



Shropshire County Council Pension Authority

Proxy Voting Review
April 2011 – June 2011

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UK Voting Review

Smith & Nephew AGM 14th April

Remuneration was an issue at Smith & Nephew. Disclosure of cash remuneration and pension entitlements is satisfactory. There is no disclosure of an expected value calculation for share awards and specific targets for the annual bonus are not quantified.

Performance targets and maximum award levels are set out for the long-term incentives. Executive share schemes are not linked to non-financial KPI's. In light of the level of awards and brokers' forecasts, targets attached to the PSP and the Executive Share Option scheme are deemed not challenging. PIRC considers that the vesting scales are sufficiently broad for both schemes.

We welcome the use of concurrent performance criteria for the PSP scheme, however, the Company uses only one criteria for its Executive Share Option scheme which is in contravention to best practice. We note that even if the company under performs the market, they will still receive 100% of the EPSA target. PIRC considers the maximum combined award level to be potentially excessive and this was the case during the year. The company has a shareholding requirement for executive directors equivalent to two times of salary, which we welcome. However, the time frame for the shareholding requirement is five years. PIRC would like to see it reduced to no more than three years. There are no schemes enabling a majority of employees to participate in business success without subscription. We note with concern that incoming CEO (with effect from April 2011), O. Bohuon will receive a restricted stock award of over 200,000 shares and a cash payment of 1400,000 Euros to enable him to repay the cash amount and compensate partially for the forfeited unvested shares from his previous employment.

All executive directors have contracts with 12 months notice. On termination of the contract, the remuneration committee has the discretion to pay executive directors a sum equivalent to the salary and benefits including a proportion of the bonus they would have received had they worked their 12 months' notice. On change of control, executive directors will be entitled to 12 months salary and benefits plus 12 months bonus at target. PIRC considers the inclusion of unearned bonuses as a breach of best practice. We recommended that shareholders oppose the remuneration report.

BP plc AGM 14th April

Remuneration was an issue at BP. The accident in the Gulf of Mexico has impacted on the executive directors with two directors leaving the company, a new chief executive being appointed, and compensation being paid. In October 2010, Bob Dudley was promoted to the role of chief executive and saw his base salary increase from US\$ 750,000 to US\$1,175,000. This figure will not increase in 2011. He received no annual bonus award but will receive an award under the EDIP of 550% of base salary. The two other remaining executive directors, Iain Conn and Byron Grote received annual bonus awards of 45% of base salary and awards under the EDIP of 400% of base salary.

In respect of Tony Hayward, the outgoing chief executive, he received salary and benefits, but no bonus, of GBP 1.053m. In addition he was awarded compensation of GBP 1.045m and a further GBP 30,000 compensation in respect of UK statutory employment rights and has retained the potential to gain in excess of 1.8m performance shares. He is currently acting as a non-executive director with TNK-BP earning US\$ 150,000 per annum. With regard to Andy Inglis, the outgoing chief executive of BP's exploration and production business, he received salary and benefits, but no bonus, of GBP 753,000. In addition he was awarded compensation of GBP 690,000 and a further GBP 200,000 to cover various repatriation and relocation costs. In addition to these amounts, under a tax equalization arrangement, BP discharged a US tax liability arising from the participation by Mr Inglis in the UK pension scheme amounting to US\$ 1.26m. He has retained the potential to gain in excess of 1.3m performance shares. Mr

Inglis was appointed an executive director at Petrofac Limited in January 2011 but both in his case and to a lesser extent in the case of Dr Hayward there is no mention of BP enforcing the principle of mitigation as outlined in the annual report. We are also concerned that they are being treated as good leavers for the purposes of the share scheme.

In PIRC's view, notwithstanding that BP is a genuine global company, elements of the remuneration package are excessive particularly in respect of the departing directors retaining an interest in performance shares. Should these shares fully vest, they would be worth over GBP 8m to Dr Hayward and over GBP 6m to Mr Inglis, at today's share price, which in our view is wholly unacceptable. In addition, there has been no indication that the principle of mitigation, particularly in Mr Inglis' case, will be enforced. Going forward we would recommend that any compensation payments should be staggered over at least one calendar year.

We therefore recommended that shareholders oppose the remuneration report.

Rio Tinto Group plc AGM 14th April

There were a number of notable issues at Rio Tinto. Adequate environmental and employment policies are in place along with quantifiable environmental reporting. Following discussions with the Financial Reporting Review Panel (FRRP) during summer 2010, the company has included additional details of issues relating to employees, community and the environment. PIRC welcomes these further disclosures. However, the company had paid a dividend during the year but no resolution regarding the dividend has been put before shareholders. In PIRC's view shareholders should have an annual opportunity to approve any dividend(s) paid or proposed relating to the year under review, whether or not there is a legal requirement to do so. For this reason an abstention was recommended.

Separately, the board sought shareholder approval to increase the individual Performance Share Plan (PSP) limits so that annual maximum face value of Performance Shares that may be awarded is increased from 200 per cent to 300 per cent of base salary, with the opportunity to earn up to one and a half times this amount.

PIRC already considers the maximum award of the PSP to be excessive and not challenging. For this reason an oppose vote to any further increase in the award was recommended.

Finally Stephen Mayne is an Australian business journalist and professional shareholder advocate was seeking a position on the board. He contended that the board has not been held accountable for Rio Tinto's acquisition of Alcan, debt levels and discounted rights issue, its previously proposed strategic partnership with Chinalco and iron ore production joint venture with BHP Billiton and its response to the BHP Billiton takeover offer.

He believed that there should be more than three Australia based directors, given the relative contribution of Australian operations to the Group; and he believed that Canada is over-represented on the board and that non-executive director Mr Paul Tellier (a former director of Alcan) should not seek re-election for a further three-year term.

The Board recommended that shareholders vote against the election of Mr Mayne. We also recommended shareholders vote against his election as we did not consider Mr Mayne to demonstrate the relevant and significant competency and experience.

Barclays plc AGM 27th April

Reporting and remuneration were issues at Barclays. Total dividend paid in the year of 5.5p (2.5p) comprises 3p interim and 2.5p final and is covered by earnings however no vote was provided in order that shareholders may approve the dividend distribution policy. It is the Group's policy to declare and pay dividends on a quarterly basis. We were further concerned at the linking of distribution policy to executive pay. The company has adopted clawback provisions which become executable if a dividend is not paid. Historically dividend has been decided without introducing the possibility that executives may have to return incentive awards and the new clawback arrangements change this situation.

Given the impact on the economy of the global financial crisis and the pivotal role of banks we consider

that shareholders should focus on reporting by financial institutions and any misalignment with governance arrangements. In this context we are concerned at the company's statement that the "chief operating decision maker" - for applying IFRS 8 is the executive committee and not the board. The company's segmental reporting note (IFRS 8) states that the "chief operating decision maker" is the executive committee. Given that the objective of IFRS 8 is to segment the business according to how the major capital allocation decisions are taken and then reported, the company's disclosure appears at odds with the schedule of matters reserved for the board which includes approval of financial statements and any significant changes in accounting policies. The segmental reporting is contrary in our view to the intention of Section 393 Companies Act in which it is the directors who are responsible for ensuring that the accounts give a true and fair view. Under section 393 the directors of a company must not approve accounts unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the consolidated group. The UK legal environment also provides complementary governance rights to shareholders. Shareholders have the right to dismiss board members and elect directors. Such rights do not extend to all executive committee members. We recommended shareholders oppose the report and accounts.

We also recommended shareholders oppose the remuneration report. Disclosure of executive pay is opaque and design of executive pay is overly complex. This prevents analysis of the design and quantum of executive pay. We are particularly concerned about the choice of performance targets which link incentives to prudent share capital management. This is not appropriate, particularly in a regulated bank where regulatory requirements are being used to justify incentive payments. The financial underpin used to determine whether incentive awards should be reduced includes Core Tier 1 capital ratio. Clawback conditions only apply if a dividend is not paid. Contingent capital awards only vest if Group Core Tier 1 capital ratio is at least 7%. The mandatory TSR performance disclosure shows under performance against the FTSE 100 index over five years to 2010 and contrasts with incentive award policy over the same five year period. Termination provisions allow for the inclusion of bonuses, which we consider to be contrary to best practice.

Lancashire Holdings plc AGM 5th May

Remuneration was an issue at Lancashire Holdings. The company clearly discloses the maximum award limit under the annual bonus, however, the targets under the scheme have not been quantified. The principle long-term incentive known as the Restricted Share Scheme (RSS) does not disclose a maximum award limit, however, performance conditions are adequately set. The 2005 LTIP awards from which directors continue to receive benefits had no performance conditions attached.

The Restricted Share Scheme (RSS) is based on ROE and TSR but not concurrently. The maximum award limit has not been disclosed for the RSS and we are therefore unable to assess if the targets are challenging. Awards made during the year are considered to be excessive and due to the undisclosed maximum award limit under the RSS, this further raises our concern on the excessiveness for future awards.

Simon Burton, who resigned as a Director in 27 April 2010, was granted 81,250 RSS awards, which is significantly more than 300% of salary and it is unclear if there were any performance conditions attached.

We recommended that shareholders oppose the remuneration report.

Standard Life plc AGM 17th May

Remuneration was an issue at Standard Life.

We consider that combined bonus and share incentive awards made during the year were excessive. In particular, combined awards made to Mr Skeoch amounted to over 750% of his salary.

In the year under review the LTIP performance conditions have moved solely to being based on IFRS operating profits. Previously we indicated our support for the addition of a TSR performance condition to

the Long-Term Incentive Plan, which operated concurrently with the RoEV performance condition. We view the reversion to a sole performance target as a retrograde step. In relation to the Standard Life Investments Long-Term Incentive Plan agreed by shareholders at the last AGM, performance conditions are based on investment performance and consolidated cumulative three year third party EBIT. Awards will only vest if Standard Life's investment performance is above the lower quartile of the money weighted average of all assets under management compared to other asset managers. Minimum threshold is 60% of EBIT target and maximum 140% of EBIT target. However the company does not disclose the specific EBIT hurdles, we cannot therefore independently assess whether the targets can be considered sufficiently challenging.

We recommended that shareholders oppose the remuneration report.

HSBC Holdings plc AGM 27th May

A new share scheme was proposed at HSBC.

Name of scheme: HSBC Share Plan 2011

Type of scheme: Umbrella Scheme: Conditional long term awards, deferred cash awards, options

Additional or replacement scheme: Replacement scheme to HSBC Share Plan

Eligibility in theory and practice: senior executives

Administered by: Remuneration Committee

Maximum annual award per participant: Rules do not specify grant limits for individuals. A limit of 600% annual basic salary is stated but may be exceeded at the discretion of the board. No individual limit for deferred cash awards. The exercise limit for an individual in 12 months is 1% of HSBC issued shares. At share price for London listed shares on date of writing this is a limit of over £1bn. This is clearly excessive.

Performance criteria and target: Not stated in annual report or notice of meeting or other material provided to shareholders relevant to the resolution. Rules of the scheme state that any criteria that are subsequently adopted may be waived pre-vesting by the board.

Comparator group: Not stated

Performance period: Awards under the Group Performance Share Plan vest 5 years from grant. This is an unusual feature which we welcome however this only applies to certain awards. Options may vest 1 year from grant. No performance period for other awards.

Additional holding period: Awards vested under the Group Performance Share Plan must be retained until employment ceases. As with the five year performance period for group plan awards this is an unusual feature which we strongly support. No holding period stated for other awards

Retesting: Scheme rules give total discretion to board on adoption, application or changes to performance conditions and therefore appear to allow for retesting.

Dilution limits: 5% of issued share capital over 10 years for discretionary scheme, 10% of ordinary share capital over ten years for all schemes

Financial commitment: None

Source of shares: existing shares, although new shares might be used.

Take-over arrangements: Discretion of the board as to the full extent to which the award will vest or Awards vest proportionately to the extent that performance conditions have been met. There fore provides for unvested awards to fully vest on change in control regardless of loss of employment by participant in the scheme.

Potential or expected value calculation: No potential value or expected value calculation is provided.

Other concerns: Rules allow participants to accrue dividends on shares that are not vested therefore misaligning participant and shareowner interests. Rules explicitly allow for awards which are not conditional on performance. Rules have an explicit provision relating to recruitment incentive (golden hello) which sanctions the practice of buying out executive contracts from former employees.

We consider this practice negates retentive payments and distorts the market for executive talent. Rules do not require clawback on financial restatement but provide discretion to the board in this area. Rules

provide for early vesting on retirement even where this is the decision of the employee. Rule on overseas transfer is not clear as uncertain whether both the tax criteria and the legal/regulatory change criteria are necessary to trigger early vesting of award.

Rules support different treatment of UK and overseas shareholders regarding consent to plan changes. The scheme rules appear to require shareholder approval of any change which is of benefit to participants. When taken together with Rule 2.4.1 (ii), Rule 7.2.1 (iv) would appear to require shareholder approval of target adjustments in light of share repurchase.

We recommended shareholders oppose the proposal.

Antofagasta plc AGM 8th June

Remuneration and board independence were issues at Antofagasta. The board does not consider it appropriate to make regular performance-related pay awards such as bonuses to the only executive director, Mr J-P Luksic, given his role as chairman of the board and his interest in the Company's shares both directly and as a member of the Luksic family. However, in addition to the fees paid to Mr R F Jara for advisory services to the Group, the Company has also paid an 'exceptional bonus' for his contribution to 'long-term value creation of the Group over the years from the development of the Los Pelambres mine in the late 1990s to the commissioning of the Esperanza mine towards the end of 2010.' PIRC does not support such practices. Also, the discretionary nature of remuneration structure does not preclude potentially excessive remuneration in the future.

Mr J-P Luksic has a contract for services with both the Antofagasta Railway Company plc and Antofagasta Minerals S.A. Both contracts can be terminated by either party on one month's notice. There is also a contract between Antofagasta Minerals S.A. and Asesorías Ramón F Jara Ltd for the provision of advisory services by Mr R F Jara, which can be terminated on one month's notice. Contracts do not provide for liquidated damages in excess of payment in lieu of notice. We recommended shareholders oppose the remuneration report.

Turning to the re-election of executive chairman Mr J-P Luksic, in the absence of a board level individual with responsibility for the overall overview of strategic direction, the chairman, Mr Luksic, also ultimately fulfils the role of group chief executive, in our view. His family controls 60.66% of the ordinary share capital and 94.12% of the preference share capital through various investment vehicles. PIRC does not support the re-election of a chairman who is also considered to fulfil the role of chief executive. We recommended shareholders oppose.

Non-executive director Mr G S Menéndez is a director of Quinenco, a company controlled by the Luksic family. He also served on the board for more than nine years. Non-executive director Mr Jara provides advisory services to the Company through Asesorías Ramón F Jara Ltd and was awarded a bonus during the year. Non-executive director Mr G A Luksic is the brother of the chairman. He is also chairman of Quinenco. Non-executive director Mr H Dryland has provided advisory services to the Group in his capacity as a senior managing director at Rothschild, which remains a financial advisor to the Group. For these reasons and due to an insufficient number of directors on board, PIRC recommended shareholders oppose their re-appointment.

Morrison (WM) Supermarkets AGM 9th June

Remuneration was an issue at Morrisons. The areas of concern that impacted upon the voting recommendation were excessiveness and the balance between reward and incentive in the policy. Total variable pay is excessive both in theory and in practice although the remuneration package is in-line for the sector. The EPS targets attached to the LTIP are not sufficiently challenging given current brokers' forecasts for either upper or lower vesting points. For retention purposes, the Group Finance Director Richard Pennycook, was granted a restricted share award equivalent to roughly 230% of his base salary. It vests on the second anniversary of grant date and is subject to continued employment and EPS growth being at least equal to the RPI. The EPS targets attached to this award are not challenging and the restrictive period is not sufficiently long. Such awards are not best practice as the existing LTIP should be

a sufficient retentive measure. In addition, it has the potential to render the LTIP ineffective, particularly as less challenging EPS targets are attached to the award. For these reasons, an oppose vote is recommended.

UK Voting Analysis

Table 1: Top Oppose Votes

	Company	Type	Date	Resolution	Proposal	Funds Vote	Oppose %
1	RIO TINTO GROUP (GBP)	AGM	14 Apr 11	15	To elect Stephen Mayne	Oppose	96.78
2	GKN PLC	AGM	05 May 11	15	Issue shares with pre-emption rights	For	93.72
3	TELECITY GROUP PLC	AGM	12 Apr 11	4	To re-appoint Michael Tobin	For	50.66
4	LMS CAPITAL PLC	AGM	12 May 11	12	Approve Rule 9 Waiver	For	24.93
5	RIO TINTO GROUP (GBP)	AGM	14 Apr 11	2	Approve the Remuneration Report	Oppose	24.91
6	JARDINE LLOYD THOMPSON GROUP	AGM	28 Apr 11	16	Approve Rule 9 Waiver	For	24.52
7	SPIRAX-SARCO ENGINEERING PLC	AGM	10 May 11	2	Approve the Remuneration Report	For	23.58
8	MONDI PLC	AGM	05 May 11	29	Issue shares with pre-emption rights - Mondi plc	For	23.58
9	CAPITAGROUP PLC	AGM	10 May 11	8	To re-elect Paddy Doyle	Oppose	23.52
10	JARDINE LLOYD THOMPSON GROUP	AGM	28 Apr 11	8	To re-elect Mr S L Keswick	Oppose	21.85

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	5	83	0	0	1	16	0	0	6
Annual Reports	47	49	8	8	40	42	0	0	95
Articles of Association	6	85	0	0	1	14	0	0	7
Auditors	65	73	22	24	2	2	0	0	89
Corporate Actions	5	83	1	16	0	0	0	0	6
Corporate Donations	14	73	4	21	1	5	0	0	19
Debt & Loans	0	0	0	0	0	0	0	0	0
Directors	387	88	28	6	21	4	1	0	437
Dividend	40	100	0	0	0	0	0	0	40
Executive Pay Schemes	2	11	3	17	12	70	0	0	17
Miscellaneous	40	100	0	0	0	0	0	0	40
NED Fees	4	80	1	20	0	0	0	0	5
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	3	100	0	0	0	0	0	0	3
Share Issue/Re-purchase	133	88	17	11	1	0	0	0	151
Shareholder Resolution	0	0	0	0	0	0	0	0	0
Undefined	2	100	0	0	0	0	0	0	2

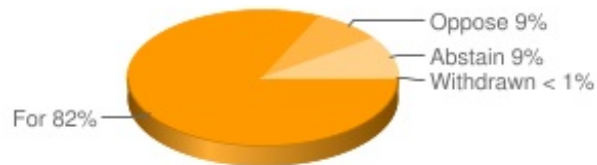
UK Voting Charts

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.

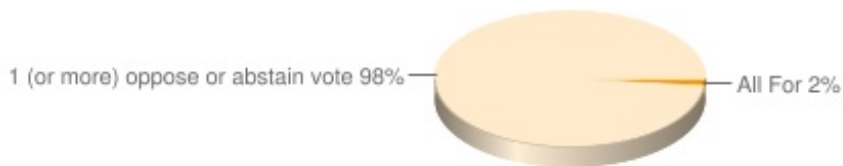
Total Resolutions	
For	753
Oppose	79
Abstain	84
Withdrawn	1
Total	917

Meetings	AGM	EGM	Total
Total Meetings	47	3	50
1 (or more) oppose or abstain vote	46	1	47

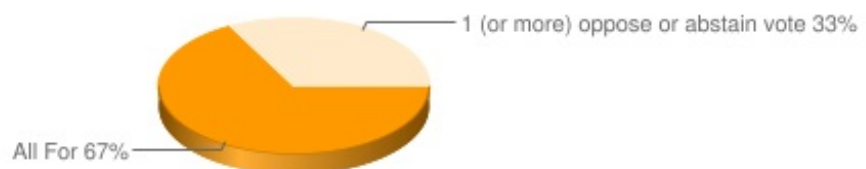
UK Voting Record



UK AGM Record



UK EGM Record



UK Voting Timetable Q2 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
1	TELECITY GROUP PLC	12 Apr 11	AGM	2011-03-28
2	DRAX GROUP	13 Apr 11	AGM	2011-03-25
3	SMITH & NEPHEW PLC	14 Apr 11	AGM	2011-03-17
4	RIO TINTO GROUP (GBP)	14 Apr 11	AGM	2011-03-28
5	BP PLC	14 Apr 11	AGM	2011-03-28
6	ROYAL BANK OF SCOTLAND GROUP	19 Apr 11	AGM	2011-04-05
7	ANGLO AMERICAN PLC	21 Apr 11	AGM	2011-04-05
8	ROTORK PLC	21 Apr 11	AGM	2011-04-15
9	BARCLAYS PLC	27 Apr 11	AGM	2011-04-12
10	BERENDSEN PLC	28 Apr 11	AGM	2011-04-05
11	PEARSON PLC	28 Apr 11	AGM	2011-04-19
12	JARDINE LLOYD THOMPSON GROUP	28 Apr 11	AGM	2011-04-11
13	ASTRAZENECA PLC	28 Apr 11	AGM	2011-04-11
14	RIGHTMOVE PLC	04 May 11	AGM	2011-04-27
15	SAVILLS PLC	04 May 11	AGM	2011-04-15
16	BAE SYSTEMS PLC	04 May 11	AGM	2011-04-15
17	WEIR GROUP PLC	04 May 11	AGM	2011-04-15
18	GLAXOSMITHKLINE PLC	05 May 11	AGM	2011-04-18
19	LANCASHIRE HOLDINGS LTD	05 May 11	AGM	2011-04-19
20	GKN PLC	05 May 11	AGM	2011-04-19
21	CENTRICAP PLC	09 May 11	AGM	2011-04-21
22	SERCO GROUP PLC	09 May 11	AGM	2011-04-21
23	SPIRAX-SARCO ENGINEERING PLC	10 May 11	AGM	2011-04-27
24	CAPITA GROUP PLC	10 May 11	AGM	2011-04-27
25	BOVIS HOMES GROUP PLC	11 May 11	AGM	2011-04-15
26	MARSHALLS	11 May 11	AGM	2011-04-21
27	UNILEVER PLC	11 May 11	AGM	2011-04-28
28	ITV PLC	11 May 11	AGM	2011-04-28
29	ARM HOLDINGS PLC	12 May 11	AGM	2011-04-28
30	LMS CAPITAL PLC	12 May 11	AGM	2011-04-28
31	INCHCAPE PLC	12 May 11	AGM	2011-05-03
32	BG GROUP PLC	12 May 11	AGM	2011-04-30
33	AMLIN PLC	12 May 11	AGM	2011-05-03
34	ROYAL DUTCH SHELL PLC	17 May 11	AGM	2011-05-04
35	STANDARD LIFE PLC	17 May 11	AGM	2011-05-04
36	EVOLUTION GROUP PLC	17 May 11	AGM	2011-05-05
37	RESOLUTION LTD	18 May 11	AGM	2011-05-05
38	CSR PLC	18 May 11	AGM	2011-05-05

39	RSAINSURANCE GROUP PLC	23 May 11	AGM	2011-05-10
40	HSBC HLDGS PLC	27 May 11	AGM	2011-05-17
41	ANTOFAGASTAPLC	08 Jun 11	AGM	2011-05-25
42	HISCOX LTD	08 Jun 11	AGM	2011-05-26
43	MEARS GROUP PLC	08 Jun 11	AGM	2011-05-26
44	MORRISON (WM) SUPERMARKETS	09 Jun 11	AGM	2011-05-26
45	SPORTINGBET PLC	13 Jun 11	EGM	2011-06-03
46	KINGFISHER PLC	16 Jun 11	AGM	2011-06-03
47	WHITBREAD PLC	21 Jun 11	AGM	2011-06-08

Not Voted Meetings

Table 4: Meetings not voted in quarter

	Company	Meeting Date	Type	Reason Not Voted
1	MONDI PLC	05 May 11	AGM	No ballot
2	MONDI PLC	30 Jun 11	EGM	No ballot
3	LONDON STOCK EXCH GROUP PLC	30 Jun 11	EGM	No ballot

UK Upcoming Meetings Q3 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	BT GROUP PLC	13 Jul 11	AGM
2	MITIE GROUP PLC	13 Jul 11	AGM
3	ELECTROCOMPONENTS PLC	15 Jul 11	AGM
4	FIRSTGROUP PLC	15 Jul 11	AGM
5	LONDON STOCK EXCH GROUP PLC	20 Jul 11	AGM
6	LAND SECURITIES GROUP PLC	21 Jul 11	AGM
7	DE LARUE PLC	21 Jul 11	AGM
8	SCOTTISH & SOUTHERN ENERGY	21 Jul 11	AGM
9	NATIONAL GRID PLC	25 Jul 11	AGM
10	VODAFONE GROUP PLC	26 Jul 11	AGM
11	TATE & LYLE PLC	28 Jul 11	AGM
12	DS SMITH PLC	07 Sep 11	AGM
13	MICRO FOCUS INTL PLC	23 Sep 11	AGM

US Corporate Governance Review

Community investment to grow

Community investing continues to rise and is set to become a major US mainstream trend.¹¹

Research from the Social Investment Forum, Green America, One PacificCoast Bank and the National Federation of Community Development Credit Unions identified three key trends expected to continue leading to substantial growth in community investing assets in 2011: consumers breaking up with mega-banks due to high fees and other abusive practices, rising institutional interest in community investing and growing consumer awareness of community investing success stories.

Community investing involves capital from investors and lenders that is directed, generally from development financial institutions (CDFIs) and other community investing institutions, to communities and individuals that are underserved by traditional financial services. Since 2007, assets in community investing institutions have grown over 60% from \$25 billion to \$41.7 billion at the beginning of 2010.

AFL-CIO Executive Paywatch

The American Federation of Labour and Congress of Industrial Organizations (AFL-CIO) has released its 2011 version of Executive Paywatch.

The website provides information on trends in CEO pay, case studies, pay disparity ratio as well as a CEO pay database. The website also works as a useful tool to for searching companies by industry, state and an up-to-date list of the 100 highest paid CEOs. According to analysis from the AFL-CIO, the average salary plus all other compensation for a CEO in the S&P 500 in 2010 was \$11.4 million. Further data from the US Federal Reserve shows US corporations raked in an astronomical \$1.93 trillion in 2010. "Yet, rather than invest[ing] in creating good, middle-class jobs, corporate CEOs are literally hoarding their company's cash-except when it comes to their own paychecks," said AFL-CIO.

Moody's defeat over chair vote

A shareholder resolution calling on Moody's board to split the roles of chief executive and chairman was passed at the company's April meeting.

The shareholder proposal request that Moody's adopts a policy that the chairman of the company's board of directors be an independent director passed with 56% supporting votes despite the Board's disapproval. Although common practice among US companies, PIRC considers the separation of roles to be best practice in corporate governance, on the basis that an independent chairman can provide independent oversight of management and facilities. We also consider that all board meetings should be led by an independent director and judge that in practice this means that there should be an independent chairman. We noted that Moody's current lead director was not independent according to PIRC guidelines, and therefore supported the proposal.

Asset manager Hermes co-filed the proposal with the Laborers International Union of North America. The proposal is advisory and non-binding.

Citi's political spending targeted

Citigroup's shareholders sent a number of strong messages to the board at the company's AGM.

The Firefighters' Pension System of the City of Kansas proposal requesting a report on political contributions received 21.1% votes in favour and 29.66% votes withheld. This is the second year for the proposal, which received 24% support at the 2010 AGM. The shareholder backed proposal requesting that stockholders holding 15% or more of Citi's common stock have the right to call special shareholder

meetings passed with 46.7% votes in favour. New York City Comptroller's proposal requesting an independent review received 24.8% supporting votes with an additional 15.23% votes withheld. Also noted, was the adoption of the proposal that an advisory vote on executive compensation would be held annually. 92.9% voted in favour of an advisory vote on Citi's 2010 executive compensation while 87.2% favoured an annual vote. PIRC had recommended a vote in favour for all the proposals.

US exec comp surges higher

CEO compensation levels have surged 11 % after a two-year decline, according to the fourth annual Wall Street Journal/Hay Group 2010 CEO Compensation Study.

The report found that companies departing from retention-oriented time-vested stock plans to plans with incorporated performance-based long-term objectives contributed to the increase. Overall, there has been a 37% increase since last year - considered a key indicator. Performance awards now comprise 41% of long-term incentive programs. Annual incentive payments increased to \$2.2 million (up 19.7%). Long-term incentives rose to \$6.2 million (7.3%). Companies vary in terms of the options used as stock options remain the most common at 70% (up 64%) with long-term performance plans in second at 68% (up 58%) and time-vested restricted stock increasing to 55% (up 46%).

US funds plan ESG action

Major US pension funds have confirmed their commitment to environmental, social and governance investments.

Two dozen senior executives from Fortune 500s, organized labor groups, foundations, investment firms and pensions attended the Ceres Conference last week where the announcement was made. Sustainability issues were at the crux of the two day conference where California Public Employees' Retirement System (CalPERS) pledged to implement the following four components of the CalPERS/Ceres vision: integration of environmental, social and governance actions into investment decision-making across all five CalPERS asset classes, generation of the first annual responsible investment report, integration of the Ceres Roadmap for Sustainability into CalPERS corporate governance engagements and collaboration with other signatories of the Investor Network on Climate Risk (INCR) to encourage Russell 1000 companies to address environmental sustainability issues.

Mutual funds let US execs cash in

The largest mutual funds fail to use their proxy power to rein in executive pay, according to a recent report by the American Federation of State, County and Municipal Employees (AFSCME).

The report, *Tipping the Balance? Large Mutual Funds' Influence upon Executive Compensation*, lists Vanguard, BlackRock, ING and Lord Abbett as the four greatest "Pay Enablers." According to the study, on average, these mutual funds supported over 90% of management proposals, 7% of shareholder proposals and 80% of directors who received a significant percentage of shareholder votes withheld due to remuneration practices. In contrast, the report found smaller funds tend to vote "against" management backed compensation proposals, and "for" shareholder Say on Pay proposals.

The union's fifth annual report demonstrates the power top funds yield over executive compensation, and the very little they do to control it. In fact, the study suggests the largest funds based on assets under management (Vanguard, Fidelity and American) show the greatest amount of compensation-related passivity. Combined, these three groups control 59% of the assets reviewed (\$1.2 trillion) while the other 23 funds control 41% (\$800 billion).

Dimensional, Dreyfus, Oppenheimer and Wells Fargo were the leading "Pay Constrainters" as they voted, on average, 88% in support of proposals that linked executive performance to pay and against all directors of compensation committees where the companies had pay concerns.

Shareholders win at Kinetic

Kinetic Concepts, Inc. (KCI) has conceded to board declassification as shareholders declare triumph.

The Texas-based US medical technology company issued a press release in May stating that the board of directors will amend its By-laws prior to the 2012 AGM whereby each director whose term is ending will be elected for just a one-year term. Currently, the Company's directors are divided into three classes, where each serves a three-year term and only one class elected each year. Existing directors will serve their remaining terms, permissible under Texas law and KCI's current governing charter.

KCI was the focus of recent investor scrutiny for denying shareholder John Chevedden his right to submit a proposal for board declassification and to have all members up for re-election. Disregarding the Security and Exchange Commission's (SEC) rejection of its filing, KCI had sent a letter informing the SEC that Chevedden's proposal would not be included in their proxy. Shareholders had feared the broader implications this act of company rebellion would have over investor rights.

News Corp to reveal donations

In a surprise turn of events, News Corporation, led by media mogul Rupert Murdoch, announced that it will disclose political donations starting July this year.

The New York-based media company's board of directors made the decision on 12 April, stating that all corporate donations will be published on the company website once a year going forward. News Corporation's significant donations of \$1.25m to the Republican Governors Association and \$1m to the US Chamber of Commerce came under fire last year as critics highlighted the secretive nature (contributions to the Chamber went unannounced) and the support to conservative causes.

In defence, News Corporation claimed that its news operation was not involved in political contribution decisions and denied any impact these gifts would have on its "newsgathering operations." Critics, however, noted the million dollar political ad campaigns by Republican supporting groups such as the Chamber and Karl Rove's Crossroads Grassroots Policy Strategies that did not disclose funding but were aired on Fox News Channel, part of News Corporation. A bias they believe extends to the other major arm of Murdoch's empire – the Wall Street Journal.

Some shareholders believe the decision is an outcome of last year's AGM where investors expressed concern over their exclusion from News Corporation's political donation decision-making process and how investors benefited from their money being used to fund these groups.

Political donations in the US have become part of a larger ongoing debate that began after the controversial 2010 Supreme Court decision Citizens United came into effect, giving corporations unbridled spending limits to a political party of their choice.

SEC whistleblower programme

The Securities and Exchange Commission (SEC) has officially adopted rules to create a whistleblower programme.

Implemented under the Dodd-Frank Act, the programme now rewards individuals with high-quality tips that lead to successful enforcement actions. To receive an award, a whistleblower "must voluntarily provide the SEC with original information that leads to the successful enforcement by the SEC of a federal court or administrative action in which the SEC obtains monetary sanctions totalling more than \$1 million." The amendments have slightly deviated from the previous rules where only alleged allegations of insider trading resulted in bounty payments.

The final rules, which will come into effect 60 days after they are submitted to Congress or published in the Federal Register, have undergone scrutiny by some law firms. Some reservation stems from the belief that the new rules will undermine internal compliance systems (reinforced under the Sarbanes-Oxley Act) by enabling whistleblowers to bypass these programmes. The SEC addressed this issue by encouraging internal reporting in the final version.

However, a recent report by KPMG's Audit Committee Institute revealed that 45 percent surveyed at its 2011 conference claimed they were very concerned about the impact of the expanded bounty programme

on the ability of the company to discover and address compliance issues.

ESG support rises at US AGMs

Recent results suggest that support for environmental, social and governance proposals has continued to rise this proxy season at US company AGMs.

Results from ExxonMobil's AGM present a case in point where the widely criticised practice of hydraulic fracturing ('fracking') received a respectable 28.2% support, a slight increase from 26.4% in 2010. The proposal for quantitative greenhouse gas emissions goals earned 26.5% votes in favour while a request for a report on the associated risks of Canadian oil sands operations won 27.1% investor backing. On the governance front, proposals on political contributions, independent board chairman and amendment of the Company's equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and gender identity received 23.5%, 31.3% and 20% shareholder support, respectively. The proposal for annual Say-on-Pay won with 67.2% votes in favour.

Meanwhile, Chevron also saw an increase in investor concern over ESG related issues. 40.5% of shareholders voted in favour of a proposal regarding hydraulic fracturing while a stockholder proposal on the appointment of an independent director with environmental expertise won 24.8% of votes. Proposals on sustainability metrics for executive compensation (5.6%) and financial risks from climate change (7.3%) did not pass but met the mandatory threshold needed to be placed on next year's proxy. Annual advisory votes on the compensation of the executive officers (Say on Pay) passed with 84.2% support.

At Ultra Petroleum, a shareholder proposal jointly filed by As You Sow and Green Century Capital Management on hydraulic fracturing received 42% shareholder backing, doubling last year's result. Ultra Petroleum had angered shareholders by its decision to deny shareholders their rights under Securities and Exchange Commission law allowing shareholders the right to present this proposal at the AGM.

Investors push ESG disclosure

Over two dozen major institutional investors led by Ceres, collectively holding \$1 trillion assets under management, have issued a joint letter to Russell 1000 companies asking them to embrace environmental, social and governance (ESG) risks in their actions and required investor disclosures.

The letter urges companies to catalyze comprehensive strategies and actions by imbedding sustainability across all aspects of their business using the 21st Century Corporation: Ceres Roadmap for Sustainability – a Ceres-developed tool as a guide. It also asks companies to “use your standard investor communication vehicles – analyst calls, road shows, annual meetings- to highlight actions you are taking to address material sustainability risks and transform them into competitive opportunities.”

Signatories, which include the California Public Employees Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) as well as other major players like the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) announced last month coordinated commitments to combat climate change and other societal sustainability challenges as part of a large group, the Investor-Business Roundtable for a Sustainable Economy.

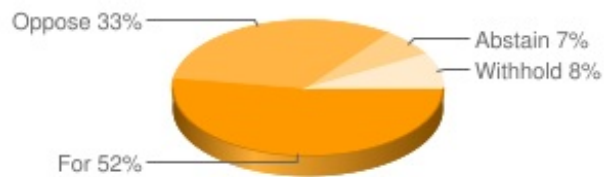
US Voting Charts

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.

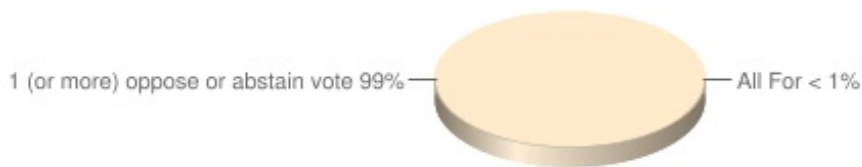
Total Resolutions	
For	887
Oppose	566
Abstain	123
Withhold	134
Withdrawn	0
Total	1710

Meetings	AGM	EGM	Total
Total Meetings	132	0	132
1 (or more) oppose or abstain vote	131	0	131

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 Q2 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
1	BANK OF NEW YORK MELLON CORP.	12 Apr 11	AGM	2011-03-28
2	LILLY (ELI) & CO	18 Apr 11	AGM	2011-03-15
3	SPECTRAENERGY CORP.	19 Apr 11	AGM	2011-03-29
4	NEWMONT MINING CORP. (HLDG CO.)	19 Apr 11	AGM	2011-03-30
5	CITIGROUP INC.	21 Apr 11	AGM	2011-03-23
6	TEXAS INSTRUMENTS INC.	21 Apr 11	AGM	2011-03-23
7	METLIFE INC.	26 Apr 11	AGM	2011-04-05
8	NRG ENERGY INC	26 Apr 11	AGM	2011-04-05
9	BB&T CORPORATION	26 Apr 11	AGM	2011-04-06
10	PNC FINANCIAL SERVICES GROUP INC	26 Apr 11	AGM	2011-04-07
11	INTERNATIONAL BUSINESS MACHINES CORP	26 Apr 11	AGM	2011-04-08
12	TERADATA CORP	26 Apr 11	AGM	2011-04-12
13	MARATHON OIL CORP.	27 Apr 11	AGM	2011-03-30
14	GENERAL ELECTRIC CO	27 Apr 11	AGM	2011-04-08
15	DIRECTV Class A	28 Apr 11	AGM	2011-04-04
16	LEXMARK INTERNATIONAL INC.	28 Apr 11	AGM	2011-04-05
17	JOHNSON & JOHNSON	28 Apr 11	AGM	2011-04-07
18	PFIZER INC.	28 Apr 11	AGM	2011-04-11
19	CORNING INC.	28 Apr 11	AGM	2011-04-18
20	HCP INC	28 Apr 11	AGM	2011-04-12
21	eBAY INC.	28 Apr 11	AGM	2011-04-12
22	VALERO ENERGY CORP	28 Apr 11	AGM	2011-04-13
23	AT&T INC.	29 Apr 11	AGM	2011-04-13
24	BERKSHIRE HATHAWAY	30 Apr 11	AGM	2011-04-13
25	BOEING COMPANY	02 May 11	AGM	2011-04-15
26	AFLAC INC.	02 May 11	AGM	2011-04-15
27	MOTOROLA SOLUTIONS INC.	02 May 11	AGM	2011-04-15
28	O'REILLY AUTOMOTIVE INC	03 May 11	AGM	2011-04-18
29	WELLS FARGO & CO	03 May 11	AGM	2011-04-19
30	PLUM CREEK TIMBER COMPANY INC	03 May 11	AGM	2011-04-19
31	BRISTOL-MYERS SQUIBB CO	03 May 11	AGM	2011-04-19
32	EXELON CORP.	03 May 11	AGM	2011-04-20
33	TESORO CORP	04 May 11	AGM	2011-04-14
34	AUTONATION INC.	04 May 11	AGM	2011-04-15
35	HESS CORPORATION	04 May 11	AGM	2011-04-15
36	EMC CORP.	04 May 11	AGM	2011-04-15
37	TELLABS INC.	04 May 11	AGM	2011-04-15
38	EXPEDITORS INTERNATIONAL OF WASHINGTON INC.	04 May 11	AGM	2011-04-19

39	PEPSICO INC.	04 May 11	AGM	2011-04-20
40	ROBERT HALF INTERNATIONAL INC	04 May 11	AGM	2011-04-20
41	DUKE ENERGY CORP.	05 May 11	AGM	2011-04-15
42	EASTMAN CHEMICAL CO.	05 May 11	AGM	2011-04-15
43	UNION PACIFIC CORP.	05 May 11	AGM	2011-04-20
44	VERIZON COMMUNICATIONS INC	05 May 11	AGM	2011-04-20
45	PUBLIC STORAGE	05 May 11	AGM	2011-04-21
46	UNITED PARCEL SERVICE INC	05 May 11	AGM	2011-04-25
47	SUNOCO INC.	05 May 11	AGM	2011-04-25
48	DTE ENERGY CO.	05 May 11	AGM	2011-05-03
49	COLGATE-PALMOLIVE CO.	06 May 11	AGM	2011-04-28
50	FMC TECHNOLOGIES INC	06 May 11	AGM	2011-04-28
51	ILLINOIS TOOL WORKS INC.	06 May 11	AGM	2011-04-28
52	INTERNATIONAL PAPER CO	09 May 11	AGM	2011-04-27
53	3M COMPANY	10 May 11	AGM	2011-04-26
54	BOSTON SCIENTIFIC CORP	10 May 11	AGM	2011-04-28
55	LOEWS CORP.	10 May 11	AGM	2011-04-28
56	PRUDENTIAL FINANCIAL INC.	10 May 11	AGM	2011-05-05
57	CUMMINS INC.	10 May 11	AGM	2011-04-28
58	NISOURCE INC.	10 May 11	AGM	2011-04-28
59	SPRINT NEXTEL CORP.	10 May 11	AGM	2011-04-28
60	CEPHALON INC.	10 May 11	AGM	2011-05-04
61	MURPHY OIL CORP.	11 May 11	AGM	2011-04-30
62	INTEGRYS ENERGY GROUP INC.	11 May 11	AGM	2011-04-30
63	CVS CAREMARK CORP	11 May 11	AGM	2011-05-02
64	PHILIP MORRIS INTERNATIONAL INC.	11 May 11	AGM	2011-05-02
65	CONOCOPHILLIPS	11 May 11	AGM	2011-05-02
66	AVALONBAY COMMUNITIES INC.	11 May 11	AGM	2011-05-05
67	CAPITAL ONE FINANCIAL CORP	11 May 11	AGM	2011-05-04
68	COMCAST CORP	11 May 11	AGM	2011-05-04
69	BANK OF AMERICA CORP.	11 May 11	AGM	2011-05-04
70	PROGRESS ENERGY INC.	11 May 11	AGM	2011-05-04
71	EDWARDS LIFESCIENCES CORP	12 May 11	AGM	2011-05-04
72	DOMINION RESOURCES INC	12 May 11	AGM	2011-05-04
73	DOW CHEMICAL CO	12 May 11	AGM	2011-05-04
74	GILEAD SCIENCES INC	12 May 11	AGM	2011-05-05
75	FORD MOTOR CO	12 May 11	AGM	2011-05-05
76	VENTAS INC	12 May 11	AGM	2011-05-05
77	NORFOLK SOUTHERN CORP.	12 May 11	AGM	2011-05-05
78	SEMPRAENERGY	13 May 11	AGM	2011-05-05
79	LEUCADIANATIONAL CORP.	16 May 11	AGM	2011-05-09
80	WELLPOINT INC	17 May 11	AGM	2011-05-13
81	J.P. MORGAN CHASE & CO	17 May 11	AGM	2011-05-09
82	ROSS STORES INC	18 May 11	AGM	2011-05-09
83	MORGAN STANLEY	18 May 11	AGM	2011-05-10
84	NORTHROP GRUMMAN CORP.	18 May 11	AGM	2011-05-11
85	XCEL ENERGY INC.	18 May 11	AGM	2011-05-11
86	INTEL CORP	19 May 11	AGM	2011-05-11
87	COVENTRY HEALTH CARE INC	19 May 11	AGM	2011-05-12

88	ALTRIAGROUP INC.	19 May 11	AGM	2011-05-12
89	LORILLARD, INC.	19 May 11	AGM	2011-05-12
90	MCDONALD'S CORP.	19 May 11	AGM	2011-05-12
91	NATIONAL OILWELL VARCO, INC	19 May 11	AGM	2011-05-12
92	HALLIBURTON CO.	19 May 11	AGM	2011-05-12
93	DR PEPPER SNAPPLE GROUP, INC.	19 May 11	AGM	2011-05-12
94	SAFEWAY INC.	19 May 11	AGM	2011-05-13
95	TITANIUM METALS CORP.	19 May 11	AGM	2011-05-13
96	SIMON PROPERTY GROUP INC.	19 May 11	AGM	2011-05-13
97	YUM! BRANDS INC.	19 May 11	AGM	2011-05-13
98	INTERCONTINENTALEXCHANGE INC.	20 May 11	AGM	2011-05-13
99	AMGEN INC.	20 May 11	AGM	2011-05-16
100	TIME WARNER INC.	20 May 11	AGM	2011-05-17
101	UNITEDHEALTH GROUP INC	23 May 11	AGM	2011-05-17
102	TERADYNE INC.	24 May 11	AGM	2011-05-17
103	MERCK & CO.	24 May 11	AGM	2011-05-17
104	MEDCO HEALTH SOLUTIONS INC.	24 May 11	AGM	2011-05-17
105	CABLEVISION SYS CORP -CL A	24 May 11	AGM	2011-05-17
106	CHIPOTLE MEXICAN GRILL INC	25 May 11	AGM	2011-05-18
107	UNUM GROUP.	25 May 11	AGM	2011-05-19
108	CHEVRON CORP.	25 May 11	AGM	2011-05-19
109	EXXON MOBIL CORP	25 May 11	AGM	2011-05-19
110	MOLSON COORS BREWING CO.	25 May 11	AGM	2011-05-20
111	LIMITED BRANDS INC.	26 May 11	AGM	2011-05-20
112	CITRIX SYSTEMS INC	26 May 11	AGM	2011-05-23
113	VERISIGN INC	26 May 11	AGM	2011-05-23
114	THE TRAVELERS CO'S.	26 May 11	AGM	2011-05-23
115	BIOGEN IDEC INC.	02 Jun 11	AGM	2011-05-24
116	Google Inc.	02 Jun 11	AGM	2011-05-26
117	NETFLIX INC	03 Jun 11	AGM	2011-05-27
118	WAL MART STORES INC	03 Jun 11	AGM	2011-05-27
119	AMAZON COM INC.	07 Jun 11	AGM	2011-05-31
120	CATERPILLAR INC.	08 Jun 11	AGM	2011-05-31
121	CME GROUP INC.	08 Jun 11	AGM	2011-06-01
122	DEVON ENERGY CORP.	08 Jun 11	AGM	2011-06-02
123	SALESFORCE.COM INC	09 Jun 11	AGM	2011-06-03
124	TJX COS INC	14 Jun 11	AGM	2011-06-06
125	CELGENE CORPORATION	15 Jun 11	AGM	2011-06-06
126	FREEPORT MCMORAN COPPER & GOLD INC	15 Jun 11	AGM	2011-06-06
127	AUTODESK INC.	16 Jun 11	AGM	2011-06-09

Not Voted Meetings

Table 7: Meetings not voted in quarter

	Company	Meeting Date	Type	Reason Not Voted
1	MOODY'S CORP.	19 Apr 11	AGM	No ballot
2	FEDERATED INVESTORS INC.	28 Apr 11	AGM	Non-Voting Shares
3	ZIMMER HOLDINGS INC	02 May 11	AGM	Did not hold shares on Record Date

4	DENTSPLY INTERNATIONAL INC.	25 May 11	AGM	No shares at record date
5	GAMESTOP CORP.	21 Jun 11	AGM	Shares not held at record date

US Upcoming Meetings Q3 2011

There are no upcoming meetings for this region.

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.

US

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

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