Shropshire County Council Pension Authority

Proxy Voting Review
July 2011 – September 2011

October 2011

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UK Voting Review

Tesco Plc AGM 1st July

Remuneration was an issue at Tesco.

Targets, award levels and vesting scales for the PSP and option schemes were disclosed, with the exception of baseline ROCE figures for the PSP. The Company operated the PSP, Executive Share option scheme and Executive Incentive Plan. The executive share option scheme was based on EPS growth targets that were considered sufficiently challenging. Combined remuneration was considered excessive in the year under review and salaries were in the top of the sector.

The inclusion of mature property sales within the measures used (EPS, PBT, ROCE) to inform pay out under the long-term incentive scheme was not appropriate. Mature property sales were not, in our view, indicative of sustainable operational group performance. EPS informs a significant element of executive pay as EPS performance was used for 75% of the cash element and 50% of the share element on a maximum payout basis and it was observed that 57% of total remuneration paid to executives in 2010 came in the form of short-term cash and deferred shares. Underlying EPS had grown primarily because of property sales and we noted that EPS was favoured over other objective, measurable targets like TSR. The Company had duly noted that TSR performance had been behind the market over the past year.

Clawback provisions for deferred share awards under the annual bonus plan and PSP allowed the committee to scale back awards in the event that results were materially misstated. It was not clear if the committee was empowered to claim back the money already paid or if the provisions allowed reduction of awards which may have in fact never been earned due to performance conditions. We did not consider the latter constitutes a robust clawback arrangement.

Directors were on a one year rolling contract and upon cessation of employment the Company would have paid a sum calculated on the basis of basic salary and the average annual bonus paid for the last two years. A mitigation statement was provided. However, the remuneration committee had the discretion to vary the notice period to 24 months. We noted that this arrangement only related to an initial period of appointment and welcomed that the incoming CEO's termination provisions were limited to one year's salary and benefits only. This would also have been the policy going forward for new executives joining the Board.

We recommended shareholders oppose the remuneration report.

Authority was also sought to approve and adopt the Tesco PLC Performance Share Plan 2011. Awards would have vested subject to a combination of return on capital employed (“ROCE”) and earnings per share (“EPS”) performance over a three year performance period. Full vesting occurs when cumulative earnings grow by 12% per annum and ROCE must have increased to at least 14.6% for 2013-14. No payout would have been made unless ROCE was increased to 13.6%; however, no baseline figures for ROCE were disclosed. Maximum award limit was 350% of salary under this scheme; however, it was intended that the maximum performance share award would have been 225% of base salary for executive directors and 275% of base salary for the CEO. There were claw-back provisions in place; however, retesting of performance was not possible. Un-vested awards would normally have lapsed unless under certain specific circumstances; however, we noted that the committee had the discretion to do otherwise. Dilution levels were limited to 10 percent of the issued share capital.

With regard to the performance conditions, we did not consider the EPS targets to be sufficiently challenging vis-a-vis consensus forecasts. We welcomed the use of concurrent performance conditions, but we would have welcomed the broadening of the vesting scale as it was considered too narrow to encourage out-performance. Moreover, combined remuneration was considered excessive when taking this plan into account. We recommended shareholders oppose the proposal.

Misys AGM 28th September

Remuneration was an issue at Misys.

Disclosure was adequate, however, further information by the Company should have been provided with regard to expected values for incentive based awards. The aims of the pay policy could have been better explained in terms of the Company's strategic approach. Full details of the financial and non-financial KPIs used to determine executive remuneration were not disclosed.

Pay elsewhere in the Company was considered in determining director pay. The adjustment of EPS targets made during the year to account for the disposal of Allscripts and the resulting changes to issued share capital was a welcome move. However, under the MOSP, neither maximum nor minimum vesting targets were considered challenging in light of brokers' forecasts. Vesting scales were also considered to be too narrow. The Company applied two performance conditions concurrently, which was considered best practice. However, this only applied to the matching share element of long-term incentive arrangements. Total potential awards were considered to be wholly excessive and actual awards were excessive during the year under review. Both the CEO and CFO received 190% and 147% of basic salary, respectively, in conjunction with the annual bonus plan. Annual salaries were at the top end of the sector and the comparator group used to rank and/or determine the overall level of awards was not disclosed.

A new CEO Incentive Plan, established in light of the imminent expiry of the previous Transformation Incentive Plan, had been introduced offering potential awards in excess of 900% of basic salary and for which the vesting particulars were considered to be inadequate. The Plan used share appreciation as sole quantifiable performance measure, which was unacceptable given the variability associated with share price due to factors beyond the direct control of the Company. The combination of existing incentive plans working on a concurrent basis raised serious concerns over the design and structure of incentives as well as balance between overall performance and award.

Contracts allowed for termination provisions in excess of one year's salary for both the CEO and CFO in addition to the potential for accelerated vesting of incentive based awards for the CEO upon change of control. No mitigation statement was made.

For these reasons, PIRC recommended oppose.

UK Voting Analysis

Table 1: Top Oppose Votes

	Company	Type	Date	Resolution	Proposal	Funds Vote	Oppose %
1	FIRSTGROUP PLC	AGM	15 Jul 11	2	Approve the Remuneration Report	Abstain	37.90
2	MISYS PLC	AGM	28 Sep 11	2	Approve the Remuneration Report	Oppose	37.45
3	NATIONAL GRID PLC	AGM	25 Jul 11	16	Approve the Remuneration Report	Oppose	35.18
4	3i GROUP PLC	AGM	06 Jul 11	15	Approve renewal of LTIP	Oppose	29.36
5	MICRO FOCUS INTL PLC	AGM	22 Sep 11	3	Approve the Remuneration Report	Oppose	27.29
6	BT GROUP PLC	AGM	13 Jul 11	26	Renewal of the executive portfolio.	Abstain	25.66
7	FIRSTGROUP PLC	AGM	15 Jul 11	15	Issue shares with pre-emption rights	For	18.36
8	SSE PLC	AGM	21 Jul 11	17	Issue shares with pre-emption rights	For	18.22
9	MITIE GROUP PLC	AGM	13 Jul 11	14	Issue shares with pre-emption rights	For	16.93
10	NATIONAL GRID PLC	AGM	25 Jul 11	17	Issue shares with pre-emption rights	For	16.38

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	7	100	0	0	0	0	0	0	7
Annual Reports	17	44	5	13	16	42	0	0	38
Articles of Association	3	75	1	25	0	0	0	0	4
Auditors	22	62	11	31	2	5	0	0	35
Corporate Actions	1	100	0	0	0	0	0	0	1
Corporate Donations	10	100	0	0	0	0	0	0	10
Debt & Loans	0	0	0	0	0	0	0	0	0
Directors	138	82	19	11	11	6	0	0	168
Dividend	19	100	0	0	0	0	0	0	19
Executive Pay Schemes	6	35	4	23	7	41	0	0	17
Miscellaneous	20	100	0	0	0	0	0	0	20
NED Fees	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0	0
Share Issue/Re-purchase	50	80	12	19	0	0	0	0	62
Shareholder Resolution	0	0	0	0	0	0	0	0	0
Undefined	0	0	0	0	0	0	0	0	0

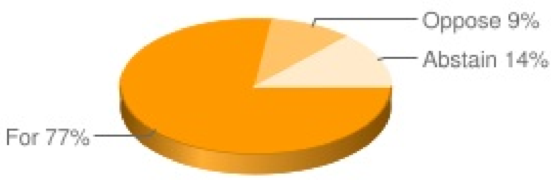
UK Voting Charts

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	293
Oppose	36
Abstain	52
Withdrawn	0
Total	381

Meetings	AGM	EGM	Total
Total Meetings	19	2	21
1 (or more) oppose or abstain vote	19	2	21

UK Voting Record



UK AGM Record

UK EGM Record

UK Voting Timetable Q3 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	3i GROUP PLC	06 Jul 11	AGM	2011-06-22
2	BABCOCK INTERNATIONAL GROUP PLC	07 Jul 11	AGM	2011-06-24
3	MAN GROUP PLC	07 Jul 11	AGM	2011-06-24
4	MITIE GROUP PLC	13 Jul 11	AGM	2011-06-29
5	BT GROUP PLC	13 Jul 11	AGM	2011-06-30
6	ELECTROCOMPONENTS PLC	15 Jul 11	AGM	2011-06-29
7	FIRSTGROUP PLC	15 Jul 11	AGM	2011-06-30
8	SSE PLC	21 Jul 11	AGM	2011-07-01
9	NATIONAL GRID PLC	25 Jul 11	AGM	2011-07-11
10	VODAFONE GROUP PLC	26 Jul 11	AGM	2011-07-11
11	PHOENIX IT GROUP PLC	28 Jul 11	AGM	2011-07-14
12	LANCASHIRE HOLDINGS LTD	18 Aug 11	**EGM**	2011-08-04
13	CSR PLC	30 Aug 11	**EGM**	2011-08-16
14	DS SMITH PLC	06 Sep 11	AGM	2011-08-22
15	MICRO FOCUS INTL PLC	22 Sep 11	AGM	2011-09-09
16	MISYS PLC	28 Sep 11	AGM	2011-09-13

Not Voted Meetings

Table 4: Meetings not voted in quarter

	Company	Meeting Date	Type	Reason Not Voted
1	TESCO PLC	01 Jul 11	AGM	No ballot
2	LONDON STOCK EXCH GROUP PLC	20 Jul 11	AGM	No Holding
3	DE LARUE PLC	21 Jul 11	AGM	No holding
4	LAND SECURITIES GROUP PLC	21 Jul 11	AGM	No holdings
5	TATE & LYLE PLC	28 Jul 11	AGM	No ballot

UK Upcoming Meetings Q4 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	BHP BILLITON GROUP (GBR)	20 Oct 11	AGM
2	HAYS PLC	09 Nov 11	AGM
3	KIER GROUP PLC	12 Nov 11	AGM
4	SMITHS GROUP PLC	22 Nov 11	AGM
5	HARGREAVES LANSDOWN PLC	25 Nov 11	AGM
6	SPORTINGBET PLC	17 Dec 11	AGM

US Corporate Governance Review

US corporate pushback on ratios

81 major US Companies and Congressional Republicans had joined forces to derail new legislation that required US public companies to disclose internal pay ratios.

Publishing of median worker pay was not legislatively enforced under previous rules, but is part of Dodd-Frank. The disclosure of a ratio was adopted last year in part to address the increasing income disparity in the US. The initiative had attracted attention in the UK where there was also concern at the “pay gap.”

However, anti-disclosure lobbyists, who refered to the comparisons as “useless,” argued that calculation of the ratio would burden companies, particularly those operating globally, despite investor support for the initiative.

Select execs from some of the largest companies in corporate America, such as IBM and McDonald’s, along with the House Financial Services Committee and the Senate banking committee members met over the past year to discuss lobbying tactics against the disclosure requirements. A House bill to repeal the reporting requirements passed with 29 Republican and four supporting Democrats votes.

The issue of executive compensation had increasingly come under the spotlight as many CEOs now earn 400 times their employees, compared to the 1970 average of 28 times. Some Democrats said the real reasons companies want this information kept secret was due to company embarrassment over the pay gap.

Say on Pay lessons learned

A study by the Conference Board advised US-listed companies to start preparing for the 2012 proxy season as the road ahead is set to be much more challenging.

Say on Pay in the 2011 Proxy Season: Lessons Learned and Coming Attractions for US Public Companies emphasised the shift (albeit gradual) among shareholders to vote against executive pay, and the influence of proxy advisory recommendations in this decision. The report found that those companies that failed to earn majority support for their SOP vote had received an “against” recommendation by a proxy advisory firm. Even though Dodd- Frank mandated SOP did not make massive headway in its first proxy season (only 39 Russell 3000 failed since 30 June), the study warned companies not to become complacent.

Corporate Responsibility blacklist

Nasdaq Omx, Dreamworks and InterContinental Exchange made Corporate Responsibility magazine’s list of companies with the worst transparency and corporate citizenship.

Companies appearing on the “black list” earned a less than respectable zero points of relevant data that could be found to compare their transparency and corporate citizenship practices to their Russell 1000 peers. The financial industry comprised over half (32) of the companies on the list with the energy sector coming in second (12%). Both consumer items and health care
industries represented 10% of the list. Companies were scored on seven different categories including: climate change, employee relations, environment, financial, governance, human rights and philanthropy. Had the companies disclosed a single data element out of 300, they would have been off the list.

Legal defeat for Proxy Access

Following US corporate pushback on disclosure of internal pay ratios, we saw a major victory for corporate lobbying on proxy access.

A year after the SEC approved a rule to allow shareholders to nominate their own candidates to boards the US Court of Appeals had overturned the rule.

Unlike most countries the US denies shareholders key rights aimed at ensuring board accountability. Many companies continue to employ a “plurality” voting system under which it is virtually impossible for a director to be voted off a board. It is in this context that investors have campaigned for an alternative means of influencing board membership.

In contrast to the regulatory position on director elections, the US had taken the lead in providing a vote on executive pay, which is a vote that is still lacking in many markets. This apparent contradiction illustrates a willingness on the part of US regulators to provide information rights (the say on pay is supported by detailed prescribed compensation disclosure) but a lack of appetite for rights that are meaningful in terms of corporate
control. The recent repeal of reporting requirements on pay differences exposed the fact that some companies, notably Wholefoods and MBIA, chose to report ahead of a legal requirement to do so. We look forward to companies taking matters into their own hands on the issue of proxy access.

First lawsuit to name Murdochs

A disgruntled US investor with $US 38,000 in News Corporation shares had filed the first federal-level lawsuit against the media group reported the Sydney Morning Herald.

Shareholder Lewis Wilder had accused the Murdochs, News Corp and Rebekah Brooks of fraudulent, misleading and deceptive conduct in respect to the phone hacking scandal. James and Rupert Murdoch “affirmatively sanctioned or, at the very least, turned a blind eye to the rampant illegally taking place at News Corp’s newspapers,” said Wilder.

The lawsuit, filed on the 19 July at a New York District Court, claimed that News Corp and the senior executives were in breach of the US Securities Exchange Act by distributing “materially false and misleading” statements to investors during 3 March to 11 July. Thousands of other shareholders may also be covered by the class action.

Shareholders target diversity

Sustainable investment advisor Pax World Management announced that during the 2011 proxy season it withheld votes from, or voted against, 264 director slates for insufficient gender diversity.

Votes were withheld from 138 of the 264 companies for having only one woman on the board or among the nominees. Policy at Pax World requires votes to be withheld or against all-male slates of directors, and in the majority of cases, against those that include fewer than two women. Earlier this year Pax World launched a “Say No to All-Male Boards” campaign by issuing letters to 165 mutual funds, pension fund fiduciaries and women’s colleges and universities noting the slow progress of US board diversity compared to other developed countries. They continue to encourage investment advisors and individuals to adopt proxy voting guidelines that “withholds votes from, or where possible, vote against all slates of director nominees that do not include women.”

Academics push for disclosure

Ten leading legal academics jointly submitted a formal rulemaking petition to the Securities and Exchange Commission recommending the federal agency adopt political disclosure rules.

Referring to themselves as the Committee on Disclosure of Corporate Political Spending, top US corporate governance and securities law professors stressed shareholder concern and interest in corporate spending on politics. Also in the 11-page petition, they pointed to the fact that although some large public companies disclose this information to investors the lack of an
official rule mandating companies to do so means that most corporate political spending remains opaque

to investors.

The Center for Political Accountability, which had been spearheading the campaign, said the petition represents “an important step forward.” As of early August, 85 companies, including 51 in the S&P 100, had pledged to adopt the CPA’s framework for political disclosure and oversight of their corporate political spending. CPA’s model resolution formed the basis for 32 proposals on corporate political spending during the 2011 proxy season.

Buffett wants to pay more tax

In an op-ed to the New York Times, billionaire Warren Buffett had called on the US government to stop coddling the super-rich.

Using himself as an example to highlight Congresses’ predilection for the wealthy, Buffett claimed he paid just 17.4 percent of his taxable income while his colleagues in lower tax brackets paid between 33 to 41 percent, averaging 36 percent. According to Buffett, his mega-rich friends were also removed from the “shared sacrifice” equation with the help of the government. Data compiled by the IRS showed a downward trend from 29.2 percent in 1992 to 21.5 percent in 2008 on taxes for America’s most wealthy.

These tax breaks, according to Buffett, are contributing to the perpetual downward spiral of the US economy. As 12 members of Congress converged to form the “super-committee,” Buffett urged them to “get serious about shared sacrifice” and immediately raise rates on taxable income in excess of $1 million. He promised that his mega-rich friends won’t object.

Whistleblower embarrasses SEC

The Securities and Exchange Commission (SEC) had destroyed at least two decades worth of intelligence against some of Wall Street’s most egregious offenders, reported RollingStone.

According to SEC whistleblower Darcy Flynn, the US’s top financial police had routinely destroyed over 18,000 documents involving large banks and hedge funds as well as details on some of Wall Street’s most notorious offenders like Bernie Madoff.

The destruction of the cases known as “Matters Under Inquiry” was possibly in breach of an agreement between the SEC and the National Archives and Records Administration that stipulates all agency records “including case files relating to preliminary investigations” must be maintained for 25 years minimum. The SEC didn’t deny or admit to destroying the documents.

According to insiders, the SEC suffers from a “Goldman [Sachs] mindset from within” where an ever pervasive revolving door between the federal regulators and Wall Street perverts the agency’s ability to regulate. In his letter to the SEC inspector general and three Congressional committees, 13-year veteran SEC attorney responsible for records management Flynn cited numerous accounts of wayward activity attributable to the SEC enforcement team dropping fraud investigation and shortly thereafter turning up in “cushy, high-priced” jobs at the same companies they were investigating.

Senator Chuck Grassley, whose staff interviewed Flynn, added, “It doesn’t make sense that an agency responsible for investigations would want to get rid of potential evidence.”

PCAOB considers auditor rotation

US-based Public Company Accounting Oversight Board (PCAOB) had issued a concept release on auditor independence and audit firm rotation to solicit public comment on ways auditor independence, objectivity and professional scepticism could be enhanced.

If adopted, mandatory audit rotation would limit the number of consecutive years a registered accounting firm could serve as the auditor of a public company. Proponents claim that set term limits significantly free auditors from client pressure and offer a “fresh look” at the company’s financial reporting. “One cannot talk about the audit quality without discussing independence, scepticism and objectivity.

Comments are due 14 December. A roundtable meeting to discuss views of interested persons will be held in March 2012.

Tax dodgers of the world, unite

25 CEOs from America's largest firms took home more money than their companies paid in 2010 US federal taxes.

These top executives from household names like Ford, Coca-Cola and General Electric received, on average, nearly $17,000,000 (above the S&P 500 CEO average $10.8m) while the rest of America's workforce brought home approximately $33,000. Evidence from the latest Institute for Policy Studies Executive Excess report suggested that inflated CEO salaries had little to do with increased efficiency but more so with the depreciation of company revenue thereby enabling companies to lower their taxes. This disinvestment of US CEOs not only played a key role in the recent financial crisis but continues to impact the current decay of American infrastructure and services.

Tax dodging or "shadow" banking, according to the report, has led to lost federal revenue of an estimated $100 billion per year. To put this in perspective, corporate income taxes now account for only nine percent of federal government revenue compared to 52.8 percent in 1952. The study found that 18 of the 25 companies reviewed that utilize tax havens had a combined total of 255 offshore subsidiaries. Companies such as Boeing also spend an astronomical $20.8m (over 60% of the company's tax payment) in lobbying and political campaigns to ensure the US government backs their tax avoidance practices, added the IOP.

Investors push on proxy access

Displeased with the Securities and Exchange Commission's (SEC) failure to challenge the US District of Columbia's decision to throw out proxy access Rule 14a- 8(i)(8), a group of leading international institutional investors and pensions funds sent a letter to the Commission.

In the letter, the investor coalition representing over $2 trillion urged the SEC to continue in the fight to restore accountability and integrity to financial markets by issuing new rules on full proxy access.

Had the Rule passed, it would have enabled shareholders to include their candidate for the Board of Directors on a company ballot. Signatories pointed to the numerous examples of "unaccountable directors on boards that have ignored shareholder proposals, fallen short of their duty to oversee management and, too often, overcompensated CEOs and senior executives relative to performance results when they failed to deliver shareowner value" as proof of the need to "level the playing field in director elections."

The Rule gained significant backing from major US investors like California Public Employees' Retirement System and California State Teachers' Retirement System along with powerhouse Norges Bank Investment Management.

CDP verdict: green skies ahead

In the absence of national and global policy, corporate America went green on its own accord.

For the first time since its ten year inception, the majority of large US companies now report climate change strategies, found the Carbon Disclosure Project (CDP) in the 2011 S&P 500 Report Strategic Advantage Through Climate Change Action. The move was viewed by the CDP as a "bellwether for greenhouse gas emissions reduction activity."

The report, which analysed disclosures from 339 of the largest US corporations by market capitalisation and written by global professional services firm PwC, found a 19% increase in respondents who had senior executive or board oversight of their company's climate change programmes since last year. The findings revealed 65% of respondents now report climate change policies as an integral part of their corporate business strategy and 64% set greenhouse gas emissions reduction targets compared to 2010 levels of 35% and 51%, respectively. Survey participants noted a 60% of project payback in three years or less in contrast to traditional presumptions of long payback periods for emission reduction and energy efficiency reduction targets.

CDP attributed the increase in sustainable activities to recognition among the largest US corporations of the opportunity to gain strategic advantage from acting to address climate change.

Ceres issues ESG proxy guidelines

US coalition giant Ceres issued the first ever sustainability focused proxy voting guidelines.

The landmark report Proxy Voting for Sustainability offers guidance to help global investors respond to environmental, social and governance (ESG) issues that are increasingly the subject of shareholder resolutions filed with US-listed corporations. After a review of proxy voting guidelines of large US asset managers, Ceres found few institutions' guidelines offered detailed or comprehensive enough guides to voting on specific governance and sustainability issues.

Included are four set of principles on governance, social issues, general sustainability and environmental performance to assist investors in tackling specific resolutions on these matters. Sample language along with 75 explicit examples of proxy guidelines to address specific sustainability issues like climate change, water availability, ESG-driven executive compensation and board of director governance were also provided using best practice examples from public pension funds, asset managers, socially responsible investment funds, labour unions and foundations.

"Although there has been much progress in support for both governance and sustainability resolutions put forward by shareholders since 2004, the largest asset managers often fail to take advantage of this opportunity to promote key governance and sustainability reforms at large public companies, including the types of reforms that may have averted the recent financial crisis."

Corporate director licensing

A license should be required for corporate directors to ensure competency in corporate governance, argued Jonathan F. Foster, founder and managing director of Current Capital, in the New York Times.

Given that numerous other occupations like accountants, investment professionals, private investigators and even cosmetologists require practitioners to pass a set of established requirements, why shouldn't we ask the same of corporate directors? Foster views such a requirement as an important step towards encouraging good governance and increasing public confidence in directors of US-listed companies.

He therefore suggested a "national examination for directors of public corporations" that might cover six key areas: corporate governance; ethics; leadership and organisational structure; corporate finance, accounting and control; technology and systems; and sales and marketing as well as 20 hours per year of continuing education to stay on top of new issues. Age and experience requirements should be a minimum 30 years of age and 10 year full-time work experience, he added.

US implements EITI

President Obama announced the US will implement the Extractive Industries Transparency Initiative (EITI) at the launch of the Open Government Partnership (OGP) in New York.

EITI, the global standard for improved transparency of revenues from natural resources, has been implemented in 35 countries, with Norway the first OECD country to join. Of these countries, 29 have published payments from companies to governments in EITI reports, disclosing to citizens the amount of revenue their government receives from the extraction of their natural resources. For many, this was the first time this information had been available. Disclosure of these payments enables citizens to challenge governments over the misuse of their resources.

SEC lifts shareholder proxy stay

The Security and Exchange Commission (SEC) lifted its stay on proxy access shareholder proposal Rule 14a-8.

An amendment to the Exchange Act Rule, 14a-8 now requires companies to include one or more investor nominated directors in the company's proxy materials, permitting shareholders "to require companies to include shareholder proposals regarding proxy access procedures in company proxy materials," said SEC Chairman Mary Schapiro. Shareholders must have at least $2000 in a company's market value for one year minimum to be eligible. The SEC put the Rule on hold pending the outcome of D.C. Court of Appeals verdict on Rule 14a-11. Earlier this month the court sided with the Business Roundtable and the Chamber of Commerce against Rule 14a-11, stating that "the SEC failed to consider the rule's effect upon efficiency, competition, and capital information."

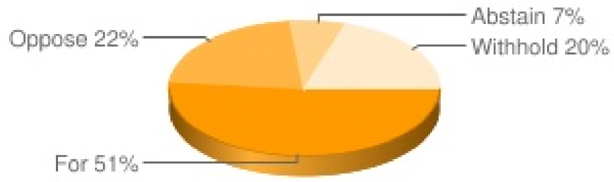
US Voting Charts

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	67
Oppose	29
Abstain	9
Withhold	27
Withdrawn	0
Total	132

Meetings	AGM	EGM	Total
Total Meetings	9	4	13
1 (or more) oppose or abstain vote	9	4	13

US Voting Record



US AGM Record

US EGM Record

US Voting Timetable Q3 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	VENTAS INC	01 Jul 11	**EGM**	2011-06-20
2	CEPHALON INC.	14 Jul 11	**EGM**	2011-06-21
3	DELL INC.	15 Jul 11	AGM	2011-06-24
4	MCKESSON CORP.	27 Jul 11	AGM	2011-07-12
5	COMPUTER SCIENCES CORP.	08 Aug 11	AGM	2011-07-25
6	FOREST LABORATORIES, INC.	18 Aug 11	AGM	2011-08-04
7	DUKE ENERGY CORP.	23 Aug 11	**EGM**	2011-08-10
8	PROGRESS ENERGY INC.	23 Aug 11	**EGM**	2011-08-10
9	MEDTRONIC INC	25 Aug 11	AGM	2011-08-05
10	NETAPP INC	31 Aug 11	AGM	2011-08-15
11	CONAGRA FOODS INC.	23 Sep 11	AGM	2011-09-08
12	FEDEX CORPORATION	26 Sep 11	AGM	2011-09-13

Not Voted Meetings

Table 7: Meetings not voted in quarter

	Company	Meeting Date	Type	Reason Not Voted
1	AIRGAS INC	29 Aug 11	AGM	Did not hold on the record date

US Upcoming Meetings Q4 2011

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

Table 8: Upcoming Meetings

	Company	Meeting Date	Type
1	MICROSOFT CORP.	15 Nov 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.

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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