

Investment Management Association



**Survey of Fund Managers' Engagement
with Companies**
for the year ended 30 June 2006



Contents

1. Executive Summary	1
2. Introduction	4
3. Profile of Firms	5
4. Policies on Engagement	6
5. Resources and Integration into the Investment Process	9
6. Monitoring and Escalating Engagement	14
7. Voting	18
8. Reporting	27

Appendices

Appendix 1: The Responsibilities of Institutional Shareholders and Agents – Statement of Principles – Updated September 2005	31
Appendix 2: The Firms and their Groups	37
Appendix 3: Meetings with Independent Directors	38
Appendix 4: Expressing Concerns through Companies' Advisers	39
Appendix 5: Joint Intervention with Other Institutions	40
Appendix 6: Voting Records of 27 Firms – 1 July 2005 to 30 June 2006	41
Appendix 7: Voting Records of 28 Firms – 1 July 2004 to 30 June 2005	42
Appendix 8: Voting Records of 27 Firms – 1 July 2003 to 30 June 2004	43
Appendix 9: How Firms Voted and Engaged on Particular Resolutions	44

Prepared by:
Liz Murrall
Investment Management Association

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

1 Executive Summary

This is the fourth survey by IMA to measure its members' engagement with investee companies and their adherence to the Institutional Shareholders' Committee's Statement of Principles on engagement during the year ended 30 June 2006. 33 firms (2005: 35; 2004: 34; 2003: 33) took part in the survey. As at 31 December 2006, these firms managed UK equities worth £640 billion, or 68 per cent of all UK equities managed by UK managers (Section 3), and represented 32 per cent of UK market capitalisation as measured by the UK All Share index.

Policies, Structure and Resources (Sections 4 and 5)

All the firms now have policy statements on engagement and 26 make these public by putting them on their websites in whole or in part, with the remainder making them available to clients or on request (Table 1). Thus, whereas at 30 June 2003 five firm's policy statements were still in draft, and at 30 June 2004 one firm's statement, these have now been finalised.

There has been a slight increase in the number of firms that include their commitments on engagement in client agreements. 24 firms now include their policy on voting in both new and existing agreements, as compared to 21 in 2005 and 19 in 2004. Similarly, 10 (2005: eight; 2004: seven) firms refer to their policies on adherence to the Statement of Principles in new and existing agreements, which in four instances (2005: five; 2004: five) is at the client's request (Table 3).

The majority of firms employ staff dedicated to engagement. These resources are regularly reviewed (Table 7), and although the number of firms that participated in the survey decreased by two, internal resources dedicated to engagement increased by just over five per cent during the year ended 30 June 2006, and in the previous two years by just over ten per cent each year (Table 5). The majority of firms also employ outside agencies to help with engagement (Table 6).

Engagement is integrated into the investment process in that, increasingly, those who approve the engagement policy and make the final decision in a controversial situation are those involved in the investment process. For 30 firms the engagement policy is approved at a senior level in the organisation. Similarly, for 18 firms final decisions on controversial issues are also taken at a senior level, and in a further 14 the portfolio managers are actively involved; in only one firm is the decision reserved for the engagement specialist (Table 8).

Levels of Engagement (Section 6)

All the firms undertake the desk-based monitoring envisaged in the Statement of Principles in that they will review Annual Reports and Accounts, other circulars and general meeting resolutions. They will also establish a dialogue with investee companies' executive and non-executive management. Thus the portfolio managers and/or the engagement specialists routinely meet with executive management at least once a year, with one doing so as many as five to six times a year and, on occasion, significantly more (Table 11).

Effective monitoring enables the firms to exercise their votes and intervene objectively in an informed way. Thus the engagement specialists will meet with investee companies' non-executive directors when there are issues, or at the company's request (Table 12); on average each manager had 33 such meetings in the year ended 30 June 2006 (Table 13).

In this respect, as set out in Appendix 3, there is wide dispersion between firms in that of the 23 firms that reported details, one firm had 290 meetings, ten firms had ten or less and the remaining 11 had between 11 and 88 meetings during the year. Frequently, to make their intervention more effective, firms engage jointly with other institutions and each firm did so on average 12 times during the year (Table 15). In addition, a number of firms interact more by telephone, letter or email as opposed to having face to face meetings.

If a satisfactory outcome is not achieved through dialogue firms may escalate their engagement with investee companies. Thus they may vote against company management on a particular resolution or consciously abstain – see later section on voting. But on the basis that measures such as making a public statement, submitting resolutions and requisitioning an EGM can be costly and risk damaging the reputation of the company and long-term shareholder value, few escalate their action in these ways. The majority of firms only do so in extremis after other avenues have been explored, or with other investors. Thus during the year ended 30 June 2006, only two of the firms requisitioned an EGM, one submitted a resolution at a shareholders' meeting and five made a public statement in advance of the meeting – one as many as five times, another three times and two twice during the year (Table 16).

Voting (Section 7)

All the firms now have a policy to vote all their UK shares (Table 17). The two firms that did not vote all their UK shares in the past now do so. On international shares the position is less clear-cut as in certain markets concerns about share blocking, registration or other local practices make voting impractical. That said, all firms endeavour to vote international shares, whereas in 2004 one, and in 2003 four, did not (Table 18).

All firms have a policy of conscious abstention as an alternative to voting against the Board (in 2004, one firm and in 2003, two did not consciously abstain). Also the majority of firms seek to advise in advance when they vote against the Board or consciously abstain (Table 19).

Virtually all the firms' clients give the firm discretion to issue voting instructions on their behalf. The instances where clients issue their own instructions, direct that the firm follows the instructions of a particular agency, or outsource voting to a third party are the exception and are in single figures (Table 20).

27 firms provided details on how they voted during the year ended 30 June 2006 and appear to be voting more - voting on 99.1 per cent of resolutions where they could (2005: 98.3 per cent; 2004: 94.1 per cent). In addition, there appear to have been fewer controversial or contentious votes as compared to previous years, indicating that firms' engagement in advance of meetings is more effective in that concerns are being addressed before a matter is voted on. Thus the firms voted against the Board on 1.8 per cent of resolutions voted (2005: 1.8 per cent; 2004: 3.0 per cent) and consciously abstained on one per cent of resolutions (2005: 1.4 per cent; 2004: 2.3 per cent). (Table 21).

There are various approaches to different issues between firms. In certain instances, similar resolutions at a company meeting were voted different ways, whereas in others the voting patterns were consistent for all resolutions. As regards engagement in the six months before the meeting, there does not appear to be a discernable pattern between the type and frequency of contact and the way different resolutions were voted (Table 22).

In January 2004, Paul Myners reported on his "Review of the Impediments to Voting UK Shares" and made a number of recommendations to improve the process. As regards his recommendations for fund managers the progress is set out below.

- > Communicate voting instructions electronically. All the firms now have capabilities to vote their UK shares electronically (for one it depends on the custodian). This is a marked improvement from the position in 2004, just after Myners' review was concluded where only 18 had electronic capabilities throughout the year (Table 23).
- > Recall lent stock. The majority of firms recall lent stock whenever a resolution is contentious, although a number require other criteria to be fulfilled (Table 24). To enable firms to recall lent stock they need to be notified of the position and whether stock has been lent. In summary, firms are satisfied that they are notified (Table 26) and normally only have to give two to three days notice to recall lent stock (Table 27).
- > Include controls over the voting process in FRAG 21/94 reports. The majority of firms include the voting process in their FRAG 21/94 reports (Table 28). As regards the two that do not, this position is likely to change as FRAG 21/94 was revised in 2006 and now includes control objectives that are specific for fund managers and which address the voting process.

This year, for the first time, the survey looked at how far in advance of the meeting firms have to submit their voting instructions. It found that 22 firms had to submit their voting instructions to voting agents at least ten working days or two weeks before the meeting (Table 24). 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 meeting, agents require instructions much earlier. As public companies have to give their members 21 days notice of an AGM, this can mean that

firms only have one week to decide how to vote, which can be before the voting agencies have issued their voting recommendations. Furthermore, as under the Uncertificated Securities Regulations, the date when voting entitlements are set cannot be more than 48 hours before the meeting, this means that a firm has to submit its voting instructions before its voting entitlements have been set.

Reporting (Section 8)

All the firms now report to clients and this tends to be quarterly, except one firm that has clients for which it exclusively handles corporate governance and voting, reports to these clients weekly and other firms would report more frequently if requested. All the firms provide some form of explanation, particularly in instances when they have voted against the Board or consciously abstained (Table 29). Firms also frequently provide details of engagement other than voting (Table 30).

Firms increasingly make details of voting and engagement public and put them on their websites. As at 30 June 2006, 15 firms put voting information on their websites (2005: 10; 2004: seven). One firm subsequently started to do so, and others have also indicated that they would be doing so, or would be looking into doing so in the future (Table 31). The voting details disclosed publicly vary, indicating the complexity of such arrangements (Table 32). In just over half (eight firms) the website is updated quarterly and it varies how far in arrears the information is updated - for six firms it is monthly, for three it is weekly and for another three it is quarterly in arrears (Table 33).

Clients in less than a third of the firms requested changes to their reports in the year. On the other hand, the firms appear to be proactive in that 25 reviewed their reporting arrangements in the year and as a consequence, 21 had or were proposing to make changes. Only five had not reviewed their reporting arrangements (Table 34).

2 Introduction

This is the fourth survey by IMA to measure its members' engagement with the companies in which they invest and covers the year ended 30 June 2006. IMA is the trade body representing the UK asset management industry and 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.

In measuring engagement, the survey looked at IMA members' adherence to the Institutional Shareholders' Committee¹ (ISC) Statement of Principles on engagement (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 look at whether IMA members:

- > include their policies on engagement in client agreements;
- > have increased resources dedicated to engagement;
- > integrate engagement into the investment process;
- > are given discretion to issue voting instructions in accordance with their own policies or have to follow the clients' or a third party's instructions;
- > have adopted the recommendations in Paul Myners' report on "Review of the Impediments to Voting UK Shares";
- > are required to deliver their voting instructions in advance of the record date;
- > are notified when stock is lent and the arrangements for recalling lent stock;
- > reviewed their reporting arrangements to clients; and
- > make details of their engagement and voting public, and the arrangements around this.

To complete the survey, interviews were conducted with representatives from 33 firms who are mainly responsible for engagement. This could be a dedicated corporate governance or socially responsible investment specialist, a portfolio manager, the Chief Investment Officer, all four, or any combination. In addition, firms were asked to provide substantive details on engagement by completing a questionnaire.

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

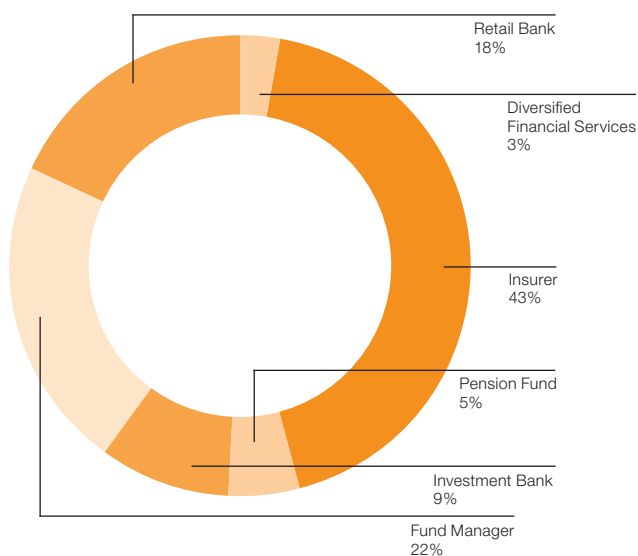
3 Profile of Firms

Value of UK Equities Managed

33 firms (2005: 35; 2004: 34; 2003: 33) took part in the survey. As at 31 December 2006, these firms were invested in £640 billion UK equities out of an estimated total of £940 billion managed by UK managers², accounting for 68 per cent. Chart 1 sets out how this £640 billion is apportioned among the firms according to the principal activity of the group: insurer; pension fund; investment bank; custodian; retail bank; and fund manager. Their names and their group's main activity are set out in Appendix 2.

Chart 1

Value of UK equities managed according to the group's principal activity

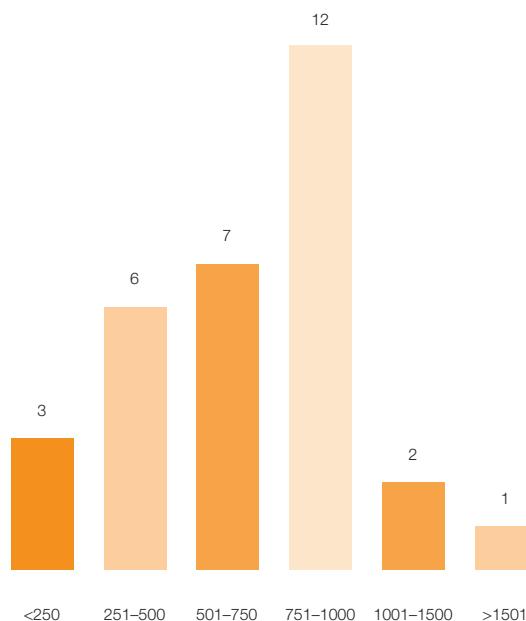


Number of UK Investee Companies

The survey covers engagement in relation to UK investee companies. As at 30 June 2006, the firms' holdings in UK companies ranged from under 250 to just over 1,500 companies as illustrated in Chart 2 for 31 firms.

Chart 2

Number of UK investee companies



² Preliminary findings from IMA's Asset Management Survey 2006.

4 Policies on Engagement

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 now have policy statements on engagement and 26 make them public by putting them on their websites - Table 1. Thus whereas as at 30 June 2003 five firm's policy statements were still in draft, and at 30 June 2004 one firm's statement, these have now been finalised.

Table 1: Availability of policy statements

	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms			
Public - all on the web	25	24	20	9
Public - part on the web	1	3	1	5
Existing and prospective clients, and on request	7	8	12	13
Existing clients	-	-	-	1
Still in draft	-	-	1	5
Total	33	35	34	33

Slightly more firms now address the matters the Statement of Principles state should be covered in their policy statements, although the rate of increase has now slowed from previous years - Table 2.

Table 2: Matters covered in firms' policy statements

	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms			
How investee companies will be monitored	29	29	26	19
Policy for communicating with an investee company's Board and senior management	29	29	26	18
How conflicts of interest will be managed, where relevant	26	23	19	14
Strategy on intervention	28	28	26	17
Circumstances when further action will be taken	27	27	23	16
Policy on voting	33	34	28	22

Agreements Setting Out Policies

One of the key drivers for engagement is a firm's clients. Table 3 shows that there has been a slight increase in the number of firms who include their commitments on engagement in client agreements, such that agreements include provisions that address their policies on voting and adherence to the Statement of Principles. Thus, 24 firms now include their policy on voting in both new and existing agreements, as compared to 21 in 2005 and 19 in 2004. Similarly, 10 (2005: eight; 2004: seven) firms refer to their policies on adherence to the Statement of Principles in new and existing agreements, which in four (2005: five; 2004: five) instances is at the client's request. Although one firm does not include its policy on adherence to the Statement of Principles in agreements it does include its engagement policy.

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

Policy	Voting			Adherence to the Statement of Principles		
	30/06/06	30/06/05	30/06/04	30/06/06	30/06/05	30/06/04
	Number of firms			Number of firms		
In all new and existing agreements	23	21	19	5	3	2
Mainly pooled clients covered by insurance contracts, otherwise in all new and existing agreements	1	-	-	1	-	-
In all new and, when requested, existing agreements	-	2	2	4	5	5
In new agreements	4	4	4	11	13	9
When requested, in all new and existing documents	1	-	-	1	-	-
In new agreements when requested	1	3	4	5	6	9
Not included	-	-	-	2	3	3
Is not relevant as do not have clients	2	4	4	2	4	4
Information not obtained	1	1	1	2	1	2
Total	33	35	34	33	35	34

Client agreements tend to be driven by the clients and to help ensure that they include the necessary provision and a reference to the Statement of Principles, IMA developed standard terms for agreements which do so.

Just over half of the firms (17) reported that their pension fund clients had adopted IMA's standard terms or that the majority of their clients had done so – Table 4. In this respect, one of the firms who reported that they did not have external pension fund clients is itself an occupational pension fund. Thus, it has its own team of fund managers and will also appoint external firms, in which case the external firm's standard terms tend to be used. However, policies on voting and adherence to the Statement of Principles are included in the pension fund's Statement of Investment Principles.

Table 4: Adoption of the IMA standard terms by pension fund clients

	30/06/06
	Number of firms
All	7
New agreements	4
Standard terms modified and negotiated with clients	3
In a large number of cases but not all	3
Used in the past but now use bespoke terms	1
Used for reference and adapted to suit own model	1
Not widely	3
Those clients that request it and lawyers agree	2
Not applicable as mainly pooled clients covered by insurance companies	1
Do not have external pension fund clients	5
Information not obtained	3
Total	33

5 Resources and Integration into the Investment Process

Resources

Most engagement in relation to strategy and performance is handled by a firm's portfolio managers/analysts but, due to the specialist knowledge required, particular individuals may be dedicated to certain aspects, such as corporate governance and socially responsible investment (SRI). For example, firms may have:

- > separate specialists/teams for corporate governance and for SRI;
- > one dedicated specialist/team that covers both corporate governance and SRI;
- > a dedicated specialist/team for corporate governance only; or
- > no dedicated specialists in that all engagement is handled by portfolio managers.

That said, three of the firms have a slightly different approach and structure.

- > Firms A and B invest in stocks they believe will outperform using their own proprietary analysis. Engagement is overlaid on this process in that:
 - in firm A, two specialists handle all engagement and interact and manage the relationship; and
 - in firm B, analysts are integral to the evaluation of corporate governance and SRI and there are ten dedicated engagement specialists for both corporate governance and SRI.
- > 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 "engagement specialists" handle all engagement. In addition, it has a portfolio of specialist funds where it invests in under-performing companies with the aim of encouraging change where it has a large team dedicated to engagement. It involves itself in detailed discussions about a company's management and strategy with the aim of influencing them. Firm C has exceptionally high resources with 52 individuals dedicated to engagement.

Table 5 sets out the internal resources dedicated to engagement. Although the number of firms that participated in the survey decreased by two from 2005, internal resources dedicated to engagement increased by 5.5 per cent, and in the previous two years resources increased by just over ten per cent each year.

Table 5: Resources dedicated to engagement

			30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms 2006 (2005; 2004)		Total headcount			
Separate dedicated specialists/teams for corporate governance and voting, and for socially responsible investment*	12 (11; 14)	Corporate governance and voting SRI	39.6 32.2	31.3 24.0	33.0 32.5	30.5 30.4
Integrated dedicated specialists/teams that cover both corporate governance and voting, and socially responsible investment* – includes A, B and C	16 (18; 14)	Corporate governance, voting, and SRI	137.0	141.7	107.5	97.0
Dedicated specialists/teams for corporate governance and voting only*	2 (4; 5)	Corporate governance and voting	9.0	9.3	14.2	11.7
Engagement handled by portfolio managers	3 (2; 1)	N/A	N/A	N/A	N/A	N/A
Total	33 (35; 34)		217.8	206.3	187.2	169.6
Percentage increase			5.5	10.2	10.4	

*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.

In addition, firms tend to use agencies, sometimes 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 6.

Table 6: Number of agencies firms appoint in the UK

Agencies	Processing instructions			Research for the vote			Research into SRI		
	30/06/06	30/06/05	30/06/04	30/06/06	30/06/05	30/06/04	30/06/06	30/06/05	30/06/04
	Number of firms								
More than three	-	-	-	4	2	1	3	2	-
Three	-	-	-	12	13	8	3	2	3
Two	6	5	1	9	13	12	6	8	6
One	24	25	20	7	7	10	17	14	10
Firms using agencies	30	30	21	32	35	31	29	26	19

The majority of firms reviewed resources dedicated to engagement within the last year which resulted in the number of staff dedicated to engagement being increased in 20 firms and decreased in three firms.

Table 7: Review of resources

	Resources last reviewed	Resources changed
	Number of firms	
Ongoing – not a formal review	7	-
Formally every quarter	1	-
Within the last six months	2	5
Within the last year	19	17
Between one and two years ago	-	1
Between two and three years ago	-	1
More than three years ago (one firm was actively recruiting at time of survey)	1	6
Not relevant as portfolio managers handle all engagement	3	-
Total	33	30
Resources increased		20
Resources decreased		3
Resources stayed the same (but for one firm a junior analyst was replaced by a more senior one)		7
Total		30

Integration into the Investment Process

Concerns have been raised that those responsible for corporate governance/SRI are presented as the firm's voice on the issue, when they may not necessarily represent the views of the portfolio manager or analyst 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 8; and
- > who attends meetings – Tables 9 and 10.

Increasingly those who approve the engagement policy and make the final decision in a controversial situation are those involved in the investment process. For 30 firms the engagement policy is approved at a senior level in the organisation, as compared to 31 in 2005 and 24 in 2004. Similarly, for 18 firms (2005: 23; 2004: 16) final decisions on controversial issues are taken at a senior level in the organisation and in a further 14 (2005: 11; 2004: 17) the portfolio managers are actively involved; in only one is the decision reserved for the engagement specialist.

Table 8: Who approves the policy and makes the final decision in a controversial situation

	Who approves the policy			Who makes the final decision		
	30/06/06	30/06/05	30/06/04	30/06/06	30/06/05	30/06/04
	Number or firms			Number or firms		
The trustees	1	1	2	-	-	-
The main, non-executive and/or executive Board	12	10	8	-	-	-
CEO and/or CIO	5	5	4	3	4	-
Senior committee of business heads /corporate governance committee	9	11	10	8	10	8
Managing Director/ CIO/ Head of Research or Equities	1	2	-	2	5	7
Managing Director/ CIO/ Head of Equities, Research or Legal, jointly with the engagement specialist	2	2	-	5	4	1
Portfolio managers and/or CIO	1	-	-	3	2	2
Portfolio managers and/or analysts	1	-	-	4	1	5
Portfolio managers /analysts jointly with engagement specialists	-	-	1	2	2	2
Engagement specialists with the active involvement of the portfolio managers /analysts*	-	-	-	5	6	8
Engagement specialists	1	4	9	1	1	1
Total	33	35	34	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 particular issues relevant to them, engagement specialists attend meetings with portfolio managers whether they are the routine post-results meetings or other meetings – Tables 9 and 10. This is particularly the case with non routine meetings. However, for one firm the engagement specialists initiate and attend all meetings.

Furthermore, as well as meeting with investee companies, a number of the engagement specialists have regular internal meetings with the portfolio managers either to discuss particular investee companies or their overall strategy and policy on engagement.

Table 9: How often do engagement specialists and portfolio managers attend post results meetings together

	30/06/06
	Number of firms
Always	2
Often (for one firm, the portfolio managers and engagement specialists select the meetings they attend)	7
Significant holdings – always	1
Where there are issues	11
Exceptionally	6
Never	2
Not relevant as engagement is handled by portfolio managers - specialist handles policy	1
Not relevant as engagement is handled by portfolio managers	3
Total	33

Table 10: How often do portfolio managers and engagement specialists attend other meetings together

	30/06/06
	Number of firms
Always	5
Often	10
Where there are issues	11
Engagement specialists arrange and attend all meetings and encourage portfolio managers to attend where there are issues	1
Exceptionally	2
Not relevant as engagement is handled by portfolio managers - specialist handles policy	1
Not relevant as engagement is handled by portfolio managers	3
Total	33

6 Monitoring and Escalating Engagement

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 the survey looked at the frequency with which they routinely meet with investee companies’ executive management and the engagement specialists meet with non-executive directors.

For the overwhelming majority of firms, the portfolio managers and/or the engagement specialists routinely meet with executive management at least once a year, and one does so as many as five to six times and, on occasion, significantly more - Table 11. In the main, these meetings tend to be to discuss the company’s results.

Table 11: Frequency of routine meetings with company management

	30/06/06	30/06/05	30/06/04
	Number of firms		
All companies between one and five times a year and, on occasion, significantly more (not only post results meetings)	1	1	1
All companies at least twice a year	11	12	11
All companies at least twice a year where actively managed	2	-	-
All companies at least once a year	12	15	14
Majority of companies once a year	4	3	6
Majority of companies once a year where actively managed	2	1	-
Majority of companies once a year depending on percentage holding	-	1	-
Where the investment is more than 5% of the company’s share capital, at least once a year	1	1	1
Total	33	34	33

As expected, the frequency of non-routine meetings with the non-executives tend to be more random in that 19 firms meet with non-executives when there are issues. In addition, a number of firms interact more by telephone, letter or email as opposed to having face to face meetings. These types of activities are not reflected in Tables 11 and 12.

Table 12: Frequency of engagement specialists' meetings with non-executives

	30/06/06
	Number of firms
Significant number annually	4
If engaging with company*	1
Regularly	2
Where issues, at company's request or for general update	2
At least once a year, or at company request	2
Where issues, or at company request	18
Not relevant as engagement is handled by portfolio managers as core part of investment strategy and specialist handles policy	1
Not relevant as engagement is handled by portfolio managers as core part of investment strategy	3
	33

* This is Firm C whose 52 "engagement specialists" meet at a minimum six times a year:

- > the management of companies in specialist funds, where there is long-term under-performance and where it believes it can affect value; and
- > the management of a further 50 to 60 companies where there is core engagement.

Escalation of Action

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 limits engagement to voting where its holding is less 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.

In a questionnaire, the firms were asked for details of the number of times they interacted in the way described. The results for 28 firms (2005: 28; 2004: 28; 2003: 22) are set out in Tables 13-16.

Meetings with Independent Directors and Additional Communications with Management

All the firms regularly discuss concerns with investee companies' directors and senior management. Some are more proactive and will meet to discuss matters in general and not just when they have concerns. Overall, as set out in Appendix 3 and summarised in Table 13 below, there has been a decrease in the number of meetings with independent directors.

On average each firm had 34 meetings with independent directors in the year ended June 2006, compared with 46 in the year ended June 2005 and 32 in 2004.

Table 13: Meetings with independent directors

	Twelve months to 30/06/06	Twelve months to 30/06/05	Twelve months to 30/06/04
Average number of meetings	33	46	32
Number of firms that reported details	22	18	16
Number of firms that reported no meetings	1	0	1
Number of firms that did not record details	5	10	10
Total	28	28	27

Expressing Concerns Through Companies' Advisers

On average each firm had 25 instances when they expressed concerns through advisers in the year ended 30 June 2006, compared with 16 during 2005 and 13 in 2004. This is set out in Appendix 4 and summarised in Table 14.

Table 14: Expressing concerns through companies' advisers

	Twelve months to 30/06/06	Twelve months to 30/06/05	Twelve months to 30/06/04
Average number of instances	25	16	13
Number of firms that reported details	19	14	14
Number of firms that reported no instances	0	9	3
Number of firms that did not record details	9	5	10
Total	28	28	27

Interaction with Other Institutional Investors

To help make their engagement more effective, firms will interact with other institutional investors where necessary. The results are summarised in Table 15 and set out in Appendix 5. In this respect, there is little variation in the average number of instances year on year.

Table 15: Joint Intervention with other institutions

	Twelve months to 30/06/06	Twelve months to 30/06/05	Twelve months to 30/06/04
Average number of instances	12	10	11
Number of firms that reported details	18	16	17
Number of firms that reported no instances	1	4	2
Number of firms that did not record details	9	8	8
Total	28	28	27

Submitting Resolutions, Making a Public Statement and Requisitioning an EGM

Making a public statement in advance of a meeting, submitting resolutions and requisitioning an EGM can be costly and risk damaging the reputation of the company and long-term shareholder value. Few escalate their action in this manner in that the majority only do so in extremis after other avenues have been explored, or with other investors. Thus, during the year ended 30 June 2006, only two of the firms requisitioned an EGM, one submitted a resolution at a shareholders' meeting and five made a public statement in advance of the AGM or an EGM – one as many as five times, another three times and two twice during the year – Table 16.

However, some would not pursue these courses of action:

- > two do not do any of these as a matter of policy; and
- > three will not make a public statement in advance of an AGM – a number will disclose their position in advance, as opposed to making a public statement, whereas others would be more likely to make a public statement at the AGM as opposed to in advance.

Table 16: Requisitioning an EGM, submitting resolutions and making a public statement

	Requisitioned an EGM meeting	Submitted resolutions at a shareholders' meeting	Made a public statement in advance of the AGM or an EGM
	30 June 2006 Number of firms		
Three times or more	-	-	2
Twice	-	-	2
Once	2	1	1
Never	26	27	23
Total	28	28	28

7 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 institutional shareholders and/or agents 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 now have a policy to vote all their UK shares – Table 17. The two firms that in the past did not vote all their UK shares now do so.

Table 17: Voting UK shares

	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms			
Vote all UK shares	33	33	32	30
Vote all in the FTSE All Share, i.e. not fledgling and small cap	-	1	1	1
Vote all meetings of the top 350, all extraordinary meetings when hold more than three per cent and where otherwise agreed with clients	-	1	1	1
Vote when possible or when there are issues	-	-	-	1
Total	33	35	34	33

On international shares the position is less clear-cut in that in certain markets concerns about share blocking, registration or other local practices make voting impractical. That said, all firms endeavour to vote international shares, whereas in 2004 one, and in 2003 four, did not – Table 18.

Table 18: Voting international shares

	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms			
All except where concerns about share blocking, re-registration or it is otherwise impractical	17	20	19	16
Best endeavours – all	1	1	-	-
All major holdings irrespective of share blocking	1	-	-	-
All US, major European and selected emerging	1	-	-	-
Selected markets and/or major holdings	7	9	7	7
Selected markets and when there are issues	2	-	-	-
At fund manager's discretion	1	-	-	-
At the clients' request	-	-	1	-
When there are particular issues	2	4	4	4
When clients request will try but may take a view on blocking and trading intentions	-	-	1	1
In exceptional circumstances	1	1	-	-
Do not	-	-	1	4
Total	33	35	33	32

All firms will consider abstaining consciously as an alternative to voting against the Board (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 the Board or consciously abstaining – Table 19.

Table 19: Advising management in advance in the UK

	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms			
Always (for one manager this is the case for all active stocks – 600 out of 1,000)	21	22	22	21
Most of the time (depending on holding)	6	8	6	3
Depending on the issue and/or value of the stock	4	3	5	4
Only if consciously abstaining, not if against	-	-	-	1
Only if against, not if consciously abstaining	1	1	-	-
Function of regular discussion, not a matter of policy	-	1	1	-
Do not – all companies are given voting policy	1	-	-	4
Total	33	35	34	33

Voting Instructions

Firms were asked the extent to which clients gave them discretion to issue voting instructions in accordance with their own policies, or instructed them to follow the client's or a third party's instructions.

For the 28 firms that responded, clients virtually always give them discretion to issue voting instructions on their behalf. The instances where this is not the case and where the client issues their own instructions, directs that the manager follows the instructions of a particular agency, or outsources voting to a third party, are the exception and are in single figures. This is analysed in Table 20.

Table 20: Issuing voting instructions

Number of clients whose instructions are issued in that way	Issue their own voting instructions	Outsource all to third party	Direct that the manager follows the instructions of an agency	Direct how the manager votes
	Number of firms			
Ten	-	-	-	1
Eight	-	-	1	-
Seven	-	-	-	2
Six	1	-	3	-
Five	1	-	-	-
Four	1	-	1	-
Three	1	1	1	-
Two	-	4	2	3
One	3	3	5	5
None	16	15	13	15
Information not available	5	5	2	2
Total	28	28	28	28

Voting in the Year to 30 June 2006

27 firms provided details on how they had voted when they had discretion to vote (as opposed to following their clients' or other party's instructions). The results are set out in Appendix 6 and summarised in Table 21.

In summary, firms appear to be voting more in that the 27 firms voted on 99.1 per cent of resolutions where they could have voted during the year ended 30 June 2006 (2005: 98.3 per cent; 2004: 94.1 per cent). In addition, there appear to have been fewer controversial or contentious votes in 2006 as compared with 2005 and 2004. The firms voted against the Board on 1.8 per cent of resolutions voted in 2006 (2005: 1.8 per cent; 2004: 3.0 per cent) and consciously abstained on one per cent of resolutions in 2006 (2005: 1.4 per cent; 2004: 2.3 per cent). This would seem to indicate that firms' engagement with investee companies in advance of the meetings is more effective in that concerns are being addressed before a matter is voted on.

Table 21: Analysis of voting records

	2006		2005		2004	
Number of companies (firms)	18,022 (27)		17,200 (28)		18,635 (27)	
	Total number	Meetings	Total number	Meetings	Total number	Meetings
Resolutions						
Resolutions could vote	189,277	18,590	205,224	18,703	203,184	19,524
Resolutions voted	185,615	17,754	201,717	18,346	191,140	18,608
%	99.1%	-	98.3%	-	94.1%	-
Conscious abstentions						
Resolutions voted, where relevant	180,795	17,815	201,717	18,346	191,140	18,608
Resolutions abstained	1,840	1,296	2,904	1,729	4,378	2,706
% of resolutions	1.0%	-	1.4%	-	2.3%	-
% of number of cos.	-	7.3%	-	9.4%	-	14.5%
Votes against						
Resolutions voted, where relevant	189,277	18,590	200,280	18,574	191,140	18,608
Resolutions voted against	3,453	2,156	3,622	2,285	5,695	3,662
% of resolutions	1.8%	-	1.8%	-	3.0%	-
% of number of cos.	-	11.6%	-	12.3%	-	19.7%

There are various approaches to different issues between firms. 27 firms gave details on how they voted on particular resolutions that were considered contentious and their engagement in the six months prior to the meeting. In aggregate, the 27 firms voted or consciously abstained 667 times (2005: 395; 2004: 1,307; 2003: 214) on 34 resolutions (2005:17; 2004: 70; 2003: 13). 54 per cent of the votes were with management (2005: 57 per cent; 2004: 63 per cent; 2003: 62 per cent), 39 per cent against (2005: 30 per cent; 2004: 25 per cent; 2003: 23 per cent) and 7 per cent consciously abstained (2005: 13 per cent; 2004: 12 per cent; 2003: 15 per cent) - Table 22 and detailed in Appendix 12.

In certain instances similar resolutions at a company meeting were voted different ways whereas in others voting patterns were consistent for all resolutions. As regards engagement in the six months before the meeting, in the majority of instances the information was not available or not reported. In those instances where it was, there does not appear to be a discernable pattern between the type and frequency of contact and the way different resolutions are voted.

Table 22: Voting in a contentious situation

	Year to 30/06/06	Year to 30/06/05	Year to 30/06/04	Three months to 30/06/03
	Number			
Number of firms	27	28	26	18
Number of resolutions	34	17	70	13
Number of company meetings	28	17	31	13
Number of votes cast	667	395	1,307	214
Votes for (percentage)	357 (54)	226 (57)	816 (63)	133 (62)
Votes against (percentage)	262 (39)	119 (30)	329 (25)	50 (23)
Conscious abstentions (percentage)	48 (7)	50 (13)	162 (12)	31 (15)

Removing the Impediments to Voting

In January 2004 Paul Myners reported on his "Review of the Impediments to Voting UK Shares" (the Review) and concluded that each of the parties in the voting process needed to take certain steps. 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 key 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. In this respect, all the firms now have capabilities to vote their UK shares electronically (for one it depended on the custodian). This is a marked improvement from the position in 2004, just after the Review was concluded, where only 18 had electronic capabilities throughout the year – Table 23.

Table 23: Communicating voting instructions electronically

	30/06/06	30/06/05	30/06/04
	Number of firms		
Had electronic capabilities throughout the year and gave instructions to vote all UK shares electronically	30	30	18
Had electronic capabilities throughout the year and gave instructions to vote the majority of UK shares electronically	1	1	8
Had electronic capabilities part the way through the year and gave instructions to vote all UK shares electronically	1	-	1
Depends on the custodian – the one firm in 2006 voted the majority of its shares electronically	1	2	4
Whether could deliver instructions electronically depended on clients paying for ADP	-	-	1
Did not have electronic voting capabilities and used faxes and proxy cards	-	2	2
Total	33	35	34

The Maximum Notice Period for Voting Instructions

This year, for the first time, the survey looked at how far in advance of the meeting firms had to submit their voting instructions, in that it was felt that voting agents often set a deadline for the receipt of voting instructions that is much earlier than that allowed in legislation. In summary, 22 of the firms had to submit their voting instructions to agents at least ten working days or two weeks before the meeting – Table 24.

Table 24: The maximum period of notice required for the receipt of voting instructions

	30/06/06
	Number of firms
18 days	1
Two weeks	1
12 calendar days	4
Ten working days before the meeting	16
Eight working days before the meeting	1
Seven days before the meeting	1
Six days before the meeting	1
Five working days	2
Four working days	3
Three working days	1
48 hours	1
Information not obtained	1
Total	33

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 meeting³, 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 AGM⁴ (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. Furthermore, as under the Uncertificated Securities Regulations, the record date when voting entitlements are set cannot be more than 48 hours before the meeting, requiring voting instructions to be received so early means that voting instructions have to be sent to agents before voting entitlements are set. This can result in discrepancies between the shares actually voted and the voting entitlement at the record date, and cause votes to be “lost” in that:

- > voting instructions can be rejected if they are for more than the correct entitlement and are over voted; or
- > fewer shares are voted than should be.

³ Section 327(2), Companies Act 2006

⁴ Section 307 (2), Companies Act 2006

Recalling Lent Stock for the Purpose of Voting

Stocklending affects voting levels in that the lender does not retain the right to vote. Thus the Review recommended that when a resolution is contentious the lender should automatically recall the related stock, unless there are good economic reasons for not doing so. The results are set out in Table 25 and show that the majority of firms recall lent stock whenever a resolution is contentious, although a number require other criteria to be fulfilled.

Table 25: Policies on recalling lent stock

	30/06/06	30/06/05	30/06/04
	Number of firms		
Always	4	4	2
Yes when resolution is contentious and certain other criteria may apply	20	23	21
Rarely/not necessarily	-	1	1
Does not recall	1	3	4
Only client lends and may give authority for manager to recall	3	-	-
Stock is not lent	5	4	3
Information not obtained	-	-	1
Total	33	35	32

To enable firms to recall lent stock they need to be notified of the position and whether stock has been lent. The position on this is set out in Table 26 and how much notice the firm has to give for stock to be recalled in Table 27. 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 26: Do custodians/stock lending agents notify stock that is lent

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

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

Table 27: How much notice does custodian/stock lending agent need to recall lent stock?

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

FRAG 21/94 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 FRAG 21/94 reports. In this respect, information was obtained from 32 firms and the majority include the voting process in their FRAG 21/94 – Table 28. As regards the two that do not, this position is likely to change as the Institute of Chartered Accountants in England and Wales issued a revised FRAG 21/94 (renamed AAF 01/06) in 2006, which includes control objectives that are specific for fund managers and which address the voting process.

Table 28: Including the voting process in FRAG 21/94 reports or their equivalent

	30/06/06	30/06/05	30/06/04
	Number of firms		
Do include the voting process	25	16	12
Will include the voting process in 2004	-	N/A	3
Will include the voting process in 2005/2006	-	4	1
Will include the voting process in 2006/2007	2	-	-
Do not include the voting process	3	4	5
Not relevant as no external clients	2	1	1
Information not obtained	1	10	12
Total	33	35	34

8 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 now report to clients and this tends to be quarterly, except that one firm reports to its corporate governance clients weekly and firms who prepare bespoke reports would report more frequently if requested. The voting details reported are set out in Table 29. All the firms provide some form of explanation, particularly in instances when they have voted against the Board or consciously abstained. Firms also frequently provide details of engagement other than voting as set out in Table 30.

Table 29: Voting details reported quarterly

	30/06/06	30/06/05	30/06/04
	Number of firms		
All resolutions voted and where voting against the Board, consciously abstaining and voting with the Board in a contentious situation, then the reason	4	4	5
Bespoke reports	8	6	5
Company meetings voted, each resolution voted and where voting against the Board or consciously abstaining, the reason	1	2	2
Company meetings voted and where voting against the Board, consciously abstaining or for the Board in a contentious situation, then the resolution and the reason	3	4	3
Company meetings voted and where voting against the Board or consciously abstaining - the resolution and reason - and where against a voting agency recommendation	1	1	-
Company meetings voted and where voting against the Board or consciously abstaining, then the resolution and the reason	11	10	9
Company meetings voted and where voting against or consciously abstaining, then resolution and the reason	1	-	-
Company meetings voted and where voting against the Board, then the resolution and the reason	-	-	1
Company resolutions voted against the Board or consciously abstained and the reason	3	5	4
Company resolutions voted against the Board and the reason - one firm gives the holding	1	1	3
Information not obtained	-	1	-
Do not report	-	1	2
Total	33	35	34

Table 30: Other details reported

	30/06/06	30/06/05	30/06/04
	Number of firms		
Meetings attended, either in summary or where there were issues (one firm gives company specific information)	9	8	9
Specific contentious issues raised with particular companies	6	-	-
Engagement and voting – but companies not named	2	-	-
Bespoke reports on engagement	11	-	-
Every interaction reported	1	-	-
Matters of potential interest	10	10	8
Details of SRI engagement	3	5	3
Details of SRI engagement where requested by clients	1	-	-
Other types of interaction	4	8	10
How effective engagement has been	2	3	9
As requested	1	-	-

Reporting on Website

Firms increasingly make details of voting and engagement public and put them on their website - Table 31. As at 30 June 2006, 15 firms put voting records on their website (2005: 10; 2004: seven). One firm subsequently started to do and others have also indicated that they will be doing so or would be looking into doing so.

Table 31: Details on website

	30/06/06	30/06/05	30/06/04	30/06/03
	Number of firms			
Voting and other engagement on website	7	6	4	1
Voting only on website	8	4	3	1
Engagement on website	-	2	1	-
Details of SRI on website	-	1	1	-
Details on website but access restricted to clients	1	3	2	-
Do not put details on their website	17	19	23	-
Total	33	35	34	2

As shown in Table 32, the voting details publicly disclosed vary, an indication of the complexity of such arrangements.

Table 32: Voting details on website

	30/06/06	30/06/05
	Number of firms	
Details of all resolutions voted and the reasons for voting with management in a contentious situation, voting against and consciously abstaining	4	4
Details of all resolutions voted and the reasons for voting against and consciously abstaining	1	-
Details of all resolutions voted	3	1
Number of meetings voted, number of resolutions voted and number of resolutions voted for and details of the resolution and the reasons for voting against and consciously abstaining	1	1
Summary of number of votes for, against and consciously abstained with an analysis of issues such as remuneration reports, combined CEO and Chairman plus details of resolution and the reason for voting against management	1	-
Summary of number of meetings voted and details of all resolutions voted against or consciously abstained and the reason	1	1
Summary of number of meetings voted, number of resolutions voted and number voted in favour, against or consciously abstained.	2	1
Summary analysis of issues opposed		
Summary of number of votes for, against and consciously abstained with an analysis of issues such as remuneration reports, combined CEO and Chairman	1	1
Summary of meetings voted and analysed as to where voted in favour of all resolutions, voted against one or more, or consciously abstaining, or took no action	1	1
Do not put details of voting on their website for public access	18	25
Total	33	35

In just over 50 percent of instances (eight firms) the website is updated quarterly and it varies how far in arrears the information is updated - for six firms it is monthly in arrears, for three it is weekly and for three it is quarterly in arrears – Table 33.

Table 33: Frequency that disclosures are made and how far in arrears

	Frequency with which the website is updated	How far in arrears is the information published
	Number of firms	
Weekly or less/one week	-	3
Bi-weekly/two weeks	1	1
Monthly/one month	2	6
Bi-monthly/two months	-	2
Quarterly/one quarter	8	3
Six monthly/six months	2	-
Yearly/one year	2	-
Total	15	15

Review of Reporting Arrangements

Following a specific request, the survey looked at the extent to which the firms' clients had asked for changes to the reports and whether the firms proactively reviewed their reporting arrangements. In summary, less than a third of the firms had clients that had requested changes to their reports, in that only 10 out of 33 did so in the year ended 30 June 2006. Firms on the other hand were proactive and 25 had reviewed their reporting arrangements and as a consequence 21 had made or were proposing to make changes. Only five had not reviewed their reporting arrangements – Table 34.

Table 34: Reporting arrangements

	30/06/06	30/06/05
	Number of firms	
Clients		
requested changes and changes will be made	10	N/A
were polled and were satisfied	1	N/A
did not request changes	22	N/A
Total	33	N/A
Firm		
did not review reports as clients request bespoke reports	3	3
reviewed reports and made changes (in two instances to website)	20	17
reviewed reports which will be changed next year	1	2
reviewed reports but does not propose changes	4	4
did not review reporting arrangements	5	9
Total	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.

⁵ In 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
Baillie Gifford		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
Fidelity Investments	Fidelity International	Fund Manager
F & C Asset Management		Fund Manager
Gartmore Investment Management	Nationwide Mutual Insurance	Insurer
Henderson Global Investors	HHG PLC	Insurer
Hermes Investment Management	BT Pension Scheme	Pension Fund
HSBC 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	Commerzbank	Investment Bank
Legal & General Investment Management	Legal & General Group	Insurer
M&G Securities	Prudential	Insurer
Martin Currie Investment Management	Martin Currie	Fund Manager
Morley Fund Management	Aviva	Insurer
Newton Investment Management	Mellon Financial Corporation	Fund Manager
Royal London Asset Management	Royal London Mutual Insurance Society	Insurer
Schroders Investment Management		Fund Manager
SG Asset Management	Société Générale	Investment Bank
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

Meetings with Independent Directors

Firm ⁶	12 months to 30 June 2006		12 months to 30 June 2005		12 months to 30 June 2004	
	Number of meetings	Number of companies affected	Number of meetings	Number of companies affected	Number of meetings	Number of companies affected
1	290	180	274	175	126	95
2	88	80	105	105	66	46
3	50	28	105	96	64	56
4	43	43	71	63	50	50
5	41	40	49	45	46	46
6	32	16	47	45	45	43
7	29	29	45	31	43	43
8	29	25	37	32	30	30
9	26	26	24	24	28	26
10	21	21	15	12	17	15
11	15	11	12	12	11	11
12	14	14	11	11	6	6
13	11	9	10	10	4	4
14	10	10	5	5	2	2
15	9	7	5	5	2	2
16	9	8	4	4	1	1
17	9	6	4	3	-	-
18	6	6	3	3	-	-
19	5	5	-	-	-	-
20	4	4	-	-	-	-
21	4	4	-	-	-	-
22	1	1	-	-	-	-
Total	746	573	826	681	541	476

⁶ Each manager has been allocated a number although a particular manager may not have the same number in 2006 as in previous years – i.e. manager 1 in 2006 may not be the same as manager 1 in 2005.

Appendix 4

Expressing Concerns Through Companies' Advisers

Firm ⁷	12 months to 30 June 2006		12 months to 30 June 2005		12 months to 30 June 2004	
	Number of instances	Number of companies affected	Number of instances	Number of companies affected	Number of instances	Number of companies affected
1	97	65	113	95	48	48
2	88	88	90	77	45	42
3	54	51	46	46	41	41
4	42	42	30	30	30	30
5	42	42	27	25	15	15
6	25	20	18	18	13	12
7	22	22	16	16	12	12
8	20	16	11	11	10	10
9	20	20	11	11	8	8
10	20	20	4	4	2	2
11	15	15	3	3	2	2
12	11	11	2	2	1	1
13	8	6	2	2	1	1
14	4	4	1	1	1	1
15	2	2	-	-	-	-
16	2	2	-	-	-	-
17	2	2	-	-	-	-
18	1	1	-	-	-	-
19	1	1	-	-	-	-
Total	476	430	374	341	229	225

⁷ Each manager has been allocated a number although a particular manager may not have the same number in 2006 as in previous years – i.e. manager 1 in 2006 may not be the same as manager 1 in 2005.

Appendix 5

Joint Intervention with Other Institutions

Firm ⁸	12 months to 30 June 2006		12 months to 30 June 2005		12 months to 30 June 2004	
	Number of instances	Number of companies affected	Number of instances	Number of companies affected	Number of instances	Number of companies affected
1	65	33	60	35	27	24
2	40	40	29	29	25	22
3	27	27	18	18	20	20
4	17	17	15	15	19	19
5	10	10	13	10	19	19
6	10	8	12	10	18	18
7	9	9	12	12	17	17
8	6	6	9	9	16	13
9	6	6	7	7	11	11
10	6	6	5	5	10	8
11	5	5	5	5	9	9
12	4	4	3	3	8	8
13	4	4	3	3	8	8
14	4	4	2	2	5	4
15	3	3	2	2	2	2
16	2	2	1	1	2	2
17	2	2	-	-	1	1
18	1	1	-	-	-	-
Total	221	187	196	166	217	205

⁸ Each manager has been allocated a number although a particular manager may not have the same number in 2006 as in previous years – i.e. manager 1 in 2006 may not be the same as manager 1 in 2005.

Appendix 6

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

	Total Number of: investee companies; resolutions; and companies affected				Resolutions consciously abstained			Resolutions voted against the company			
	Investee companies	Resolutions could have voted	Companies affected	Resolutions voted	Meetings affected	Number voted in total, where relevant	Number of resolutions consciously abstained	Number of companies affected	Number voted in total, where relevant	Number of resolutions voted against	Number of companies affected
1	1200	7,990 *	799	7,990 *	799	7,990 *	42	32	7,990 *	40	30
2	303	399	324	399	324	399	18	18	399	15	15
3	451	4,543	451	4,543	451	4,543	17	10	4,543	43	38
4	254	2,740	219	6,285	215	2,740	3	3	2,740	24	18
5	752	8,481	752	8,418	745	8,481	94	52	8,481	273	175
6	190	2,192	173	2,172	170	2,192	16	11	2,192	50	39
7	600	8,324	698	8,324	698	8,324	407	262	8,324	453	227
8	732	8,743	732	8,595	713	8,743	3	3	8,743	34	28
9	668	9,610 *	961	9,610 *	956	9,610 *	169	125	9,610 *	154	117
10	850 +	8,160 *	816	8,160 *	816	8,160 *	4	4	8,160	35	30
11	800	9,263	858	9,263	858	9,263	20	19	9,263	105	72
12	836	7,796	947	7,735	942	7,796	95	63	7,796	251	119
13	568	9,660	802	7,776	627	9,660	20	13	9,660	50	32
14	959	7,240	891	7,235	890	7,240	20	19	7,240	77	52
15	1,269	9,463 ***	1,239 ***	9,463 ***	1,239	9,463 ***	61	61	9,463 ***	53	51
16	750	9,500	750	9,500	750	9,500	1	1	9,500	133	105
17	855	8,650	855	8,650	855	8,650	26	23	8,650	43	30
18	400 +	6,705	583	6,705	583	6,705	104	69	6,705	105	74
19	1000	9,943	891	9,943	891	9,943	114	82	9,943	612	324
20	799	6,750 *	675	6,750 *	675	6,750 *	0	0	6,750	182	83
21	631	6,310 *	631	6,310 *	631	6,310 *	14	8	6,310	34	25
22	800	8,000	1,000	6,517	700	8,000	90	90	8,000	51	51
23	350 +	3,365	338	3,365	338	3,365	17	12	3,365	27	16
24	775	8,482	775	8,475	774	8,482	n/a	n/a	8,482	136	136
25	710	10,530	895	8,770	718	10,530	438	269	10,530	412	219
26	100	1,468	130	1,468	130	1,468	45	45	1,468	37	30
27	420	4,970	405	3,194	266	4,970	2	2	4,970	24	20
	18,022	189,277	18,590	185,615	17,754	189,277	1,840	1,296	189,277	3,453	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 companies affected 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 companies affected				Resolutions consciously abstained			Resolutions voted against the company			
	Investee companies	Resolutions could have voted	Companies affected	Resolutions voted	Meetings affected	Number voted in total, where relevant	Number of resolutions consciously abstained	Number of companies affected	Number in total, where relevant	Number of resolutions voted against	Number of companies affected
1	1200	7,380 *	738	7,380 *	738	7,380 *	23	15	7,380 *	50	30
2	165 #	6,188	345	6,188	341	6,158	32	19	6,158	97	60
3	303	3,610 *	361	3,610 *	361	3,610 *	30 **	18	3,610 *	37 **	23
4	281	3,570 *	357	3,570 *	357	3,570 *	33	25	3,570 *	21	8
5	257	2,650	276	2,650	276	2,650	14	13	2,650	29	28
6	750	9,261	859	8,240	747	8,240	111	66	8,240	148	113
7	111	1,437	129	1,437	129	1,437	6	6	549	N/a	N/a
8	700	7,331	850	7,331	850	7,331	609	365	7,331	487	246
9	850	9,508	848	9,108	813	9,108	20	18	9,108	135	119
10	800	11,790 *	1,179	11,770 *	1,177	11,770 *	222	167	11,770 *	198	154
11	197	1,697	146	1,697	146	1,697	152	90	1,697	46	30
12	N/a	9,022	998	9,022	998	9,022	9	8	9,022	33	31
13	800	9,369	818	9,369	818	9,369	30	29	9,369	131	97
14	1061	8,302	899	8,302	899	8,302	65	44	8,302	331	215
15	600	7,579	813	7,444	790	7,444	21	18	7,444	205	61
16	931	7,415	881	7,387	873	7,387	41	35	7,387	79	55
17	1150	8,945 ***	1,398 ***	8,945	1,398	8,945	65	40	8,945	160	111
18	750	8,998	996	8,997	996	8,997	4	2	8,997	106	83
19	900	8,403	854	8,403	854	8,403	121	48	8,403	20	17
20	400	4,688	456	4,688	456	4,688	47	36	4,688	70	50
21	1020	9,155	912	9,155	912	9,155	127	84	9,155	578	311
22	840	9,850 *	985	9,850 *	985	9,850 *	1	1	9,850 *	165	66
23	623	N/a	N/a	N/a	N/a	Not relevant	N/a	N/a	Not relevant	N/a	N/a
24	800	9,810	981	8,170	817	8,170	102	102	8,170	64	64
25	350 #	3,760	374	3,760	374	3,760	31	26	3,760	41	40
26	772	7,820	733	7,820	731	7,820	913	416	7,820	326	221
27	120	1,906	141	1,906	141	1,906	42	32	1,906	38	28
28	469	25,780	376	25,548	369	25,548	33	6	25,548	27	24
	17,200	205,224	18,703	201,717	18,346	201,717	2,904	1,729	200,829	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 companies affected 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 companies affected					Resolutions consciously abstained			Resolutions voted against the company		
	Investee companies	Resolutions could have voted	Companies affected	Resolutions voted	Meetings affected	Number voted in total, where relevant	Number of resolutions consciously abstained	Number of companies affected	Number voted in total, where relevant	Number of resolutions voted against	Number of companies affected
1	165	9,669	418	9,463	377	9,463	55	44	9,463*	44	29
2	311	4,670*	467	4,670*	467	4,670*	35	35	4,670*	28	28
3	275	3,230*	323	3,230*	323	3,230*	108	86	3,230*	88**	65
4	250	2,381	255	2,381	255	2,381	3	3	2,381*	29	27
5	73	1,179	120	1,179	120	1,179	9	8	1,179	13	13
6	675	7,769	771	7,769	771	7,769	423	287	7,769	358	184
7	1,150	16,180	1,150	4,790	340	4,790	23	20	3,800	18	14
8	1,000	5,250	800	5,250	800	5,250	20	13	5,250	110	100
9	850	5,280*	528	5,280*	528	5,280*	80	70	5,280*	108	86
10	214	2,019	234	2,019	234	2,019	234	126	2,019*	44	28
11	719	8,774	734	8,774	734	8,774	32	32	8,774	103	89
12	781	7,001	767	7,001	767	7,001	17	14	7,001	306	201
13	800	6,312	597	6,312	597	6,312	35	24	6,312	44	28
14	932	7,729	849	7,729	849	7,729	23	20	7,729	43	26
15	1,000	7,175	889	7,175	889	7,175	3	2	7,175	128	98
16	700	8,700	710	8,700	710	8,700	4	2	8,700	116	68
17	800	7,960	796	7,960	796	7,960	53	48	7,960	22	17
18	400	5,775	525	5,775	525	5,775	74	59	5,775	39	35
19	930	11,610*	1,161	11,610*	1,161	11,610*	0	0	11,610	142	67
20	300	8,682***	860	8,682	860	8,682	284	173***	8,682	340	213*
21	560	4,284	313	4,284	313	4,284	15	14	4,284	4	4
22	800	7,960	796	7,710	771	7,710	134	134	7,710*	57	57
23	350	3,803	340	3,803	340	3,803	16	11	3,803	29	25
24	1,000	11,015	1,011	11,015	1,011	11,015	273	167**	11,015	449	290**
25	850	8,664	878	8,666	838	8,666	1,370	636	8,666	459	252
26	1,750	21,171	2,322	21,171	2,322	21,171	737	449**	21,171	1901	1238
27	1,000	8,742	910	8,742	910	8,742	318	229	8,742	673	380
	18,635	203,184	19,524	191,140	18,608	191,140	4,378	2,706	190,150	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 companies affected 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

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote			Frequency of contact			
				For	Against	Consciously withheld		Telephone Calls	Letter(s)	Meeting(s)
Aegis Group plc	14 June 2006	To elect as a director Philippe Germond (14)	22		21	1	Five			
							Four			
							Three	1		
							Two	1		
		One	5	3	2					
		To elect as a director Roger Hatchuel (15)	22		21	1	Five			
							Four			
							Three	1		
Two	1									
One	4	3	2							
A G Barr plc	22 May 2006	To approve an authority to disapply pre-emption rights under section 95 for the Companies Act 1985 (7)	14	5	8	1	Five			
							Four			
							Three			
							Two			
One	1	2								
Antofagasta plc	14 June 2006	Re-elect Charles Bailey as director (5)	19	11	5	3	Five			
							Four			
							Three			
							Two			1
							One	2	1	1
Abbot Group plc	24 May 2006	To approve the directors' remuneration report (11)	20	2	17	1	Five			
							Four			
							Three			
							Two	1		
One	6	8								
Berkley Group plc	1 September 2005	To approve the directors' remuneration report (2)	18	14	4		Five			
							Four			
							Three			
							Two			
One	1		2							
British Sky Broadcasting Group	4 November 2005	To authorise the directors to make market purchases (14)	26	11	12	3	Five			
							Four			
							Three			2
							Two	2	1	2
One	3	3	3							

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote			Frequency of contact			
				For	Against	Consciously withheld		Telephone Calls	Letter(s)	Meeting(s)
British Sky Broadcasting	4 November 2005	To approve Rule 9 waiver (15)	26	6	16	4	Five			
							Four			
							Three			2
							Two	2	1	3
Carnival plc	13 April 2006	Re-election of Micky Arison (1) (combined Chairman and Chief Executive)	28	20	4	4	Five			
							Four			
							Three			
							Two		1	1
Carphone Warehouse Group plc	20 May 2005	To approve remuneration report (2)	21	17	2	2	Five			
							Four			
							Three			
							Two			
Colt Telecom Group plc	27 April 2006	To amend Article of Association re: Directors Indemnity (25)	14	7	6	1	Five			
							Four			
							Three			
							Two		1	
Compass Group plc	10 February 2006	To approve remuneration report (2)	23	18	4	1	Five			
							Four			
							Three			
							Two	1		3
Croda International plc	26 April 2006	To approve remuneration report (6)	20	8	8	4	Five			
							Four			
							Three			
							Two			
Daily Mail & General Trust plc	8 February 2006	To approve remuneration report (2)	3	1	2		Five			
							Four			
							Three			
							Two			
							One	4	4	1
							One		1	

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote			Frequency of contact			
				For	Against	Consciously withheld		Telephone Calls	Letter(s)	Meeting(s)
Daily Mail & General Trust plc	8 February 2006	To re-elect Ian Parker as director (5)	3	1	2		Five			
							Four			
							Three			
							Two			
Daily Mail & General Trust plc	27 June 2005	To amend Daily Mail & General Trust Long-term Incentive Plan (15)	3	1	2		Five			
							Four			
							Three			
							Two			
Diageo plc	18 October 2005	To approve the directors' remuneration report (2)	28	21	6	1	Five			
							Four			
							Three			
							Two			1
Dimension Data Holdings plc	09 May 2006	To re-elect Roderick Scott as director (4)	15	13	1	1	Five			
							Four			
							Three			
							Two			
Freeport plc	30 November 2005	To approve remuneration report (2)	14	9	3	2	Five			
							Four			
							Three			
							Two			1
Jardine Lloyd Thompson plc	27 April 2006	To re-elect Rodney Leach (3)	18	12	4	2	Five			
							Four			
							Three			
							Two	1		
Lonmin plc	26 January 2006	To approve remuneration report (2)	22	21	1		Five			
							Four			
							Three			
							Two	1		
						One	2	1	2	

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote			Frequency of contact			
				For	Against	Consciously withheld		Telephone Calls	Letter(s)	Meeting(s)
MFI Furniture Group plc	19 May 2006	To approve remuneration report (7)	16	7	8	1	Seven	1		
							Four			
							Three			1
							Two			
WM Morrison plc	25 May 2006	To approve directors' remuneration report (10)	24	18	4	2	One	5	1	2
							Twelve	1		
							Six			1
							Three			1
Persimmon plc	06 January 2006	Executive Synergy Incentive Plan (2)	22	11	10	1	Two			
							Four			
							Three	1		
							One	2	2	
Reckitt Benckiser	04 May 2006	To approve remuneration report (2)	29	19	8	2	Five			
							Four			
							Three			
							Two			1
J Sainsbury plc	13 July 2005	To approve remuneration report (2)	20	18	2		One	1	3	1
							Five			
							Four			
							Three			1
Tomkins plc	22 May 2006	To approve remuneration report (2)	22	16	4	2	Two			
							Four			
							Three			
							One	2	2	1
Travis Perkins plc	24 April 2006	To approve remuneration report (8)	26	22	3	1	Five			
							Four			
							Three			
							Two			
							One	1	2	1

Company	Date of meeting	Resolution (resolution number)	Firms with an interest at meeting date	Vote			Frequency of contact			
				For	Against	Consciously withheld		Telephone Calls	Letter(s)	Meeting(s)
United Business Media plc	04 May 2006	To approve remuneration report (2)	24	20	3	1	Five			
							Four			
							Three			
							Two			2
Wyevale Garden Centres plc	22 December 2005	To remove David Williams as a director (2)	18	1	16	1	Twenty	2		
							Four			
							Three			
							Two	1		3
Wyevale Garden Centres plc	22 December 2005	To remove Andrew Lewis-Pratt as a director (2)	18	1	16	1	Twenty	1		
							Four			
							Three			
							Two	1		3
Wyevale Garden Centres plc	22 December 2006	To remove Dianne Thompson as a director (3)	18	1	15	2	Twenty	1		
							Four			
							Three			
							Two	1		3
Wyevale Garden Centres plc	22 December 2006	To elect Robert Ware as a director (4)	18	1	16	1	Twenty	1		
							Four			
							Three			
							Two	1		3
Xstrata plc	09 May 2006	To approve remuneration report (3)	25	16	8	1	Five			
							Four			
							Three			
							Two			
						One	3	3	5	



