Economy, as an example of how companies can achieve immigration reform in a positive way.

## **TIAA-CREF governance overhaul**

Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) issued a new edition of its corporate governance policy.

Particular emphasis was given to TIAA-CREF's implementation of "say-on-pay" votes mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. It also declared preference for companies to choose an annual non-binding vote on executive compensation. Otherwise, companies should offer a "clearly articulate[d] rationale" for not doing so. The largest US private retirement system, with \$453bil in combined assets, will generally vote for candidates who represent long-term shareholder interest in contested elections. Support may also be given for the separation of Chairman and CEO in the absence of an independent lead director.

Amendments were made to the Policy Statement, last revised in 2007, to reflect current developments in corporate governance and social and environmental policies. Issues such as executive pay, board elections, political contributions and labour and human rights are covered in the 6<sup>th</sup> edition.

## **TARP and director compensation**

The Troubled Asset Relief Program, (TARP) is a program of the United States government to purchase assets and equity from financial institutions to strengthen its financial sector, to address the subprime mortgage crisis.

Some of the significant effects on director pay include the temporary stoppage of awarding annual bonuses and stock options until the TARP funds had been fully repaid.

This, along with several other restrictions on policies regarding director contracts and change-in-control payments was designed to keep bonus pay down while the company repaid the TARP funds.

However, there was one area which the TARP regulations did not address - base salary. US financial institutions were quick to pick up on this, and instead of offering bonuses, offered 'salary stock units.' Under this program, increased base salary amounts were paid in shares of common stock each semi-monthly pay period. The shares immediately vest as of the pay date and are not subject to any requirement of future service and are not performance-based. The shares are, however, awarded subject to restrictions on transfer, sale and disposition. The rationale of companies employing such payment measures include much of the standard justification seen with US compensation committees, mainly for the retention of employees and to have compensation amounts that were "more in line with market practice," in other words, providing a competitive salary in relation to peer group.

One instance of such payment was with PNC Financial Services Group Inc. CEO James E. Rohr, who received a salary of \$1.6 million, with just over \$1 million of that paid in cash and \$538,462 in stock units paid in four segments in the first two months of the year. The company has since stated that they have eliminated salary stock units, now that the TARP funds have been paid, but despite this one cannot help but sense that it is a reflection of a market using whatever measure possible for some US institutions to utilise loopholes in pay restrictions in order to offer the most "competitive" salary possible. The use of salary stock units also increases the disparity between actual performance and performance related pay, something that has remained unaddressed during the economic recession. In a 2008 survey conducted to some 2,700 respondents, Corporate Library, an independent research and rating firm, said that there has been only a 0.08 drop in the median annual compensation of CEOs in publicly traded firms in 2008. Corporate Library also noted the very weak link between the high-salaries of the chief executives and the

companies' performance during the recession.

It is clear that even a recession is not enough to prevent companies finding new methods to provide competitive salaries that may not be as performance-based as they appear. It seems that only a radical shift in compensation philosophy along with stricter restrictions across whole sectors will provide a fairer compensation system.

## **US tax avoidance targeted**

Just ahead of Congress' return to Capital Hill, Vermont Senator Bernie Sanders published a list of the ten wealthiest companies avoiding US taxes.

The report was issued in a call for shared sacrifice and in opposition to cuts of governmental aid that helps low-income families, the elderly and students instead of raising taxes on top earners and corporations. Large companies use loopholes often referred to as *corporate welfare* or *corporate entitlements* to legally avoid paying taxes. According to Sanders, not only do these companies avoid taxation, they have either received a government bailout or a rebate from the Internal Revenue Service. General Electric, Chevron, Exxon Mobile, Bank of America, Boeing, Valero Energy, Goldman Sachs, Citigroup, ConocoPhillips and Carnival Cruise made the top ten list. Sanders called on his congressional colleagues to close the corporate tax loopholes and eliminate all tax breaks for oil and gas companies.

## **Pension funds seek class action**

Nearly 100 of pension funds with over \$2 trillion in assets petitioned the Securities & Exchange Commission to reverse the 2010 landmark Morrison vs. National Australia Bank case, according to Responsible Investor.

The US Supreme Court's last year ruling took away investors' rights to sue non-US companies for fraud or corporate abuse for shares purchased on a foreign exchange. Some investors claimed the ruling may prevent them from investing in companies with significant US exposure. The impact this ruling holds for legal action in the US against BP was a concern among investors, which holds a secondary listing on the New York Stock Exchange. Some non-US BP shareholders feared the ruling would strip them of their rights to participate in lawsuits against BP because their shares were purchased on the London Stock Exchange.

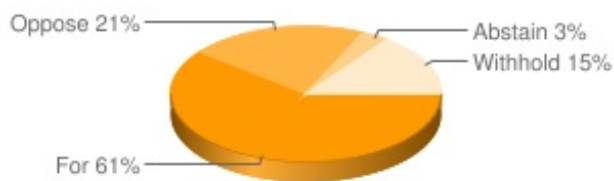
## US Voting Charts

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

Total Resolutions	
For	38
Oppose	13
Abstain	2
Withhold	9
Withdrawn	0
Total	62

Meetings	AGM	EGM	Total
Total Meetings	5	0	5
1 (or more) oppose or abstain vote	5	0	5

### US Voting Record



### US AGM Record



### US EGM Record

There were no EGMs during the last period in the client's portfolio.

## US Voting Timetable Q1 2011

List of meetings held throughout the period in the fund's portfolio.

### Voted Meetings

Table 13: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted	Proxy Edge	Postal Voting
1	AIR PRODUCTS & CHEMICALS INC	27 Jan 11	AGM	07 Jan 11	X	
2	EMERSON ELECTRIC CO.	01 Feb 11	AGM	17 Jan 11	X	
3	APPLE INC	23 Feb 11	AGM	08 Feb 11	X	
4	HEWLETT-PACKARD CO	23 Mar 11	AGM	01 Mar 11	X	
5	WALT DISNEY CO.	23 Mar 11	AGM	03 Mar 11	X	

## US Upcoming Meetings Q2 2011

List of meetings scheduled to be held throughout the period by US companies currently in the fund's portfolio.

Table 14: Upcoming Meetings

	Company	Meeting Date	Type
1	PUBLIC SERVICE ENTERPRISE GROUP INC.	19 Apr 11	AGM
2	SPECTRAENERGY CORP.	19 Apr 11	AGM
3	CITIGROUP INC.	21 Apr 11	AGM
4	INTERNATIONAL BUSINESS MACHINES CORP	26 Apr 11	AGM
5	METLIFE INC.	26 Apr 11	AGM
6	PNC FINANCIAL SERVICES GROUP INC	26 Apr 11	AGM
7	COCA-COLA CO.	27 Apr 11	AGM
8	AMERIPRISE FINANCIAL INC.	27 Apr 11	AGM
9	GENERAL ELECTRIC CO	27 Apr 11	AGM
10	DUPONT E I DE NEMOURS & CO	27 Apr 11	AGM
11	JOHNSON & JOHNSON	28 Apr 11	AGM
12	PFIZER INC.	28 Apr 11	AGM
13	ABBOTT LABORATORIES	29 Apr 11	AGM
14	KELLOGG CO.	29 Apr 11	AGM
15	AT&T INC.	29 Apr 11	AGM
16	AMERICAN EXPRESS CO	02 May 11	AGM
17	BOEING COMPANY	02 May 11	AGM
18	WELLS FARGO & CO	03 May 11	AGM
19	PEPSICO INC.	04 May 11	AGM
20	GENERAL DYNAMICS CORP.	04 May 11	AGM
21	STARWOOD HOTELS & RESORTS WORLDWIDE INC	05 May 11	AGM
22	APACHE CORP.	05 May 11	AGM
23	WISCONSIN ENERGY CORP.	05 May 11	AGM
24	UNION PACIFIC CORP.	05 May 11	AGM
25	VERIZON COMMUNICATIONS INC	05 May 11	AGM

26	GOLDMAN SACHS GROUP	06 May 11	AGM
27	OCCIDENTAL PETROLEUM CORP.	06 May 11	AGM
28	3M COMPANY	10 May 11	AGM
29	WATERS CORPORATION	10 May 11	AGM
30	PRUDENTIAL FINANCIAL INC.	10 May 11	AGM
31	PHILIP MORRIS INTERNATIONAL INC.	11 May 11	AGM
32	BANK OF AMERICA CORP.	11 May 11	AGM
33	CVS CAREMARK CORP	11 May 11	AGM
34	ST JUDE MEDICAL INC	12 May 11	AGM
35	NATIONAL OILWELL VARCO, INC	12 May 11	AGM
36	GILEAD SCIENCES INC	12 May 11	AGM
37	AMERICAN TOWER CORP	12 May 11	AGM
38	Google Inc.	13 May 11	AGM
39	MATTEL INC.	13 May 11	AGM
40	WESTERN UNION CO.	14 May 11	AGM
41	SOUTHWESTERN ENERGY CO.	18 May 11	AGM
42	WELLPOINT INC	18 May 11	AGM
43	J.P. MORGAN CHASE & CO	18 May 11	AGM
44	SOUTHWEST AIRLINES CO	19 May 11	AGM
45	STATE STREET CORP.	19 May 11	AGM
46	HARTFORD FINANCIAL SERVICES GRP	19 May 11	AGM
47	INTEL CORP	19 May 11	AGM
48	MACY'S INC.	20 May 11	AGM
49	MCDONALD'S CORP.	20 May 11	AGM
50	TIFFANY & CO	20 May 11	AGM
51	AON CORP.	21 May 11	AGM
52	NEXTERA ENERGY INC	21 May 11	AGM
53	MERCK & CO.	25 May 11	AGM
54	AMAZON COM INC.	25 May 11	AGM
55	EXXON MOBIL CORP	26 May 11	AGM
56	THERMO FISHER SCIENTIFIC INC.	26 May 11	AGM
57	AMPHENOL CORP.	26 May 11	AGM
58	CHEVRON CORP.	26 May 11	AGM
59	SOUTHERN CO.	26 May 11	AGM
60	CBS Corp	26 May 11	AGM
61	INTERPUBLIC GROUP OF COMPANIES INC	27 May 11	AGM
62	LIMITED BRANDS INC.	27 May 11	AGM

## Japanese Voting Charts

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

Total Resolutions	
For	75
Oppose	8
Abstain	3
Withdrawn	0
Total	86

Meetings	AGM	EGM	Total
Total Meetings	5	0	5
1 (or more) oppose or abstain vote	5	0	5

### Japanese Voting Record



### Japanese AGM Record



### Japanese EGM Record

There were no EGMs during the last period in the client's portfolio.

## Japanese Voting Timetable Q1 2011

List of meetings held throughout the period in the fund's portfolio.

### Voted Meetings

Table 15: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted	Proxy Edge	Postal Voting
1	ASAHI BREWERIES LTD	25 Mar 11	AGM	08 Mar 11	X	
2	BRIDGESTONE CORP	29 Mar 11	AGM	08 Mar 11	X	
3	ASAHI GLASS CO LTD	30 Mar 11	AGM	08 Mar 11	X	
4	CANON INC	30 Mar 11	AGM	08 Mar 11	X	
5	ASATSU INC	30 Mar 11	AGM	14 Mar 11	X	

## Japanese Upcoming Meetings Q2 2011

List of meetings scheduled to be held throughout the period by Japanese companies currently in the fund's portfolio.

Table 16: Upcoming Meetings

	Company	Meeting Date	Type
1	MITSUI & CO LTD	23 Jun 11	AGM

# Global Corporate Governance Review

## Ontario considers Say on Pay

Mandatory shareholder votes on executive pay were one of the potential reforms being considered by the Ontario Securities Commission (OSC).

The OSC announced that it will be carrying out a review of shareholder democracy issues, which may lead to regulatory proposals. The three main issues for review on the OSC's agenda were as follows:

- slate voting and majority voting for uncontested director elections,
- shareholder advisory votes on executive compensation, and
- the effectiveness of the proxy voting system.

The review was accepting comments up until 31<sup>st</sup> March 2011.

## WEF imposes gender quota

The World Economic Forum (WEF) introduced a mandatory gender quota for its upcoming meeting. For the first time in the history of the Forum, invitees such as Goldman Sachs and Deutsche Bank had to ensure that for every five male senior executive attendees, a minimum of one woman had to be included.

This was not an easy task considering women hold less than 3% of executive positions among the world's largest 500 businesses, according to the WEF. The meeting in Davos included high profile members such as UN secretary general Ban Ki-moon, along with 2,500 business, political, academic and global leaders. The meetings provide the opportunity for the world elite to spearhead global issues and, until then, the reshaping of international concerns have been mainly dominated by men – just 9-15% of attendee at meetings between 2001 and 2005 were women.

Critics of the proposal called for the number of female representatives to rise to two or three per five male to ensure greater progress.

## Canadian CEOs 'recession-proof'

Canada's best paid 100 CEOs appeared to be 'recession-proof', according to research by the Canadian Centre for Policy Alternatives (CCPA).

The CCPA study looked at 2009 compensation levels for Canada's best paid 100 CEOs and found they pocketed an average of \$6.6 million during the darkest period of the recession – a stark contrast from the total average Canadian income of \$42,988.

According to the CCPA, at this rate of reward, the handful of elite CEOs had pocketed the equivalent of the average Canadian wage by 2:30 pm on January 3 – the first working day of the year.

## CFA shareholder rights guide

The Chartered Financial Analyst Institute released a manual to assist investors with their rights:

Shareowner Rights across the Markets is intended to serve as a reference tool by providing investors with international guidelines on their rights and the ability to compare those rights to other jurisdictions. 10 developed and 12 emerging markets are included along with key features and market specific rights. Current practices, recent developments, legal and regulatory frameworks and a multitude of references to local organisations and regulators have also been included.

## Deloitte global diversity study

The Deloitte Global Center for Corporate Governance published a review on current global initiatives

relating to boardroom diversity.

The study, *Women in the Boardroom: A global perspective*, examined the number of women on corporate boards on listed companies and, where possible, the percentage of women serving as directors. It also looked at legal and regulatory proposals used to increase women on boards. Results showed a considerable degree of variation among the countries investigated. However, unsurprisingly, Norway had the highest number of women in the largest listed company boards at 31.3%. In contrast, Italy had the least amount of women (3.4%) serving on listed companies and of the 4200 directors sampled, only 6.2% were women. Surprisingly, Lord Davies' work on board diversity and the Belgium Corporate Governance Committee's diversity proposals were not included.

Meanwhile, in Canada a Board of Directors Gender Parity Bill (S-206) had been put forth to Parliament requesting 'an Act to establish gender parity on the board of directors of certain corporations, financial institutions and parent Crown corporations.' The Senate Committee on Banking Trade and Commerce recommended against advancing the Bill, citing that 'shareholders are better placed to decide on the composition of their company's board of directors' as one reason.

## **MÉDAC files 40 resolutions**

Shareholder rights group Mouvement d'éducation et de défense des actionnaires (MÉDAC) kicked off the 2011 proxy season by filing 40 shareholder proposals.

The resolutions were a follow up to an announcement to the press by Claude Beland, president of MÉDAC, in November last year. The Quebec based group stated that it would file resolutions on issues including the proportion of women on the board, equity ratio, compensation comparison with peers and tax havens.

## **IRC Discussion Paper**

The Integrated Reporting Committee (IRC) released the first ever set of guidelines on integrated reporting.

The South Africa based organisation issued the Discussion Paper to offer assistance to the more than 400 companies listed on the Johannesburg Stock Exchange now required to produce integrated reports as of February 2010. Professor Mervyn King, chairman of the IRC and King Committee, believes the new guidelines will dissuade companies from only reporting on financial performance and encourage them to disclose their total performance.

He said: "As companies integrate and connect the financial, economic, social, and environmental aspects into their businesses, they are likely to become more innovative and competitive and recognise new business opportunities."

King also suggested that this style of reporting offers benefits to shareholders given that it provides greater transparency.

## **Mercer climate change report**

A new Mercer report on climate change revealed that government inaction and weak international co-ordination could result in institutional investors losing trillions of dollars over the next 20 years.

In a collaborative effort of 14 global institutional investors, led by Mercer, and the Grantham Research Institute on Climate Change at the London School of Economics, the report, entitled *Climate Change Scenarios-Implications for Strategic Asset Allocation*, utilised four hypothetical climate change scenarios- played out until 2030 -to examine trends and potential developments that may lead to financial impacts on investors' portfolios based on three variables: technology (rate of development and opportunities for investment into low carbon technologies), impact (extent to which changes to the physical environment will affect investments) and policy (implied cost of carbon and emission levels resulting from global policy developments).

Some of the key findings suggested that increasing allocation to "climate sensitive" areas will help to mitigate risks and capture new opportunities. It also set the EU and China/Asia to lead investment in low

carbon technology and efficiency improvements over the next decades.

In addition, the report claimed regional divergence was the most likely outcome followed closely by delayed action leading to strong mitigation. The least likely scenario suggested a climate breakdown with very little support to vulnerable regions for adaptation. However, research found increased allocation to areas such as private equity, infrastructure and sustainable assets could benefit investors under most scenarios.

## **Investing in decent work**

A briefing from the Committee on Workers' Capital (CWC) declared forced labour as one of the gravest workers' rights challenges of our time.

The publication of CWC's second investor briefing on forced labour: *Investing in Decent Work: Case studies of investor action on forced labour*, focused on three case studies involving diverse human rights issues such as state-sanctioned forced labour in Burma (oil and gas), child labour and forced labour in West Africa (cocoa) and slave labour in Brazil (iron and steel). Research from the report highlighted the role that global corporations play in perpetuating these dehumanising behaviours by maintaining operations in countries that practice varying forms of slave labour, and by refusing to engage on related issues. It also concluded that investment in companies that employ forced labour practices are subject to a diverse range of risks –political, reputational, regulatory and legal- and face the possibility of negative long-term financial growth.

The overall objective of the report was to raise awareness of links between sustainable long-term returns and decent work practices among institutional investors, offer engagement strategies to companies regarding forced labour issues, facilitate information-sharing processes utilising prior investor efforts and encourage collaboration among institutional investors, the international trade union movement and like-minded actors.

## **WEF backed sustainable investing**

A white paper published by the World Economic Forum showed increased retail and institutional investor demand has led to a growing interest in sustainable investment.

The report, *Accelerating the Transition towards Sustainable Investing*, found evidence indicating a link between a sustainable investing approach and improved risk-adjusted financial returns. However, it noted, few investors incorporate environmental, social and governance factors in their investment and ownership decision making processes.

Researchers suggested that sustainable investing, based on a number of key drivers such as increased awareness of climate related and natural resource scarcity by the investment community and increased demand by large asset owners and retail investors, has the potential to become a mainstream approach.

The paper analysed barriers to sustainable investing in four key areas: amongst investors, in corporations, in investor-corporation interaction at and the system-wide level.

Also included were recommendations on how to accelerate the transition toward sustainable investing, for instance, by linking incentives in the investment value chain more towards superior risk-adjusted financial performance over the long-term and collaborative leadership from all stakeholders across and around the investment value chain.

## **Australia strengthens Say on Pay**

The Australian government passed legislation increasing shareholder power over executive remuneration.

The Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011 was first introduced in December last year by Hon David Bradbury MP, Parliamentary Secretary to the Treasurer.

Some of the key measures of the bill are to increase remuneration consultant transparency and

accountability and disallowing directors, executives and associated parties from voting on their own remuneration packages in an attempt at avoiding conflicting interests.

One of the more contentious aspects of the bill is the strengthening of non-binding shareholder votes – the ‘two-strikes’ test. This occurs when a company remuneration report receives a ‘no’ vote of 25 per cent or more at two consecutive annual general meetings (AGM) whereupon shareholders, at the second AGM, can vote if the directors will need to stand for re-election within 90 days. Should this pass by 50 per cent or more of eligible votes cast, the ‘spill meeting’ will occur within 90 days.

The Australian Shareholders Association, a strong proponent of the bill, said in its submission “the proposed Bill contains tangible measures that should lead to improved transparency and accountability in executive remuneration matters.”

The law will come into effect in 1 July 2011.

## **Smaller diverse boards are better**

A new study identified fewer board members, greater board diversity and an increased proportion of independent directors as key to company success.

*The Eversheds Board Report* examined the performance of 241 top international companies from the US, Europe and Asia Pacific to discover any correlation between board composition and a company’s success during the financial crisis. The report found that 11 is the optimum size for a successful board, while companies with more female directors outperformed competitors.

## **IFC to launch governance centres**

The International Finance Corporation (IFC) launched a number of network governance centres in emerging markets.

The IFC’s Global Corporate Governance Forum launched the centres with the aim of improving director training by disseminating the Forum’s best practice guidance. Partnerships have already been initiated with the Indonesian Institute for Corporate Directorship, the Brazilian Institute of Corporate Governance, the Egyptian Institute of Directors and the Morocco Institute of Directors. Partners will meet in Washington in June.

Separately, the Forum has released Corporate Governance Scorecards for companies, investors and regulators seeking advice on developing ranking systems in Southeast Europe and East Asia.

## **Japan’s nuclear disaster analysed**

Japan’s unfolding nuclear disaster will have little influence over Asia’s nuclear aspirants, according to Responsible Research.

Findings in the report entitled, *Japan’s Evolving Nuclear Disaster and Its Impacts on Nuclear Aspirations in Asia*, suggested that although North America and Europe will most likely shift away from nuclear energy, countries such as China, India and South Korea (and Russia) will continue their race to increase nuclear development. It also maintained that ‘on the fence’ countries are likely to stay there.

Governments of countries currently holding nuclear reactors or those with nuclear ambitions need strong control over nuclear energy programmes to ensure success advised the report. The international nuclear regulatory body, International Atomic Energy Agency (IAEA), found 75% of all operating nuclear reactors are at least 20 years or older while 25% are more than 30 years old – Japan holds the third largest nuclear industry behind the US and France. The report also predicted that the events will hold very little influence over replacements of out-dated nuclear power plants with newer technology.

## **SHARE proxy voting survey**

The Shareholder Association for Research and Education’s (SHARE) 10<sup>th</sup> annual proxy voting survey showed asset managers are increasing their proxy power.

The Key Proxy Vote Survey, which enables pension funds to compare different proxy voting managers and voting services, found a growth in the number of institutional shareholders that hold management accountable for poor governance practices. Public disclosure of proxy records has more than tripled to 42% from 11% in 2005.

However, the survey highlighted that in almost one-third of votes analysed in this report, companies failed to release numeric votes - ultimately preventing shareholders from knowing the margin of approval or defeat.

Laura O'Neill, Director of Law and Policy at SHARE, commented "The failure of so many public companies to provide any information about vote outcomes beyond 'pass' or 'fail' is permitted by regulations in Canada, but it is poor practice and suggests a lack of attention to shareholder views."

## **Climate change and brands**

A study showed major global brands are not leading the way towards effective climate change mitigation.

Results from EIRIS Climate Change Tracker showed none of the world's top brands demonstrate leadership or have achieved an 'advanced' assessment in their response to climate change. Of the 300 largest FTSE-listed companies surveyed, 33% have a significant climate change impact while just 27% of the 33% adequately manage climate related risks.

Included in the research was an analysis of Interbrand's world top 100, which, according to EIRIS, suggests 69% of brands fail to adequately address climate change and, therefore, are not managing brand value associated risks. Although there has been an on-going upward positive trend and 60% setting short-term targets, only 46% of companies have long-term targets. The research highlighted remuneration linked to climate change, long-term targets and quantitative assessment of risks as yielding the greatest room for improvement. Research methodology focused on governance, strategy, disclosure and performance. Analysis from the report on Interbrand's top 100 put Proctor and Gamble's Gillette in third place for its efforts towards long-term emission reduction, while EIRIS' climate change rating placed the company first.

## **UN Guiding Principles**

The United Nations published a set of Guiding Principles for Business and Human Rights.

The Guiding Principles provide the first official global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity. Highlights of the Guiding Principles include what steps States should take to foster business respect for human rights; a blueprint for companies to know and show that they respect human rights, and reduce the risk of causing or contributing to human rights harm; and a set of benchmarks for stakeholders to assess business respect for human rights. The Secretary-General's Special Representative for Business and Human Rights, Harvard Professor John Ruggie led the six year process. A formal endorsement of the text will be considered by the UN Human Rights Council at the June 2011 session.

A new international study showed that companies with 30 percent or more female directors have above average corporate governance practices. According to GovernanceMetrics International's (GMI) 2011 Women on Boards Report, S&P 500 companies that had no women on their boards received a 5.8 GMI Home Market Corporate Governance rating (on a scale of 1.0 to 10) while those with a minimum of 30 percent had 8.1.

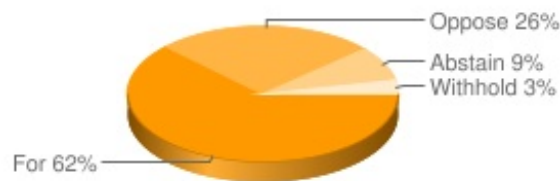
## Global Voting Charts

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

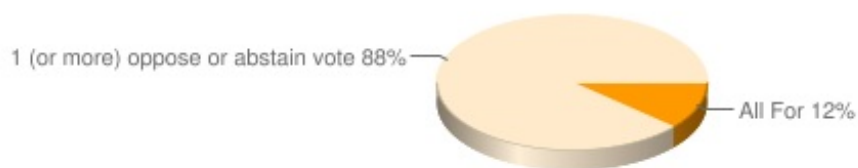
Total Resolutions	
For	133
Oppose	56
Abstain	19
Withhold	6
Withdrawn	0
Total	214

Meetings	AGM	EGM	Total
Total Meetings	17	15	32
1 (or more) oppose or abstain vote	15	11	26

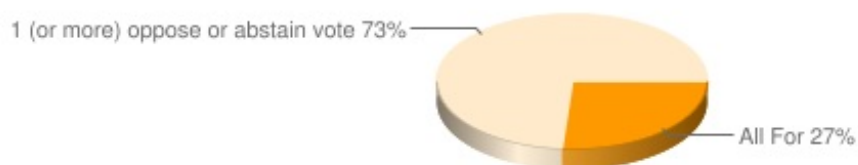
### Global Voting Record



### Global AGM Record



### Global EGM Record



## Global Voting Timetable Q1 2011

List of meetings held throughout the period in the fund's portfolio.

### Voted Meetings

Table 17: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted	Proxy Edge	Postal Voting
1	PEOPLES FOOD HOLDINGS LTD	19 Jan 11	<b>EGM</b>	11 Jan 11	X	
2	EVN-ENERGIE-VERSORG NIEDEROS	20 Jan 11	AGM	12 Jan 11	X	
3	FONDIARIASAI SPA	25 Jan 11	<b>EGM</b>	11 Jan 11	X	
4	COMPANHIA SIDERURGICA NACION	28 Jan 11	<b>EGM</b>	19 Jan 11	X	
5	SEABIRD EXPLORATION LTD	15 Feb 11	<b>EGM</b>	01 Feb 11	X	
6	UNITED DRUG PLC	17 Feb 11	AGM	04 Feb 11	X	
7	SYNUTRA INTERNATIONAL INC	18 Feb 11	AGM	31 Jan 11	X	
8	PADDY POWER PLC	22 Feb 11	<b>EGM</b>	11 Feb 11	X	
9	GRAINCORP LTD	23 Feb 11	AGM	04 Feb 11	X	
10	MARFRIG ALIMENTOS SA	01 Mar 11	<b>EGM</b>	21 Feb 11	X	
11	AXA ASIA PACIFIC HLDGS LTD	02 Mar 11	<b>EGM</b>	23 Feb 11	X	
12	AXA ASIA PACIFIC HLDGS LTD	02 Mar 11	<b>EGM</b>	23 Feb 11	X	
13	CARGOTEC CORP	08 Mar 11	AGM	23 Feb 11	X	
14	AMER SPORTS CORP	10 Mar 11	AGM	25 Feb 11	X	
15	WAL MART DE MEXICO SA	10 Mar 11	AGM	28 Feb 11	X	
16	KUNLUN ENERGY CO LTD	11 Mar 11	<b>EGM</b>	04 Mar 11	X	
17	MOTOR OIL CORINTH REFINERIES	14 Mar 11	<b>EGM</b>	23 Feb 11	X	
18	AXFOOD AB	16 Mar 11	AGM	02 Mar 11	X	
19	SPONDAOYJ	16 Mar 11	AGM	04 Mar 11	X	
20	TCL COMMUNICATION TECH HLDG	17 Mar 11	<b>EGM</b>	04 Mar 11	X	
21	ELTEK ASA	17 Mar 11	<b>EGM</b>	09 Mar 11	X	
22	BB BIOTECH AG	21 Mar 11	AGM	14 Mar 11	X	
23	DOUGLAS HOLDING AG	23 Mar 11	AGM	02 Mar 11	X	
24	NKT HOLDING A/S	23 Mar 11	AGM	11 Mar 11	X	
25	GENOMMALAB INTERNACIONAL	24 Mar 11	AGM	16 Mar 11	X	
26	FOMENTO ECONOMICO MEXICANO	25 Mar 11	AGM	11 Mar 11	X	
27	NUTRECO NV	28 Mar 11	AGM	15 Mar 11	X	
28	MARCOPOLO SA	29 Mar 11	AGM	23 Mar 11	X	
29	TORONTO DOMINION BANK	31 Mar 11	AGM	14 Mar 11	X	

### Not Voted Meetings

Table 18: Meetings not voted in quarter

	Company	Meeting Date	Type	Reason Not Voted
1	CATTLES PLC	31 Jan 11	<b>EGM</b>	No ballot
2	CATTLES PLC	31 Jan 11	<b>EGM</b>	No ballot
3	PETROBRAS-PETROLEO BRASILIER	31 Jan 11	<b>EGM</b>	No ballot

## Global Upcoming Meetings Q2 2011

List of meetings scheduled to be held throughout the period by Global companies currently in the fund's portfolio.

Table 19: Upcoming Meetings

	Company	Meeting Date	Type
1	CENOVUS ENERGY INC	27 Apr 11	AGM
2	BANCO DO BRASIL	27 Apr 11	AGM
3	FONDIARIASAI SPA	27 Apr 11	AGM
4	AGRICULTURAL BANK OF GREECE	29 Apr 11	AGM
5	ANHANGUERA EDUCACIONAL	29 Apr 11	AGM
6	GRAFTON GROUP PLC	04 May 11	AGM
7	OIL SEARCH LTD	11 May 11	AGM
8	BW OFFSHORE LTD	12 May 11	AGM
9	JARDINE MATHESON HLDGS LTD	12 May 11	AGM
10	KINGSPAN GROUP PLC	13 May 11	AGM
11	CDON GROUP AB	16 May 11	AGM
12	IRISH LIFE & PERMANENT PLC	18 May 11	AGM
13	BANK OF PIRAEUS	19 May 11	AGM
14	ELTEK ASA	19 May 11	AGM
15	GAMESACORPORACION TECNOLOGICASA	27 May 11	AGM
16	BOOT (HENRY) PLC	28 May 11	AGM
17	BEACON HILL RESOURCES PLC	24 Jun 11	AGM
18	C&C GROUP PLC	29 Jun 11	AGM

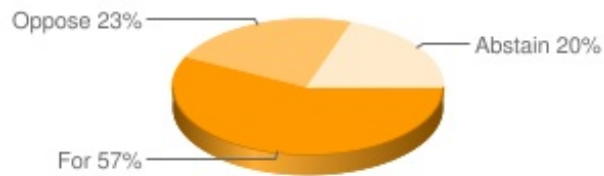
## Asian Voting Charts

These graphs include meetings where the client held a voting entitlement exercisable by PIRC according to portfolio details communicated to PIRC prior to execution of the vote.

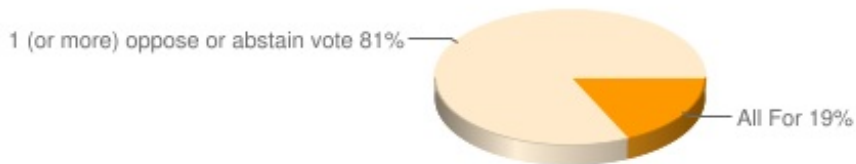
Total Resolutions	
For	145
Oppose	59
Abstain	50
Withdrawn	0
Total	254

Meetings	AGM	EGM	Total
Total Meetings	32	15	47
1 (or more) oppose or abstain vote	26	12	38

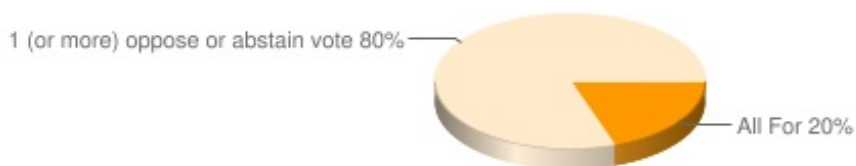
### Asian Voting Record



### Asian AGM Record



### Asian EGM Record



## Asian Voting Timetable Q1 2011

List of meetings held throughout the period in the fund's portfolio.

### Voted Meetings

Table 20: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted	Proxy Edge	Postal Voting
1	BIG C SUPERCENTER PCL	05 Jan 11	<b>EGM</b>	23 Dec 10	X	
2	TOP GLOVE CORP BHD	11 Jan 11	AGM	23 Dec 10	X	
3	KULIM (MALAYSIA) BHD	17 Jan 11	<b>EGM</b>	29 Dec 10	X	
4	KEPCO-KOREAELEC POWER CORP	17 Jan 11	<b>EGM</b>	05 Jan 11	X	
5	POWER ASSETS HOLDINGS LTD	26 Jan 11	<b>EGM</b>	18 Jan 11	X	
6	BANK OF CHINALTD	28 Jan 11	<b>EGM</b>	17 Jan 11	X	
7	CHINAFISHERY GROUP	28 Jan 11	AGM	21 Jan 11	X	
8	CHINAFISHERY GROUP	28 Jan 11	<b>EGM</b>	21 Jan 11	X	
9	BANK MANDIRI (PERSERO) TBK	28 Jan 11	<b>EGM</b>	25 Jan 11	X	
10	INDOSAT TBK	08 Feb 11	<b>EGM</b>	27 Jan 11	X	
11	KULIM (MALAYSIA) BHD	10 Feb 11	<b>EGM</b>	28 Jan 11	X	
12	S P SETIABHD	23 Feb 11	AGM	04 Feb 11	X	
13	S P SETIABHD	23 Feb 11	<b>EGM</b>	08 Feb 11	X	
14	PLUS EXPRESSWAYS BHD	23 Feb 11	<b>EGM</b>	14 Feb 11	X	
15	POSCO	25 Feb 11	AGM	11 Feb 11	X	
16	LOPEZ HOLDINGS CORP	28 Feb 11	<b>EGM</b>	15 Feb 11	X	
17	KT&G CORP	04 Mar 11	AGM	17 Feb 11	X	
18	CHINA OILFIELD SERVICES LTD	08 Mar 11	<b>EGM</b>	21 Feb 11	X	
19	HYUNDAI MOTOR CO LTD	11 Mar 11	AGM	25 Feb 11	X	
20	SK HOLDINGS CO LTD	11 Mar 11	AGM	25 Feb 11	X	
21	SK TELECOM CO LTD	11 Mar 11	AGM	25 Feb 11	X	
22	SK ENERGY CO LTD	11 Mar 11	AGM	28 Feb 11	X	
23	KEPCO-KOREAELEC POWER CORP	11 Mar 11	AGM	28 Feb 11	X	
24	JASAMARGA(INDONESIA HWY CO)	17 Mar 11	<b>EGM</b>	14 Mar 11	X	
25	SAMSUNG ELECTRONICS CO LTD	18 Mar 11	AGM	03 Mar 11	X	
26	CHEIL COMMUNICATIONS INC	18 Mar 11	AGM	04 Mar 11	X	
27	HYUNDAI STEEL CO	18 Mar 11	AGM	04 Mar 11	X	
28	SAMSUNG C&T CORPORATION	18 Mar 11	AGM	04 Mar 11	X	
29	LG UPLUS CORP	18 Mar 11	AGM	07 Mar 11	X	
30	GREEN CROSS HOLDINGS CORP	18 Mar 11	AGM	07 Mar 11	X	
31	DAEWOO PHARM CO LTD	18 Mar 11	AGM	07 Mar 11	X	
32	TAEYOUNG ENGINEERING & CONST	18 Mar 11	AGM	07 Mar 11	X	
33	JIANGSU EXPRESSWAY CO LTD	18 Mar 11	<b>EGM</b>	08 Mar 11	X	
34	SHINHAN FINANCIAL GROUP LTD	23 Mar 11	AGM	09 Mar 11	X	
35	EASTERN WATER RES DEV & MGMT	24 Mar 11	AGM	21 Mar 11	X	
36	KB FINANCIAL GROUP	25 Mar 11	AGM	14 Mar 11	X	
37	GS ENGINEERING & CONSTRUCTN	25 Mar 11	AGM	14 Mar 11	X	
38	HANKOOK TIRE CO LTD	25 Mar 11	AGM	14 Mar 11	X	

39	ORION CORP (SOUTH KOREA)	25 Mar 11	AGM	14 Mar 11	X	
40	DOOSAN INFRACORE CO	25 Mar 11	AGM	14 Mar 11	X	
41	HYUNDAI GREEN FOOD CO LTD	25 Mar 11	AGM	14 Mar 11	X	
42	LS CORP	25 Mar 11	AGM	14 Mar 11	X	
43	NHN CORP	25 Mar 11	AGM	14 Mar 11	X	
44	KOREAGAS CORP	29 Mar 11	AGM	16 Mar 11	X	
45	PTT EXPLORATION & PRODUCTION	30 Mar 11	AGM	25 Mar 11	X	
46	KOREAEXCHANGE BANK	31 Mar 11	AGM	18 Mar 11	X	
47	ADVANCED INFO SERVICE PCL	31 Mar 11	AGM	28 Mar 11	X	

## Asian Upcoming Meetings Q2 2011

List of meetings scheduled to be held throughout the period by Asian companies currently in the fund's portfolio.

Table 21: Upcoming Meetings

	Company	Meeting Date	Type
1	TAIWAN GREATER CHINAFUND	01 May 11	AGM
2	MTR CORP LTD	06 May 11	AGM
3	INDOFOOD SUKSES MAKMUR (PT)	21 May 11	AGM
4	HON HAI PRECISION IND CO LTD	08 Jun 11	AGM
5	FUBON FINANCIAL HOLDING CO	24 Jun 11	AGM

# **PIRC Summary Report Appendices**

## **UK**

Analysis and final proxy results on "Oppose" and "Abstain" votes for resolutions at UK meetings for companies held by the fund during the period.

### **AIM UK Market**

Analysis and final proxy results on "Oppose" and "Abstain" votes for resolutions at AIM UK meetings for companies held by the fund during the period.

### **Fledgling UK Market**

Analysis and final proxy results on "Oppose" and "Abstain" votes for resolutions at Fledgling UK meetings for companies held by the fund during the period.

## **European**

Analysis for "Oppose" and "Abstain" votes for resolutions at European meetings for companies held by the fund during the period.

## **US**

Analysis for "Oppose", "Withhold" and "Abstain" votes for resolutions at US meetings for companies held by the fund during the period.

## **Japanese**

Analysis for "Oppose" and "Abstain" votes for resolutions at Japanese meetings for companies held by the fund during the period.

## **Global**

Analysis and final proxy results on "Oppose" and "Abstain" votes for resolutions at Global meetings for companies held by the fund during the period.

## **Asian**

Analysis and final proxy results on "Oppose" and "Abstain" votes for resolutions at Asian meetings for companies held by the fund during the period.

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Pensions & Investment Research Consultants Limited

9 Prescott Street

London E1 8AZ

Tel: 020 7247 2323 Fax: 020 7247 2457

Email: [info@pirc.co.uk](mailto:info@pirc.co.uk)

<http://www.pirc.co.uk>

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