APPENDIX B

PIRC LTD

LANCASHIRE PENSION FUND

PROXY VOTING REVIEW

PERIOD: 1st JANUARY 2014 TO 30th SEPTEMBER 2014

The voice of responsible shareowners

CLIENT: Lancashire Pension Fund

PROJECT TITLE: Proxy Voting Review

DATE: 05th November 2014

1. RESOLUTIONS ANALYSIS

a. Number of resolutions voted: 4001 (note that it includes non-voting items).

b. Number of resolutions opposed by client: 945

2. NUMBER OF RESOLUTIONS BY VOTE CATEGORIES

Table 1: Vote Categories

VOTE CATEGORIES	NUMBER OF RESOLUTIONS
For	2475
Abstain	252
Oppose	945
Non-Voting	108
Not Supported	4
Withhold	215
US Frequency Vote on Pay	2
TOTAL	4001

3. VOTE BREAKDOWN BY REGION

Table 2: Vote Categories by Region

REGION	FOR	ABSTAIN	OPPOSE	NON-VOTING	NOT SUPPORTED	WITHHOLD	US FREQUENCY VOTE ON PAY
UK	383	35	55				
Europe & Global EU	731	85	274	104	4		
USA & Canada	947	99	469			215	2
Asia	96	24	57	3			
Japan	265	1	28				
Australia/ South Africa	27	7	39	1			
South America	9		6				
Rest Of The World	17	1	17				
TOTAL	2475	252	945	109	4	215	2

4. VOTE RECOMMENDATION WHERE RESOLUTIONS HAVE PASSED

Table 3: Top 20 resolutions which received the highest percentage Oppose/Abstain vote

COMPANY NAME	PROPOSAL	VOTE	OPPOSE%
Total Sa	Shareholder Resolution: Approve Appointment of Employee Representatives to the Board Committees and Amend Article 12.5 of Bylaws	Oppose	97.00%
Total Sa	Shareholder Resolution: Allow Loyalty Dividends to Long-Term Registered Shareholders and Amend Article 20 of Bylaws	Oppose	96.16%
Pfizer Inc.	Shareholder Resolution: Approval of political contributions policy	Abstain	92.46%
Total Sa	Shareholder Resolution: Amend Board Internal Rules Re: Publication of a Quarterly Newsletter Written by Employee Shareholder Representatives	Abstain	83.21%
Entergy Corp.	Shareholder Resolution: Decommissioning of Indian Point Nuclear Reactors.	Oppose	82.70%
Schindler Holding Ag	Approve the Remuneration of the Board of Directors	Abstain	82.39%
American Express Co	Shareholder Resolution: Executives to retain significant stock	Abstain	79.12%
Union Pacific Corp.	Shareholder Resolution: Executives to retain significant stock	Abstain	74.30%
Bank Of America Corp.	Shareholder Resolution: Introduce cumulative voting	Oppose	74.11%
FedEx Corporation	Shareholder Resolution: Hedging and pledging policy	Abstain	73.82%
Centurylink Inc	Shareholder Resolution: Equity retention	Abstain	72.61%
Honeywell International Inc.	Shareholder Resolution: Eliminate Accelerated Vesting In A Change In Control	Abstain	70.93%
Becton Dickinson & Co	Approval of material terms of performance goals under Performance Incentive Plan	Oppose	69.52%
L-3 Communications Holdings Inc	Shareholder Resolution: Equity retention by senior executives	Abstain	69.31%
Verizon Communications Inc	Shareholder Resolution: Network Neutrality	Abstain	67.92%
General Motors Co	Shareholder Resolution: Cumulative Voting	Oppose	63.64%
New York Community Bancorp Inc	Approve Executive Compensation	Oppose	52.67%
Schindler Holding Ag	Approve the remuneration of the Group Executive Committee	Abstain	49.87%
Total Sa	Re-elect Paul Desmarais Jr	Oppose	49.56%
AT&T Inc.	Advisory vote on Executive compensation	Abstain	43.74%
AstraZeneca Plc	Elect Jean-Philippe Courtois	Abstain	42.61%
Vector Group Ltd	Advisory vote on executive compensation	Oppose	38.48%
Live Nation Entertainment	Approve Executive Compensation	Oppose	37.69%
Tesla Motors Inc	Amend Omnibus Stock Plan	Oppose	33.87%
Novartis Ag	Elect Ulrich Lehner as a member of the Compensation Committee	Oppose	33.08%
SAP Ag	Re-elect Wilhelm Haarmann	Oppose	32.38%
Terna - Rete Elettrica Nazionale Spa	Approve the Remuneration Report	Oppose	31.22%
Muenchener Rueck Ag	Re-elect Wolfgang Mayrhuber	Oppose	30.08%
HCP Inc	Approve Pay Structure	Oppose	30.05%
Live Nation Entertainment	Elect Gregory B. Maffei	Oppose	29.78%

Table 4: Top 20 UK resolutions which received the highest percentage Oppose/Abstain vote

COMPANY NAME	PROPOSAL	VOTE	OPPOSE%
AstraZeneca Plc	Elect Jean-Philippe Courtois	Abstain	42.61%
Reckitt Benckiser Group Plc	Approve Remuneration Policy	Oppose	19.34%
AstraZeneca Plc	Approve Remuneration Policy	Oppose	12.23%
Imperial Tobacco Group Plc	Approve Remuneration Policy	Oppose	11.85%
AstraZeneca Plc	Elect Marcus Wallenberg	Abstain	10.70%
British American Tobacco Plc	Approve Remuneration Policy	Oppose	9.44%
Tullow Oil Plc	Approve Remuneration Policy	Oppose	9.19%
Prudential Plc	Approve Remuneration Policy	Oppose	7.95%
Greene King Plc	To re-elect Tim Bridge	Oppose	7.18%
BAE Systems Plc	Approve Remuneration Policy	Oppose	6.99%
BAE Systems Plc	Approve new long term incentive plan	Oppose	6.46%
AstraZeneca Plc	Approve the 2014 Performance Share Plan	Oppose	6.29%
Reed Elsevier Plc	Approve Remuneration Policy	Oppose	6.00%
Rolls-Royce Holdings Plc	Approve the Remuneration Report	Abstain	5.78%
Reckitt Benckiser Group Plc	Re-elect Adrian Bellamy	Oppose	4.68%
Greene King Plc	Approve Remuneration Policy	Oppose	4.11%
GlaxoSmithKline Plc	Re-elect Sir Christopher Gent	Oppose	4.09%
Bunzl Plc	To re-elect Mr P G Rogerson	Oppose	4.03%
WH Smith Plc	Approve the Remuneration Report	Oppose	4.02%
Rolls-Royce Holdings Plc	To approve the Performance Share Plan (PSP)	Oppose	3.89%

Table 5: Top 20 US & Canadian resolutions which received the highest percentage Oppose/Abstain vote

COMPANY NAME	PROPOSAL	VOTE	OPPOSE%
Pfizer Inc.	Shareholder Resolution: Approval of political contributions policy	Abstain	92.46%
Entergy Corp.	Shareholder Resolution: Decommissioning of Indian Point Nuclear Reactors.	Oppose	82.70%
American Express Co	Shareholder Resolution: Executives to retain significant stock	Abstain	79.12%
Union Pacific Corp.	Shareholder Resolution: executives to retain significant stock if properly presented at the Annual Meeting.	Abstain	74.30%
Bank Of America Corp.	Shareholder Resolution: Introduce cumulative voting	Oppose	74.11%
FedEx Corporation	Shareholder Resolution: Hedging and pledging policy	Abstain	73.82%
Centurylink Inc	Shareholder Resolution: Equity Retention	Abstain	72.61%
Honeywell International Inc.	Shareholder Resolution: Eliminate Accelerated Vesting In A Change In Control	Abstain	70.93%
Becton Dickinson & Co	Approval of material terms of performance goals under Performance Incentive Plan	Oppose	69.52%
L-3 Communications Holdings Inc	Shareholder Resolution: Equity retention by senior executives.	Abstain	69.31%
Verizon Communications Inc	Shareholder Resolution: Network Neutrality	Abstain	67.92%
General Motors Co	Shareholder Resolution: Cumulative Voting	Oppose	63.69%
New York Community Bancorp Inc	Approve Executive Compensation	Oppose	52.67%
AT&T Inc.	Advisory vote on Executive compensation	Abstain	43.74%
Vector Group Ltd	Advisory vote on executive compensation	Oppose	38.48%
Live Nation Entertainment	Approve Executive Compensation	Oppose	37.69%
Tesla Motors Inc	Amend Omnibus Stock Plan	Oppose	33.87%
HCP Inc	Advisory vote on executive compensation	Oppose	30.05%
Live Nation Entertainment	Elect Gregory B. Maffei	Oppose	29.78%
Applied Materials Inc	Advisory vote on executive compensation relating to the Business Combination.	Oppose	27.23%

Table 6: Top 20 US & Canadian resolutions excluding shareholder proposals which received the highest percentage Oppose/Abstain vote

COMPANY NAME	PROPOSAL	VOTE	OPPOSE%
Becton Dickinson & Co	Approval of material terms of performance goals under Performance Incentive Plan	Oppose	69.52%
New York Community Bancorp Inc	Approve Executive Compensation	Oppose	52.67%
AT&T Inc.	Advisory vote on Executive compensation	Abstain	43.74%
Vector Group Ltd	Approve Pay Structure	Oppose	38.48%
Live Nation Entertainment	Approve Executive Compensation	Oppose	37.69%
Tesla Motors Inc	Amend Omnibus Stock Plan	Oppose	33.87%
HCP Inc	Advisory vote on executive compensation	Oppose	30.05%
Live Nation Entertainment	Elect Gregory B. Maffei	Oppose	29.78%
Applied Materials Inc	Advisory vote on executive compensation relating to the Business Combination.	Oppose	27.23%
Seattle Genetics Inc	Amend existing long term incentive plan	Oppose	26.94%
Ultra Petroleum Corp	Approve new Omnibus plan	Oppose	26.04%
Intuit Inc.	Approval of the Amended and Restated 2005 Equity Incentive Plan	Oppose	24.12%
Raytheon Co.	Re-elect Linda G. Stuntz	Oppose	23.31%
Entergy Corp.	Advisory vote on executive compensation	Abstain	21.00%
Philip Morris International Inc.	Elect Sergio Marchionne	Abstain	20.45%
Wisconsin Energy Corp.	Advisory vote on executive compensation	Oppose	19.73%
People's United Financial Inc.	Approve the Long-Term Incentive Plan.	Oppose	19.39%
Walt Disney Co.	Advisory vote on Executive Compensation	Oppose	19.30%
Bank Of New York Mellon Corp.	Amend existing long term incentive plan	Oppose	19.282%
The Travelers Co's.	Non-Binding Vote on Executive Compensation	Abstain	18.14%

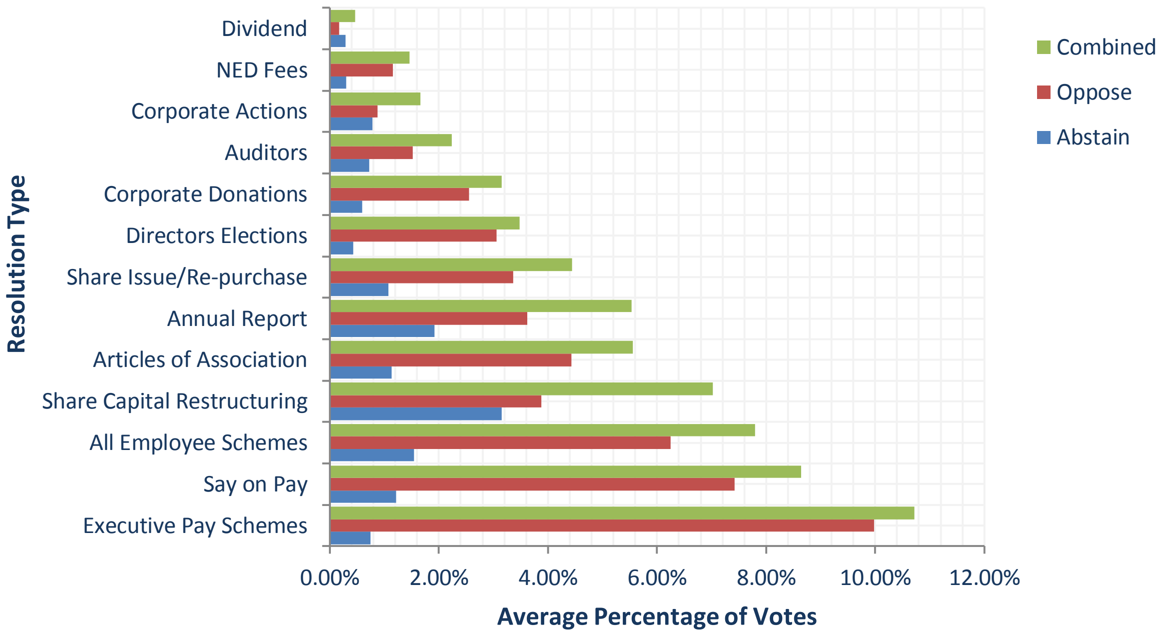
Table 7: Top 20 EU resolutions which received the highest percentage Oppose/Abstain vote

COMPANY NAME	PROPOSAL	VOTE	OPPOSE%
Total Sa	Shareholder Resolution: Approve Appointment of Employee Representatives to the Board and Amend Article 12.5 of Bylaws	Oppose	97.00%
Total Sa	Shareholder Resolution: Allow Loyalty Dividends to Long-Term Registered Shareholders and Amend Article 20 of Bylaws	Oppose	96.16%
Total Sa	Shareholder Resolution: Publication of a Quarterly Newsletter Written by Employee Shareholder Representatives	Abstain	83.21%
Schindler Holding Ag	Approve the Remuneration of the Board of Directors	Abstain	82.39%
Schindler Holding Ag	Approve the remuneration of the Group Executive Committee	Abstain	49.89%
Total Sa	Re-elect Paul Desmarais Jr	Oppose	49.56%
Novartis AG	Elect Ulrich Lehner as a member of the Compensation Committee	Oppose	33.08%
SAP Ag	Re-elect Wilhelm Haarmann	Oppose	32.39%
Terna - Rete Elettrica Nazionale Spa	Approve the Remuneration Report	Oppose	31.22%
Muenchener Rueck Ag	Re-elect Wolfgang Mayrhuber	Oppose	30.08%
TE Connectivity Ltd	Elect Thomas J. Lynch as Chairman of the Board of Directors.	Oppose	28.88%
Adecco Sa	Amend Articles of the Bylaws: create Articles 14bis, 20 and 20bis	Oppose	28.86%
SAP Ag	Elect Hagemann Snabe	Oppose	28.34%
SAP Ag	Re-elect Hasso Plattner	Oppose	25.62%
Novartis Ag	Elect Srikant Datar as a member of the Compensation Committee.	Oppose	25.33%
SAP Ag	Re-elect Hartmut Mehdorn	Oppose	23.96%
SAP Ag	Re-elect Erhard Schipporeit	Oppose	23.21%
SAP Ag	Re-elect Pekka Ala-Pietilae	Oppose	22.87%
Muenchener Rueck Ag	Re-elect Henning Kagermann	Oppose	22.10%
Muenchener Rueck Ag	Re-elect Ron Sommer	Oppose	19.44%

Table 8: Top 20 EU resolutions excluding shareholder proposals which received the highest percentage Oppose/Abstain vote

COMPANY NAME	PROPOSAL	VOTE	OPPOSE%
Schindler Holding Ag	Approve the Remuneration of the Board of Directors	Abstain	82.39%
Schindler Holding Ag	Approve the remuneration of the Group Executive Committee	Abstain	49.87%
Total Sa	Re-elect Paul Desmarais Jr	Oppose	49.56%
Novartis Ag	Elect Ulrich Lehner as a member of the Compensation Committee	Oppose	33.08%
SAP Ag	Re-elect Wilhelm Haarmann	Oppose	32.39%
Terna - Rete Elettrica Nazionale Spa	Approve the Remuneration Report	Oppose	31.22%
Muenchener Rueck Ag	Re-elect Wolfgang Mayrhuber	Oppose	30.08%
Te Connectivity Ltd	Elect Thomas J. Lynch as Chairman of the Board of Directors.	Oppose	28.87%
Adecco Sa	Amend Articles of the Bylaws: create Articles 14bis, 20 and 20bis	Oppose	28.86%
SAP Ag	Elect Hagemann Snabe	Oppose	28.34%
SAP Ag	Re-elect Hasso Plattner	Oppose	25.62%
Novartis Ag	Elect Srikant Datar as a member of the Compensation Committee.	Oppose	25.34%
SAP Ag	Re-elect Hartmut Mehdorn	Oppose	23.96%
SAP Ag	Re-elect Erhard Schipporeit	Oppose	23.21%
SAP Ag	Re-elect Pekka Ala-Pietilae	Oppose	22.85%
Muenchener Rueck Ag	Re-elect Henning Kagermann	Oppose	22.10%
Muenchener Rueck Ag	Re-elect Ron Sommer	Oppose	19.44%
Ryanair Limited	Approve the Remuneration Report	Oppose	18.79%
Bank of Ireland	To renew the directors' authority to issue ordinary stock on a non-pre-emptive basis other than for cash	Oppose	18.34%
Muenchener Rueck Ag	Re-elect Bernd Pischetsrieder	Oppose	17.50%

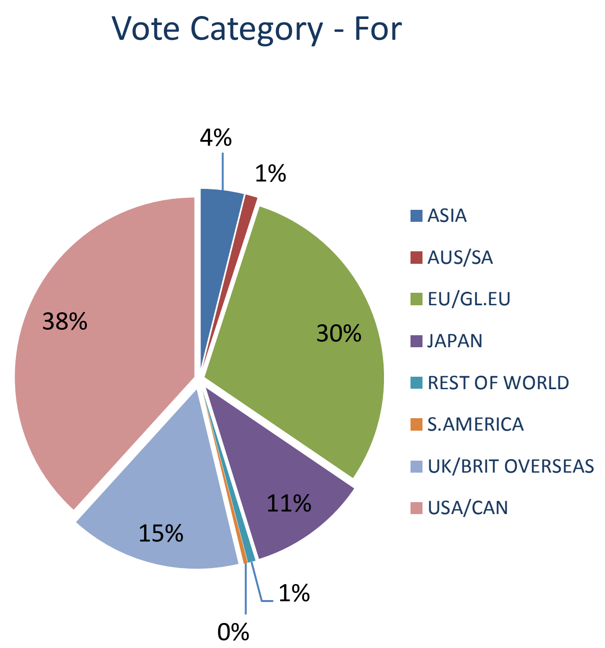
Graph 1 Most Contentious Resolution Types

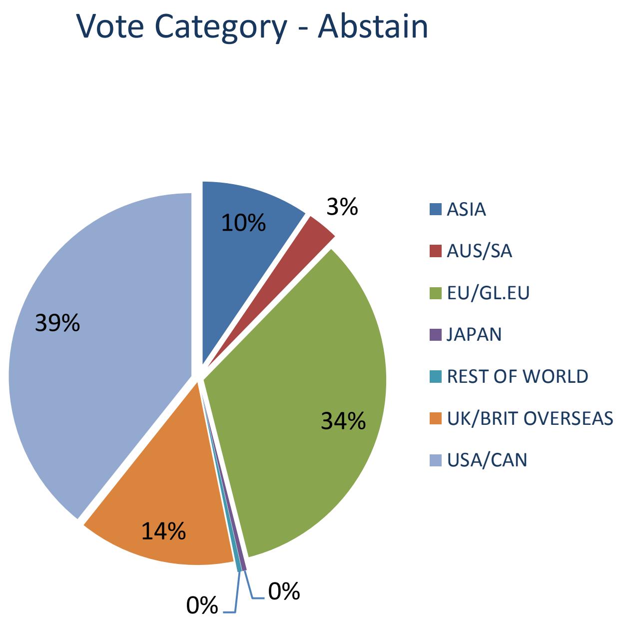


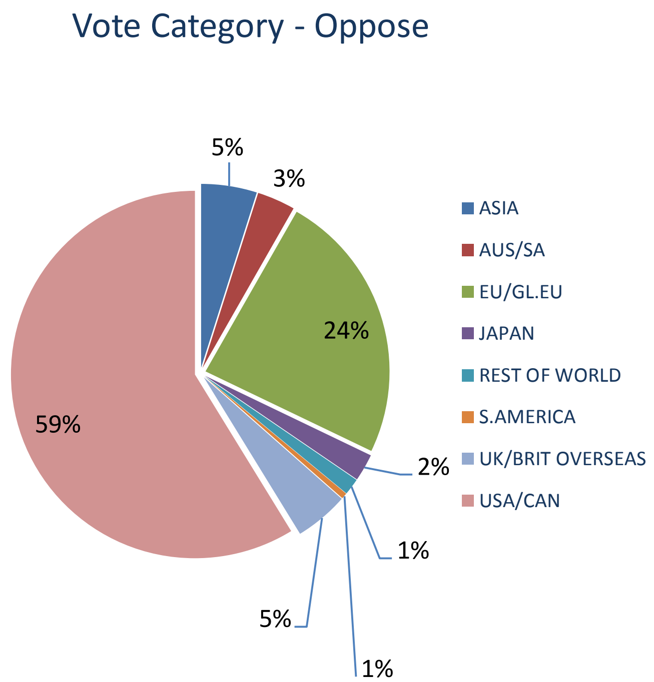
*Combined = Abstentions + Oppose votes.

Note: The resolutions classified as "**Shareholder Proposals**" (not included in the table) had the highest opposition proxy levels with an average of 70.47% of shareholders voting against the resolution and 4.42% abstaining.

Graph 2 Vote Categories by Region







a – Note that for Europe & Global EU, Not Supported vote category is included in Oppose graph; for US & Canada, Withhold vote category is included in Oppose graph.

5. AGM STORIES THROUGHOUT THE YEAR

WH Smith PLC

AGM 22nd January 2014

Remuneration is the main issue for this well known FTSE 250 retail bookseller and newsagent chain.

Remuneration Report: Disclosure is considered generally good. Although WH Smith's year end means no binding vote was required at this AGM it would have been welcomed if information regarding the intended date of implementation was disclosed. In addition, further details of claw-back provisions would have been nice as it is not clear if the provisions operate on a recovery or withholding basis. Overall variable pay was potentially excessive and is set to become more excessive with increases in maximum award limits planned for 2014.

This can be seen when looking at the CEO pay as under the annual bonus, LTIP and co-investment plan; the maximum award totals an excessive 500% and while multiple performance criteria are used they are measured separately with a pay out possible on achieving a single criteria. Up to 75% of the CEO's salary is available for achieving the minimum (threshold) performance.

It is noted that one of the performance conditions attached to long term executive pay is the use of relative dividend which introduces a personal conflict of interest into decisions that should properly be based on execution of statutory duties.

There were concerns at the use of discretion by the committee to the apparent benefit of executives without obvious benefit to shareholders. Former CEO Kate Swann resigned on June 30th 2013. The large majority of incentive awards (around 1 million LTIP and MIP shares) held by Ms Swann were not exercisable at this point. Despite this Ms Swann was permitted to retain incentive awards on a reduced pro rata basis. Although allowed by scheme rules, it is not clear how these awards benefitted shareholders given she was no longer in a position to contribute to the company's performance. It is also unclear how permitting directors to keep awards on resignation aids retention.

Roche Holdings

AGM 4th March 2014

Swiss pay reform fight moves to the AGM trenches

The old saying – you wait for ages for a vote on executive pay to come along then five turn up at the same time. This is a fitting description of the upcoming AGM ballot for Swiss pharma Roche where shareholders are being asked to vote on five separate pay related resolutions. The votes on pay arise from the implementation of Switzerland's new law Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften (Ordinance against excessive compensation in listed corporations or VeguV for short). Under the VeguV companies have some discretion over the exact nature of what they should seek approval for but they are required to set out the details of the vote in their articles of association.

As a result Roche is seeking approval for:

1) Binding approval of changes to the articles to give effect to the new ordinance
2) Binding approval of the total amount of future remuneration to the board
3) Binding approval of total amount of future remuneration for the Corporate Executive Committee
4) Binding retrospective approval for bonuses to the Corporate Executive Committee and Chairman
5) Advisory approval of the remuneration report which contains forward and backwards disclosures for both executive committee and board.

Big pharma does not come much bigger than Roche, the world's largest biotech company and the third largest EU Company by market value so the way it has approached the new regulations will be important in setting the tone for other Swiss issuers.
On the face of it binding approval for forward and backward pay for board and executive committee may seem like full and proper accountability. Look a little closer and it becomes clear that the disclosure which supports the new votes is as solid as a piece of Swiss cheese.
Although shareholders now have a binding vote on total pay at Swiss companies caution still needs to be exercised. At Roche the amount of bonus to be approved does not show the value of shares awarded at market price but instead values awards on the assumption they are worth less if an executive is obliged to hold on to them.
The Swiss fight to reform excessive remuneration took a step forward with the passage of VeguV despite a vigorous corporate campaign to water down its effectiveness. Shareholders who support improved governance may now have to battle it out AGM by AGM to bring about meaningful transparency and disclosure.

Tullow Oil plc

AGM 30th April 2014

The Proposed remuneration policy is the main issue of concern at this FTSE 100 oil and gas exploration and production company.

Remuneration Policy: Tullow proposed a major change in remuneration structure via the merger of the annual bonus and the long-term incentive into the Tullow Incentive Plan (TIP). With an individual limit of 600% of base salary it is considered very excessive. In addition, the Company did not consult employees when setting executive pay and its policy on contracts also raised concerns particularly the discretion to buy back forfeited awards when hiring new executives to the Board.

This tends to nullify the retentive effect that these schemes ought to have in the executive pay system.

Appointment of auditors: For the year under review Deloitte LLP was proposed. Non-audit fees represented 30.8% of the audit fees during the year and 35.1% on a three year aggregate basis. The figures raise some concerns over the independence on the external auditors as during the statutory audit they would be required to review their own work.

Board Composition: Overall the board was considered to have sufficient independent representation with 5 Non-Executive Directors, 5 Executives and 1 Chairman.

Reckitt Benckiser Group plc

AGM 7th May 2014

Independence, remuneration policy and female board representation are the main governance issues at this FTSE100 health, hygiene and home products company.

Board Composition: Non Executive Directors Mr Peter Harf, Mr Kenneth Hydon and Ms Judith Spreiser were not considered independent and the board lacked independent representation. Mr Adrian Bellamy is Chair of the company. No target for female representation on the Board by 2015 was disclosed. Current representation stood at 10% (One director). As Mr Bellamy is Chair of the Nomination Committee as well as chairman of the board this dual role could lead to inappropriate influence on the committee's deliberations for succession planning.

Remuneration Policy: Maximum potential payouts under all incentive schemes for the Executives were considered excessive. There was no maximum cap disclosed as a percentage of base salary for the LTIP awards.

The ratio of CEO pay compared to average employee pay was disclosed and was estimated to be 160:1 which is considered excessive. The LTIP uses three-year earnings growth as the sole performance measure, however best practice is to use at least two performance criteria in a concurrent fashion. The three-year performance period, without further holding requirement is also not considered sufficiently long-term. The recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers, which is an inappropriate practice. Provision for upside discretion existed in determining severance payments.

Bank of America Corporation

AGM 7th May 2014

Executive compensation, shareholder director nominations, climate risk and disclosure of political lobbying were the key governance matters before the AGM of this S&P500 banking conglomerate.

Board Composition: Overall, it was considered that the Board has sufficient independent representation. The roles of Chairman and CEO were separated and out of 14 Non-Executive Directors only 3 were not considered independent due to tenure.

Advisory Vote on executive compensation: The Company submitted a proposal for shareholder ratification of its executive compensation policy and practices. Specific performance targets for the annual bonus are not disclosed. The committee does not provide material disclosures to assure shareholders that targets are challenging. There was a concern over the Compensation Committee having discretion in awarding additional bonuses. Only 50% of long term awards have performance based vesting.

Approval of Amendment to the Series T Preferred Stock: The Company was seeking shareholder approval of the amendment to the certificate of designations for the 6% Cumulative Perpetual Preferred Stock, Series T (the Series T Preferred Stock).The Series T Preferred Stock currently does not qualify as Tier 1 capital. If shareholders were to approve the Amendment at the annual meeting, the Tier 1 capital would increase by approximately $2.9 billion, which will benefit the Tier 1 capital and leverage ratios, each of which is an important measure of the Company's regulatory capital adequacy.

Berkshire Hathaway Inc. and its affiliates are the holders of 100% of the outstanding shares of Series T Preferred Stock and have agreed to allow Bank of America as an irrevocable proxy to vote their shares of Series T Preferred Stock in favour of the Amendment. There are concerns regarding the Board's ability to tailor the vote as deemed appropriate by the Board. Additionally it is considered that the amended terms of this series of preferred stock will not benefit all shareholders equally.

Shareholder Resolution, Introduce cumulative voting: The proponent was requesting that the Board of Directors take the necessary steps to provide for cumulative voting in the election of directors, which means each shareholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit. The Board are against this proposal and argue that cumulative voting could be used by special interest groups to elect one or more directors sharing those groups' narrow interests, and that it could interfere with a diverse, balanced and effective Board. Cumulative voting systems are not supported as they can potentially allow small shareholder groups to have a disproportionate influence over the election of directors. The principle of "one share, one vote" is supported as best practice.

Shareholder Resolution, Proxy Access: The proponent requested the Board, to amend the governing documents to allow shareholders or groups of shareholders to make direct board nominations according to specified criteria around disclosure, stock holdings and eligibility periods with distribution of information relating to candidates and associated legal requirements distributed to all stockholder prior to elections for board positions. The Board opposed the resolution. The move, which would strengthen shareholder democracy and the requested threshold for holding requirement for nominators, is considered sufficient. In addition, the nomination of new Board members may assist independence in the oversight of the company. (Note: a similar proposal at the 2013 AGM received For Vote of 8.7 %.)

Shareholder Resolution, Climate Change Report: The proponents requested that the Board report to shareholders by September 2014, at reasonable cost and omitting proprietary information, Bank of America's assessment of the greenhouse gas emissions resulting from its financing portfolio and its exposure to climate change risk in its lending, investing, and financing activities. The Board believe that the company already provides publicly available information on the greenhouse gas emissions attributed to one of its most carbon-intensive business portfolios and the associated company policies and procedures to address related risks and opportunities. The proponent requests that the board publicly report on the company's indirect GHG exposure via its financing activities and its portfolio exposure to climate change risks. The company currently reports an estimate of its overall exposure to carbon emissions from its financing relationships with electric utilities. However, this reporting is only partial and does not address emissions from the company's clients in other industries. It is considered a reasonable practice that the board should commit to reporting on how climate change issues are integrated within its direct and indirect financing activities and its overall portfolio exposure.

Shareholder Resolution, Lobbying Report: The proponent had requested that the Board authorize the preparation of a report, updated annually, disclosing all political lobbying activity. The Board were against the proposal. It is viewed that not all lobbying activity by the company, as defined by the proponent, has been disclosed and that all shareholder funds should be accounted for as the amounts of shareholder funds mentioned are considered to be material, inclusion in the annual report is considered be a reasonable request for disclosure.

Vodafone Group Plc

AGM 29th July2014

Remuneration, incentive plans and the appointment of auditors are the significant issues at this British multinational telecommunications company.

Remuneration Policy: The Company operates one long term incentive plan (the GLTI) where awards vest subject to conditions which operate concurrently of each other, which is always welcomed. However, no non-financial KPI targets were used. At three years instead of five, the performance period is not considered sufficiently long term. Although an additional holding period was introduced for 50% of the awards.

The CEO's and other Executive Directors' total potential awards under all incentive schemes is considered excessive. The ratio of CEO pay to employee average pay was not disclosed; however, it is estimated and is considered excessive at 58 to 1.

Directors are entitled to a dividend income which is accrued on share awards from the date of grant, once awards vest. This policy is not considered in line with shareholders' best interests. Shareholding requirements by Directors in the Company are proposed, however no adequate period is in place.

The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers. This is considered an inappropriate practice. Upside discretion may be used while determining severance. Mitigation arrangements exist. A claw-back policy is also in place.

Remuneration Report: Rewards made to the Executive Directors for the year are considered excessive in comparison with their base salaries. Realised variable remuneration for the CEO in the year is almost seven times his base salary. In addition, the balance of CEO realised pay with financial performance is not considered acceptable.

Approval of Vodafone Global Incentive Plan: Performance targets are not disclosed sufficiently for the plan and the performance period is considered too short. Taking into consideration the other variable schemes in aggregate the LTIP is considered excessive. Vesting of awards may be accelerated in the event of cessation of employment, which is considered inappropriate as executives may be rewarded for performance not obtained.

The directors have the ability to amend or waive any performance conditions without shareholders approval. Such a high level of discretion negates the purpose of safeguards. Furthermore, Long Term Incentive Plans based schemes are inherently flawed. There is the inherent risk that they are rewarding volatility rather than the performance of the company (creating capital and - lawful - dividends). They are inherently acting as a complex and opaque hedge against absolute company under-performance and long-term share price falls.

Appointment of Auditors: PricewaterhouseCoopers LLP are proposed to replace Deloitte LLP. There are concerns over the independence of PwC; Vodafone Non-Executive Philip was on the advisory Board of PwC until January 2014, which compromises the independence of both parties. The move of Mr Yea from the Remuneration Committee to the Audit Committee further aggravates the issue. The independence of the auditor is of paramount importance to ensure objectivity of the Auditor and confidence in financial reporting. PwC was acting as the Company's Remuneration Consultant for a number of years until they stepped down to be appointed Auditor of the Company. PwC has also provided the Group with a wide range of consulting and assurance services. This long association with the Company creates potential for conflicts of interests.

Diageo Plc

AGM 18th September 2014

Remuneration policies are the main issues at this US & UK listed FTSE 100 company, currently the worlds largest spirit producer.

Approval of Remuneration Report: Rewards made to the Executive Directors for the year were considered excessive in comparison with their base salaries. The CEO variable pay was over three times his base salary and realised pay over the last five years was not commensurate with financial performance.

Approve Remuneration Policy: Disclosure was considered acceptable. The Company will operate one long-term incentive scheme, the Diageo Long Term Incentive Plan (DLTIP). Simplification of remuneration structure is welcomed.

Awards vest subject to four different performance metrics which work independently of each other. These conditions should operate concurrently i.e. both threshold targets must be met for any awards to vest. It is considered best practice to include a non-financial performance measure, which has not been the case for the DLTIP. At three years (instead of five) the performance period is not considered sufficiently long term. It is noted the Committee is proposing a two-year holding period for vesting awards.

The Executive Directors' total potential rewards under all incentive schemes are considered to be excessive as they may amount to 700% of base salary. The ratio of CEO pay to employee average pay is not disclosed; however it is estimated to be approximately 34 to 1.

Whilst directors are required to build and retain an appropriate shareholding in the Company, the 5-year time frame is not considered adequate and best practice recommends three years. Schemes are not available to enable all employees to benefit from business success without subscription.

The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers. This is considered an inappropriate practice as it undermines the rationale behind the remuneration policy to retain Executive Directors. Upside discretion may be used while determining severance. Vesting of awards may be accelerated at the date of cessation. Claw-back provisions are in place for the bonus and DLTIP awards. Mitigation arrangements also exist.

Board Composition: The board is considered properly balanced with sufficient Non-Executive Directors (8) to be able to effectively counterbalance the Executive (2) element. The only concern lay with Peggy Bruzelius who currently has 6 NED positions and 1 Chairmanship raising concerns over her aggregate time commitments.

Appointment of auditors: For the year under review KPMG LLP was proposed. Non-audit fees represented 17.54% of the audit fees during the year and 43.52% on a three year aggregate basis. The figures raise some concerns over the independence on the external auditors as during the statutory audit they would be required to review their own work.

Approve Political Donations: The board is seeking shareholder approval to make political donations to political parties and/or independent election candidates, political organisations, and to incur political expenditure up to a total of to £100,000. The aggregate total is within recommended limits and the authority expires at the next AGM. However, the group made contributions to Non-EU political parties totalling £0.4 million during the year which is above recommended limits.

Approve new Long Term Incentive Plan: The DLTIP is proposed to replace the existing Diageo 2008 Performance Share Plan (PSP) and the Diageo 2008 Senior Executive Share Option Plan (SESOP). The scheme expires in 10 years. The amount of awards that may be granted under the scheme will not exceed 10% of the Company's issued ordinary share capital. Awards will take the form of performance share awards or market price share options (valued at one-third of a performance share). The grants are individually capped at 500% of base salary. Awards are subject to a performance period of three years.

However, the performance period of three years is not considered sufficiently long term. The DLTIP awards are excessive particularly when aggregated with other variable schemes and can lead to overly generous payouts. Dividend equivalents may be accrued on share awards from the date of grant, on vesting awards.

This policy is not considered in line with shareholders best interests despite there being malus provisions for awards made under the plan.

There are concerns that vesting of awards may be accelerated in the event of cessation of employment which is inappropriate as executives may be rewarded for performance not obtained. The Directors also have the ability to amend or waive any performance conditions without shareholders approval. Such a high level of discretion negates the purpose of safeguards.

Ryanair Holdings Plc

AGM 25th September 2014

Remuneration and Board independence are the major governance issues at this high profile FTSE Eurofirst budget airline.

Annual Report: Disclosure is partial in that there are no quantitative targets for reporting environmental policy. There are concerns that the Executive Committee can exercise the powers of the full Board of Directors in circumstances in which action by the Board of Directors is required but it is impracticable to convene a meeting of the Directors. The operational circumstance for this arrangement is not clearly defined.

In addition, the Executive Committee is composed of members not consider independent. Furthermore, Non-Executive Directors participate in the Company's share option plan, which contravenes governance best practice.

Remuneration Report: The Policy supports a mix between fixed and variable remuneration. The annual bonus is capped at 100% of the base salary, while no information is available with respect to the annual amount of the long term incentives as a rate of the fixed salary it appears possible for variable pay to exceed the target of fixed pay where targets are exceeded. Targets and measured criteria were not disclosed, making an accurate assessment difficult. No disclosure was made around levels of targets and minimum thresholds applied to the annual bonus in the year under review and achievement against these targets.

Board Composition: The board is made up of 9 Non-Executive Directors of which 4 are not considered independent. The nomination committee includes the CEO, which raises concerns over the transparency of the selection and appointment procedures. Limited biographical information was made available about the director Charlie McCreevy. He was appointed to the Board back in May 2010. The Company did not whether he handles cases concerning the company during his term of office at the European Commission.

Allow the board to determine the auditor’s remuneration: The auditing firm has not been rotated since 1985, which is not considered to be in accordance with best practice. The level of non-audit fees paid to the auditor raise concerns both for the year under review (60% of the audit fees) and over the last three years (71%). While shareholders are allowed to vote in regards to the remuneration of the auditors they have no say on the election of the auditor which is not considered best practice and raises concerns over their independence.

APPENDIX

The regions are categorised as follows:

ASIA	China; Hong Kong; Indonesia; India; Korea; Singapore; Taiwan
AUS /SA	Australia; South Africa
EU/GL. EU	Austria; Belgium; Switzerland; Germany; Denmark; Spain; France; Italy; Luxembourg; Netherlands; Sweden; Norway; Greece; Finland; Ireland
JAPAN	Japan
USA/CAN	USA; Canada; Bermuda
UK	UK
S. AMERICA	Brazil; Argentina
REST OF WORLD	Russia

Pensions & Investment Research Consultants Ltd

6th Floor, 9 Prescot Street
London E1 8AZ

Telephone +44 (0)207 247 2323
Fax +44 (0)207 7680 4081
Email info@pirc.co.uk

www.pirc.co.uk