Appendix 'A'

PIRC

Lancashire Council

Proxy Voting Review
July 2013 – September 2013

October 2013

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UK Corporate Governance Review

CC sets out audit reform plans

FTSE 350 constituents will have to put their statutory audit engagement out to tender at least every five years, but won't be forced to rotate audit firm, under proposals from the Competition Commission.
The Commission has published a provisional decision regarding the remedies it is considering introducing when it publishes its final report on the supply of statutory audit services to large companies in the UK this autumn. Whilst the Commission stops short of the more radical proposal of mandatory rotation, it is notable that its position is tougher than that currently adopted by the Financial Reporting Council (FRC). Currently the FRC suggests a 'comply or explain' approach to tendering, but on a seven-year cycle.
The Commission recommends the FRC's Audit Quality Review team should review every audit engagement in the FTSE 350 on average every five years. The Audit Committee should report to shareholders on the findings of any AQR report concluded on the company's audit engagement during the reporting period. The Commission also proposes a prohibition of 'Big-4-only' clauses and a shareholder vote on whether Audit Committee Reports in company annual reports contain sufficient information.

Notice for meetings the new pay

Regular readers of PIRC's AGM round-ups may have spotted our fondness for votes on notice for meetings. Under this type of resolution companies seek shareholder approval to be able to hold meetings on short notice. They are proposed as special resolutions and as such require 75% in favour to pass. We've spotted over the past couple of years that there have been some pretty big votes against resolution of this type, including the odd defeat, like Hammerson in 2011.8
The reason for these votes against, on a pretty innocuous agenda item, is the effect of overseas investors. Some non-UK investors oppose all resolutions of this type, seemingly on the basis that they believe they disenfranchise shareholders. In contrast, UK institutional investors routinely vote in favour. As a result sizeable votes against these resolutions can give you an indication of significant overseas ownership of the company concerned. But the votes are also getting bigger across the board.
If we look at the average vote against meetings-related proposals at FTSE350 companies over the past few years, we can see it rising over time. For the sake of comparability these are average oppose votes in the first six months of the last few years – 2010: 2.78%; 2011: 4.24%; 2012: 5.31%; 2013: 7.4%. Undoubtedly this must, in part, reflect the shift in the underlying ownership of UK public companies. But here's the really interesting thing – the average oppose vote on a remuneration report in the first six months of 2013 was 6.5%. And this level of opposition is also way above the average vote against other important resolutions, such as director elections or auditor appointments.
The upshot is that the increasingly large proportion of shares that are held overseas are now resulting in voting results that reflect non-UK concerns. Whilst executive pay might be considered the most controversial corporate governance issue to many in UK, in terms of votes against management, it comes second to overseas' investors fears of being disenfranchised when meetings are called. In addition, because the voting threshold required for companies to pass resolutions on notice for meetings, they are, inevitably, more likely to face being voted down.
Though the nature of the issue being voted on is rather technical to people not part of the proxy voting microcosm, what it represents, it strikes us, is rather a big deal. To date, discussions about the changing nature of share ownership, and what this means for the UK's corporate governance regime have been somewhat theoretical. What we are starting to see, in terms of real votes cast, is what it means in practice. As more shares are held by overseas investors we may begin to see more oddities like this.

BATM battered in bonus battle

Smallcap BATM Advanced Communications suffered the indignity of losing votes on three remuneration-related resolutions at its AGM in August.

The company's RNS statement on the AGM says: "Resolutions 1, 3, 4, 5 and 8 were duly passed, and Resolutions 2, 6 and 7 were rejected."

This means that BATM has the honour of being, to our knowledge, the first company to lose the vote on both its remuneration report (resolution 2) and its remuneration policy (resolution 7). This will matter a lot more from 1st October. Under the new system coming into force in the UK, the remuneration report will represent a backward look at practice during the year, the policy vote will be forward-looking, and binding.

The company was also defeated on resolution 6, which sought approval for a one-time special bonus of NIS 150,000 (£26,800) for performance in year 2012 to the CFO of the company, Ofer Barner. The company stated that it was in recognition of his special efforts in two areas of the company's business that were outside his normal duties and have been beneficial to the company. Notably, Mr. Barner also received a $25,000 "one-off" bonus last year for his special efforts in 2011.

PIRC recommended shareholders oppose all three resolutions.

BIS report: to list or not to list?

Listed companies find that UK stock exchanges "still offer value for money", and accept the governance requirements that come with it, according to research from the Department of Business, Innovation and Skills.

In August BIS has published a report about the perceptions of the UK stock exchanges and associated corporate governance and reporting issues. It is based on a small scale survey covering 17 listed and 14 unlisted UK mid-sized businesses (MSBs).

The report found that listing led to increased levels of reporting and corporate governance through oversight committees of the board such as those for audit, remuneration and nominations. But the vast majority of the surveyed listed businesses accept this because they see it as a necessary form of accountability for building shareholder confidence. Four fifths of all respondents, for instance, indicated that an independent audit adds value to the business by helping with market credibility. Most also accept that there will be increasing reporting requirements for carbon emissions reductions, new narrative reporting requirements, IFRS and general market standardisation in the near future. For unlisted companies, on the other hand, perceptions of the cost and time taken to undertake reporting remain potential deterrents for listing.

The survey also showed that shareholder engagement is important for LSE and AIM listed companies, who will meet twice yearly with key institutional investors to articulate their corporate policies. However, shareholders have only rarely impacted corporate policy of the surveyed companies. The "Shareholder Spring" did not seem to be an issue for many of the respondents. Several indicated that they are either too small or have executive salaries benchmarked with independent remuneration committees that provide transparency and investor confidence.

Short-termism in the market is predominantly an issue for smaller cap AIM listed companies, though larger ones going through restructuring and lengthy R&D were also affected, the research found. Several of the responding businesses were concerned about the short term orientation of brokers, analysts and asset managers. Some also raised concerns that regular market reporting can encourage market short-termism.

Many of the respondents acknowledged that board diversity in a broader sense, including gender, ethnicity and age, is a good thing as it could encourage recruitment from a wider talent pool. However, in the surveyed companies only one in ten members of boards were women. Not surprisingly, the vast majority of respondents oppose the introduction of quotas, suggesting that executive recruitment should be based on merit. They also oppose a cap on executive salaries for it could limit their capacity to compete for talent – a reoccurring rationale that has been criticised by PIRC and many others.

Avoiding tax is “not a legal duty”

Leading legal firm says director’s fiduciary duty is not to maximise shareholder value through tax avoidance.

In September business leaders in the FTSE 100 received an official legal opinion from Farrer & Co stating that they cannot claim it is their fiduciary duty to shareholders to avoid tax. “It is not possible to construe a director’s duty to promote the success of the company as constituting a positive duty to avoid tax’”, says the firm.

The law firm was commissioned by the Tax Justice Commissioners to clarify this matter, because they feared that executives are trying to justify tax avoidance by resorting to shareholder primacy. Farrer says directors have a wide discretion on this mater and if they choose to pay tax responsibly, they would in fact be protected by applicable law rather then being liable. John Christensen, director of the Tax Justice Network, which sent out the legal opinion said: “Legal risk in this area turns out to be a complete fiction, and company directors can stand firm and act according to their consciences rather than being swayed by what is effectively sales puff coming out of the tax avoidance industry.”

UK Voting Analysis

Table 1: Top Oppose Votes

	Company	Type	Date	Resolution	Proposal	Funds Vote	Oppose %
1	EXPERIAN PLC	AGM	17 Jul 13	16	Allow the board to determine the auditors remuneration	For	22.83
2	NATIONAL GRID PLC	AGM	29 Jul 13	18	Issue shares with pre-emption rights	For	22.41
3	SSE PLC	AGM	25 Jul 13	14	Issue shares with pre-emption rights	For	18.95
4	GREENE KING PLC	AGM	03 Sep 13	14	Issue shares with pre-emption rights	For	12.63
5	NATIONAL GRID PLC	AGM	29 Jul 13	21	Meeting notification related proposal	For	12.37
6	VODAFONE GROUP PLC	AGM	23 Jul 13	23	Meeting notification related proposal	For	11.63
7	SSE PLC	AGM	25 Jul 13	17	Meeting notification related proposal	For	11.49
8	VODAFONE GROUP PLC	AGM	23 Jul 13	19	Issue shares with pre-emption rights	For	7.94
9	GREENE KING PLC	AGM	03 Sep 13	4	Re-elect Tim Bridge as Director	Oppose	6.48
10	SAINSBURY (J) PLC	AGM	10 Jul 13	20	Meeting notification related proposal	For	6.17

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

Table 2: Votes by Resolution

Resolution Type	For	%	Abstain	%	Oppose	%	Withdrawn	%	Total
All Employee Schemes	0	0	0	0	0	0	0	0	0
Annual Reports	4	28	4	28	6	42	0	0	14
Articles of Association	0	0	0	0	0	0	0	0	0
Auditors	11	78	3	21	0	0	0	0	14
Corporate Actions	0	0	0	0	0	0	0	0	0
Corporate Donations	2	66	0	0	1	33	0	0	3
Debt & Loans	0	0	0	0	0	0	0	0	0
Directors	55	77	12	16	4	5	0	0	71
Dividend	6	100	0	0	0	0	0	0	6
Executive Pay Schemes	0	0	0	0	1	100	0	0	1
Miscellaneous	6	100	0	0	0	0	0	0	6
NED Fees	0	0	0	0	0	0	0	0	0
Non Voting	0	0	0	0	0	0	0	0	0
Say On Pay	0	0	0	0	0	0	0	0	0
Share Capital Restructuring	0	0	0	0	0	0	0	0	0
Share Issue/Re-purchase	21	100	0	0	0	0	0	0	21
Shareholder Resolution	0	0	0	0	0	0	0	0	0
Undefined	0	0	0	0	0	0	0	0	0

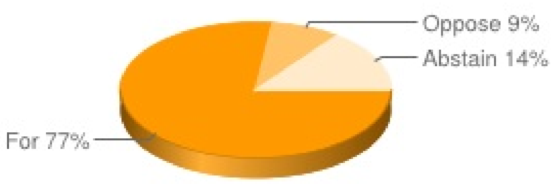
UK Voting Charts

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

Total Resolutions	
For	105
Oppose	12
Abstain	19
Withdrawn	0
Total	136

Meetings	AGM	EGM	Total
Total Meetings	7	0	7
1 (or more) oppose or abstain vote	7	0	7

UK Voting Record



UK AGM Record

UK EGM Record

There where no EGMs during the last period in the clients portfolio.

UK Voting Timetable Q3 2013

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

Voted Meetings

Table 3: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted
1	SAINSBURY (J) PLC	10 Jul 13	AGM	2013-06-28
2	EXPERIAN PLC	17 Jul 13	AGM	2013-07-09
3	VODAFONE GROUP PLC	23 Jul 13	AGM	2013-07-10
4	SSE PLC	25 Jul 13	AGM	2013-07-18
5	NATIONAL GRID PLC	29 Jul 13	AGM	2013-07-22
6	GREENE KING PLC	03 Sep 13	AGM	2013-08-22
7	DIAGEO PLC	19 Sep 13	AGM	2013-09-04

UK Upcoming Meetings Q4 2013

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

Table 4: Upcoming Meetings

	Company	Meeting Date	Type
1	WOLSELEY PLC	01 Nov 13	AGM
2	HAYS PLC	13 Nov 13	AGM
3	SMITHS GROUP PLC	19 Nov 13	AGM
4	ASSOCIATED BRITISH FOODS PLC	07 Dec 13	AGM

AIM UK Market Voting Timetable Q3 2013

There were no meetings held by the client during the period.

AIM UK Market Upcoming Meetings Q4 2013

There are no upcoming meetings for this region.

Fledgling UK Market Voting Timetable Q3 2013

There were no meetings held by the client during the period.

Fledgling UK Market Upcoming Meetings Q4 2013

There are no upcoming meetings for this region.

European Corporate Governance Review

Elan shows why contracts matter

The chief executive of Elan looks set for a bumper pay-off as the Irish drugs company is taken over by the US-based pharma business Perrigo.

Under the termination provisions in his contract, which was revised last year, Kelly Martin is entitled to three times his salary, on-target bonus plus some other extras. This could see him cash out for up to $40m, according to a report in the Irish Independent in August. Not surprisingly, many shareholders were non-plussed by the terms in Martin's contract, and demonstrated their displeasure at the Irish-listed company's AGM in May. A vote on the "Report by the Leadership, Development and Compensation Committee" was defeated with 58% opposing. PIRC had recommended opposition, in large part due to the termination provisions contained in Martin's contract. But the defeat did nothing to alter the contract that had been agreed.

Examples like this show both why shareholders need to be alert to what companies put into directors' contracts and why a binding vote on remuneration policy is vital. In an ideal world shareholders ought to get an upfront vote on contractual terms. But at least under the system being introduced in the UK later this year shareholders will get a binding vote on the overall policy, which should be able to catch cases like this.

DSW wins ThyssenKrupp review

Shareholders led by German investor group DSW have won an agreement from steel and industrial goods group ThyssenKrupp to hold an independent governance review, Responsible Investor reports.

According to the report, the steel and industrial goods group has agreed to the review following a troubled period for the company, including multi-billion losses, and a price-fixing fine from German competition regulators. Dramatic negative developments at Steel Americas lead the Board to sell the two plants. Their revaluation at fair value resulted in an impairment charge of €3.6 billion. Already in 2011 the then chief executive was forced out.

At the company's AGM in January this year there was a 30% vote against the discharge for the board, which is extremely high by German standards. This was led by DSW and other investors. PIRC had recommended opposition at the time, due to concerns about management competence.

Now DSW says that the company has agreed to a review of its governance which will be carried out by accounting firm BDO, with results reported to the 2014 AGM.

Finance firms diversity pressure

Large financial services businesses may have to set board diversity targets under European Union plans.

According to reports, the European Union's Capital Requirements Directive IV large financial businesses will be required to establish a nominations committee and decide a "target for the representation of the underrepresented gender on the management body and how to meet it." Although many large listed financial firms may already be addressing diversity, the EU's intervention will increase the pressure for change. Last month PIRC revealed a sharp drop-off in female appointments to FTSE100 boards in the first half of 2013.

Norway revokes exclusion of AFI

The Norwegian Ministry of Finance has revoked the exclusion of two Israeli companies from the Government Pension Fund Global's investment universe.

Africa Israel Investments (AFI) and its Danya Cebus subsidiary had been excluded because of their links with construction projects in the occupied territories in the West Bank. In 2010, the fund had sold its

£760,000 stake in the company, which was also excluded by Danske Bank in the same year.
Now the sovereign wealth fund's Council of Ethics has recommended to the Norwegian government that it lift the ban as the two companies are no longer involved in construction activities in West Bank. Earlier this year the fund re-admitted BAE Systems and Finmeccanica. It has also revoked the ban on FMC, which ceased buying phosphate from Western Sahara. The fund continues to exclude 18 companies that produce weapons that violate humanitarian principles as well as 21 tobacco producers.

Zurich chair Ackermann resigns

Josef Ackermann, chairman of Zurich Insurance, resigned after an apparent suicide of the group's CFO.
Mr. Ackermann has been at the top of Switzerland's biggest insurer for barely a year when he announced that he would step down because of pressure to take some responsibility for the financial director's death and to avoid "any damage to Zurich's reputation".
Pierre Wauthier, Zurich's chief financial officer, was found dead at his home in the canton of Zug last Monday. His family has blamed Mr. Ackermann for driving his executives too hard and pushed for his departure. Zurich's latest performance problems have frustrated Mr. Ackermann deeply, say people close to him. He and Wauthier had disagreed on various occasions, most recently in the run-up to the second quarter results when Zurich admitted it would miss some of the three-year targets it had planed to meet by the end of this year.
Ackermann's resignation remains puzzling as it leaves some ambiguity about its real causes due to vague statements he made in public. It might be true that Ackermann feels genuinely responsible for his executives but corporate governance or operational issues could be behind it. Investors reacted by wiping 2.5 per cent off Zurich's share price but the sell-off could become worse if Zurich will not provide greater clarity about the reasons behind the chairman's departure.

Italy's high-speed trading tax

Italy has became the first country to push ahead with introducing a tax on high-frequency trading.
The tax will be explicitly focused on high-frequency trading and equity derivatives, which are often used by banks and companies to hedge against risk. Once above the threshold, order changes and cancelations of high-frequency traders will now be taxed at 0.02 per cent when they occur in intervals shorter than half a second. The levies will apply regardless of the place of the transaction or the country of residence of the counterparty.
Italian bankers and brokers have, however, warned that the new taxes could further worsen liquidity in the Italian market. Financial transactions in the country have, namely, already fallen sharply after the government had introduced a tax on equities in March.

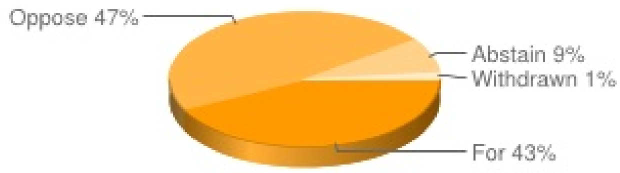
European Voting Charts

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

Total Resolutions	
For	29
Oppose	32
Abstain	6
Withdrawn	1
Total	68

Meetings	AGM / Combined	EGM	Total
Total Meetings	3	2	5
1 (or more) oppose or abstain vote	3	2	5

European Voting Record



European AGM Record / Combined

European EGM Record

European Voting Timetable Q3 2013

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

Voted Meetings

Table 5: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted
1	FIAT INDUSTRIAL SPA	09 Jul 13	**EGM**	2013-06-27
2	D.E MASTER BLENDERS 1753	31 Jul 13	**EGM**	2013-07-17
3	COMPAGNIE FINANCIERE RICHEMONT SA	12 Sep 13	AGM	2013-09-02
4	SEADRILL LTD	20 Sep 13	AGM	2013-09-06
5	RYANAIR HOLDINGS PLC	20 Sep 13	AGM	2013-09-09

European Upcoming Meetings Q4 2013

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

Table 6: Upcoming Meetings

	Company	Meeting Date	Type
1	PERNOD RICARD SA	06 Nov 13	AGM

US Corporate Governance Review

US activists win JP Morgan scalps

Two JP Morgan directors have announced in July that they were standing down, in a major win for US shareholder activists seeking reform at the bank.

Long-time directors David Cote and Ellen Futter, both members of the heavily-criticised risk committee, are stepping down. They received votes in favour their election of just 59% and 53% respectively at the bank's May AGM, having been the target of a "vote no" campaign.

Their departures were described as "a good first step" by CtW Investment Group, which had campaigned against them following the 'London whale' scandal. The group said the bank should now completely overhaul how it manages risk, and seek shareholder input into the appointment of new directors.

SEC seeks pay-ratio disclosure

U.S. companies will need to disclose how the pay of their CEOs compares to that of their workers.

The sharply divided Securities and Exchange Commission (SEC) voted in favour of a new proposal, which requires all publicly listed companies in the U.S. to provide information on the ratio of the compensation of its CEO to the median compensation of its employees. Until now, SEC rules required that companies provide information only about executive compensation and not for other employees. The new rule was mandated by the 2010 Dodd-Frank Act that came as a response to high CEO pay at financial institutions that were bailed out by taxpayers during the financial crisis.

The SEC declined to address the main complaint by companies and trade groups, who demanded that global companies would be allowed to report the median pay only for U.S. employees. The proposal, however, allows companies to come up with their own methodology for calculating the median employee salary. Mary Jo White, SEC chair, said the provision gives "companies significant flexibility in complying with the disclosure requirement while still fulfilling the statutory mandate".

Business groups such as the U.S. Chamber of Commerce and the Center on Executive Compensation sharply oppose the measure claiming the data will be costly to compile and of little use to investors. Companies say investors have little appetite for such information, citing failed shareholder resolutions calling for CEO pay-ratio disclosure. Michael Piwowar, one of the two republican SEC commissioners that opposed the proposal, said "shame on us for putting special interests ahead of investors".

However, proponents argue greater transparency on pay-ratios will lead to greater scrutiny of the U.S. CEOs receiving astronomical remuneration. According to data compiled by Bloomberg, eight CEOs of U.S. companies such as Oracle Corp., Nike Inc., Starbucks Corp and CBS Corp were paid more than 1,000 times the average worker pay in their industry.4 The highest paid CEO in 2012 was Oracle's Larry Ellison, who according to Equilar's analysis earned $96m.

Not surprisingly, Democrats, unions and labour advocates praise the rule. Senator Robert Menendez, a New Jersey Democrat and author of the Dodd-Frank provision requiring the disclosure, made the point that America's middle class has not seen pay raises for years, while CEO pay is soaring. In his view, "this simple benchmark will help investors monitor both how company treats its average workers and whether its executive pay is reasonable". Commissioner Luis Aguilar claimed "shareholders have the right to know whether CEO pay multiples reflects CEO performance" and that comparing CEO compensation to the compensation of an average worker may help offset the inefficient upward spiral of executive pay. Richard Trumka, president of AFL-CIO labour federation, also argued that large pay disparities affect company performance because of diminished employee morale, loyalty and productivity.

The SEC proposal will now have a 60-day public comment period before SEC makes a final decision on its implementation. When in place, the rule will require companies to report the pay ratio for its first fiscal year commencing after the rule comes into force. This important step forward in remuneration transparency may also stimulate UK legislators to see the value of pay-ratio disclosure, something that was too quickly ruled out in our view.

CalPERS sets investment beliefs

CalPERS has adopted a set of investment beliefs that will provide a basis for strategic management of its investment portfolio.

The new investment beliefs that were adopted by California Public Employees' Retirement System's (CalPERS) Board of Administration are intended to inform organisational priorities and ensure alignment between the Investment Office and CalPERS staff. "Having an overarching set of Investment Beliefs to guide decision-making throughout the organisation will be a tremendous asset as we work toward our strategic goals," said Henry Jones, CalPERS Investment Committee chair.

Core to CalPERS approach are the following beliefs:

• Liabilities must influence the asset structure

• A long time investment horizon is a responsibility and an advantage

• Long-term value creation requires effective management of three forms of capital: financial, physical and human

The largest pension fund in the U.S., which holds more than $265bn in assets, will apply the investment beliefs as a framework for making decisions and they are not meant as a checklist to be applied to each decision.

A tweet that's worth $17bn

Apple's stock rocketed after a famous activist investor disclosed a large stake in the company.

In August, Carl Icahn, the American activist investor revealed his holding in Apple by tweeting: "We currently have a large position in APPLE. We believe the company to be extremely undervalued. Spoke to Tim Cook [Apple's CEO] today. More to come." These 112 characters boosted Apple's share price by 5%, raising the firm's market capitalisation by $17bn (£11bn).

Mr. Icahn, is known for his aggressive investment style and pressure on management to increase returns to shareholders or to shake up operations. This time, he wants Apple to borrow money cheaply and undertake a $150bn share buyback. In times when companies sit on large cash piles and borrowing is cheap activists investors are "more likely to seek dividends or share repurchases compared to targeting poor corporate governance or business strategy", explained Kerry Pogue, managing director at Activist Insight.

Investors pressure Murdoch

Shareholders file a proposal to abandon the dual shares class structure at Twenty-First Century Fox.

A group of investors filed a shareholder resolution that calls on Twenty-First Century Fox to abandon its dual class share structure. The media group, which recently separated from conglomerate News Corp is controlled by Rupert Murdoch, despite the fact that he owns only about 14 per cent of outstanding shares. According to investors, Mr. Murdoch, who is the company's chairman and CEO, controls nearly 40 per cent of the voting power of the company. This supposedly allows him to determine the outcome of shareholder votes.

As a result, shareholders are demanding an arrangement, where one share would account for one vote. The group that filed the proposal included, among others, Legal & General Investment Management on behalf of its client BT Pension Scheme and the $415m Nathan Cummings Foundation. Shareholders will vote on the resolution at the company's AGM in October in Los Angeles.

Fox also faces a resolution from Christian Brothers Investment Services seeking the splitting of chair and chief executive roles.

Shareholders split Timken

Activist shareholders split engineer Timken in two.

Following pressure from fund manager Relational Investors, which holds a 6.2 per cent stake in Timken, the US engineering company agreed to split in two units, separating its steel business from its ball bearings and power transmission equipment production. The decision comes after a non-binding vote at the engineering company's AGM in May, when 53 per cent of voting shares supported the split. Calstrs, the California state teacher's pension fund, which supported the split, argued it would raise Timken's share price by clarifying the value of the two sides of the company. The pension fund turned out being right as Timken's share price indeed rose just before and after announcing the split.

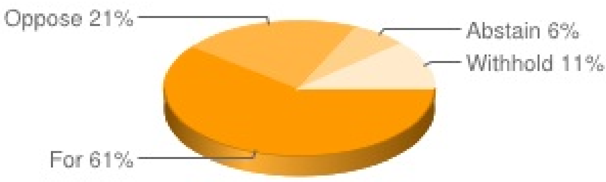
US Voting Charts

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

Total Resolutions	
For	59
Oppose	20
Abstain	6
Withhold	11
Withdrawn	0
Total	96

Meetings	AGM	EGM	Total
Total Meetings	7	0	7
1 (or more) oppose or abstain vote	7	0	7

US Voting Record



US AGM Record

US EGM Record

There where no EGMs during the last period in the clients portfolio.

US Voting Timetable Q3 2013

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

Voted Meetings

Table 7: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted
1	SMUCKER (JM) CO.	14 Aug 13	AGM	2013-07-29
2	XILINX INC.	14 Aug 13	AGM	2013-07-29
3	MEDTRONIC INC	22 Aug 13	AGM	2013-08-06
4	H&R BLOCK INC.	12 Sep 13	AGM	2013-09-02
5	NIKE INC.	19 Sep 13	AGM	2013-09-05
6	FEDEX CORPORATION	23 Sep 13	AGM	2013-09-09
7	CONAGRA FOODS INC.	27 Sep 13	AGM	2013-09-12

US Upcoming Meetings Q4 2013

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

Table 8: Upcoming Meetings

	Company	Meeting Date	Type
1	ORACLE CORP.	31 Oct 13	AGM
2	MICROSOFT CORP.	19 Nov 13	AGM
3	CLOROX CO.	20 Nov 13	AGM

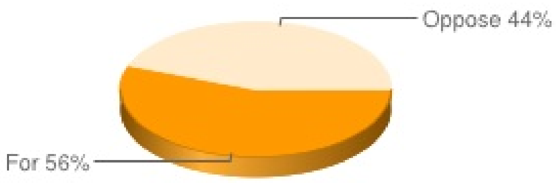
Japanese Voting Charts

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

Total Resolutions	
For	5
Oppose	4
Abstain	0
Withdrawn	0
Total	9

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

Japanese Voting Record



Japanese AGM Record

Japanese EGM Record

There where no EGMs during the last period in the clients portfolio.

Japanese Voting Timetable Q3 2013

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

Voted Meetings

Table 9: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted
1	ORACLE CORP JAPAN	23 Aug 13	AGM	2013-08-13

Japanese Upcoming Meetings Q4 2013

There are no upcoming meetings for this region.

Global Corporate Governance Review

Olympus executives convicted

Three former executives of Olympus convicted of a £1.1bn accounting fraud were given suspended jail sentences this summer.
In July, the accounting scandal surrounding the Japanese camera maker, which emerged in 2011 when the company's British chief executive Michael Woodford questioned dubious payments and acquisitions, found an epilogue. A Tokyo court convicted three of the companies' former directors for covering up massive investment losses at the tech firm, violating securities laws and falsifying financial statements.
The former president Tsuyoshi Kikukawa and auditor Hideo Yamada received prison terms of three years, while ex-vice president Hisashi Mori was ordered a prison term of two-and-a-half years. They do not face immediate jail time, however, all three have been suspended up to five years. In addition, Olympus was fined £4.6m.

New ACSI governance guidelines

The Australian Council of Superannuation Investors (ACSI) has published updated advice to corporate Australia on how it will be assessing public company directors' behaviours and performance.
ACSI's Governance Guidelines, updated in July, provide expanded context and commentary on investor expectations of board practices, executive pay structures and conduct during capital raisings. The new guidelines include commentary on the issues considered when directors seek election, and re-election, to listed company boards. These factors include the performance of the company under the incumbent board, length of tenure, performance of the relevant director on other boards, as well as assessing their capacity and workload.
Executive pay concerns highlighted include –

- The payment of bonuses for making acquisitions rather than the value delivered to shareholders, rewarding acquisitive behaviour and 'empire building,' instead of improved performance.
- Fixed pay increases that simply represent a 'catch up' for executives in cases after a pay freeze has been applied.
- The use of normalised, or adjusted, earnings figures which shield executive incentive plans from costs incurred by the company. This adjustment should only be used to reasonably exclude one-off items.
- The payment of dividends to executives on unvested (and therefore unearned) incentive shares.
- Retention payments made without a clear, or robust, rationale.
- Termination payments that provide reward for mediocre performance, or failure.
- Full vesting of options and performance rights in the event of a takeover or change of control in the company, irrespective of how far into vesting period the options are and whether or not performance hurdles have been satisfied.

ACSI says that the introduction of the 'two strikes' rule has been successful, and its expectation is that companies which have received a first strike should respond to investor concerns by engaging and addressing material remuneration issues.
On capital raising ACIS says that boards remain ultimately responsible to shareholders, and so must maintain effective oversight of management and external advisers in the conduct of capital raisings to ensure that shareholder expectations are met. Boards should seek to minimise the costs of raising new equity and to ensure that the fees paid to advisers, including investment banks and underwriters, reflect value delivered and risks incurred.

Beijing gets tough on pollution

China's environmental watchdog halts new projects by the country's two largest refining companies because they missed pollution targets.

The Chinese Ministry of Environmental Protection has temporarily banned new constructions as well as renovation and expansion of the existing refineries of China National Petroleum Corp. (CNPC) and China Petrochemical Corp., known as Sinopec Group. Together they account for more than three-quarters of China's total refining capacity. According to the Ministry, CNPC missed a target to reduce chemical-oxygen-demand, which is an indicator of water pollution, while Sinopec missed a target to reduce nitrogen-oxide emissions, a metric for air pollution.

CNPC and Sinopec have so far not invested in reducing pollutants at refineries because of Beijing's control over fuel prices, which does not allow them to pass on the upgrade costs to consumers.

The bans are a rather unusual step by the Chinese authorities, which shows that Beijing is stepping up environmental scrutiny of state-owned companies after mounting public discontent over environmental pollution in China. In January, this year, Beijing and several other locations suffered from severe air pollution and cadmium-tainted rice has been discovered in supplies in the southern province of Guangdong.

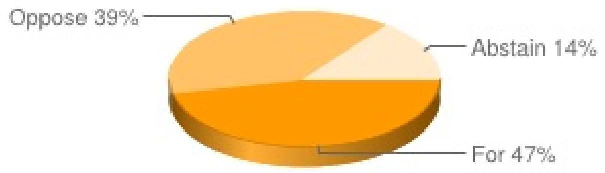
Global Voting Charts

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

Total Resolutions	
For	36
Oppose	30
Abstain	11
Withdrawn	0
Total	77

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

Global Voting Record



Global AGM Record

Global EGM Record

Global Voting Timetable Q3 2013

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

Voted Meetings

Table 10: Meetings voted in the quarter

	Company	Meeting Date	Type	Date Voted
1	EMS-CHEMIE HOLDING AG	10 Aug 13	AGM	2013-07-29
2	NASPERS LTD	30 Aug 13	AGM	2013-08-20
3	SYDNEY AIRPORT	19 Sep 13	**EGM**	2013-09-09

Global Upcoming Meetings Q4 2013

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

Table 11: Upcoming Meetings

	Company	Meeting Date	Type
1	TELSTRA CORP LTD	15 Oct 13	AGM
2	CSL LTD	16 Oct 13	AGM
3	BRAMBLES LTD	22 Oct 13	AGM
4	CARSALES.COM LTD	25 Oct 13	AGM
5	TATTS GROUP LTD	31 Oct 13	AGM
6	WESFARMERS LTD	07 Nov 13	AGM
7	COMMONWEALTH BANK AUSTRALIA	08 Nov 13	AGM
8	SONIC HEALTHCARE LTD	22 Nov 13	AGM
9	WOOLWORTHS LTD	22 Nov 13	AGM
10	BAIDU INC -ADR	01 Dec 13	AGM
11	MYRIAD GENETICS INC	05 Dec 13	AGM
12	PROSPECT CAPITAL CORP	06 Dec 13	AGM
13	INCITEC PIVOT LTD	18 Dec 13	AGM
14	ANZ-AUSTRALIA & NEW ZEALD BK	19 Dec 13	AGM
15	MINDRAY MEDICAL INTL	28 Dec 13	AGM

Asian Voting Timetable Q3 2013

There were no meetings held by the client during the period.

Asian Upcoming Meetings Q4 2013

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

Table 12: Upcoming Meetings

	Company	Meeting Date	Type
1	SINGAPORE PRESS HOLDINGS LTD	30 Nov 13	AGM

PIRC Summary Report Appendices

UK

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

European

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

US

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

Japanese

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

Global

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

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