

Investment Management Association



Survey of Fund Managers' Engagement with Companies

for the two years ended 30 June 2008



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Key Findings

This is the fifth survey by IMA to measure its members' engagement with the companies in which they invest and covers the two years ended 30 June 2008. It specifically looks at the firms' adherence to the Institutional Shareholders' Committee's Statement of Principles – see Appendix 1. The 32 firms (2006 - 33; 2005 - 35; 2004 - 34; and 2003 - 33) that took part managed UK equities of £561 billion as at 30 June 2008, or 68 per cent of all UK equities managed by UK managers, and represented 32 per cent of UK market capitalisation as measured by the UK All Share Index.

Policies, Structure and Resources (Sections 3 and 4)

Since 2005, all the firms have had policy statements on engagement and more firms (28) now make them public by putting them on their websites, with the remainder making them available to clients or on request (Table 1).

The majority include commitments on engagement in their client agreements (Table 3). Furthermore, client agreements tend to be driven by the clients but to help ensure they include the necessary provisions and a reference to the Statement of Principles, IMA developed standard terms. 14 firms reported that all, or a large number of their pension fund clients, adopt the IMA's standard terms but in three instances this is only new clients (Table 4).

The majority also have a dedicated resource which is regularly reviewed (Table 8). The average headcount has increased year on year. The overall headcount increased by just over five per cent over the two years to 30 June 2008, and in the previous two years, by just over ten per cent each year (Table 5). This resource tends to be experienced and/or qualified in that the team leaders either have experience as portfolio managers and/or have professional and/or post-

graduate qualifications (Table 6). The majority of firms also employ outside agencies to help (Table 7).

Engagement is integrated in that those who approve the policy and make the final decision in a controversial situation are involved in the investment process. For 30 firms the policy is approved at a senior level in the organisation. Similarly, for 18 firms final decisions on controversial issues are taken at a senior level and in a further 13 firms the portfolio managers are actively involved; in only one is the decision reserved for the engagement specialists (Table 9).

Monitoring and Escalation (Section 5)

The firms were asked for details of their engagement with particular companies on certain controversial issues. The companies and the issues are set out below.

- > *Bradford & Bingley (B&B) – financing.* B&B ran into financing difficulties and in May 2008 had a rights issue of £300million at 82p per share. Less than three weeks later, two of the underwriters were released from their underwriting agreement due to a deterioration in results. In June 2008, Texas Pacific Group agreed to buy a 23 per cent stake and B&B confirmed another rights issue to raise £258 million at 55p per share. One day before the issue, Texas Pacific Group pulled out on the basis of a clause triggered by a downgrade in B&B's credit rating. Although key shareholders still supported the issue, the share price dropped to 30p. The FSA stepped in and in September 2008, B&B's UK and Isle of Man retail deposit business along with its branch network was transferred to Santander and the remainder of its business taken into public ownership.
- > *Royal Bank of Scotland (RBS) – financing.* Following the acquisition of ABN Amro in 2007, RBS' share

price dropped at the start of 2008. In April 2008, it sought to raise £12 billion through a rights issue of 11 new shares for every 18 held at £2 per share. This issue was a success but the worsening credit crisis and calls from the FSA for banks to hold higher capital resulted in a further share offer of £15 billion that closed in November 2008. This was not taken up and the Government took a 58 per cent stake giving RBS £20 billion in return for £15 billion in ordinary shares and £5 billion in preference shares. In January 2009, RBS announced losses of between £7 and £8 billion for 2008 and the Government replaced the £5 billion preference shares with ordinary shares, taking its stake to almost 70 per cent. In March 2009, RBS took a step closer to full nationalisation as it announced plans to put £325 billion in toxic debts into a Treasury-backed protection scheme.

- > *Marks & Spencer (M&S) – Chairman and Chief Executive.* In March 2008, M&S announced that its Chief Executive, Sir Stuart Rose, would also be appointed Chairman when Lord Burns stepped down in June 2008. A combined Chair and Chief Executive is contrary to the provisions of the Combined Code.
- > *Sports Direct – strategy and performance.* In April 2007, two months after it was listed, Sports Direct, the retail chain, warned of slowing sales in a trading statement. Shares closed down 13.75p at 222.5p against a flotation price of 300p taking more than £240m off the value of the company since its listing. Subsequent announcements in 2008 did not improve the situation. Results improved in 2009 but there are ongoing concerns about the board structure, given the position of the Executive Deputy Chair as a majority shareholder, and the company is not considered transparent to investors.

- > *Lonmin – profitability and remuneration.* Lonmin is a large, global mine-to-market producer of platinum. In January 2005, the directors' remuneration report was voted 55.2 per cent against and 44.8 per cent for on the basis of an award of a £500,000 ex gratia bonus to a retired director. Since, there have been continuing concerns over remuneration, particularly the practice of awarding shares without requiring conditions as to performance, and with respect to the performance of the company.
- > *BP – remuneration.* At BP's 2007 AGM more than 17 per cent of its shareholders voted against its remuneration report over the pay of the out-going chief executive, Lord Browne, and the fact that the company did not link its directors' pay to health and safety issues. However, this was only an advisory vote and in 2008 there were still concerns about the remuneration scheme - there were two Special Retention Awards of £1.5 million to two Executive Directors without performance targets.
- > *GSK – remuneration.* In 2003, there was 50.7 per cent opposition to GSK's remuneration report over a proposed £22 million exit package for the Chief Executive, Garnier. Another 10 per cent of shareholders abstained, bringing the total dissent to 61 per cent. GSK overhauled its remuneration plan for 2004 after extensive consultation with shareholders and pay consultants.

The details of the firms' interaction with the above companies on these issues are summarised in Section 5 and set out in Appendix 3. These clearly show that when there are contentious issues there is a lot of activity in terms of meetings held and contact with the company. This tends to be conducted in private. Moreover, this is only an indication of the number of meetings/contacts where there is a record and thus

understates the full extent of the dialogue and in many instances, a more continuous dialogue took place that is not captured. Nevertheless although it is clear that firms engaged on the issues, it is also apparent that there was a tendency for them to be ignored. This may not have been helped by the low number of votes against management where the relevant issues are voted on at company meetings.

Voting (Section 6)

All the firms have a policy to vote all their UK shares but on international shares the position is less clear-cut. Although the majority endeavour to vote in most markets, share-blocking, in particular, is still a problem in Continental Europe in that three firms do not vote if shares are blocked (Table 10).

Firms appear to be voting around 95 per cent of resolutions: voting against on 3.3 per cent in 2008 and 3.8 per cent in 2007 (2006 and 2005 - 1.8 per cent; and 2004 - 3.0 per cent); and consciously abstaining on 1.7 per cent in 2008 and 2.3 per cent in 2007 (2006 - 1.0 per cent; 2005 - 1.4 per cent; and 2004 - 2.3 per cent) (Table 14). The higher percentage of votes against could indicate that there were more controversial votes in 2007 and 2008 than in previous years.

Firms take different approaches to the same issues at companies. 26 firms gave details on how they voted on particular resolutions that could be considered contentious in the two years to 30 June 2008. In very few instances were the same resolutions voted the same way – although contrary to the results above, there were fewer votes against and slightly more for than in previous years indicating that with particular controversial issues engagement was more effective in addressing concerns before the matter was voted on – very often a vote against management is an indication that engagement has failed (Table 13).

Since January 2004, Lord Myners has regularly reported on his “Review of the Impediments to Voting UK Shares” (the Review) and made recommendations for each of the parties in the voting chain in order to improve the process. As regards his recommendations for fund managers, progress is set out below.

- > *Communicate voting instructions electronically.* All the firms vote their UK shares electronically and did so throughout the period. This is a marked improvement from the position in 2004, when only 18 were able to vote all their UK shares electronically (Table 15).
- > *Anticipate contentious votes and block stock lending, and recall when contentious.* Six of the firms anticipate contentious votes and block stock lending in such situations. The majority of firms, 20, automatically recall stock when a resolution is contentious unless there are good economic reasons for not doing so, in that only two never recall and six never lend (Table 18). Agents/custodians recall stock on a best endeavours basis, i.e. it is not necessarily going to be successful. Eleven firms provided details of recalls - three firms recall much more frequently than the others and few recalls fail in that in 114 recalls in the year to 30 June 2008, only one recall was reported as failing and in the year to 30 June 2007, of 82 recalls, only one failed. (Table 21).
- > *Include controls over the voting process in AAF 01/06 reports.* The majority of the firms include the voting process in their AAF 01/06 - one plans to in the next financial year and only two do not (Table 22).

The survey also looked at how far in advance of the meeting firms have to submit voting instructions. In summary, voting agents often set a deadline for the receipt of voting instructions that is much earlier than that specified in legislation in that 19 firms have to

submit their voting instructions at least ten working days before the meeting (2006 - 22) (Table 16).

Reporting (Section 7)

All the firms report to clients, mainly quarterly, except that one firm reports to its corporate governance clients weekly and firms that prepare bespoke reports report more frequently if requested. All the firms provide some form of explanation, particularly in instances when they have voted against or consciously abstained (Table 23).

The Companies Act 2006 contains a reserve power to enable HM Treasury to make Regulations that will require institutional investors to disclose how they have voted. IMA does not believe that legislation in this area is necessary and is committed to ensuring that the voluntary approach delivers what is necessary. To this end, the ISC developed a voluntary framework which set out best practice on voting disclosure.

The survey demonstrates that firms increasingly disclose details of voting and engagement on their websites and make them public, or where they do not, clarify publicly their policy not to (Table 24). As at 30 June 2008, 24 firms put details on how they had voted on their website (2006 - 15; 2005 - 10; and 2004 - seven). One discloses its policy on disclosure. The detail varies - an indication of the complexity of such arrangements (Table 25). In just over 50 per cent of instances (17 firms) the website is updated at least quarterly and, the majority update the web-site at least quarterly in arrears (Table 26).

1 Introduction

This is the fifth survey by IMA to measure its members' engagement with the companies in which they invest and covers the two years ended 30 June 2008. IMA is the trade body representing the UK asset management industry. Its members include independent fund managers, the asset management arms of banks, life insurers, investment banks and occupational pension schemes. In managing assets for both retail and institutional investors, IMA members act as agents for the beneficial owners and are major investors in companies whose securities are traded on regulated markets. They engage with those companies, enter into an active dialogue and decide how shares will be voted on the principals' behalf.

The survey looked at IMA members' adherence to the Institutional Shareholders' Committee¹ (ISC) Statement of Principles on the Responsibilities of Institutional Shareholders and Agents (the Statement of Principles) – see Appendix 1. The Statement of Principles recommends that institutional investors should:

- > publish a policy statement on engagement;
- > monitor and maintain a dialogue with companies;
- > intervene where necessary;
- > evaluate the impact of their policies; and
- > report to clients.

In addition, interested parties requested that the survey looked at whether:

- > policies are included in client agreements;
- > dedicated resources changed;
- > senior resources are employed;
- > engagement is integrated into their investment process;
- > the firms have discretion to issue voting instructions or have to follow clients' or a third parties' instructions;
- > the recommendations in Lord Myners' report on "Review of the Impediments to Voting UK Shares" have been adopted;
- > voting instructions have to be delivered in advance of the record date;
- > firms know when stock is lent and their arrangements for recalling lent stock;
- > reporting arrangements are reviewed; and
- > voting details are public.

To complete the survey, interviews were conducted with the appropriate representatives from 32 firms. This could be with the corporate governance or environmental and social investment specialist, a portfolio manager, the Chief Investment Officer, or any combination. It is also based on responses to a questionnaire.

IMA would like to thank all participants for their contributions, particularly the interviewees who gave their time.

¹ The members of the ISC are: the Association of British Insurers; the Association of Investment Companies; the Investment Management Association and the National Association of Pension Funds.

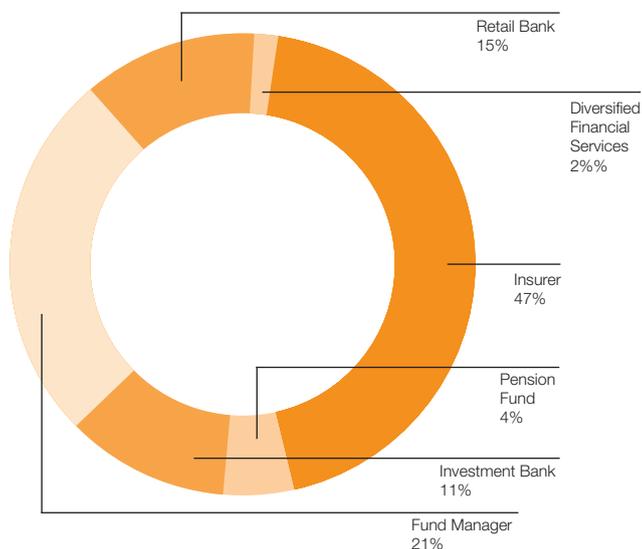
2 Firms' Profiles

Value of UK Equities Managed

32 firms (2006 - 33; 2005 - 35; 2004 - 34; and 2003 - 33) took part in the survey. As at 30 June 2008, these firms were invested in £561 billion of UK equities out of an estimated total of £817 billion managed by UK managers or 68 per cent. Chart 1 sets out how this £561 billion is apportioned according to the principal activity of the group: insurer; pension fund; investment bank; custodian; retail bank; and fund manager. The firms and the main activity of their group are set out in Appendix 2.

Chart 1:

Value of UK Equities Managed According to the Group's Principal Activity

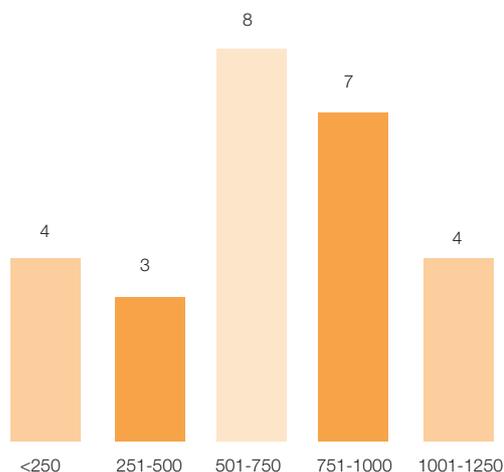


Number of UK Investee Companies

The survey covers activities in relation to UK investee companies. As at 30 June 2008, the firms' holdings in UK companies ranged from under 250 to around 1,250 companies as set out in Chart 2 for 26 firms.

Chart 2:

Number of UK Investee Companies



3 Policies

Policy Statements

The Statement of Principles sets out a number of recommendations as regards policy statements such that institutional shareholders and agents should have a clear statement of their policy on engagement, which is public and which covers certain specific matters.

All the firms have had policy statements since 2005 and more (28) now make them public by putting them on their websites, with the remainder making them available to clients or on request - Table 1.

Table 1: Availability of policy statements

	30/06/08	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms				
Public - all on the web	28	25	24	20	9
Public - part on the web	–	1	3	1	5
Existing and/or prospective clients, and on request	4	7	8	12	14
Draft	–	–	–	1	5
Total	32	33	35	34	33

Year on year more firms address the matters the Statement of Principles state should be covered in policy statements, although the rate of increase has slowed from earlier years - Table 2.

Table 2: Contents of policy statements

	30/06/08	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms				
Monitoring of investee companies	30	29	29	26	19
Policy for communicating with a company's Board and senior management	30	29	29	26	18
Managing conflicts of interest	28	26	23	19	14
Strategy on intervention	30	28	28	26	17
When further action will be taken	29	27	27	23	16
Voting policy	32	33	34	28	22

Agreements Setting Out Policies

One of the key drivers is a firm's clients. Table 3 shows that there has been little change in the number of firms who include commitments on engagement in their client agreements. Thus 24 firms include their policy on voting in agreements (2006 - 24; 2005 - 23; and 2004 - 21) but in one instance existing agreements are only changed on request (2005 and 2004 - 2). Similarly, 11 firms (2006 - 10; 2005 - eight; and 2004 - seven) refer to their policies on adherence to the Statement of Principles in all agreements, but in four instances (2006 - four; 2005 and 2004 - five) existing agreements are only changed on request. Although one firm does not include its policy on adherence to the Statement of Principles in agreements it does include its own engagement policy.

Table 3: Policies on voting and the Statement of Principles in agreements

	Voting				Adherence to the Statement of Principles			
	30/06/08	30/06/06	30/06/05	30/06/04	30/06/08	30/06/06	30/06/05	30/06/04
	Number of firms				Number of firms			
New and existing *	23	24	21	19	7	6	3	2
New and, on request existing	1	–	2	2	4	4	5	5
New	4	4	4	4	10	11	13	9
On request, new and existing	2	1	–	–	1	1	–	–
On request, new	–	1	3	4	4	5	6	9
N/A – no external clients	2	2	4	4	2	2	4	4
Not included	–	–	–	–	2	2	3	3
Information not obtained	–	1	1	1	2	2	1	2
Total	32	33	35	34	32	33	35	34

* One firm has mainly pooled clients for whom the question is not relevant, otherwise in all new and existing agreements.

Client agreements tend to be driven by the clients but to help ensure they include the necessary provisions and a reference to the Statement of Principles, IMA developed standard terms. 14 firms reported that all or a large number of pension fund clients adopt the IMA's standard terms but in three instances this is only for new clients – Table 4.

Table 4: Pension fund clients that adopt the IMA standard terms

	30/06/08	30/06/06
	Number of firms	
All or a large number	11	13
New clients	3	4
Terms used for reference	3	2
Not many	6	5
N/A no pension fund clients	6	6
Information not obtained	3	3
Total	32	33

4 Resources and Integration into the Investment Process

Resources

In two firms (2006 - three; 2005 - two and 2004 - one) all engagement is handled by the portfolio managers but for the majority, the portfolio managers handle strategy and performance but, due to the specialist knowledge required, particular individuals may be dedicated to certain aspects, such as corporate governance, and environmental and social issues (ES). For example, they may have:

- > separate teams for corporate governance and ES;
- > an integrated team for both corporate governance and ES; or
- > a team for corporate governance only.

Three of the firms have a slightly different approach.

- > Firms A and B invest in stocks they believe will outperform using their own proprietary analysis. Engagement is overlaid on this in that:
 - in firm A, five specialists handle all aspects and interact and manage the relationship; and
 - in firm B, analysts are integral to the evaluation of corporate governance and ES and there are eight dedicated specialists for both corporate governance and ES.
- > Firm C's investment strategy is based on the index/specialist approach. The core of its investments is passively managed but it has an overlay of specialist active portfolios. Dedicated specialists handle all engagement. In addition, it has a portfolio of specialist funds where it invests in under-performing companies and has a large team dedicated to encouraging change. It seeks to influence a company's management and strategy through detailed discussions. Firm C has exceptionally high resources with over 50 individuals dedicated to engagement.

Table 5 sets out the dedicated internal resource where year on year the average headcount has increased. The overall headcount increased by just over five per cent over the two years to 30 June 2008 and over the year to 30 June 2006, and by just over ten per cent each year in the previous two years.

Table 5: Dedicated resources

			30/06/08	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms 2008 (2006; 2005; 2004)		Total headcount				
Separate team for corporate governance and ES*	10 (12; 11; 14)	Corporate governance	33.8	39.6	31.3	33.0	30.5
		ES	40.8	32.2	24.0	32.5	30.4
Integrated team for both corporate governance and ES* – includes A, B and C	18 (16; 18; 14)	Corporate governance and ES	146.3	137.0	141.7	107.5	97.0
Team for corporate governance only*	2 (2; 4; 5)	Corporate governance	9.0	9.0	9.3	14.2	11.7
Total	30 (30; 33; 33)		229.9	217.8	206.3	187.2	169.6
Percentage increase			5.3	5.5	10.2	10.4	
Average headcount per firm			7.7	7.3	6.3	5.7	

*For one firm in each of these categories, day to day activities are the responsibility of the portfolio managers and the dedicated specialist tends to focus on policy. That said, if relevant issues arise for two of the firms, the specialist becomes involved and attends meetings.

The engagement resource, particularly the team leader, tends to be experienced and/or qualified in that they either have experience as portfolio managers and/or professional and/or post-graduate qualifications - Table 6.

Table 6: Experience of the team leader

	30/06/2008
	Team leader
Ex portfolio managers	12
Professional qualifications, e.g. lawyers or accountants	9
Postgraduate financial qualification	1
Other post-graduate qualifications	6
Other qualifications	2
No dedicated team	2
Total	32

In addition, firms tend to use agencies, two or more, to provide research into the voting decision (a research provider's recommendation may not necessarily be followed) or to process voting instructions – Table 7.

Table 7: Number of agencies firms use in the UK

Agencies	Processing instructions				Research for the vote				Research into SRI			
	06/08	06/06	06/05	06/04	06/08	06/06	06/05	06/04	06/08	06/06	06/05	06/04
>Three	–	–	–	–	6	4	2	1	8	3	2	–
Three	–	–	–	–	9	12	13	8	5	3	2	3
Two	5	6	5	1	8	9	13	12	10	6	8	6
One	26	24	25	20	8	7	7	10	7	17	14	10
None	1	3	5	13	1	1	–	3	2	4	9	15
Total	32	33	35	34	32	33	35	34	32	33	35	34

The majority of firms reviewed their dedicated resource within the last year, which resulted in the number of staff being increased in 12 firms and decreased in seven - Table 8.

Table 8: Review of resources

	Resources reviewed	Resources changed	Resources reviewed	Resources changed
	30/06/08		30/06/06	
	Number of firms			
More than once a year	10	6	10	–
Within the last year	19	12	19	23
Within three years	1	1	–	2
More than three years	–	–	1	6
N/A - portfolio managers handle engagement	2	–	3	–
Total	32	19	33	30
Resources increased	–	12	–	20
Resources decreased	–	7	–	3
Resources stayed the same	–	13	–	7
Total	–	32	–	30

Integration into the Investment Process

Concerns have been raised that those responsible for corporate governance/ES are presented as the firm's voice on the issue, when they may not necessarily represent the views of the portfolio manager responsible for the investment. The survey looked at the extent to which engagement is integrated into the investment process and who approves the policy and makes the final decision in a controversial situation – Table 9.

In summary, the engagement policy is approved and the final decision in a controversial situation made by those involved in the investment process. For 30 firms the policy is approved at a senior level in the organisation (2006 - 30; 2005 - 31; and 2004 - 24). Similarly, for 18 firms (2006 - 18; 2005 - 23; and 2004 - 16) final decisions on controversial issues are taken at a senior level and in a further 13 (2006 - 14; 2005 - 11; and 2004 - 17) the portfolio managers are actively involved; in only one is the decision reserved for the engagement specialists.

Table 9: Approving the policy and deciding in a controversial situation

	Approving the policy				Final decision in a controversial situation			
	30/06/08	30/06/06	30/06/05	30/06/04	30/06/08	30/06/06	30/06/05	30/06/04
	Number of firms				Number of firms			
Board level or trustees	13	13	11	10	–	–	–	–
Senior committee	11	9	11	10	8	8	10	8
Senior individual, e.g. CEO or CIO	5	6	7	4	4	5	9	7
Senior individual with engagement specialist	1	2	2	–	6	5	4	1
Portfolio managers /analysts	–	2	–	–	6	7	3	7
Portfolio managers /analysts with engagement specialists*	1	–	–	1	7	7	8	10
Engagement specialists	1	1	4	9	1	1	1	1
Total	32	33	35	34	32	33	35	34

*One firm involves the portfolio managers in making the decision if there are implications for the investment process

In general, if there are relevant issues, the dedicated specialists attend meetings with portfolio managers whether they are the routine post-results meetings or other meetings. This is particularly the case with non routine meetings. However, for one firm the specialists initiate and attend all meetings. Furthermore, as well as meeting with investee companies, a number of dedicated specialists have regular internal meetings with the portfolio managers either to discuss particular investee companies or their overall strategy and policy on engagement.

5 Monitoring and Escalation

Monitoring

The Statement of Principles recommends that: *“institutional shareholders and/or agents, either directly or through contracted research providers, will review Annual Reports and Accounts, other circulars and general meeting resolutions. They may attend company meetings where they may raise questions about investee companies' affairs. Also investee companies will be monitored to determine when it is necessary to enter into an active dialogue with the investee company's Board and senior management”.*

All the firms undertake the desk-based monitoring envisaged in the Statement of Principles and routinely meet with investee companies' executive management, and the dedicated specialists meet with non-executive directors.

Escalation

The Statement of Principles sets out the ways in which firms may want to escalate their action, which includes:

- > additional meetings with management to discuss concerns;
- > expressing concerns through the company's advisers;
- > meeting the Chairman, senior independent director, or all independent directors;
- > joining with other institutions on particular issues;
- > making a public statement in advance of meetings;
- > submitting resolutions at shareholders' meetings; and
- > requisitioning an EGM, possibly to change the Board.

In general, the firms invest in well run companies and only expect to have to escalate their action to effect change in exceptional circumstances. In this respect, one firm only engages other than voting where its holding is more than £5 million. Another prioritises engagement depending on the size of its holding, the likelihood that it can exercise influence and the seriousness of the issue. Another firm focuses on companies where it has a meaningful holding, which tends to be companies with a low capitalisation.

Case studies

In the past, firms were asked to provide details of the number of times they had interacted with companies in the manner set out in the Statement of Principles. However, for this survey, it was considered that it would be more informative if firms were asked for details of their engagement in the two years ended 30 June 2008, with particular companies on certain controversial issues. The companies, issues and the firms' responses are summarised below and the number of meetings are set out in Appendix 3.

Bradford & Bingley (B&B) – financing.

B&B, a large mortgage and buy-to-let lender, ran into financing difficulties and in May 2008, when its shares were around 150p, sought to raise funds through a rights issue of £300million at 82p per share. Less than three weeks later, trading had deteriorated such that two of the underwriters were released from their underwriting agreement.

In June 2008, a US private equity group, Texas Pacific Group, agreed to buy a 23 per cent stake just as B&B revealed nearly a 50 per cent fall in profits in the first four months of 2008, and a rise in the number of people defaulting on their mortgage repayments. It also confirmed another rights issue to raise £258 million at an offer price of 55p per share, and disclosed that it had rejected a takeover offer from Resolution.

One day before the issue, Texas Pacific Group pulled out on the basis of a clause triggered by a downgrade in B&B's credit rating. Although key shareholders still supported the rights issue, the share price plummeted to 30p causing the FSA to step in.

In September 2008, after failing to secure a buyer, the FSA decided that B&B no longer met its threshold conditions for operating as a deposit taker under the Financial Services and Markets Act 2000 and FSA's rules. B&B's UK and Isle of Man retail deposit business along with its branch network was transferred to Santander and the remainder of the business taken into public ownership.

28 firms provided details of their interaction with B&B on financing issues, of which 14 had in aggregate 28 meetings with the company, including nine firms that had 17 meetings with the Chairman. (11 firms' holdings were too insignificant to engage and two did not as their interest was held as part of passive mandates - firms with passive mandates may either engage on the basis they are not able to sell the shares or have policy not to engage for precisely that reason - and one firm supported the company.)

A number of these meetings were around May/June 2008 when there were concerns about financing. One firm that met with the Senior Independent Director was concerned that B&B had given assurances that no additional financing would be required. In addition to the above, four firms met/spoke with Texas Pacific Group at the time of its offer and one met with Resolution.

Royal Bank of Scotland (RBS) – financing.

Following the acquisition of ABN Amro in 2007, RBS' share price dropped at the start of 2008. In April 2008, RBS sought to raise £12 billion through a rights issue of 11 new shares for every 18 held at £2 per share. Although the share price dropped 38 per cent after the announcement, 95 per cent of the issue was taken up. However, the worsening credit crisis and calls from the FSA for banks to hold higher capital levels resulted in RBS undertaking a further share offer of £15 billion that closed in November 2008. At that time, the shares were trading at 55.1p, well below the offer price of 65.5p, and the offer was not taken up leaving the Government to take a 58 per cent stake. RBS received £20 billion from the Government, made up of £15 billion in ordinary shares and £5 billion in preference shares.

In January 2009, RBS announced losses of between £7 and £8 billion for 2008 and the Government replaced the £5 billion preference shares with ordinary shares, taking its stake to almost 70 per cent. In March 2009, RBS took a step closer to full-scale nationalisation as it announced plans to put £325 billion in toxic debts into a Treasury-backed protection scheme.

28 firms provided details of their interaction with RBS on financing, of which 21 had in aggregate 59 meetings with the company: 15 firms had 28 meetings with the Chairman and 10 had 15 meetings with the Chief Executive. (Three firms' holdings were too insignificant to engage, two did not as their interest was held as part of passive mandates and two chose not to.)

Two of the firms, however, reported difficulties in convening the meetings they wanted – one was continually interrupted during meetings and another's were rescheduled. A number of firms also expressed concerns about the roles of the Chairman and Chief Executive at RBS and called for the Board to be restructured. New non-executives were appointed in August 2008, but the Chair and Chief Executive did not step down until the Government took a stake.

Marks & Spencer (M & S) – Chairman and Chief Executive.

In March 2008, M&S announced that its Chief Executive, Sir Stuart Rose, would be appointed combined Chairman/Chief Executive when Lord Burns stepped down in June 2008. This was contrary to the provisions of the Combined Code.

24 of the 26 firms that answered a questionnaire voted on the resolution to re-elect Sir Stuart as a Director at the 2008 AGM: 12 voted for; four against; and eight consciously abstained (Appendix 9).

26 firms provided details of their interaction on the issue, of which 23 had in aggregate 28 meetings with the company: nine firms had 15 meetings with the Chairman and seven had seven meetings with the Senior Independent Director/Non Executive Directors. (Three firms' holdings were too insignificant to engage, two did not as their interest was held as part of passive mandates; and two did not engage.) Most of these meetings addressed concerns about succession planning and the checks and balances to ensure that the Chair/Chief Executive did not become too dominant. Two firms publicly announced their decision not to support the report and accounts on the basis of their dissatisfaction with the arrangements. Five firms interacted collectively through their trade association and four wrote to the company with their concerns – one firm noting that it did not receive a response.

Sports Direct – strategy and performance.

In April 2007, two months after it was listed, Sports Direct, the retail chain, warned of slowing sales in a trading statement. Shares in the group closed down 13.75p at 222.5p against a flotation price of 300p taking more than £240m off the company since it was listed. Subsequent announcements in 2008 did not improve the situation. Results improved in 2009 but there are ongoing concerns about the board structure given the position of the Executive Deputy Chair as a majority shareholder and that the company is not sufficiently transparent to investors.

24 firms provided details of their interaction, of which seven had in aggregate 12 meetings with the company: three had five meetings with the Chairman. (14 firms' holdings were too insignificant to engage and three did not as their interest was held as part of passive mandates.) One firm wrote to the company. A number cited difficulty in engaging when the Executive Deputy Chair owned a majority stake.

Lonmin – profitability and remuneration.

Lonmin is a large global mine-to-market producer of platinum. In January 2005, the directors' remuneration report was voted 55.2 per cent against and 44.8 per cent for on the basis of an award of a £500,000 ex gratia bonus to a retired director. Since, there have been continuing concerns over remuneration, particularly the practice of awarding shares without requiring conditions as to performance, and with respect to the performance of the company.

24 firms provided details of their interaction, of which 12 had in aggregate 13 meetings with the company; two wrote to the company and one engaged on a group basis with its trade association (seven firms' holdings were too insignificant to engage and five did not). One firm undertook site visits to South Africa (in November 2006 and June 2008) to review operations and the social and environmental issues the company faced, and another engaged with the head of health, safety and environment to discuss the same issues. Two firms wrote to the company with concerns about the remuneration policy – one offered to meet with the company but received no reply.

BP – remuneration.

At BP's 2007 AGM, more than 17 per cent of BP's shareholders voted against its remuneration report, compared to 4 per cent against in 2006 over the pay of the out-going chief executive, Lord Browne, and the failure of the oil company to link its directors' pay to health and safety issues. However, this was only an advisory vote and in 2008 there were still concerns about the remuneration scheme in that there were two Special Retention Awards of £1.5 million to two Executive Directors without performance targets. Moreover, the company had had a number of safety failures, including the Texas City Refinery blast in March 2005 and the Prudhoe Bay oil spill in July 2006 and been criticised for its management of safety issues in reports by former US Secretary of State James Baker and the Chemical Safety and Hazard Investigation Board.

25 of the 26 firms that answered our questionnaire voted on the remuneration report at the 2008 and 2007 AGMs. In 2008, 14 voted for the report, five against and six consciously withheld their vote. In 2007, 16 voted for, five against and four consciously abstained (Appendices 9 and 10).

25 firms provided details of their engagement of which 21 had in aggregate 28 meetings: ten had 13 meetings with the Chairman; four had five meetings with the Chief Executive; another four had five meetings with the Company Secretary; and three had meetings with the Chair of the remuneration committee. (Two firms' holdings were too insignificant to engage and one did not engage.) In addition, five firms wrote to the company with their concerns and their intention to either vote against or abstain on the remuneration report. One firm wrote to the Chair of the remuneration committee requesting a written explanation. Two firms were involved in collective engagement on the issue and in 2007 one firm was asked for its views on embedding health and safety performance into executive remuneration.

GSK – remuneration.

In 2003, 50.7 per cent voted against GSK's remuneration report over a proposed £22 million exit package for the Chief Executive, Garnier. Another 10 percent abstained, bringing the total dissent to 61 percent. GSK overhauled its remuneration plan for 2004 after extensive consultation with shareholders and pay consultants.

The 26 firms that answered our questionnaire voted on the remuneration report at the 2008 AGM: 14 voted for; six against; and six consciously abstained (Appendix 9).

26 firms provided details of their interaction of which 22 had in aggregate 24 meetings: seven had nine meetings with the Chairman; and three had eight meetings with the Chief Executive. (Three firms' holdings were too insignificant to engage and two did not engage.) Seven firms participated in group meetings with the company and four firms wrote to the company to explain their intention to vote against or abstain on the remuneration report. Two firms reported that this was a good model company in that it now consulted thoroughly on its remuneration proposals – one commenting that the company had learnt its lessons from the past.

The above and Appendix 3 clearly show that when there are contentious issues there is a lot of activity in terms of meetings held and/or contacts with the company. These tend to be conducted in private. Moreover, this is only an indication of the number of meetings where there is a record and thus understates the full extent of the dialogue in that in many instances a more continuous dialogue took place that is not captured. Nevertheless, although it is clear that firms engaged on the issues, it is also apparent that there was a tendency for them to be ignored. This may not have been helped by the low number of votes against management where relevant matters are voted on at company meetings.

6 Voting

Voting Policy

The Statement of Principles recommends “*institutional shareholders and/or agents should vote all shares held directly on behalf of clients wherever practicable to do so*”.

It also recommends that they should “*not automatically support the Board; if they have been unable to reach a satisfactory outcome through active dialogue then they will register an abstention or vote against the resolution. In both instances it is good practice to inform the company in advance of their intention and the reasons why*”.

All the firms have a policy to vote all their UK shares whereas in 2005 and 2004 one firm’s policy was to vote all UK shares except fledgling and small cap and another only voted the FTSE 350.

On international shares the position is less clear-cut and although the majority will endeavour to vote in most markets, one firm only votes in other jurisdictions by exception, one if the vote is contentious and another if they have a meaningful holding of 0.25 per cent or more. In addition, share-blocking is still a problem in Continental Europe in that three firms do not vote if shares are blocked - Table 10.

Table 10: Markets where firms endeavour to vote

	30/6/08
	Number of firms
UK – one firm votes by exception in other jurisdictions	32
Continental Europe – three firms will not vote where there is share blocking, one firm does not vote in Denmark, Belgium and Portugal	30
Rest of Europe	23
USA and Canada – one firm does not vote in Canada	27
Australia	23
Japan, Taiwan – one firm does not vote in Taiwan and one not in Japan	22
Rest of Asia – one firm only votes in Hong Kong, Singapore and South Korea	25
Rest of the world	22

All firms consider consciously abstaining as an alternative to voting against (in 2004, one firm and in 2003, two firms did not consciously abstain). Also the majority of firms seek to advise in advance when voting against or consciously abstaining – Table 11.

Table 11: Advise management in advance (UK shares)

	30/06/08	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms				
Always or mostly – depending on the issue and/or the holding	32	31	33	33	29
Only if consciously abstaining, not if against	–	–	–	–	1
Only if against, not if consciously abstaining	–	1	1	–	–
No	–	1	1	1	4
Total	32	33	35	34	33

Voting Instructions

Firms were asked the extent to which clients gave them discretion to issue voting instructions in accordance with the firm's own policies, or instructed them to follow the client's or a third party's instructions. For the 27 firms (2006 - 28) that responded, virtually all clients give the firm discretion to issue voting instructions on their behalf. The instances where this is not the case and where the client issues their own instructions, outsources voting to a third party, or directs that the firm follows the instructions of a particular agency, are the exception - Table 12.

Table 12: Clients' voting instructions

Number of clients	Issue own instructions		Outsource voting to a third party		Direct that the instructions of an agency are followed		Direct the manager to vote	
	30/06/08	30/06/06	30/06/08	30/06/06	30/06/08	30/06/06	30/06/08	30/06/06
	Number of firms							
>50	1	–	–	–	–	–	–	–
Seven to ten	1	–	–	–	–	1	1	3
Three to six	2	4	1	1	4	5	3	–
One to two	2	3	6	7	5	7	2	8
None/Not available	21	21	20	20	18	15	21	17
Total	27	28	27	28	27	28	27	28

Voting in the Two Years to 30 June 2008

25 firms provided details on the voting instructions issued when they had discretion to vote in respect of UK companies in the years ended 30 June 2008 and 2007. The results are set out in Appendices 4 and 5 and summarised in Table 14.

In summary, firms appear to be voting around 95 per cent of resolutions (2008 - 96.1 per cent; 2007 - 94.7 per cent; 2006 - 96.1 per cent; 2005 - 98.3 per cent; 2004 - 94.1 per cent). The firms voted against on 3.3 per cent of resolutions voted in 2008 and 3.8 per cent in 2007 (2006 and 2005 - 1.8 per cent; and 2004 - 3.0 per cent) and consciously abstained on 1.7 per cent of resolutions in 2008 and 2.3 in 2007 (2006 - 1.0 per cent; 2005 - 1.4 per cent; and 2004 - 2.3 per cent). The higher percentage of votes against could indicate that there were more controversial votes in 2007 and 2008 than in previous years.

Firms take different approaches to the same issues at companies. 26 firms gave details on how they voted on particular resolutions that could be considered contentious in the two years to 30 June 2008 through answering our questionnaire. The results are set out in Appendices 9 and 10 and summarised in Table 13. In aggregate, the 26 firms voted or consciously abstained 1,124 times in 2008 and 728 times in 2007 (2006 - 667; 2005 - 395; 2004 - 1,307; and 2003 - 214) - not every firm was eligible to vote in that they may not have had an interest in the company concerned at the time of the vote.

69 per cent of the votes were with management in 2008 and 67 per cent in 2007 (2006 - 54 per cent; 2005 - 57 per cent; 2004 - 63 per cent; and 2003 - 62 per cent); 20 per cent were against in 2008 and 24 per cent in 2007 (2006 - 39 per cent; 2005 - 30 per cent; 2004 - 25 per cent; 2003 - 23 per cent); and 11 per cent consciously abstained in 2008 and 9 per cent in 2007 (2006 - 7; 2005 - 13 per cent; 2004 - 12 per cent; 2003 - 15 per cent) - Table 13 and detailed in Appendices 9 and 10.

In very few instances were the same resolutions voted the same way – although contrary to above, the results show that there were fewer votes against and slightly more for than in previous years indicating that in particular controversial issues engagement was more effective in addressing concerns before a matter was voted on – very often a vote against management is an indication that engagement has failed.

Table 13: Voting on particular resolutions

	30/06/08	30/06/07	30/06/06	30/06/05	30/06/04	30/06/03 *
	Number of Firms					
Number of firms	26	26	27	28	26	18
Number of resolutions	53	35	34	17	70	13
Number of company meetings	29	25	28	17	31	13
Number of votes cast	1,124	728	667	395	1,307	214
Votes for (percentage)	778 (69)	488 (67)	357 (54)	226 (57)	816 (63)	133 (62)
Votes against (percentage)	223 (20)	172 (24)	262 (39)	119 (30)	329 (25)	50 (23)
Conscious abstentions (percentage)	123 (11)	68 (9)	48 (7)	50 (13)	162 (12)	31 (15)

* Three months

Table 14: Analysis of voting records

	2008		2007		2006		2005		2004	
Number of companies (firms)	17,072 (25)		17,503 (25)		18,022 (27)		17,200 (28)		18,635 (27)	
	Total number	Meetings								
Resolutions										
Resolutions could vote	204,094	17,016	202,112	17,584	189,277	18,590	205,224	18,703	203,184	19,524
Resolutions voted	196,233	16,602	191,553	17,076	182,070	17,754	201,717	18,346	191,140	18,608
%	96.1%	-	94.7%	-	96.1%	-	98.3%	-	94.1%	-
Conscious abstentions										
Resolutions voted, where relevant	196,233	16,602	185,103	17,076	180,795	17,815	201,717	18,346	191,140	18,608
Resolutions abstained	3,528	1,777	4,439	1,807	1,840	1,296	2,904	1,729	4,378	2,706
% of resolutions	1.7%	-	2.3%	-	1.0%	-	1.4%	-	2.3%	-
% of number of cos.	-	10.7%	-	10.5%	-	7.3%	-	9.4%	-	14.5%
Votes Against										
Resolutions voted, where relevant	196,233	16,602	185,103	17,076	189,277	18,590	200,280	18,574	191,140	18,608
Resolutions voted against	6,578	1,980	7,087	1,973	3,453	2,156	3,622	2,285	5,695	3,662
% of resolutions	3.3%	-	3.8%	-	1.8%	-	1.8%	-	3.0%	-
% of number of cos.	-	11.9%	-	11.5%	-	11.6%	-	12.3%	-	19.7%

Removing the Impediments to Voting

Since January 2004, Lord Myners has regularly reported on his “Review of the Impediments to Voting UK Shares” (the Review) making recommendations for each of the parties in the voting chain in order to improve the process. Set out below are the Review’s recommendations for fund managers and the extent to which these have been taken up. (The recommendation on reporting to clients is set out in Section 8.)

Voting Electronically

One of the Review’s main recommendations was that electronic voting is key to a more efficient voting system and all parties need to make conscious efforts to introduce electronic capabilities.

All the firms have capabilities to vote their UK shares electronically and did so throughout the period. This is a marked improvement from the position in 2004, just after the first Review was concluded, where only 18 had electronic capabilities throughout the year and were able to vote all their UK shares electronically – Table 15.

Table 15: Electronic voting capabilities

	30/06/08	30/06/06	30/06/05	30/06/04
	Number of firms			
Throughout the period – all UK shares	32	30	30	18
Throughout the period – majority of UK shares	–	1	1	8
Part the way through the period - all UK shares	–	1	–	1
Depends on the custodian or voting agency	–	1	2	5
No – paper based	–	–	2	2
Total	32	33	35	34

Notice Period for Voting Instructions

The survey looked at how far in advance of the meeting firms have to submit their voting instructions. In summary, voting agents often set a deadline for the receipt of voting instructions that is much earlier than that specified in legislation in that 19 firms have to submit their voting instructions at least ten working days before the meeting (2006: 22) – Table 16.

Thus, whereas the Companies Act 2006 specifies that issuers cannot require proxy appointments, i.e. instructions, to be with them more than two business days before the meeting², agents require that instructions are received much earlier. As the Companies Act 2006 requires public companies to give their members 21 days or three weeks notice of an AGM³ (the Combined Code requirement for listed companies is 20 working days or four weeks), this can mean that firms have only one week to decide how to vote. This can be before the voting agencies have issued their voting recommendations.

²Section 327(2), Companies Act 2006.

³Section 307(2), Companies Act 2006.

Table 16: Maximum notice period for voting instructions

	30/06/08	30/06/06
	Number of firms	
48 hours before	1	1
Three to five working days	6	8
Six to nine working days	6	1
Ten working days	19	21
More than two weeks	–	1
Information not obtained	–	1
Total	32	33

Stock Lending

Stock lending affects voting levels in that the lender does not retain the right to vote. The survey looked at how stock lending is undertaken, i.e. is through the firms' own stock lending team, the firm's own custodian, clients' custodians or stock lending – Table 17.

11 firms have their own stock lending team and six do not do any stock lending. One of the Review's recommendations was that firms should anticipate contentious votes and not allow their stock to be lent in such situations. In this respect, six of the firms will anticipate contentious votes and block stock lending.

Table 17: How stock lending is undertaken

	30/06/08
	Number of firms
Through own stock lending team and clients' custodian	6
Through own stock lending team only	5
Through own custodian/stock lending agent and by clients' custodian but will block when contentious	2
Through own custodian/stock lending agent – two firms will block when contentious	4
Through clients' custodian	5
No house policy; clients own custodian/stock lending agent – two firms will block if contentious and for two firms the clients make all decisions	4
No stock lending	6
Total	32

The Review also recommended that lenders should automatically recall stock when a resolution is contentious unless there are good economic reasons for not doing so. The majority of firms, 20, do so in that only two never recall and six never lend – Table 18.

Table 18: Policies on recalling lent stock

	30/06/08	30/06/06	30/06/05	30/06/04
	Number of firms			
Always	2	4	4	2
Yes when resolution is contentious and certain other criteria may apply*	20	20	23	21
Rarely	–	–	1	1
Only lent under clients' authority which may give permission for manager to recall	2	3	–	–
Never	2	1	3	4
Not applicable - stock is not lent	6	5	4	4**
Total	32	33	35	32

* One firm recalls when contentious if over 3%, and over 1% on portfolio manager's advice

**Information not obtained from one firm in 2004.

To enable firms to recall lent stock they need to be notified of the position and whether stock has been lent. This is set out in Table 19, together with how much notice a firm has to give for stock to be recalled in Table 20. In summary, firms are satisfied that they are notified that stock has been lent and normally only have to give two to three days notice to recall it.

Table 19: Notified that stock has been lent

	30/06/08	30/06/06
	Number of firms	
Always – own lending team*	11	11
Always notified	9	10
Sometimes	2	2
Agency notifies – always	1	2
No**	3	1
Irrelevant as stock is not lent/not recalled	6	7
Total	32	33

*In instances where the client's custodian undertakes stock lending or the client has a stock lending agent then the position is less clear cut.

**Although for one firm the custodian does not notify that stock has been lent, the firm enquires as to the position when a resolution is contentious.

Table 20: Notice for custodian/stock lending agent to recall lent stock on a best endeavours basis

	30/06/08	30/06/06
	Number of firms	
Ten days	1	1
Seven days	2	1
Five or six days	2	1
Three days	10	11
Two days	6	7
One day	1	2
Information not obtained	2	2
Not relevant	8	8
Total	32	33

Agents/custodians will recall stock on a best endeavours basis, i.e. it is not necessarily going to be successful. 11 firms provided details of the number of recalls and, where known, the number of recalls that failed - for seven firms the information was not available and six firms did not lend stock so the question was not relevant - Table 21.

Three of the firms recall much more frequently than others, but the instances of recalls failing are very few in that although the firms reported 114 recalls in the year to 30 June 2008 only one recall failed and similarly in the year to 30 June 2007, there were 82 recalls and only one failed.

Table 21: Number of times stock recalled and recalls failed

	30/06/08		30/06/07	
	Number of recalls	Number of fails	Number of recalls	Number of fails
Firm 1	41	0	7	0
Firm 2	40	0	36	0
Firm 3	13	0	25	1
Firm 4	8	0	6	0
Firm 5	4	0	4	0
Firm 6	3	Not available	2	Not available
Firm 7	2	0	1	0
Firm 8	1	1	1	0
Firm 9	1	0	0	Not applicable
Firm 10	1	Not available	0	Not applicable
Firm 11	0	Not applicable	0	Not applicable
Total	114	1	82	1

*The firm concerned recalled once and the recall failed.

AAF 01/06 Reports including Controls over the Voting Process

The Review recommended that, as a matter of best practice, custodians and investment firms should include controls over the voting process in the production of AAF 01/06 reports. (The Institute of Chartered Accountants in England and Wales revised FRAG 21/94 and renamed it AAF 01/06 in 2006, and included control objectives specific for fund managers which address the voting process).

The majority of the firms include the voting process in their AAF 01/06 except that one plans to include it in the next financial year and two do not – Table 22.

Table 22: Include the voting process in AAF 01/06 reports or equivalent

	30/06/08	30/06/06	30/06/05	30/06/04
	Number of firms			
Do	26	25	16	12
Will do for this financial year	–	2	4	3
Will do for the next financial year	1	–	–	1
Do not	2	3	4	5
N/A - no external clients	2	2	1	1
Information not obtained	1	1	10	12
Total	32	33	35	34

7 Reporting

Reporting to Clients

The Statement of Principles states *“those that act as agents will regularly report to their clients details on how they have discharged their responsibilities. This should include a judgement on the impact and effectiveness of their engagement. Such reports will be likely to comprise both qualitative as well as quantitative information.”*

All the firms report to their clients. This tends to be quarterly, except that one firm reports to its corporate governance clients weekly and firms who prepare bespoke reports report more frequently if requested. All the firms provide some form of explanation, particularly in instances when they have voted against or consciously abstained – Table 23.

Table 23: Voting details reported quarterly

	30/06/08	30/06/06	30/06/05	30/06/04
	Number of firms			
Bespoke reports	9	8	6	5
Company meetings voted, all resolutions voted and where voting against, consciously abstaining and for in a contentious situation, then the reason	3	2	2	3
Company meetings voted, all resolutions voted and where voting against or consciously abstaining, then the reason	–	1	2	2
Company meetings voted and where voting against, consciously abstaining or for in a contentious situation, then the resolution and the reason*	6	4	5	3
Company meetings voted and where voting against or consciously abstaining, then the resolution and the reason	9	12	10	9
Resolutions voted against or consciously abstained and the reason	3	3	5	5***
Resolutions voted against and the reason**	–	1	1	3
N/A – No external clients	2	2	5**	4
Total	32	33	35	34

*One firm also reports where against the agency recommendation

** Information not obtained for one firm

***One firm only gives the reason when voting against, not when consciously abstaining

Public Disclosure

The Companies Act 2006 contains a reserve power to enable HM Treasury to make Regulations that will require institutional investors to disclose how they have voted⁴. IMA does not believe that legislation in this area is necessary and is committed to ensuring that the voluntary approach delivers. To this end, the ISC developed a voluntary framework which set out best practice on voting disclosure. This aims to encourage firms to disclose and where they decide not to, states that they should explain their reasons for not doing so – a “comply or explain” approach.

Firms increasingly disclose details of voting and engagement on their websites and make them public – Table 24. As at 30 June 2008, 24 firms put details on how they had voted on their website (2006 - 15; 2005 - 10; and 2004 - seven). One discloses its policy on disclosure.

Table 24: Disclosure on website

	30/06/08	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms				
Voting and other engagement	9	7	6	4	1
Voting	15	8	4	3	1
Engagement	–	–	3	2	–
Policy on disclosure	1	N/A	N/A	N/A	N/A
Voting but access restricted to clients	1	1	3	2	–
Nothing	6	17	19	23	–
Total	32	33	35	34	2

⁴IMA had lobbied heavily against this power being introduced when the Companies Bill was debated in Parliament and it was initially voted out in the Lords. When Government finally reinstated the relevant clauses, they had been significantly amended to address IMA's detailed concerns.

The voting details disclosed publicly vary, an indication of the complexity of such arrangements - Table 25.

Table 25: Voting details on website

	30/06/08	30/06/06	30/06/05
	Number of firms		
All resolutions voted and reasons for voting for in a contentious situation, voting against and consciously abstaining	2	4	4
All resolutions voted and reasons for voting against and consciously abstaining	3	1	–
All resolutions voted	8	3	1
Number of meetings voted, number of resolutions voted and number voted for and when voting against and consciously abstaining, details of the resolution and reason	1	1	1
Number of resolutions voted for, against and consciously abstained with an analysis of issues such as remuneration reports, combined CEO and Chairman, and when voting against, details of the resolution and the reason	1	1	–
Number of meetings voted, and when voting against or consciously abstaining, details of the resolution and reason	2	1	1
Number of meetings voted, number of resolutions voted and number voted in favour, against or consciously abstained. Summary analysis of issues opposed	4	2	1
Number of votes for, against or consciously abstained with an analysis of issues	1	1	1
Number of meetings voted and analysed as to when voted for all resolutions, when voted against one or more, when consciously abstain or took no action	2	1	1
None	8	18	25
Total	32	33	35

In just over 50 percent of instances (17 firms), the website is updated at least quarterly and it varies how far in arrears the information is updated - for three firms it is weekly, for three it is two weeks, for three it is monthly and for three it is two months in arrears. The majority update the web-site quarterly in arrears – Table 26.

Table 26: Frequency of voting disclosures and how far in arrears

	Frequency updated		How far in arrears	
	30/06/2008	30/06/2006	30/06/2008	30/06/2006
	Number of firms			
Once a week/one week	–	–	3	3
Every two weeks/two weeks	1	1	3	1
Monthly/one month	3	2	3	6
Every two months/two months	–	–	3	2
Quarterly/one quarter	13	8	11	3
Six monthly/six months	2	2	1	–
Annually/one year	5	2	–	–
Total	24	15	24	15

Furthermore, a number of firms that disclose publicly have designated a central contact point in the event of queries in that only one has not – Table 27.

Table 27: Central contact point

	30/06/08
	Number of firms
Designated central contact point on website	19
Designated central contact point disclosed elsewhere (e.g. in booklet on corporate governance policies)	4
No designated central contact point	1
Total	24

Review of Reporting Arrangements

Following a specific request, the survey looked at the extent to which the firms' clients asked for changes to the reports and whether the firms proactively reviewed their reporting arrangements. In summary, just under a half (14 firms) had clients that had requested changes to their reports. On the other hand, 19 firms had reviewed their reporting arrangements, and as a consequence 15 had made or were proposing to make changes – Table 28.

Table 28: Review of reporting arrangements

	30/06/2008	30/6/2006	30/6/2005
	Number of firms		
Clients:			
requested changes and changes made/will be made	14	10	N/A
were polled and were satisfied	1	N/A	
did not request changes	16	20	N/A
n/a - no external clients	2	2	N/A
Total	32	33	N/A
Firm:			
reviewed reports and changes	15	20	17
reviewed reports but did not propose changes	4	3	4
did not review reporting arrangements	11	8	12
n/a - no external clients	2	2	2
Total	32	33	35

Appendix 1

The Responsibilities of Institutional Shareholders and Agents – Statement of Principles - Updated September 2005

1. Introduction and Scope

This Statement of Principles has been drawn up by the Institutional Shareholders' Committee⁵. It develops the principles set out in its 1991 statement "The Responsibilities of Institutional Shareholders in the UK" and expands on the Combined Code on Corporate Governance of June 1998. It sets out best practice for institutional shareholders and/or agents in relation to their responsibilities in respect of investee companies in that they will:

- > set out their policy on how they will discharge their responsibilities - clarifying the priorities attached to particular issues and when they will take action – see 2 below;
- > monitor the performance of, and establish, where necessary, a regular dialogue with investee companies – see 3 below;
- > intervene where necessary - see 4 below;
- > evaluate the impact of their engagement – see 5 below; and
- > report back to clients/beneficial owners – see 5 below.

In this statement the term "institutional shareholder" includes pension funds, insurance companies, and investment trusts and other collective investment vehicles. Frequently, agents such as investment managers are appointed by institutional shareholders to invest on their behalf.

This statement covers the activities of both institutional shareholders and those that invest as agents, including reporting by the latter to their institutional shareholder clients. The actions described in this statement in general apply only in the case of UK listed companies. They can be applied to any such UK company, irrespective of market capitalisation, although institutional shareholders' and agents' policies may indicate de minimis limits for reasons of cost-effectiveness or practicability. Institutional shareholders and agents should keep under review how far the principles in this statement can be applied to other equity investments.

The policies of engagement set out below do not constitute an obligation to micro-manage the affairs of investee companies, but rather relate to procedures designed to ensure that shareholders derive value from their investments by dealing effectively with concerns over under-performance. Nor do they preclude a decision to sell a holding, where this is the most effective response to such concerns.

Fulfilling fiduciary obligations to end-beneficiaries in accordance with the spirit of this statement may have implications for institutional shareholders' and agents' resources. They should devote appropriate resources, but these should be commensurate with the benefits for beneficiaries. The duty of institutional shareholders and agents is to the end beneficiaries and not to the wider public.

⁵In 1991 the members of the Institutional Shareholders' Committee were: the Association of British Insurers; the Association of Investment Trust Companies; the British Merchant Banking and Securities Houses Association; the National Association of Pension Funds; and the Unit Trust Association. In 2006, the members are: the Association of British Insurers; the Association of Investment Companies; the National Association of Pension Funds; and the Investment Management Association.

2. Setting Out Their Policy on How They Will Discharge Their Responsibilities

Both institutional shareholders and agents will have a clear statement of their policy on engagement and on how they will discharge the responsibilities they assume. This policy statement will be a public document. The responsibilities addressed will include each of the matters set out below.

- > How investee companies will be monitored. In order for monitoring to be effective, where necessary, an active dialogue may need to be entered into with the investee company's Board and senior management.
- > The policy for meeting with an investee company's Board and senior management.
- > How situations where institutional shareholders and/or agents have a conflict of interest will be minimised or dealt with.
- > The strategy on intervention.
- > An indication of the type of circumstances when further action will be taken and details of the types of action that may be taken.
- > The policy on voting.

Agents and their institutional shareholder clients should agree by whom these responsibilities are to be discharged and the arrangements for agents reporting back.

3. Monitoring Performance

Institutional shareholders and/or agents, either directly or through contracted research providers, will review Annual Reports and Accounts, other circulars, and general meeting resolutions. They may attend company meetings where they may raise questions about investee companies' affairs. Also investee companies will be monitored to determine when it is necessary to enter into an active dialogue with the investee company's Board and senior management. This monitoring needs to be regular, and the process needs to be clearly communicable and checked periodically for its effectiveness. Monitoring may require sharing information with other shareholders or agents and agreeing a common course of action.

As part of this monitoring, institutional shareholders and/or agents will:

- > seek to satisfy themselves, to the extent possible, that the investee company's Board and sub-committee structures are effective, and that independent directors provide adequate oversight; and
- > maintain a clear audit trail, for example, records of private meetings held with companies, of votes cast, and of reasons for voting against the investee company's management, for abstaining, or for voting with management in a contentious situation.

In summary, institutional shareholders and/or agents will endeavour to identify problems at an early stage to minimise any loss of shareholder value. If they have concerns and do not propose to sell their holdings, they will seek to ensure that the appropriate members of the investee company's Board are made aware of them. It may not be sufficient just to inform the Chairman and/or Chief Executive. However, institutional shareholders and/or agents may not wish to be made insiders. Institutional shareholders and/or agents will expect investee companies and their advisers to ensure information that could affect their ability to deal in the shares of the company concerned is not conveyed to them without their agreement.

4. Intervening when Necessary

Institutional shareholders' primary duty is to those on whose behalf they invest, for example, the beneficiaries of a pension scheme or the policyholders in an insurance company, and they must act in their best financial interests. Similarly, agents must act in the best interests of their clients. Effective monitoring will enable institutional shareholders and/or agents to exercise their votes and, where necessary, intervene objectively and in an informed way. Where it would make intervention more effective, they should seek to engage with other shareholders.

Many issues could give rise to concerns about shareholder value. Institutional shareholders and/or agents should set out the circumstances when they will actively intervene and how they propose to measure the effectiveness of doing so. Intervention should be considered by institutional shareholders and/or agents regardless of whether an active or passive investment policy is followed. In addition, being underweight is not, of itself, a reason for not intervening. Instances when institutional shareholders and/or agents may want to intervene include when they have concerns about:

- > the company's strategy;
- > the company's operational performance;
- > the company's acquisition/disposal strategy;
- > independent directors failing to hold executive management properly to account;
- > internal controls failing;
- > inadequate succession planning;
- > an unjustifiable failure to comply with the Combined Code;
- > inappropriate remuneration levels/incentive packages/severance packages; and
- > the company's approach to corporate social responsibility.

If Boards do not respond constructively when institutional shareholders and/or agents intervene, then institutional shareholders and/or agents will consider on a case-by-case basis whether to escalate their action, for example, by:

- > holding additional meetings with management specifically to discuss concerns;
- > expressing concern through the company's advisers;
- > meeting with the Chairman, senior independent director, or with all independent directors;
- > intervening jointly with other institutions on particular issues;
- > making a public statement in advance of the AGM or an EGM;
- > submitting resolutions at shareholders' meetings; and
- > requisitioning an EGM, possibly to change the Board.

Institutional shareholders and/or agents should vote all shares held directly or on behalf of clients wherever practicable to do so. They will not automatically support the Board; if they have been unable to reach a satisfactory outcome through active dialogue then they will register an abstention or vote against the resolution. In both instances it is good practice to inform the company in advance of their intention and the reasons why.

5. Evaluating and Reporting

Institutional shareholders and agents have a responsibility for monitoring and assessing the effectiveness of their engagement. Those that act as agents will regularly report to their clients details on how they have discharged their responsibilities. This should include a judgement on the impact and effectiveness of their engagement. Such reports will be likely to comprise both qualitative as well as quantitative information. The particular information reported, including the format in which details of how votes have been cast will be presented, will be a matter for agreement between agents and their principals as clients.

Transparency is an important feature of effective shareholder activism. Institutional shareholders and agents should not however be expected to make disclosures that might be counterproductive. Confidentiality in specific situations may well be crucial to achieving a positive outcome.

6. Conclusion

The Institutional Shareholders' Committee believes that adoption of these principles will significantly enhance how effectively institutional shareholders and/or agents discharge their responsibilities in relation to the companies in which they invest. To ensure that this is the case, the Institutional Shareholders' Committee will monitor the impact of this statement with a view to further reviewing and refreshing it, if needs be, in 2007 in the light of experience and market developments.

Appendix 2

The Firms and their Groups

Company	Parent	Principal Activity of Group in the UK
Aberdeen Asset Management		Fund Manager
AEGON Asset Management	AEGON UK	Insurer
AXA Investment Firms	AXA Group	Insurer
Aviva Investment	Aviva	Insurer
Baillie Gifford & Co		Fund Manager
Barclays Global Investors	Barclays PLC	Retail Bank
Blackrock International	Merrill Lynch	Investment Bank
Capital International	Capital International Group, Inc	Fund Manager
CCLA Investment Management		Fund Manager
Co-operative Insurance Society	Co-operative Group	Insurer
Credit Suisse Asset Management	Credit Suisse Group	Investment Bank
F & C Asset Management		Fund Manager
FIL Investment Services	Fidelity International	Fund Manager
Gartmore Investment Management	Nationwide Mutual Insurance	Insurer
Henderson Global Investors	HHG PLC	Insurer
Hermes Investment Management	BT Pension Scheme	Pension Fund
HSBC Global Asset Management	HSBC	Retail Bank
Insight Investment Management	HBOS plc	Retail Bank
Invesco Perpetual	AMVESCAP	Fund Manager
JP Morgan Asset Management	JP Morgan Chase	Investment Bank
Jupiter Asset Management	Jupiter Investment Management Holdings	Fund Manager
Legal & General Investment Management	Legal & General Group	Insurer
M&G Investment Management	Prudential	Insurer
Martin Currie Investment Management	Martin Currie	Fund Manager
Newton Investment Management	BNY Mellon	Fund Manager
Royal London Asset Management	Royal London Mutual Insurance Society	Insurer
Schroders Investment Management		Fund Manager
Standard Life Investments	Standard Life Assurance	Insurer
Scottish Widows Investment Partnership	Lloyds TSB Group	Retail Bank
Threadneedle Asset Management	Ameriprise	Diversified Financial Services
UBS Global Asset Management	UBS	Investment Bank
Universities Superannuation Scheme	Universities Superannuation Scheme	Pension Fund

Appendix 3 Engagement on Particular Issues

Meetings/ Engagement	Bradford & Bingley	Royal Bank of Scotland	Marks & Spencer	Sports Direct	Lonmin	BP	GSK
Insignificant holding so little or no engagement	11 firms	3 firms	3 firms	14 firms	8 firms	2 firms	3 firms
No active engagement	1 firm	2 firms	–	–	5 firms	1 firm	2 firms
No active engagement as passive	2 firms	2 firms	– *	2 firms	–	–	–
Chairman	17 meetings (9 firms - one meeting also with the SID and four also with the Finance Director)	28 meetings (15 firms - one meeting also with the CEO, two with the Finance Director and two with IR)	15 meetings (9 firms - 3 meetings also with SID; 3 also with Deputy Chairman; 1 also with CEO, deputy Chairman and CoSec)	5 meetings (3 firms - 1 also with Cosec and 1 with deputy Chairman)	–	13 meetings (10 firms - 1 meeting also with RemCo specialist; 1 with CoSec and 1 with SID)	9 meetings (7 firms)
Senior Independent Director/NEDs	3 meetings (2 firms)	6 meetings (5 firms)	7 meetings (7 firms)	–	–	–	2 meetings
Chief Executive	3 meetings (3 firms)	15 meetings (10 firms)	3 meetings (3 firms)	2 meetings (1 firm)	7 meetings (4 firms also)	5 meetings (4 firms) one site visit)	8 meetings (3 firms)
Finance Director	3 meetings (2 firms)	3 meetings (3 firms)	–	–	2 meetings (1 firm - mths also with CoSec and IR)	–	1 meeting
Executives	2 meetings (2 firms)	1 meeting (1 firm)	1 meeting	3 meetings (3 firms)	3 meetings (2 firms)	2 meetings	1 meeting
Company Secretary	–	2 meetings (1 firm)	–	2 meetings (1 firm)	1 meeting	5 meetings (4 firms)	1 meeting
Investor relations	–	4 meetings (3 firms)	2 meetings (2 firms)	–	–	–	–
RemCo Chair	–	–	–	–	–	3 meetings	2 meetings
Group meetings or through trade body	–	–	5 firms	–	1 firm	2 firms	7 firms

* One firm that does not normally engage if a passive holding did so on this occasion

Appendix 5

Voting Records of 25 Firms - 1 July 2006 to 30 June 2007

Total Number of: investee companies; resolutions; and meetings affected	Resolutions consciously abstained			Resolutions voted against the company		
	Investee companies could have voted	Number of meetings	Resolutions voted	Number of resolutions voted in total, where relevant	Number of resolutions voted against	Number of meetings
1	532	532	6,255	6,255	38	33
2	240	231	2,858	2,858	9	6
3	724	724	8,352	8,352	259	169
4	145	141	2,159	2,159	65	34
5	600 +	642	8,834	8,834	549	180
6	756	756	7,395	7,395	96	70
7	664	926 *	9,260 *	9,260 *	133	116
8	850 +	619	6,190 *	6,190 *	23	17
9	210	210	9,466	9,466	90	42
10	836 +	836 **	8,739	8,739	187	52 #
11	763	710	8,579	8,579	436	118
12	1,354 ***	1,354	16,359	16,359	37	21
13	984	984	11,172	11,172	205	57 #
14	646	684	8,266	8,266	114	68
15	1,200 +	1,200 **	9,226	9,226	70	46
16	795	795	9,632	9,632	22	13
17	400 +	628	7,437	7,437	110	90
18	1,173	916	10,292	10,292	737	359
19	750	640	6,400 *	6,400 *	195	92
20	800 +	1,000	6,500	6,500	37	37
21	422	422	6,450	Not relevant	N/a	N/a
22	975	975 *	8,113	8,113	146	41 #
23	1,159	1,159 **	9,216	9,216	3,451	245
24	125	125	1,403	1,403	43	37
25	400	375	3,000	3,000	35	30
	17,503	202,112	17,076	185,103	7,087	1,973
		17,584	191,553	185,103	1,807	4,439

* Where the number of resolutions is not known, it has been assumed that the investee companies affected had one meeting with 10 resolutions.

** Where the number of meetings is not known, it has been assumed that this equates to the number of investee companies.

*** Where the number of investee companies is not known, it has been assumed that this equates to the number of companies affected.

+ Where figures not given, taken from 2006 or 2008 - whichever the later.

Where the number of companies affected is not known, a proportion of the number of meetings has been taken based on the sum of the two columns.

N/A means information not available in which instances certain information is "not relevant".

Appendix 6

Voting Records of 27 Firms - 1 July 2005 to 30 June 2006

Total Number of: investee companies; resolutions; and meetings affected				Resolutions consciously abstained		Resolutions voted against the company	
Investee companies	Resolutions voted	Number of meetings	Number of meetings	Number in total, where relevant	Number of resolutions voted against	Number of meetings	Number of meetings
could have voted	Resolutions voted	Number of meetings	Number of meetings	where relevant	where relevant	where relevant	where relevant
1	1200	7,990 *	799	7,990 *	42	32	30
2	303	399	324	399	18	18	15
3	451	4,543	451	4,543	17	10	38
4	254	2,740	219	2,740	3	3	18
5	752	8,418	752	8,418	94	52	175
6	190	2,192	173	2,192	16	11	39
7	600	8,324	698	8,324	407	262	227
8	732	8,743	732	8,595	3	3	28
9	668	9,610 *	961	9,610 *	169	125	117
10	850 +	8,160 *	816	8,160 *	4	4	30
11	800	9,263	858	9,263	20	19	72
12	836	7,796	947	7,735	95	63	119
13	568	9,660	802	7,776	20	13	32
14	959	7,240	891	7,235	20	19	52
15	1,269	9,463 ***	1,239 ***	9,463 ***	61	61	51
16	750	9,500	750	9,500	1	1	105
17	855	8,650	855	8,650	26	23	30
18	400 +	6,705	583	6,705	104	69	74
19	1000	9,943	891	9,943	114	82	324
20	799	6,750 *	675	6,750	0	0	83
21	631	6,310 *	631	6,310	14	8	25
22	800	8,000	1,000	6,517	90	90	51
23	350 +	3,365	338	3,365	17	12	16
24	775	8,482	775	8,475	n/a	n/a	136
25	710	10,530	895	8,770	438	269	219
26	100	1,468	130	1,468	45	45	30
27	420	4,970	405	3,194	2	2	20
18,022	189,214	18,590	17,754	182,070	1,840	1,296	2,156

* Where the number of resolutions is not known it has been assumed that the investee companies had one meeting with 10 resolutions.

** Where the number of meetings is not known then a proportion of the number of meetings has been taken based on the sum of the two columns.

*** Where details are not known it has been assumed that the resolutions that could have been voted are the same as those actually voted.

Where information was not given for 2005, the figures were taken from 2004.

N/A means information not available in which instances certain information is "not relevant".

+ Figure taken from 2005.

Appendix 7

Voting Records of 28 Firms - 1 July 2004 to 30 June 2005

Total Number of: investee companies; resolutions; and meetings affected				Resolutions consciously abstained		Resolutions voted against the company		
Investee companies	Resolutions voted	Number of meetings	Number of meetings affected	Number of resolutions voted in total, where relevant	Number of meetings consciously abstained	Number of resolutions voted in total, where relevant	Number of resolutions voted against	Number of meetings voted
1	1200	7,380 *	738	7,380 *	23	15	50	30
2	165 #	6,188	345	6,158	32	19	97	60
3	303	3,610 *	361	3,610 *	30 **	18	37 **	23
4	281	3,570 *	357	3,570 *	33	25	21	8
5	257	2,650	276	2,650	14	13	29	28
6	750	9,261	859	8,240	111	66	148	113
7	111	1,437	129	1,437	6	6	N/a	N/a
8	700	7,331	850	7,331	609	365	487	246
9	850	9,508	848	9,108	20	18	135	119
10	800	11,790 *	1,179	11,770 *	222	167	198	154
11	197	1,697	146	1,697	152	90	46	30
12	N/a	9,022	998	9,022	9	8	33	31
13	800	9,369	818	9,369	30	29	131	97
14	1061	8,302	899	8,302	65	44	331	215
15	600	7,579	813	7,444	21	18	205	61
16	931	7,415	881	7,387	41	35	79	55
17	1150	8,945 ***	1,398 ***	8,945	65	40	160	111
18	750	8,998	996	8,997	4	2	106	83
19	900	8,403	854	8,403	121	48	20	17
20	400	4,688	456	4,688	47	36	70	50
21	1020	9,155	912	9,155	127	84	578	311
22	840	9,850 *	985	9,850 *	1	1	165	66
23	623	N/a	N/a	Not relevant	N/a	N/a	N/a	N/a
24	800	9,810	981	8,170	102	102	64	64
25	350 #	3,760	374	3,760	31	26	41	40
26	772	7,820	733	7,820	913	416	326	221
27	120	1,906	141	1,906	42	32	38	28
28	469	25,780	376	25,548	33	6	27	24
	17,200	205,224	18,703	201,717	2,904	1,729	3,622	2,285
			18,346	201,717	2,904	1,729	3,622	2,285

* Where the number of resolutions is not known it has been assumed that the investee companies had one meeting with 10 resolutions.

** Where the number of meetings is not known then a proportion of the number of meetings has been taken based on the sum of the two columns.

***Where details are not known it has been assumed that the resolutions that could have been voted are the same as those actually voted.

Where information was not given for 2005, the figures were taken from 2004.

N/A means information not available in which instances certain information is "not relevant".

Appendix 8

Voting Records of 27 Firms - 1 July 2003 to 30 June 2004

Total Number of: investee companies; resolutions; and meetings affected				Resolutions consciously abstained			Resolutions voted against the company		
Investee companies	Resolutions voted	Number of meetings	Resolutions voted	Number of resolutions voted in total, where relevant	Number of resolutions consciously abstained	Number of resolutions voted in total, where relevant	Number of resolutions voted against	Number of meetings	
1	165	9,669	418	9,463	377	44	9,463	44	29
2	311	4,670	467	4,670	467	35	4,670	28	28
3	275	3,230	323	3,230	323	86	3,230	88	65
4	250	2,381	255	2,381	255	3	2,381	29	27
5	73	1,179	120	1,179	120	8	1,179	13	13
6	675	7,769	771	7,769	771	287	7,769	358	184
7	1,150	16,180	1,150	4,790	340	20	4,790	18	14
8	1,000	5,250	800	5,250	800	13	5,250	110	100
9	850	5,280	528	5,280	528	70	5,280	108	86
10	214	2,019	234	2,019	234	126	2,019	44	28
11	719	8,774	734	8,774	734	32	8,774	103	89
12	781	7,001	767	7,001	767	14	7,001	306	201
13	800	6,312	597	6,312	597	24	6,312	44	28
14	932	7,729	849	7,729	849	20	7,729	43	26
15	1,000	7,175	889	7,175	889	2	7,175	128	98
16	700	8,700	710	8,700	710	2	8,700	116	68
17	800	7,960	796	7,960	796	48	7,960	22	17
18	400	5,775	525	5,775	525	59	5,775	39	35
19	930	11,610	1,161	11,610	1,161	0	11,610	142	67
20	300	8,682	860	8,682	860	173	8,682	340	213
21	560	4,284	313	4,284	313	14	4,284	4	4
22	800	7,960	796	7,710	771	134	7,710	57	57
23	350	3,803	340	3,803	340	11	3,803	29	25
24	1,000	11,015	1,011	11,015	1,011	167	11,015	449	290
25	850	8,664	878	8,666	838	1,370	8,666	459	252
26	1,750	21,171	2,322	21,171	2,322	449	21,171	1901	1238
27	1,000	8,742	910	8,742	910	318	8,742	673	380
18,635	203,184	19,524	191,140	191,140	18,608	4,378	191,140	5,695	3,662

* Where the number of resolutions is not known it has been assumed that the investee companies had one meeting with 10 resolutions.

** Where the number of meetings is not known then a proportion of the number of meetings has been taken based on the sum of the two columns.

*** Where details are not known it has been assumed that the resolutions that could have been voted are the same as those actually voted.

N/A means information not available in which instances certain information is "not relevant".

Appendix 9

How Firms Voted and Engaged on Particular Resolutions – to 30 June 2008

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote		
				For	Against	Consciously withheld
AstraZeneca	24 April 2008	To approve the directors' remuneration report (6)	25	18	4	3
Berkeley	5 September 2007	*To approve the directors' remuneration report (2)	17	12	4	1
		To approve amendments to the Articles of Association (9)	17	14	1	2
		To amend the Berkeley Group Holdings Plc 2004 (b) Long Term Incentive Plan (10)	17	14	2	1
		To amend the Berkeley Group Holdings Plc 2007 Long Term Incentive Plan (11)	17	10	6	1
BP	17 April 2008	To approve the directors' remuneration report (2)	25	14	5	6
		To re-elect as director Dr DeAnne Julius (13)	25	24		1
		To re-elect as director Sir Tom McKillop (14)	25	24		1
		To re-elect as director Sir Ian Prosser (15)	25	24		1
		To re-elect as director Erroll Davies (8)	25	24		1
Bradford & Bingley	22 April 2008	Amend the Executive Incentive Plan 2004 (15)	23	20	2	1
B Sky B	2 November 2007	*To re-elect as a director, Rupert Murdoch (5)	22	16	4	2
Carphone Warehouse	26 July 2007	*To approve the directors' remuneration report (2)	20	14	4	2
Carnival	22 April 08	To re-elect Richard Capen Jr as director of Carnival Corporation and as a director of Carnival plc (2)	25	16	7	2
		To re-elect Robert Dickinson as director of Carnival Corporation and as a director of Carnival plc (3)	25	22	1	2
		To re-elect Modesto Maidique as director of Carnival Corporation and as a director of Carnival plc (8)	25	16	7	2
		To re-elect Peter Ratcliffe as director of Carnival Corporation and as a director of Carnival plc (10)	25	23	1	1
		To re-elect Uzi Zucker as director of Carnival Corporation and as a director of Carnival plc (13)	25	18	5	2

* Resolution same or similar to a resolution on which details were requested one year ago

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote		
				For	Against	Consciously withheld
Compass Group	8 February 2008	*To approve the directors' remuneration report (2)	22	20	1	1
Daejan Holdings	26 October 2007	To approve the accounts (1)	14	6	7	1
		To approve the remuneration report (2)	14	6	7	1
		To re-elect as director David Davis (4)	14	11	3	
Diageo	16 October 2007	*To approve the remuneration report (2)	23	17	3	3
Dimension Data	30 January 2008	*To approve the remuneration report (3)	16	7	8	1
First Group	12 July 2007	*To approve shareholder proposal to adopt workplace human rights policy, prepare annual report concerning its implementation and meet related expenses (15)	21	2	18	1
Lonmin	24 January 2008	*Approve remuneration report (2)	24	20	2	2
Glaxo Smith Kline	21 May 2008	Approve remuneration report (2)	26	13	6	6
Helphire Group	15 November 2007	To authorise directors to utilise part of the authority granted pursuant to resolution 8 and 9 to allot equity up to GBP 69,000 to trustees of any trust, or any other body established exclusively for the purposes recognised as charitable under English laws (10)	19	11	6	2
Marks & Spencer	9 July 2008 (There has been a specific request to include this resolution even though it is just outside the period)	To re-elect as a director, Sir Stuart Rose (6)	24	12	4	8

* Resolution same or similar to a resolution on which details were requested one year ago

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote		
				For	Against	Consciously withheld
Northern Rock	15 January 2008	To replace the directors' existing authority to allot shares with an authority to allot a lower number of shares (1)	15	4	8	3
		To replace the directors' existing authority to issue shares on a non pre-emptive basis with an authority to issue a lower number of shares on a non pre-emptive basis (2)	15	4	8	3
		To amend the Articles of Association to prevent disposals or acquisitions of assets and to prevent the Company taking action which would permit disposals or acquisitions of assets by other group companies, above specified thresholds (3)	15	4	8	3
		To require the Company to take action to prevent the disposal, transfer or issue of shares or any other changes to the capital structure of other members of the Company's group (4)	15	4	8	3
Reckitt Benckiser	4 October 2007 (EGM)	Approve Reckitt Benckiser Group 2007 Senior Executive Share Ownership Policy Plan (5)	24	20	1	3
		Approve Reckitt Benckiser Group 2007 Long Term Incentive Plan (9)	24	15	6	3
Royal Dutch Shell	20 May 2008	Approve remuneration report (2)	26	15	6	4
		Amend Royal Dutch Shell plc restricted share plan (14)	26	11	9	5
J Sainsbury	11 July 2007	*Approve remuneration report (2)	18	15		3
Sports Direct	10 September 2007	To elect as director Mike Ashley (3)	13	12	1	
Standard Chartered	7 May 2008	Approve remuneration Report (2)	25	17	4	4
Tesco	27 June 2008	Approve remuneration Report (2)	26	19	5	2
		Resolve that the company sets a commitment to take appropriate measures to ensure that chickens purchased for sale are produced in systems capable of providing the five freedoms (17)	26	7	15	4

* Resolution same or similar to a resolution on which details were requested one year ago

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote		
				For	Against	Consciously withheld
Tomkins	1 May 2008	*Approve remuneration report (2)	22	12	7	3
Travis Perkins	13 May 2008	*Approval of remuneration report (7)	19	18		1
United Business Media	13 May 2008	*Approve remuneration report (2)	16	9	1	6
	2 June 2008	Authorise directors to carry scheme into effect; approve reduction and subsequent increase in share capital; capitalise reserves to United Business Media Limited; authorise issue of equity with rights up to GBP 85,000,000; amend articles of association (1)	20	19		1
		Approve reduction of the nominal value of each issued Ordinary Share in the capital of New UBM from 33 71/88 pence each to 10 pence each; approve reduction of the entire amount standing to the credit of new UBM's share premium account (2)	20	19		1
		Approve delisting of the Ordinary Shares from the Official List (4)	20	20		
		Approve reduction of B share capital; approve delisting of B shares from the Official List (5)	20	20		
United Utilities	25 July 2008	Approve remuneration report (2)	22	20		2
Xstrata	6 May 2008	*Approve remuneration report (3)	24	15	7	2
		Re-election of Willy Strothotte to the Board (4)	24	15	3	6
		Amend the Xstrata added value incentive plan (13)	24	13	8	3

* Resolution same or similar to a resolution on which details were requested one year ago

Appendix 10

How Firms Voted and Engaged on Particular Resolutions – to 30 June 2007

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote		
				For	Against	Consciously withheld
Aegis Group	22 November 2006 (EGM)	*To elect as a director Philippe Germond (1)	18		18	
		*To elect as a director Roger Hatchuel (2)	18		18	
	4 April 2007 (EGM)	*To elect as a director Philippe Germond (1)	19	1	18	
		*To elect as a director Roger Hatchuel (2)	19	1	18	
Antofagasta	13 June 2007	*Re-elect Charles Bailey as director (4)	20	12	3	5
		To re-elect Mr G S Menendez	20	12	3	5
Abbot Group	23 May 2007	*To approve the directors' remuneration report (8)	20	14	4	2
Berkeley Group	1 September 2006	*To approve the directors' remuneration report (2)	18	13	4	1
BP	12 April 2007	To approve the directors' remuneration report (2)	25	16	5	4
British Sky Broadcasting Group	3 November 2006	To re-elect as a director, James Murdoch (5)	23	21		2
		To re-elect as a director, Rupert Murdoch (8)	22	17	3	2
Carnival	16 April 2007	*To re-elect Micky Arison - combined Chairman/CEO (1)	25	16	7	2
Carphone Warehouse Group	27 July 2006	*To approve the remuneration report (2)	16	9	4	3
Compass Group	16 February 2007	*To approve the remuneration report (2)	20	12	5	3
Croda International	26 April 2007	*To approve the remuneration report (2)	19	16	2	1
Diageo	17 October 2006	*To approve the directors' remuneration report (2)	25	17	6	2
Dimension Data Holdings	31 January 2007	To re-elect as a director, Josua (Dillie) Malherbe (6)	16	10	3	3
		To re-elect as a director, Peter John Liddiard (7)	16	11	2	3
iSoft Group	17 October 2006	Approve remuneration report (2)	16	4	10	2

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Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote		
				For	Against	Consciously withheld
Jardine Lloyd Thompson	26 April 2007	*Re-election of Rodney Leach (3)	21	14	2	5
		To waive the requirement for a mandatory offer to be made to shareholders by members of the Jardine Matheson Group (12)	21	19	1	1
Lonmin	25 January 2007	*Approve remuneration report (2)	24	18	5	1
Marks & Spencer	11 July 2006	Approve remuneration report (2)	26	20	3	3
Wm Morrison	24 May 2007	*To approve the directors' remuneration report (2)	24	22	2	
Northern Rock	24 April 2007	Approve remuneration report (2)	22	18	1	3
		To approve the 2007 Long Term Incentive Plan (13)	22	18	2	2
Reckitt Benckiser	3 May 2007	*Approve remuneration report (2)	25	14	10	1
		Re-elect as director Judith Sprieser (5)	25	21	1	3
J Sainsbury	12 July 2006	*Approve remuneration report (2)	19	17		2
Tomkins	13 June 2007	*Approve remuneration report (2)	19	13	3	3
Travis Perkins	24 April 2006	*Approval of remuneration report (8)	20	18	2	
		Amend Travis Perkins Share Matching Scheme (9)	20	18	1	1
		Approve Travis Perkins 2007 Performance Share Plan (10)	20	18	1	1
United Business Media	10 May 2007	*Approve remuneration report (2)	22	21		1
Xstrata	8 May 2007	*Approve remuneration report (3)	23	17	5	1

* Resolution same or similar to a resolution on which details were requested one year ago

