



Q3 2011

Responsible investment Corporate governance and SRI

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Performance

Newton exists primarily to increase the wealth of its clients by delivering strong and transparent investment performance

Perspective

Newton uses a distinctive global, thematic approach to maintain perspective and to generate strong and durable investment ideas

Teamwork

Newton is successful in varied market conditions by using a coherent, collaborative and enduring team-based investment approach

Consistency

Newton seeks to achieve consistent and stable growth in its business by maintaining strong investment performance and managing portfolios that are appropriate to the fulfilment of clients' objectives

Examples of ESG engagement

Please be advised that companies named throughout this document may not be contained within a Newton portfolio at the time that this document is published. Information contained within this document has been obtained through either meetings with the company or through company documentation.

Examples of environmental, social and governance (ESG) engagement undertaken by Newton are listed below. This is not an exhaustive list of all engagement activity undertaken by Newton during the quarter.

AstraZeneca

Newton attended a meeting with AstraZeneca, a UK pharmaceutical company, to discuss its approach to corporate responsibility. The meeting provided an opportunity to discuss the company's management of environmental, social and governance (ESG) risks. Specifically, the meeting focused on the company's emerging markets operations, its approach to bribery & corruption, and, its policy surrounding access to medicines.

Emerging markets

As the company increases its exposure to lesser regulated emerging markets, AstraZeneca faces a number of risks, such as counterfeiting. Industry estimates suggest that counterfeits represent 30% of medicines sold in emerging markets. The company explained that counterfeiting is a risk for both its original and generic pharmaceutical products. Counterfeiting poses potential product safety risk to patients and reputational risks to the company. Newton learnt that the company has trained all of its sales force to identify and report suspected counterfeits, as well as working with local governments to prevent counterfeiting operations. The company provides good disclosure of its anti-counterfeiting measures and provides examples of where it has successfully prevented counterfeited products reaching the end consumer. Newton was re-assured that AstraZeneca has robust systems to manage this risk as it increases its exposure to higher-risk markets.

Anti-bribery & corruption

During Newton's last meeting with AstraZeneca¹, discussion was had in relation to the company's anti-bribery practices and how it was preparing for the new UK Bribery Act, which has since come into force. The company has amended its group-wide code of conduct by introducing a prohibition of facilitation payments and has developed a stand-alone policy for use when interacting with external parties. In addition to existing compliance systems, auditing and a whistleblowing hotline, the company has incorporated a bribery & corruption risk assessment within its supplier qualification process. Newton was also encouraged by the company's commitment to increase its reporting of any breaches of its anti-bribery & corruption policies, together with remediation to ensure that a similar breach cannot occur.

Access to medicines

AstraZeneca's approach to its 'access to medicines' policy comes under greater scrutiny and is more material for the company as it expands operations within emerging markets. AstraZeneca ranked seventh in the latest Access to Medicine Index. The index provides a ranking of the world's largest pharmaceutical companies with

regard to their efforts to increase access to medicine for the poorest in society. AstraZeneca has a long history of carrying out work on neglected diseases, which is one issue covered by the index, and has set up a dedicated research centre to focus on tuberculosis and malaria. Newton welcomed the company's acknowledgement of 'access to medicines' as providing both business opportunities and social benefits.

Australian mining company

Remuneration

Ahead of the company's AGM, Newton met with the chairman of the company's remuneration committee in order to explore certain elements of its remuneration arrangements. Key topics included termination payments, the CEO's long-term incentive awards, an upcoming review of the company's remuneration strategy, the expected vesting of long-term incentive awards and proposed fees for the board's non-executive directors.

Following extensive discussions, Newton was comfortable that remuneration arrangements were being well managed. It was also encouraging that the company's continuing superior performance was considered to be, in part, owing to the remuneration structure that had been put in place.

bribery & corruption

The recently enacted UK Bribery Act was also discussed. Newton welcomed the changes that the company had made to its code of conduct, which now prohibits facilitation payments. However, the company highlighted the challenges that it faces following the enactment of the new Act. The chief concern surrounded a belief that the Act would inhibit the company's ability to compete against Chinese and Indian companies, given that such companies are not constrained by such stringent regulations.

BHP Billiton

Newton met BHP Billiton (BHP), an Australian natural resources company in order to gain greater insight into its sustainability strategy. The company has over 100 operations across 25 countries and faces a range of environmental, social and governance (ESG) risks through its diverse mining and oil production portfolio.

Health and safety

BHP faces a range of health and safety risks, which are generally felt to be well managed. However, following a fatal aircraft accident involving the entire board of one of the group's subsidiaries in 2010, BHP has made a number of changes in an effort to mitigate

1. See responsible investment report Q3 2010, page 4.

aviation risk within its health and safety policies, practices and procedures. In Australia, many of the company's operating sites are remote and the use of aircraft is often the most economic method to transport people, and certain metals and minerals. At site-level, the company continues to conduct aircraft-operator audits but it has now appointed an individual at each site who has direct responsibility for aviation safety. At an industry level, BHP has co-led an initiative with a non-governmental organisation, Flight for Safety, to develop an industry-specific safety standard. Aircraft operators contracted by the industry must comply with this standard before being awarded contracts. External auditors began monitoring aircraft operator's compliance with the standard in 2011. This industry standard has been developed and implemented across BHP's group-wide operations. Newton believes that BHP's involvement in the development of this industry-wide standard endorses, further, the company's commitment to mitigating its material health and safety risks.

Labour standards

BHP employs 39,000 people directly and 58,000 contractors, globally. Whilst the company's systems and policies concerned with labour standards reflect best practice, it continues to face industrial action, in the form of strikes, throughout its Australian coal mining operations. These strikes are a result of employee dissatisfaction surrounding pay and working conditions, and have been exacerbated by high commodity prices and subsequent growth in company profits. Given that human capital is a key asset to the company and that delays in production can lead to a significant increase in costs, as well as damaging reputations, Newton was keen to understand how BHP would resolve these issues. Newton expressed its disappointment with the limited level of assurance that the company was able to offer. Newton went on to suggest that more effective management and disclosure was required on this matter.

Anti-bribery & corruption

During the last meeting with the company², Newton was encouraged to learn that the company was preparing for the new UK Bribery Act, which came into force in July 2011. Newton was pleased to understand that further training has been provided to employees and board directors, together with the company updating its Code of Conduct to prohibit the use of facilitation payments. Newton welcomed the company's increased disclosure in this area, specifically on the effectiveness of the company's whistleblowing system, which is an important tool for monitoring and mitigating potential bribery & corruption risks. The company is a market leader through its disclosure of the number of reported incidents relating to bribery & corruption, as well as with regard to third party dealings.

GlaxoSmithKline (GSK)

Access to Medicines

Newton contacted GlaxoSmithKline (GSK), a UK pharmaceutical company, to discuss the company's strategy regarding the provision of affordable medicines to less developed markets. The company's efforts in this area have been rewarded by a first place within the Access to Medicine Index. This Index ranks the world's largest pharmaceutical companies on their efforts to increase access to medicines for the poorest in society. Newton wanted to improve its understanding of the work done by the company on pricing policies, infrastructure in less developed markets and research into lower profile tropical medicines, all areas which were highlighted by the Index.

Since Newton last met with the company in 2010, GSK has continued to strengthen its access to medicines programme and now offers affordable medicines across 37 countries featured on the United Nations Development Programme's list of countries classified as having lower or medium levels of human development. The company cited Northern Somalia and Papua New Guinea as their newest markets. Many GSK products are already sold, indirectly, to these markets but GSK has developed pricing policies to ensure that medicines are accessible to a larger number of patients in these countries. The company also discussed the role of vaccines and the research and development activity that is carried out on neglected tropical diseases. One of the key vaccines under development is expected to provide protection against malaria contracted Africa.

Affordable medicines are not solely an issue for the poorest countries. GSK has also developed affordable pricing policies for middle-income markets, such as Brazil, China and India. It aims to build infrastructure in these markets through the recruitment of sales people, educating local doctors and developing brand awareness. GSK acknowledges that its access to medicines programme provides a significant long-term business opportunity, in terms of gaining access to markets with growing populations and economic growth.

Anti-bribery & corruption

Given the increased exposure to countries with potentially higher bribery risks, Newton was keen to learn about the steps being taken by the company to ensure it complies with the new UK Bribery Act, which came into force in July of this year. The pharmaceutical company confirmed that it completed a training programme for all executives and group employees.

Overall, GlaxoSmithKlein appears to be handling the tensions between commercial opportunity and social benefit well, while also being mindful of the dangers of bribery and other reputational risks.

2. See Responsible Investment Report Q3 2010, page 4.

Japanese retail company

Internal controls

During the year, the company's statutory auditors identified that one of the company's executive directors was embezzling the company's monies. In a meeting with the company, it was explained that, upon detection, the incident was notified to the police and the individual was dismissed from the company's employment. Newton was keen to understand how the embezzlement continued undetected for a period in excess of 12 months and how the company would prevent a similar event recurring. It was clear that there had been a failure in the monitoring of internal controls. In order to address this failure, the company established a monthly control committee, which has the responsibility for overseeing and evaluating the effectiveness of the company's internal control policies, systems and procedures. Its constituent members represent key areas of the business, including legal and finance. The swift action to notify police of the incident, to dismiss the individual in question and the subsequent adoption of a control policy left Newton with comfort that the company was well-placed to ensure any recurrence was unlikely.

Royal Dutch Shell

Nigeria and oil spills

Newton met with Royal Dutch Shell (Shell) to discuss the findings of the recently published United Nations Environment Programme's (UNEP) Environmental Assessment of Ogoniland. This assessment was conducted over the course of two years and investigated the levels of contamination caused by the company in relation to land, groundwater, surface water, vegetation, air pollution and public health throughout Ogoniland, an area within Nigeria. Shell has been active in Nigeria since the 1950s and is the largest oil operator within Nigeria, accounting for over half of the country's petroleum production. Nigeria represents 14% of Shell's global oil revenues. Shell has not produced oil in Ogoniland since 1993, when the company had to withdraw from the region in response to threats to employees. Today, the company has a number of dormant wells and a pipeline infrastructure, which is frequently under threat of sabotage. The report concludes that oil contamination is widespread and severely impacts many components of the local environment. The UNEP report identified eight emergency measures that need to be undertaken immediately with regard to drinking water that has become contaminated. Following the publication of the report, the Government of Nigeria proposed that an Ogoniland Environmental Restoration Authority be established and funded with US\$1bn from both the government and oil operators. Shell's public response to this report was welcomed by Newton, which included the company's action plan to enact the eight emergency measures highlighted by the report.

One of the findings in the report focused on the remediation work completed by Shell across oil spill sites in Ogoniland. It found that, while surface level contamination had been removed, environmentally damaging hydrocarbons are still present at only five metres below the surface. Shell uses remediation by enhanced natural attenuation (RENA), a restoration method that is commonly used across the industry. This method breaks up the soil by encouraging naturally-occurring microbes to disperse any oil. The previous ineffectiveness of this method in the remediation work already done led to Newton questioning the company as to how it will change its restoration practices following the report's findings. The company explained that it is working with the UNEP and remediation specialists to identify more effective target levels that aim to identify potential oil contamination at greater levels below the surface. It is also introducing external verification of remediation sites.

Oil spills are not just a legacy issue. It is estimated that 70% of spills in the region are a result of sabotage. Given better security conditions in the area, Shell has increased the level of remediation work and spill assessments. It is also disclosing real-time data on individual spill incidents.

Standard Chartered

Corporate responsibility

Newton met with Standard Chartered, a UK-listed bank, to discuss the progress being made with its sustainability practices. Standard Chartered demonstrates a clear understanding of the environmental and social risks affecting the company, and continues to strengthen its policies in these areas. Comprehensive policies have been established to ensure that the company does not suffer possible reputational and financial consequences that may arise from an association with certain activities. These include child labour, forestry and palm oil, mining and metals, dams, biofuels, fossil-fuels, climate change, hazardous materials, ship breaking, oil and gas, tobacco, gambling, nuclear power and also water. These policies help the company to implement the Equator Principles, a framework that is designed to help mitigate environmental and social risks within project finance. In adopting these Equator Principles, the company agrees to either avoid projects, should environmental and social factors not meet the company's policies, or, as part of the lending agreement, work with its customers to influence their behaviour. Standard Chartered has chosen to avoid providing finance to projects that have poor environmental, social or governance (ESG) standards. The meeting with the company gave Newton the opportunity to understand how the policies are implemented. Standard Chartered commented that, in addition to fundamental credit risk analysis, due diligence is undertaken on all projects to identify any ESG related risks. All ESG assessments are outsourced and the findings are reviewed in-house. Any high-level

risks are reviewed by the bank's sustainability committee, which is chaired by the CEO of Wholesale Banking. The company acknowledged that its ESG risk management approach had been beneficial to the business in terms of both a low failure rate for project finance and a reduction in reputational risk.

Data protection

Given that the bank has a significant retail banking business across Asia, the Middle East and Africa, Newton was keen to understand better how the company manages data security. In particular, Newton wanted to learn more about the bank's policies that deal with customer privacy and confidentiality. The bank explained that a group-wide policy existed that covered information security. This policy monitors the collection, use, storage and transmission of all personal information. Newton encouraged the company to extend the disclosure of this policy beyond customers and include all stakeholders.

Employees

The banking group employs over 85,000 people globally. Newton welcomed the positive results from the group's employee satisfaction survey but urged the bank to disclose more information on key employee metrics, such as staff turnover across its whole workforce.

Anti-bribery & corruption

The UK Bribery Act has been enacted since Newton last met with the company, Newton was keen to understand how the bank had adapted its policies and systems to ensure compliance with this new Act. Standard Chartered confirmed that it had updated its code of conduct, provided training to all employees and appointed a compliance officer at each business site. In addition, the company has established and is maintaining a whistleblowing hotline. Newton felt re-assured that adequate systems were in place to manage anti-bribery risks.

Tokyo Stock Exchange

Governance reform in Japan

Newton's meeting with the Tokyo Stock Exchange focused on governance reform across corporate Japan. Many corporate governance practices in Japan fall short of the practices employed by UK companies. Such areas include board composition, independent oversight, capital restructuring, anti-takeover mechanisms, cross shareholdings, together with a general lack of disclosure on governance matters. Over the past few years, investors have focused on bringing improvements in certain areas, including the disclosure of proxy voting results and limiting the use of anti-takeover mechanisms. While these issues are yet to be resolved, emphasis is now being placed on board composition and practices surrounding rights issues.

Over the past 40 years, the percentage of Japanese companies' shares that are owned by foreign and domestic institutional

investors has increased, significantly. In addition, an increase has been seen in the number of foreign and domestic shareholders that exercise their voting rights independent of management recommendations. This has been a key driver in instigating governance reform discussions and action from Japan's Ministry of Justice Legislative Council. Certain voting members of this council continue to resist corporate governance reform but, given that these members are in a minority, compromise reform is now often forthcoming. In particular, it is likely that Japanese companies will soon begin to recruit truly independent non-executive directors to their boards, who will oversee statutory audit matters. However, corporate culture will need to be altered, dramatically, before the Western approach is adopted, where a majority of a board's members are independent.

The second key area that is expected to be addressed in forthcoming reform is the processes surrounding the issuance of shares. Regrettably, reform is focused on reducing the time taken for a company to raise monies by way of a rights issue. Of greater concern are the practices employed by the underwriters of rights issues. Significant levels of fees are charged for the taking of limited risk and the new shares are often placed with parties without the knowledge of, or consent from, the underlying company or its shareholders.

In an effort to improve shareholder rights and increase the attractiveness of Japan for investment opportunities, Newton will continue to support governance reform in Japan.

UK food and beverages company

In a meeting with the company's chairman, Newton followed-up on certain issues raised with the company, last year, and also took the opportunity to explore other areas of the company's approach to corporate governance.

Succession planning

The chairman commented that progress had been made in relation to establishing an effective succession planning policy. However, it was also explained that the company continues to struggle with achieving an effective succession planning policy and procedure for senior executive positions. This is owing to the company's rapid growth, which has led to a dearth of talented managers available for promotion to senior positions. The chairman explained that, starting last year, succession planning is now receiving greater attention from the board.

Risk management

Extensive discussions were also had surrounding the company's approach to risk management. Together with internal audit, the CEO is responsible for ensuring that all key risks are reviewed, annually. Each identified risk is graded for its overall risk to the company, for the possibility of the severity of the risk changing and

according to the controls that are in place, or could be introduced, to mitigate this risk. The chairman explained that he is comfortable with the company's risk profile with regard to the risks associated with the company having a controlling shareholder. The chairman provided a small degree of assurance in that he has two formal meetings per year with representatives of this shareholder.

Board structure

A further key area of discussion surrounded the structure of the board. The chairman described that, while he was happy with the manufacturing experience amongst the company's board members, he appreciated Newton's view that the board would benefit from additional commercial experience. Unprompted, the chairman made clear his desire to address the fact that the board lacked jurisdictional experience and female representation. The chairman commented that, while the number of board members was few, he was confident in their effectiveness as a group.

Encouragingly, the board has now received necessary training on the UK Bribery Act. The chairman explained that he believes that the company is well-positioned to avoid falling foul of the Act and went on to state that external advice received suggests that the company is well advanced on this matter. Newton recommended that the company disclose, publicly, its code of conduct. It was also requested that the company update some of the outdated information disclosed on its website.

UK food retailer

Remuneration

In relation to remuneration related resolutions, which were proposed at the company's AGM, Newton expressed its concerns to the company ahead of instructing voting rights. The company's executive remuneration arrangements include a performance share plan. Under this plan awards vest if a temporary improvement in the company's share price is achieved over any 60 consecutive trading days during the three year performance period. Newton was concerned that this structure could compensate directors for overall underperformance, rather than creating sustainable long-term shareholder value. The company explained that several executives on the board held a significant number of the company's shares, which meant that they were aligned with long-term shareholder interests. Given that some executive directors were significant investors in the company, Newton questioned the need to provide them with long-term remuneration awards in the first instance. In addition, for those executives requiring long-term alignment with shareholders' interests, it was suggested that the underlying performance conditions for future awards need to reflect this alignment.

UK pharmaceutical company

Newton met the chairman of this UK pharmaceutical company. Extensive discussions were had across many topics, including operating strategy, legal liability, board structure and remuneration.

Board structure

The chairman believed that the board as a whole was now more engaged in the management and oversight of the company. This has been driven, largely, by the company's CEO and his desire to ensure that the board is able to challenge his strategic vision for the company. Specifically, board members have been required to commit additional time to the company and attend a greater number of internal management meetings. In regard to board diversity, Newton commented that, amongst the board's individual members, there appeared to be a notable lack of emerging market experience, skills and knowledge. This was of concern given the company's emerging market exposure is likely, as confirmed by the chairman, to be the most important area for the group going forward. The chairman agreed that, in order to capitalise on the company's emerging market strategy, the board would benefit from added expertise. A commitment was given to improve the board's diversity.

Succession planning

Owing to recent changes across the company's executive directors, Newton sought an assurance from the chairman that succession planning was being managed, effectively. It was explained that the company has a policy on succession planning. Despite the chairman's explanation, Newton commented that this policy lacked depth given that it did not extend to the identification and nurturing of talent available amongst the company's senior management. It is expected that succession planning will be addressed more thoroughly.

Remuneration

On remuneration matters, Newton was in support of recent amendments that had been made to the executive remuneration arrangements. In relation to the senior management team being a core asset of the company, Newton queried the board's approach as to how it evaluates the long-term total cost of employing the senior management team versus the long-term benefit to the company. The company's chairman was unable to provide a specific answer to this question.

Risk management

In answer to Newton's question as to the key areas of risk for the company, the chairman explained that he focused on minimising the risks associated with three overarching issues: first, the pipeline of new medicines; secondly, discovering corruption within the company; thirdly, the risk to the company of patient mortality from the company's products. From a corporate governance perspective, it was encouraging that financial and reputational risks, together with long-term sustainability, are not ignored in pursuit of profits.

UK retail group

Auditors

Newton contacted the company to request further information regarding the non-audit fees that it had paid to its auditor. Newton was concerned that the auditor's independence was in jeopardy, given that fees paid for non-audit work over the past few years, were in excess of the fees paid for audit work. The company explained that the majority of non-audit fees had been paid for tax-related services and that several auditing firms had been employed to complete this work. Newton encouraged the company to strengthen its disclosure and explain what processes had been put in place to safeguard the auditor's independence.

Director elections

In line with the UK Corporate Governance Code, the company introduced annual re-elections for all board directors. While this increases the accountability of each individual director, Newton was concerned about a proposed amendment to the company's articles of association. It was proposed that in the event that none of the board members are re-elected, the amended articles would permit all directors to remain on the board and all then to elect the board's directors. Despite other UK companies proposing this amendment, Newton was concerned that this provision would undermine fundamental shareholder rights, being the ability to appoint directors that are charged with the responsibility of safeguarding shareholders' assets. Newton explained that the entrenchment of management was not in shareholders' interests. Newton failed to appreciate the company's argument that it needed to make the amendment as a safeguard to ensure business continuity.

UK telecommunications company

Remuneration

At its AGM, the company requested that shareholders approve a new long-term remuneration arrangement. Despite being consulted on this plan at the beginning of the year, and agreeing in principle to its introduction, certain events led to Newton contacting the company. During the year the company issued two profit warnings and two executive board members resigned. These events resulted in a substantial reduction in the company's share price and the chairman relinquishing his role and becoming the company's CEO. In discussions with various board members of the company, Newton suggested that, in recognition of recent events and the significant reduction in share price, the size of the proposed awards should be scaled back. The company failed to appreciate Newton's views that the proposed awards could be viewed as rewards for poor performance.

UK utility company

Remuneration

Ahead of the company's AGM, Newton contacted the company to discuss concerns that it had with the compensation arrangements in place for the newly appointed CEO and CFO. Concerns centred on the share-matching scheme awarded to the new executives. The scheme would allow awards to vest irrespective of performance achieved. While Newton welcomed the long term perspective of the five year plan, it was questioned as to why performance conditions would not govern the vesting of these remuneration awards. The company explained that the awards had been made to compensate the new executives for awards forgone at their previous employer. Newton acknowledged that compensating executives for awards forgone is common practice when attracting new recruits and recommended that the company provide additional disclosure should this situation recur.

UK utility company

Remuneration

Newton entered into discussions with the chairman of the board's remuneration committee. The chairman raised a concern with regard to the vesting of awards granted under the company's long-term incentive plan (LTIP). Despite the company's robust operational performance, it was explained that the 2008 LTIP awards had lapsed and that, even though performance continued to be strong, it was feared that the 2009 LTIP awards would not vest in full. The chairman of the remuneration committee was able to confirm that the retention of executive directors was not an immediate concern. However, in anticipation that this situation could change, the remuneration committee was eager to gain Newton's views on possible amendments that could be made to existing awards. Newton explained that it would not support retrospective changes to existing LTIP awards and suggested that a review of the company's remuneration arrangements should be considered. In addition, while the remuneration committee's proactive approach was appreciated, Newton commented that it was too early to predict the extent to which the 2009 LTIP awards would vest at the end of the performance period in 2012. Newton suggested that shareholders' views should be sought closer to the vesting date should the remuneration committee wish to exercise any discretion in relation to the vesting of the 2009 LTIP awards.

US financial services company

In a group meeting with other shareholders, discussions with the company's head of investor relations centred on the company's reputation, the combined role of CEO and chairman and executive remuneration.

Reputation

The company stated that it was determined to rebuild trust amongst its clients and the global community. A recent survey of clients conducted by the company highlighted that clients tended to place more trust in the individual advisor from the company than they did on the company as a whole. In order to address this distrust, it was explained that various policies and processes had been put in place to communicate, better, with its clients. It was felt that this would help manage client expectations to the benefit of the wider company. In relation to gaining the confidence of the global community, the company stated that this would require a collaborative effort across global sector peers given that the distrust was not necessarily company specific. Newton was encouraged by the efforts being made in this area.

Board structure and remuneration

Disappointingly, the company was unable to provide substantive rationale to explain why the company had chosen to combine the roles of CEO and chairman, such that they were held by one individual. Of further disappointment was the unwillingness of the company to answer Newton's questions that related to the long-term total cost of remunerating the company's senior management team and how this corresponds with the company's long-term growth. While the head of investor relations had a good level of knowledge on certain areas of the company's financial arrangements, he was unable to quantify the cost of employing the company's senior management team. Where employees are a company's primary asset, as they are in this instance, Newton believes that consideration should be given to the total cost of employing this asset. In addition, consideration of this asset should be extended to ensure that remuneration arrangements are sustainable, financially, and that they correlate with the creation of long-term shareholder value.

US pharmaceutical company

Board structure

During the quarter, Newton was in correspondence with the company's head of investor relations. The company sought Newton's view on the number of directors on its board. Newton suggested that 18 board members seemed excessive. Such a number might bring into question the board's ability to debate matters, effectively. Such an extensive board suggests that meetings may be an exercise in information dissemination. A formal evaluation of the board's practices, its members and overall conduct would help to assess its effectiveness.

Vedanta Resources

Newton met with Vedanta to learn more about its new sustainability strategy. This UK mining company operates metals and mining sites across India, Australia and Africa, as well as operating power plants in India. Over the past few years, the company has faced scrutiny from multi-stakeholder groups and received negative press relating to its weak environmental performance and response to the rights of indigenous peoples. These concerns led to the Indian government rejecting Vedanta's bid to operate a Bauxite mine in Orissa, India. The company's poor response to environmental and social risks also triggered a review by one of its capital providers, which adheres to the Equator Principles. These Principles offer a framework that is designed to help mitigate environmental and social risks within project finance. In response to these concerns, Vedanta appointed a Chief Sustainability Officer and developed a new sustainability strategy.

Governance

A sustainability sub-committee has been established to support the board. This committee will manage environmental, social and governance (ESG) risks by way of a top-down approach. The committee's objectives include; a) aligning all management systems with recognised international standards, such as the UN Global Compact, as well as sector standards, including the International Council on Mining & Metals (ICMM); b) ensuring that all health and safety standards are consistent across the group and; c) increasing transparency and dialogue with stakeholders. Newton welcomes this increased commitment to managing ESG risks more effectively.

Health and safety

Historically, the company has failed to address adequately the risks relating to the environment and human rights faced by the company. In addition, Newton was also keen to understand more about how health and safety risks are managed. While Newton acknowledges that mining is a high-risk sector, 26 fatalities at the company suggest that its policies and management systems are not being implemented effectively. Vedanta acknowledged this poor performance and explained that a number of changes had been introduced. These changes included additional training, the development of new contractor management systems, greater thoroughness when investigating accidents and operating a 'permit to work' system on a site-by-site level.

Overall, Newton continues to retain concerns over the company's management of environmental and social risks. It has, however, taken steps to strengthen the management of these risks and Newton welcomed the increased disclosure and dialogue with investors.

Foreign direct investment in African agricultural land

To date, meetings have taken place with Marks & Spencer PLC, British American Tobacco PLC, Syngenta AG, Nestlé SA, and Associated British Foods PLC.

Rising populations and changing eating habits in the Middle East and Asia have driven an unprecedented interest in arable land. Increasingly, net importers of foodstuffs are seeking to hedge against future supply constraints to ensure that they can feed their populations. Such hedging strategies have favoured productive land rather than increasing exposure to physical commodities and their derivatives via public markets. Pension funds and alternative investors have also sought exposure to agriculture and agricultural land as an emerging asset class.

This trend can bring many benefits to Africa. Food may be produced more efficiently for local people, ecosystems may be protected through an uptake of sustainable production processes, new technologies could be introduced, new employment opportunities could be created and an increased standard of living could lead to lower risk of conflict. In addition, an influx of foreign capital could catalyse the establishment of firmer property rights and competitive economic diversification may also be achieved. This investment trend could also establish a lower risk environment within which companies are likely to compete to operate.

However, the upside is far from guaranteed and there are severe risks that need to be understood. Recent examples of governments limiting exports of agricultural commodities demonstrate that with resource scarcity comes protectionism. In other jurisdictions, political change has led to resource nationalism as governments respond to popular concerns around foreign ownership of production. Strategies to combat these concerns have included seizing assets or imposing higher tax levels on foreign investors. Newton's *state intervention* investment theme highlights how greater levels of state intervention and forms of managed capitalism impact, negatively, upon corporate activity. In addition, Newton's *energy supply* theme explores how alternative sources of energy are sought to redress the heavy weighting of hydrocarbons in the energy mix. Recent technological advances have enabled more agricultural products to be used as biofuel feedstocks. This has meant that land, which was previously used to grow food for human and livestock consumption, is now being used to produce fuel, causing controversy as food prices rise faster than energy costs. Finally, Newton's *earth matters* and *uneconomic growth* themes identify increasing internalisation of services previously taken for free as an emerging cost item for companies. As water usage increases, for example, some supplies may no longer be accessible for free and companies may find themselves needing to buy water for the first time.

Newton recognises that investing in companies with exposure to African agribusiness involves certain risks. It is also recognised that companies operating in countries with a resource boom are exposed to further potential downsides. Newton has met the environmental, social and governance implications of agricultural specialisation in African countries, and identifying the corresponding implications for companies that invest in these countries, or have indirect exposure to the trend. In an effort to understand better the companies' approach to managing associated risks, Newton is engaging with food producers, food retailers and companies involved in agri-technology. These meetings have enabled Newton to discuss the issues which companies may face as a result of the influx of foreign direct investment into African agricultural land. Companies have explained how risks are mitigated by way of taking measures to build resilience in their supply chains. These measures can ensure a sustainable workforce, improve understanding of local conditions and help the establishment of specific solutions, while also managing any potential reputational risk by sharing benefits with communities and government.

Health and safety in the workplace

To date Newton has engaged with a number of companies including Straits Asia Resources Ltd, White Energy Company Ltd, Santos Ltd, Ophir Energy PLC, Amlin PLC, Jardine Lloyd Thompson Group PLC, Bowleven PLC, Melrose PLC, Total SA, BG Group PLC, BP PLC, Worley Parsons Ltd, Lamprell PLC, APA Group NPV, First Gen Corp, Centrica PLC, Shaw Group Inc, Barrick Gold Corp and BHP Billiton.

Global demand for energy and minerals continues to increase. Ensuing high prices have driven companies that operate in the mining and oil & gas sectors to ever more challenging locations. Companies now extract 'ultra-deep' oil, the demand for rare earths has led Japan to prospect under the seabed, while record prices for gold drive high altitude mining in South America. All of these bring new technical challenges and with them higher risks, particularly during the early years of operation when site-specific practices are iterative.

Accidents at work are not uncommon. Some sectors involve more dangerous work and, therefore, those employed to do this are at greater risk of personal injury or fatality. In addition to extractive industries, high accident rates may occur at the operations of utilities companies, while local construction booms in emerging economies can lead to accidents when workplace cultures are different and safety practices do not keep pace. Fatalities and injuries can be damaging to companies in many ways, such as the possible loss of labour, temporary closure of facilities, imposition of

legal measures, incurrence of fines and loss of operating licences, together with tighter regulation that can result in increased costs. Meanwhile, reputational damage may mean it becomes impossible to operate locally.

The loss in confidence may result in an adverse stock market reaction and, subsequently, require asset sales and damage to an overall business model. On 20 April 2011, an explosion at the Macondo oil rig killed 11 men working onsite and resulted in serious environmental damage. To date, the incident has cost the associated companies billions of dollars in lawsuits and compensation, and made operating more expensive, with higher insurance premiums a factor. The Macondo incident has shown that companies and, indeed, sectors, may not be prepared for such an event in terms of policy and practice, despite serious precedents such as Exxon Valdez and Piper Alpha.

Newton is engaging with a range of investee companies that operate in sectors perceived as being at higher risk of employee accidents. Discussions have extended to areas relating to who is responsible for health and safety at the company, the main areas of concern and the mechanisms in place to deal with these concerns, safety audits, training, and any differences there are in policies and practices for contractors and for employees. In addition, questions were tabled on geographical or culturally specific factors, how incidents at the company have been dealt with and lessons learned, key performance indicators and how these affect remuneration, communication of health and safety policies and changes in practice across the organisation, whistleblowing policies, any fines incurred as a direct result of health and safety issues, and how health and safety issues, are taken into account when pitching for a new contractor licence.

Company disclosure on environmental, social and governance issues

Assessment and subsequent disclosure

Environmental, social and governance (ESG) assessments of Newton's largest holdings are conducted as an integral part of Newton's approach to responsible investment. These assessments often lead to engagement with companies on their environmental, social and governance disclosures and practices. Newton reserves the right to vote against resolutions at a company's AGM, if engagement has proved ineffective. During the quarter, Newton contacted a number of companies to discuss their ESG disclosure.

Bank Sarasin

Following Newton's ESG assessment of Bank Sarasin, a Swiss banking group, the company was contacted in an effort to learn more about its approach to business ethics. Newton believes that the company demonstrates a commitment to managing, effectively, its environmental and social risks within its own operations and, indirectly, through its investments. However, the bank has poor disclosure on the management of its bribery & corruption risks. Given the potential materiality of these risks within the banking sector, Newton sought to understand how these risks were being managed. Bank Sarasin explained the policies that it has in place to mitigate bribery & corruption, which includes training for all employees and an established anonymous whistleblowing hotline. In addition to these undertakings, the company has also incorporated anti-bribery practices that were developed by its parent company, Rabobank. Bank Sarasin conducts both internal and external audits to ensure compliance with these policies, practices and procedures. The board is responsible for policy development and implementation in this area.

Newton believes that the bank has robust practices in place to monitor and manage any potential bribery & corruption risks. However, in order to mitigate any potential reputational risk for the business, Newton encouraged the company to strengthen its public disclosure. The company welcomed Newton's recommendations.

Hypermarcas

During the quarter Newton had discussions with Hypermarcas, a Brazilian producer and supplier of personal goods, household goods, pharmaceutical products and foodstuffs. Last year, during conversations Newton had with Hypermarcas,⁵ the company reported that it had developed an environmental policy, a supplier qualification process and was also considering implementing a greenhouse gas monitoring system. Following a number of recent acquisitions, Newton contacted the company for an update on its sustainability practices and to learn more about how these are being integrated across the new businesses.

Newton's ESG assessment highlighted the company's lack of disclosure relating to supply chain risks and the absence of clarity on how the company's supplier qualification process is

implemented. Hypermarcas explained how it requires all of its suppliers to comply with the company's own code of conduct. This process is managed through site visits and supplier audits. In instances where a supplier fails to achieve any of the necessary standards, Hypermarcas will allow the supplier a limited time for it to improve its policies, practices and procedures. While Hypermarcas was only willing to provide basic detail on the specific standards that form its code of conduct, Newton was encouraged that the company assesses its suppliers' approach to health and safety, environment and labour standards.

In light of the controversies surrounding sustainable sourcing of palm oil, Newton was interested to ascertain the extent to which the company relies on palm oil within its manufacturing of products. The company was able to confirm that a decision had been taken to not use palm oil within its manufacturing processes or products.

Given that the company employs 13,000 people, the majority of whom are involved in low-paid manufacturing work, Newton was keen to learn more about how the company manages labour standards across its workforce. As the integration of newly acquired businesses is still in progress, labour standards are largely regulation driven and managed on a site-by-site level. The company discussed its health and safety training for all employees and provided further information on its performance in this area. Newton was re-assured by the statistics disclosed and encouraged the company to publish its year-on-year statistics, as is common practice amongst the company's competitors. Newton welcomed the improvements that the company had made to its sustainability report. Specifically, Newton was encouraged that the suggestion for the company to include further information relating to environmental impacts, together with its efforts to reduce these impacts has been adopted.⁶ Previously, the company's environmental policy focused on energy efficiency. The environmental policy has now been extended to include recycling and the reduction of hazardous waste. In addition, Newton learned that the company is planning to strengthen its environmental initiatives through the environmental management systems that the company inherited through one of its recent acquisitions. The company plans to extend this system throughout the group.

5. See responsible investment report Q2 2010, page 55.

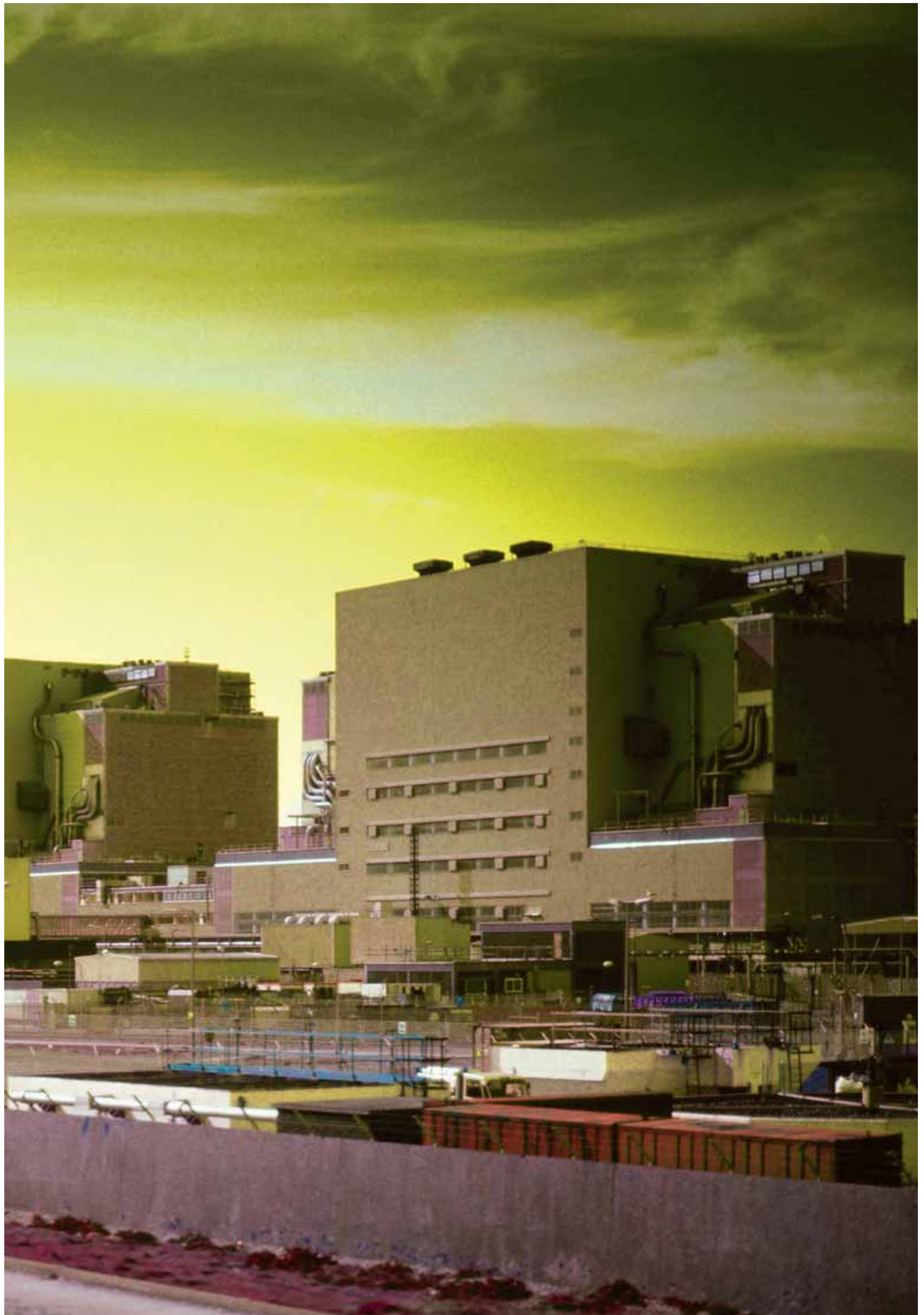
6. See responsible investment report Q2 2010, page 55.

Shaw Group

Newton contacted the company after an assessment was conducted of the company's disclosures as they relate to ESG matters affecting the company. Shaw Group offers a range of engineering, construction, industrial and consulting services, and manufactures industrial piping systems for nuclear power stations. Newton's ESG assessment identified that the company only provided basic disclosure on health and safety, diversity and community initiatives. Given health and safety poses significant risks to the company, Newton was keen to focus on this area and understand more about how the company mitigates the potential impact of the associated risks. The company explained that health and safety performance is the responsibility of the board, with day-to-day management overseen by the Chief Safety Officer. Shaw Group issues all employees with a 'stop work card'. If any unsafe practices are recognised, these cards can be used to order the immediate cessation of work and to trigger a review by the group's safety team. These incidents are then recorded on a project-by-project level and reported to management. In addition, the company also collects and monitors data from across the group on safety audits, contractor safety reviews and injury rates. The company has not received any health and safety related fines and acknowledges the potential risk of poor health and safety risk management. Newton was encouraged by the systems implemented to mitigate the health and safety risks that the company faces, but suggested that it would be in the company's interest to improve its disclosure on these areas.

Other services offered by Shaw Group include environmental remediation services, the handling of hazardous waste, conducting environmental impact assessments and energy efficiency programmes. As this US-listed company provides these services to its clients, Newton was keen to learn how it utilised this knowledge within its own operations. Shaw confirmed that it applies its energy efficiency capabilities to all office locations and is in the process of upgrading all facilities with equipment to increase efficiency. Newton encouraged the company to strengthen its disclosure on its efforts to reduce the direct environmental impact of its operations.

In addition, Newton encouraged the company to strengthen its disclosure on all of its material ESG risks, including public disclosure of its code of conduct, environmental policy and key performance indicators. The company has an anonymous whistleblowing hotline but a broader business ethics policy, covering risks such as insider dealing, conflicts of interest and anti-bribery, has not been disclosed. Following the meeting Newton was encouraged to see increased disclosure on the company's website.



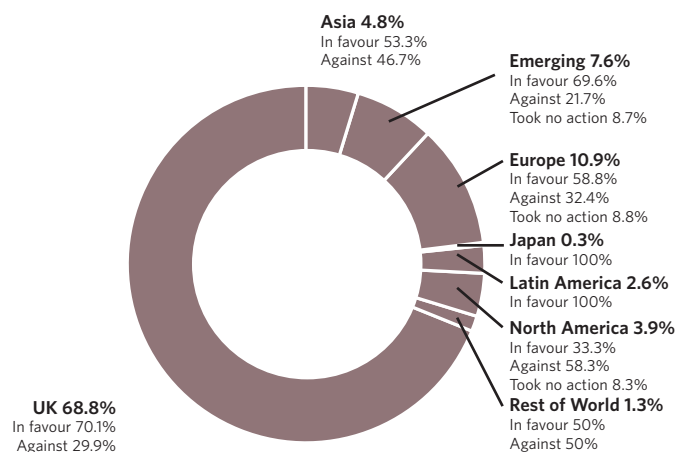
Voting profile

During the quarter, Newton exercised its clients' voting rights at a total of 311 company meetings. 214 of the meetings were for companies domiciled in the UK and 97 related to companies outside of the UK. Across all regions, votes were instructed against management recommendations on 228 separate resolutions. This represents votes being instructed against management at 30.87% of the 311 meetings. A summary of all voting activity during the quarter, including a regional summary, is illustrated in the following table and charts. Following these charts and table, rationale is provided for all resolutions where votes were instructed against their approval.

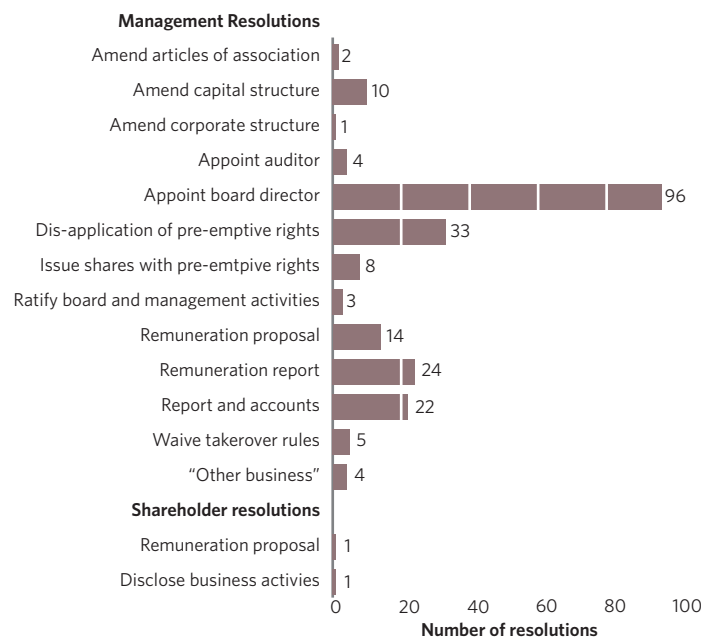
VOTING SUMMARY

VOTING SUMMARY	
AGMs	232
Voted in favour of all resolutions	143
Voted against one or more resolutions	85
Took no action	4
Abstained	0
EGMs	77
Voted in favour of all resolutions	64
Voted against one or more resolutions	11
Took no action	2
Abstained	0
Court Meetings	2
Voted in favour of all resolutions	2
Voted against one or more resolutions	0
Took no action	0
Abstained	0
TOTAL	311
Voted in favour	209
Voted against management	96
Took no action	6
Abstained	0

VOTING SUMMARY BY REGION



BREAKDOWN OF RESOLUTIONS WHERE VOTES AGAINST MANAGEMENT WERE INSTRUCTED



Voting rationale

Advance Visual Communications PLC

EGM – 22 Sept 2011

Ahead of the company's EGM, no information was disclosed relating to the eight proposed resolutions. Amongst these resolutions were requests for the company to issue new shares, adopt share option remuneration schemes, grant share options and amend its articles of association. Given that only the titles of the resolution items were available prior to the meeting, Newton exercised a degree of prudence by voting against each of the eight proposed resolutions.

Advanced Computer Software Group PLC

AGM – 19 Aug 2011

Owing to none of the board's directors being considered independent, Newton instructed votes against two resolutions. The first resolution requested shareholder acceptance of the company's financial statements and statutory reports, while the second resolution sought for the re-election to the board of a former executive director of the company.

Albion Venture Capital Trust PLC

AGM – 18 Jul 2011

At the company's AGM, Newton instructed votes against the re-election to the board of a non-executive director, who was the chairman of the audit committee. Newton did not consider this nominee to be suitably independent to warrant this position. He had been a board member for 15 years and was a member of the investment committee of the company's underlying fund manager. Newton also noted that the audit committee was tasked with the responsibility of assessing the performance of the appointed fund manager.

Albion Prime VCT PLC

AGM – 25 Jul 2011

Votes were instructed against two resolutions at the company's AGM. Both resolutions related to the company seeking an authority to issue shares. If approved, the resolutions would allow the company to issue new shares and re-issue treasury shares, representing 10% of its issued shares. No explanation was provided that justified the provision that would allow shares to be issued at a discount to their net asset value and without respecting existing shareholders' pre-emption rights.

Alterian PLC

AGM – 14 Jul 2011

Newton had concerns with certain elements of the remuneration awards that had been granted to the company's executive directors. In a year when the company reported a profit warning, executive

directors received salary increases and bonus awards, which were in excess of those paid in the previous year. Owing to these concerns, Newton instructed votes against the approval of the company's remuneration report.

AMMB Holdings Bhd

AGM – 18 Aug 2011

Given Newton's concerns relating to the company's long-term remuneration arrangements, votes were instructed against five separate resolutions. It was requested that shareholders approve the resolution that would allow shares to be issued under the company's executive share scheme (ESS). A further resolution proposed an individual ESS award to one of the company's managing directors. On this resolution, concern centred on the lack of disclosure of the performance conditions, if any, that would govern the vesting of awards. For both resolutions, there was additional concern that up to 15% of the company's issued shares could be awarded under the ESS. In addition to instructing votes against these two resolutions, Newton also voted against the re-election to the board of three members of the remuneration committee.

A further two resolutions were voted against. If approved these would allow the company to issue new shares representing up to 10% of its existing shares. The method of issuance would allow existing shareholders' pre-emption rights to be dis-applied. A provision within one of these resolutions heightened Newton's concern. When issuing shares pursuant to the company's dividend reinvestment plan, this provision would allow shares to be issued at a 10% discount to their market price. No rationale was provided that justified the level of share issuance or the discount at which shares could be issued.

Angel Mining PLC

AGM – 31 Aug 2011

EGM – 14 Sept 2011

Prior to its AGM, the company did not publish its annual report or its remuneration report. This led to Newton voting against the two resolutions that sought shareholder approval of these two documents. In addition, Newton voted against a non-independent non-executive director. This reflected the non-executive director's receipt of a significant award of market-priced share options, which were in addition to his fees. Also, Newton voted against a proposed issuance of new shares, which would not necessarily be made available to the company's existing shareholders. Newton felt that the proposed level of new shares was excessive at c.109% of the company's issued shares.

Subsequent to the company publishing its financial statements and statutory reports for the year, a separate EGM was raised. At this EGM, two resolutions were proposed that sought shareholder

acceptance of the company's annual report, together with shareholder approval of the remuneration report. Newton instructed votes against these two resolutions. None of the board members were considered independent and each of the board's two non-executive directors were in receipt of significant levels of market-priced share option awards.

Artemis Alpha Trust PLC

AGM – 14 Sep 2011

Votes were instructed against a resolution that related to the proposed issuance of shares from the company's treasury account. If approved, the resolution would allow the company to issue these shares at a discount to their net asset value, while dis-applying existing shareholders' pre-emption rights. The company did not justify why shareholders should accept their value being diluted in this way.

ASOS PLC

AGM – 29 Sept 2011

Fundamental concerns were had with the constituent members of the company's board. Of the board's eight members, only two were independent non-executive directors. The senior non-executive director and chairman were not deemed independent owing to them being in receipt of significant levels of share option remuneration awards. Also, during the year, the remuneration committee exercised its discretion and extended the life of the share options that had been awarded to the chairman. Newton instructed votes against two resolutions. These were the re-election to the board of the chairman of the remuneration committee and the resolution seeking shareholder acceptance of the company's financial statements and statutory reports.

Bahamas Petroleum Company PLC

AGM – 12 Jul 2011

Of the board's five members, Newton did not consider any of the four non-executive directors to be independent. This lack of independence stemmed from the non-executive directors being granted substantial levels of performance-based share option awards, in addition to their annual fees. Newton instructed votes against the company's financial statements and, also, against the re-election to the board of two non-executive directors.

Berkeley Group Holdings PLC

AGM – 5 Sept 2011

Over the past two years, annual fees paid to the company's external auditor for non-audit work have been three times greater than the fees paid to the same auditor for conducting the annual audit. No explanation for this disparity was offered. Newton felt that the level

of fees paid for non-audit work jeopardised the independence of the audit opinion and, ultimately, the validity of the audit. Votes were instructed against the company's report and accounts, the re-appointment of the company's auditor and the resolution seeking authorisation for the company's directors to fix the remuneration of the auditor. In addition, votes were instructed against the re-election to the board of a member of the audit committee.

A further four resolutions were also voted against. These related to the company's remuneration arrangements. Concern was had with the company's proposed long-term remuneration scheme, owing to the consideration that they were not sufficiently well structured to prevent awards vesting in the event of poor performance by the company. Newton voted against the remuneration report, a proposed long-term remuneration scheme, amendments to an existing long-term remuneration arrangement and, finally, a member of the remuneration committee, who sought re-election to the board.

Booker Group PLC

AGM – 6 Jul 2011

Newton encourages companies to adopt long-term remuneration structures that reward participants for achieving sustained growth in long-term value for a company's shareholders. In this instance, the company operates a long-term remuneration scheme that allows awards to vest for achieving absolute share price performance. Specifically, awards vest if a certain share price is achieved for 60 consecutive days within an award's three-year performance period. Newton felt that this structure could reward individuals for achieving a temporary improvement in the company's share price. Newton instructed votes against the remuneration report and against the three members of the remuneration committee, who sought re-election to the board.

BT Group PLC

AGM – 13 Jul 2011

In contrast to established best practice, the company failed to disclose fully the performance targets that govern the vesting of awards granted under the company's four long-term remuneration schemes. Given this poor disclosure, Newton instructed votes against six separate resolutions. These resolutions included the company's remuneration report, the renewal of a long-term incentive scheme and the four members of the remuneration committee, who sought re-election to the board.

Burberry Group PLC

AGM – 14 Jul 2011

During the year, the company's CEO was granted a substantial one-off long-term remuneration award. Newton was not comfortable in

supporting the award. The company gave no justification for the award, while the performance conditions of the award were not considered to be sufficiently challenging. In addition to voting against the re-election to the board of five members of the remuneration committee, Newton also instructed votes against the company's remuneration report.

Cable & Wireless Worldwide PLC

AGM – 21 Jul 2011

At its AGM, the company requested that shareholders approve a new long-term remuneration arrangement. During consultation with the company at the beginning of the year, Newton was in favour of the proposed remuneration arrangement. However, following this indication of support, the company issued two profit warnings and both its CEO and CFO resigned from the board. These events resulted in a substantial fall in the company's share price and the chairman relinquishing his role by becoming the company's CEO. It should be noted that the chairman was the CEO of Cable & Wireless PLC, the company from which Cable & Wireless Worldwide demerged. In recognition of the company's performance, Newton felt the size of awards should have been reduced. Given that the company failed to appreciate these concerns, Newton instructed votes against the proposed new remuneration scheme.

Caledonia Investments PLC

AGM – 21 Jul 2011

A concert party controlled 46% of the company's share capital. Should this shareholder's interest in the company's shares increase, the UK takeover code would require this concert party to make a mandatory offer to the remaining shareholders. With the company seeking to buy back 10% of its issued share capital, in which the concert party would not participate, a resolution was proposed that would waive the requirement for the concert party to make a mandatory offer to the company's other shareholders (a Rule 9 waiver). Should the company buy back 10% of its issued shares, the concert party's shareholding would increase to 51% by not participating in the buy back. Given the potential for the concert party to gain control of the company without paying an appropriate takeover premium, Newton instructed votes against the resolution seeking a Rule 9 waiver.

In addition, Newton also instructed votes against the re-election to the board of the company's chairman. Newton did not consider that the chairman was acting in the best interests of all shareholders. It was also felt that his judgement was compromised by the fact that he was a member of the concert party family that controls 46% of the company's shares.

Castings PLC

AGM – 16 Aug 2011

The company operates with a board that consists of eight members. Five of these eight members were classified as executive directors and the three non-executive directors were not considered to be independent. Owing to this lack of independence, Newton instructed votes against the re-election to the board of the company's senior non-executive director.

CSS Stellar PLC

AGM – 26 Jul 2011

The company's deviation from best practice in corporate governance led to Newton voting against the resolution seeking shareholder acceptance of the company's financial statements and statutory reports. Of the three board members, only one was considered independent. The remuneration and audit committees were constituted by the one independent non-executive director, only. Also, the roles of CEO and chairman were held by one executive director, while the company's previous CEO was the third board director.

Additionally, the company sought shareholder approval to raise funds by way of issuing new shares. Two resolutions were proposed, each giving the company an authority to issue new shares representing up to 172.6% of the company's existing shares in issue. One resolution would allow shares to be issued while respecting existing shareholders' pre-emption rights. The second resolution would allow shareholders' pre-emption rights to be dis-applied. Limited justification was provided as to the intended use of the monies raised or why shareholders should support the associated dilution that could result from these resolutions. Votes were instructed against each resolution.

Dart Group PLC

AGM – 8 Sept 2011

Newton had fundamental corporate governance concerns in relation to the structure of the company's board of directors, such that the board's effectiveness, in representing and safeguarding shareholders' interests, was felt to be in jeopardy. The roles of CEO and chairman were held by one individual and none of the three non-executive directors were considered to be independent. Newton instructed votes against the resolution seeking shareholder acceptance of the company's financial statements and statutory reports.

Dawson International PLC

AGM – 30 Sept 2011

Owing to poor corporate governance practices at the company's board, Newton instructed votes against the resolution asking shareholders to accept the company's financial statements and

statutory reports. Of the four board members, only one was considered to be independent, two were executive directors, the last member held the positions of both chairman and CEO. Of additional concern was the fact that the CEO/chairman was a member of the remuneration committee and chairman of the audit committee. Best practice suggests that these committee roles should be held by independent board members, only.

De La Rue PLC

AGM – 21 Jul 2011

During the year, the company's newly appointed CEO was awarded shares as a recruitment bonus, while the finance director was granted shares as a retention award. In contrast to international best practice, both share awards vest irrespective of performance. Newton instructed votes against the remuneration report and against three members of the remuneration committee, who sought re-election to the board.

Dominion Petroleum Ltd

EGM – 25 Jul 2011

At this EGM, Newton instructed votes against three separate resolutions.

Shareholder approval was sought for the company to issue new shares representing 45% of the company's shares in issue. The method of issuance would allow existing shareholders' pre-emption rights to be dis-applied while the price of these shares could be at a discount of up to 30% of their market price. The company failed to justify this intended issuance of shares. Owing to the unjustified dilution to shareholders, Newton voted against this resolution.

The company also sought shareholder authorisation for the granting of shares to its CEO and commercial director. These shares would not be subject to the achievement of performance conditions and would vest after one year. The short vesting period and possibility for rewards to be given for poor performance led to Newton instructing votes against this resolution. In addition, votes were instructed against a member of the remuneration committee, who sought re-election to the board.

Downing Distribution VCT 1 PLC

AGM – 13 Sept 2011

At the company's AGM, Newton instructed votes against the re-election to the board of the chairman of the company's nomination committee. Newton was concerned with the lack of refreshment amongst the board's members and that none of the four board directors were independent.

Energy Development Corp

AGM – 13 Jul 2011

While the board structure of this Philippine based company was in line with local corporate governance guidelines, Newton felt that these guidelines and the company's board structure did not provide adequate protection for shareholders. First, less than a third of the company's board members was considered independent. Secondly, each of the four executive directors on the board represented the company's parent. Thirdly, two of these executive directors were members of the board's key committees. Fourthly, none of the board's committees were constituted by a majority of independent non-executive directors. Lastly, the roles of CEO and chairman were held by one individual. Newton instructed votes against the re-election to the board of an executive director, who was a member of each of the board's committees. The re-election to the board of a non-executive director, who was the father of the CEO/chairman and cousin of a further executive director, was also voted against. Finally, Newton instructed votes against the appointment of the company's external auditors. This decision was based on the fundamental concerns with the company's board structure and that the proposed auditor was also the auditor for the company's parent.

Everonn Education Limited

AGM – 3 Aug 2011

A single resolution was proposed at the company's EGM. Approval was sought for the re-election of an executive director to the company's board and, also, for his re-election to the board's audit, remuneration and nominations committees. Given that Newton does not consider it appropriate for an executive director to be a member of either the remuneration or audit committees, votes were instructed against this nominee's appointment.

Experian PLC

AGM – 20 Jul 2011

At the company's AGM, Newton voted against the re-election to the board of the company's chairman. Newton's key concern was with the chairman's commitment to Experian, given that he also chairs two further FTSE 100 companies and has stated that his main priority is his role as chairman of one of these other companies.

F&C Global Smaller Companies PLC

AGM – 28 Jul 2011

Votes were instructed against a resolution that related to the proposed issuance of shares from the company's treasury account. If approved, the resolution would allow the company to issue these shares at a discount to their net asset value, while dis-applying

existing shareholders' pre-emption rights. The company did not justify why shareholders should accept their value being diluted in this way.

FirstGroup PLC

AGM – 15 Jul 2011

Upon the company's chief operating officer being promoted to the role of CEO he was granted an award of nil-cost shares. These awards vest irrespective of performance and would only be subject to the CEO remaining employed. Newton felt that this remuneration structure was not in line with shareholders' interests and instructed votes against a total of five resolutions. These resolutions related to the remuneration report and the four members of the remuneration committee, who sought re-election to the board.

Fuller Smith & Turner PLC

AGM – 29 Jul 2011

Newton held concerns with the structure and unjustified amendments that were made to the company's remuneration structure. During the year, substantial salary increases were awarded and the maximum limit under the annual bonus arrangement was raised. In addition, the bonus plan included a clause that would allow for awards to be made should the company operate at a loss. Newton did not consider these arrangements to be in shareholders' best interests. In addition, further concern was had with the structure of the board given that only two of its eight members were considered independent. Also, the roles of chairman and CEO were held by one individual. Newton instructed votes against the remuneration report and against the company's financial statement and statutory reports.

GAM Worldwide Inc

AGM – 25 Jul 2011

Owing to a lack of disclosure relating to the company's board members and board committees, votes were instructed against two separate resolutions. Newton expects companies to disclose the names of the directors seeking re-election to the board and also expects that key board committees be established, together with the disclosure of the names of the members of these committees. The company failed to provide any of this information. Votes were instructed against the acceptance of the company's financial statements and against the bundled resolution seeking the re-election of directors to the board.

H.J.Heinz Company

AGM – 30 Aug 2011

Starting this year, companies listed in the US are required to seek

shareholder approval of the remuneration arrangements in place for their named executive officers. At the AGM of H.J.Heinz, Newton instructed votes against this advisory resolution. Concern centred on the structure of the long-term remuneration arrangements, which would allow individuals to be rewarded should the company perform poorly. Long-term remuneration awards vest irrespective of performance. Where performance conditions do govern the level of vesting, the performance conditions allow awards to vest should the company's operating income decrease and if total shareholder return is below that of its peers. In addition, awards vest after two years only.

Hansa Trust PLC

AGM – 2 Aug 2011

Given that the average tenure of each of the board's four directors was 16 years, Newton felt that the company's board would benefit from the recruitment of new members. Only one director had served for less than 10 years. Newton voted against five resolutions. These related to the re-election to the board of two directors, the remuneration report, together with voting against the company's financial statements and statutory reports.

Helical Bar PLC

AGM – 26 Jul 2011

An executive director was awarded a cash bonus equivalent to 167% of his salary. The remaining board members did not receive bonuses. While noting the company's lacklustre performance during the year, no justification was provided that explained the necessity for awarding such a significant cash bonus to one of the company's executive directors. Newton instructed votes against the remuneration report and against the re-election to the board of three members of the remuneration committee.

HML Holdings PLC

AGM – 20 Sept 2011

Owing to none of the company's board members being considered independent, Newton instructed votes against two proposed resolutions. These covered the re-election to the board of a non-independent non-executive director, together with votes against the resolution seeking shareholder acceptance of the company's financial statements and statutory reports.

Immunodiagnostic Systems Holdings PLC

AGM – 8 Sept 2011

Newton had concerns with a certain provision within the company's long-term remuneration scheme, which contravened established best practice in this area. Should the performance

conditions, which govern the vesting of the annually granted long-term remuneration awards, not be achieved, the performance period may be extended. Newton instructed votes against the remuneration report and against the chairman of the remuneration committee, who sought re-election to the board.

Industria de Diseno Textil

AGM – 19 Jul 2011

During the year, one individual was appointed to assume the roles of the company's chairman and CEO. In addition to this poor corporate governance practice of appointing one person to these roles, a significant one-off award of shares was granted to this individual. This award, which equated to almost 800% of the CEO/chairman's base salary would not be subject to the achievement of performance hurdles. Newton instructed votes against the resolution seeking shareholder approval for this share award and also voted against a member of the remuneration committee, who sought re-election to the board.

InTechnology PLC

AGM – 19 Jul 2011

In addition to their annual fees, the board's non-executive directors are awarded significant levels of market-priced share options. Newton believes that such awards jeopardise the ability of non-executive directors to exercise independent oversight of the company strategy and operations. Newton instructed votes against a non-executive director seeking re-election to the board.

Invensys PLC

AGM – 28 Jul 2011

Newton held concerns with the exceptional remuneration awards granted to the company's incoming, and also its outgoing, CEO. The lack of justification for these awards led to Newton instructing votes against the company's remuneration report.

iShares PLC

- iShares MSCI Japan
- iShares S&P 500
- iShares FTSEurofirst80
- iShares FTSE/Xinhua China 25

AGM – 11 Aug 2011

Last year, at the company's AGM, Newton voted against a proposed amendment to the company's articles of association. Despite Newton instructing votes against, the proposal was passed. This meant that the maximum term for board directors would be removed and the board would be able to re-appoint its members, without seeking shareholder approval. Given this deterioration in shareholders' rights and the fact that none of the board directors

were independent, Newton instructed votes against the company's report and accounts.

ITC Ltd

AGM – 29 Jul 2011

In instances where a company's chairman is designated as an executive director, the rules governing companies listed in India state that 50% of board members should be independent. At ITC, the chairman is classified as an executive director and is also the company's CEO. It is Newton's view that less than 50% of the board's 16 members were independent. Given the company's disregard for good corporate governance practices and apparent contravention of the listing rules, Newton instructed votes against the re-election to the board of a non-executive director. This candidate was formerly an executive director of the company.

The J.M.Smucker Company

AGM – 17 Aug 2011

For a second consecutive year, one of the company's shareholders submitted an identical resolution. This resolution requested that the company publish a sustainability report. The report should focus on supply chain risk, together with the company's policies and practices as they relate to the sourcing of raw materials for its coffee-based products. Given that coffee-based products contribute to nearly half of the group's revenues, poor management of supply chain issues could pose significant financial and reputational risks for J.M. Smucker. In terms of the company's disclosure of its sustainability strategy and performance, available information is lacking and falls short of the company's competitors. While Newton welcomed the company's efforts to improve its sustainability disclosure ahead of the AGM, it remains unclear how the company implements its basic supplier policy, whether supplier audits are conducted and where the majority of its coffee suppliers are located. Newton believes that greater disclosure on the company's management of its supply chain risks would be beneficial to shareholders. For the second consecutive year and in contrast to management's recommendation to vote against this resolution, Newton supported this shareholder proposal.

James Cropper PLC

AGM – 3 Aug 2011

Of the board's nine members, Newton considered only two to be independent. While these two independent non-executive directors were both members of the audit and remuneration committees, the remaining two members of each of these committees were not considered to be independent. Given concerns over the lack of independent oversight, Newton did not support the re-election to the board of a non-independent non-executive director.

Votes were also instructed against a second resolution. If approved, this would allow new shares to be issued representing up to 10% of the company's issued shares. The method of issuance would dis-apply existing shareholders' pre-emption rights. No rationale was provided as to why shareholders should accept dilution to their value and control of the company.

Jindal Steel Power Ltd

AGM – 29 Sept 2011

Where a company's chairman is classified as an executive director of the company, the listing rules of the Bombay Stock Exchange state that 50% of the board's members should be independent. In the case of Jindal Steel Power, which is listed on the Bombay Stock Exchange, no explanation was provided as to why only c.40% of the board's members were independent. In an effort to improve the ratio of independent board members, Newton instructed votes against the re-election to the board of two non-independent non-executive directors.

Jubilant Life Sciences Limited

AGM – 23 Aug 2011

At the company's AGM, Newton instructed votes against a non-executive director, who sought re-election to the board. On average, over the past two years, this individual has only attended c.25% of the board's meetings. No explanation was provided to justify this poor attendance record nor was the value that this individual adds to the company described.

Land Securities Group PLC

AGM – 21 Jul 2011

During the year, the company provided a one-off remuneration award to a new executive director. It was explained that the award was to recompense awards forgone at his previous employer. While it was appreciated that such an award was necessary to recruit this individual, unlike the awards foregone, this one-off award would not be subject to the achievement of performance conditions. Newton instructed votes against the company's remuneration report and against the appointment of three board members, who were members of the remuneration committee.

London & Stamford Property PLC

AGM – 6 Jul 2011

Newton voted against the re-election to the board of the nominated senior non-executive director. This decision was based on key concerns relating to the company's board structure. First, only three of the board's eight members were considered independent. Secondly, the chairman was designated as an executive director owing to him being one of the company's

founders. Finally, the senior non-executive director represented the company's majority shareholder.

Malayan Banking Bhd

AGM – 29 Sept 2011

At the company's AGM, Newton instructed votes against two resolutions.

It was proposed that shareholders support the issuance of new shares representing up to 10% of the company's existing shares in issue. Two key factors led to Newton's decision to vote against this resolution. The shares would be issued without respecting existing shareholders' pre-emption rights and the company is controlled by a majority shareholder. Comfort was not provided regarding the protection of minority shareholders' interests in the company.

The second resolution that Newton voted against sought shareholder approval for the company to issue new shares in order to facilitate its dividend reinvestment plan. Newton supports the practice of allowing shareholders to receive their dividend by way of shares rather than cash. Should this facility be made available, Newton expects certain safeguards to be in place that ensure all shareholders are treated equally. In this instance, Newton was not comfortable with the ability for the company to issue these shares at a discount to their trading price. Such a mechanism would allow the company's controlling shareholder to achieve further control of the company at a discount and without paying an appropriate takeover premium.

Man Group PLC

AGM – 7 Jul 2011

The company proposed a new executive share option plan, for which shareholder approval was sought. Newton did not consider the performance conditions, which govern the vesting of the share options, to be sufficiently challenging to warrant the proposed size of the awards. Votes were instructed against the proposed new long-term remuneration arrangement.

Man Wah Holdings Ltd

AGM – 25 Jul 2011

The Hong Kong Corporate Governance Code, together with the Hong Kong listing rules, state that at least a third of a company's board members should be deemed independent. Of the company's eleven board members, Newton only considered three of the five non-executive directors to be independent. Given the board's lack of independence, Newton instructed votes against the re-election to the board of the two non-independent non-executive directors.

Votes were also instructed against a further two resolutions. These resolutions related to the proposed issuance of new shares. If

approved, the resolutions would allow the company to issue shares representing up to 30% of the company's existing shares, while dis-applying shareholders' pre-emption rights. The company did not justify why shareholders should accept their value or control being diluted in this way.

Mapletree Industrial Trust

AGM – 19 Jul 2011

Votes were instructed against a proposed issuance of new shares. It was requested that the company be able to issue shares representing up to 20% of its issued shares, while dis-applying existing shareholders' pre-emption rights. The company failed to explain its need for additional capital and did not provide any comfort that shareholder value and voting power would not be diluted, unnecessarily.

Newton also instructed votes against a further resolution, which was entitled "other business". This item would allow other issues, not specified in the company's official meeting agenda, to be raised at the AGM. Shareholders, voting by way of proxy, would not be able to review the details ahead of the meeting. Therefore, the resolution could provide an opportunity for matters to be approved that may not be in shareholders' best interests.

McKesson Corporation

AGM – 27 Jul 2011

This year, companies listed in the US are required to propose an advisory resolution that allows shareholders to vote on the remuneration arrangements in place for companies' named executive officers. In this instance, Newton felt that remuneration arrangements were excessively burdensome on the company's finances and would still provide significant rewards to executives in the event that the company's performance was poor or below that of its competitors. A substantial amount of long-term remuneration awards vest irrespective of performance. The company provides payment for an individual's tax liabilities in the event of awards vesting following a change of control. The pension provision for the CEO/chairman, at c.\$80m, was considered unwarranted. Finally, the estimated change in control severance payment to the CEO/chairman of more than \$450m was considered unwarranted. Newton instructed votes against the company's remuneration arrangements and, also, against the four members of the compensation committee who sought re-election to the board.

Finally, in contrast to the recommendations of the company's management, Newton instructed votes in favour of a resolution proposed by one of the company's shareholders. It was proposed that a provision be introduced that would require senior executives to retain a certain percentage of any shares that they acquire following the vesting of long-term remuneration awards.

Medtronic Inc

AGM – 25 Aug 2011

Newton felt that the company's remuneration arrangements for its named executive officers were not aligned with the requirement of providing rewards only in the event of good performance. Two key practices caused Newton concern. First, a significant proportion of long-term remuneration awards vest irrespective of performance. Secondly, despite the company's underperformance during the tenure of its retiring CEO/chairman, significant levels of long-term remuneration awards were allowed to vest early. Newton instructed votes against the advisory resolution seeking shareholder ratification of the compensation arrangements for the company's named executive officers.

Misys PLC

AGM – 28 Sept 2011

During the year, a significant one-off long-term remuneration award was granted to the company's CEO, which had a face value in excess of 750% of his basic salary. This award was in addition to the CEO's continuing opportunities to be rewarded under the company's annual bonus plan and the annually awarded long-term remuneration plan. Irrespective of the size of this one-off award, Newton had reservations with the performance targets that govern the vesting of this award. In summary, vesting of the award could be achieved for a temporary improvement in the underlying share price. Newton considered this structure to be flawed and led to votes being instructed against the remuneration report. The re-elections to the board of three members of the remuneration committee were also voted against.

N Brown Group PLC

AGM – 5 Jul 2011

In consecutive years since 2008, fees paid to the company's external auditors for non-audit work have been in excess of the fees paid for audit-related work. Adequate explanation justifying this situation was not provided by the company. Newton felt that the apparent conflict of interest, created by the longevity of this practice, jeopardised the reliability of the auditor's unqualified opinion on the company's financial statements and statutory reports. Votes were instructed against the five members of the audit committee, who sought re-election to the board. In addition, Newton voted against the resolution seeking shareholder approval for the re-appointment of the company's auditor and the authorisation of its remuneration.

National Grid PLC

AGM – 25 Jul 2011

During the year, Newton felt that the company's remuneration committee exercised its discretion, unnecessarily. Upon retirement,

the company's finance director received excessive cash benefits in recognition of contributions for which he had previously been rewarded. Newton instructed votes against the remuneration report and against the three members of the remuneration committee, who sought re-election to the board.

New Century AIM VCT PLC

AGM – 26 Jul 2011

Ahead of its AGM, the company failed to publish its audited annual report and accounts. Owing to this lack of information, Newton exercised prudence by voting against a total of six resolutions. These resolutions covered the remuneration report, re-election of a board director, issuance of shares, re-appointment of the company's auditor, together with the company's financial statements and statutory reports.

PT Tunas Ridean Tbk

EGM – 6 Jul 2011

A single resolution was proposed at the company's EGM. It was requested that shareholders approve the election of board directors. Newton voted against this resolution owing to the company's failure to disclose the names of the proposed nominee or nominees to the board.

PZ Cussons PLC

AGM – 19 Sept 2011

Newton instructed votes against the resolution seeking shareholder approval of proposed amendments to the company's articles of association. Amongst the amendments was a provision that, in the event that no board directors are re-elected at a general meeting, none of the directors would be required to step down from the board. The board would then be given the opportunity to appoint its own directors. Newton believes that this undermines a shareholder's right to elect individuals who are charged with the responsibility of safeguarding their assets.

RIT Capital Partners PLC

AGM – 28 Jul 2011

RIT Capital Partners operates under the control of a single person who retains the roles of CEO and chairman. This individual is also the beneficial owner of a significant amount of the company's shares. The company failed to justify, adequately, the reason for combining the roles of CEO and chairman. Of additional concern was the lack of disclosure in relation to the role, responsibilities and authorities provided to the designated senior independent director. Newton instructed votes against the re-election to the board of the company's CEO/chairman.

Further, votes were instructed against the proposed remuneration report. Newton was not comfortable with the performance hurdles that govern the vesting of awards granted under the company's long-term incentive scheme. These performance conditions were not felt to be sufficiently challenging to warrant the size of awards that had been granted.

Robert Wiseman Dairies PLC

AGM – 6 Jul 2011

Of the eight board members, five were executive directors and three were non-executive directors. Newton considered only two of the non-executive directors to be sufficiently independent to act on behalf of the company's shareholders. Newton's concern with the lack of independent oversight of the company's strategy and operations led to votes being instructed against the re-election to the board of three directors.

Established best practice surrounding long-term remuneration arrangements suggests that no more than 10% of a company's issued shares should be awarded under its long-term remuneration arrangements over a rolling 10 year period. For this company, no explanation was provided to justify the 10% limit being increased to 15%. Newton instructed votes against the remuneration report.

Finally, a concert party shareholder controlled 35.33% of the company's shares. Should this shareholder's interest in the company increase, the UK takeover code would require the concert party to make a mandatory offer to the remaining shareholders. With the company proposing to buy back 10% of its issued shares, in which the concert party would not participate, a resolution was proposed that would waive the requirement for the concert party to make a mandatory offer to the other shareholders (a Rule 9 waiver). By not participating in the buy back or in the company's existing authorities to issue shares, the concert party's shareholding could increase to 44% of the company's issued shares. Given the potential for the concert party's control of the company to increase without paying an appropriate takeover premium, Newton instructed votes against the resolution seeking a Rule 9 waiver.

SABMiller PLC

AGM – 21 Jul 2011

Newton's overarching concern with the company's remuneration arrangements centred on the significant size of long-term remuneration awards that vest for achieving mediocre performance. Newton also had reservations with the policy surrounding the setting of relatively high salary levels and the lack of disclosure justifying annual bonus awards. Votes were instructed against the remuneration report and against four members of the remuneration committee, who sought re-election to the board.

Schroder Private Equity Funds of Funds II PLC

AGM – 31 Aug 2011

For an investment fund company, Newton expects the board to have established a management engagement committee or formal process for evaluating the performance of the investment manager. In this instance, the annual report failed to provide any such information. In addition, four of the five board members were connected to the investment manager or its advisor. Newton instructed votes against the resolution seeking shareholder acceptance of the company's financial statements and statutory reports. Also, Newton did not support the re-election to the board of two non-independent non-executive directors.

TalkTalk Telecom Group PLC

AGM – 28 Jul 2011

Newton had concerns with the company's long-term remuneration arrangements. These were approved in July 2009 at the AGM of Carphone Warehouse Group PLC, the company from which TalkTalk Telecom was demerged. At the 2009 AGM of Carphone Warehouse, Newton voted against the proposed remuneration arrangements. It was noted that awards vest subject to performance criteria that are linked to the increase in total market capitalisation of the company. Newton had concerns that this could reward or penalise participants solely on share price fluctuations, which could be merely a function of market momentum and not necessarily representative of sustainable operational performance. In addition, Newton was not satisfied with the then proposed long-term value enhancement scheme. Should awards vest under the scheme, the underlying shares would not be subject to a further deferral period or claw-back. The inclusion of such provisions would help to ensure that recipients are only rewarded for the creation of sustainable shareholder value. Votes were instructed against the remuneration report.

Tangent Communications PLC

AGM – 30 Aug 2011

Two of the company's executive directors had formed a concert party, which controlled 33.6% of the company's issued shares. Should this concert party's interest in the company's shares increase, the UK takeover code would require this concert party to make a mandatory offer to the remaining shareholders. With the company seeking to buy back 10% of its issued shares and the possible vesting of share-based remuneration held by these two executive directors, resolutions were proposed that would waive the requirement for the concert party to make a mandatory offer to the company's other shareholders (a Rule 9 waiver). Newton instructed votes against the resolutions seeking Rule 9 waivers. It was considered that the concert party could achieve creeping control

without paying an appropriate takeover premium to the company's remaining shareholders.

Threadneedle Property Unit Trust

AGM – 21 Jul 2011

Of the three board members, two were not considered independent owing to them being board members of the company's investment manager. Newton did not consider that this arrangement satisfied the necessary requirement for independent oversight of the company's strategy and operations. Newton instructed votes against the resolution seeking shareholder acceptance of the company's financial statement and statutory reports.

Transatlantic Holdings Inc

EGM – 20 Sept 2011

At this meeting, shareholders were asked to approve three related resolutions. In each instance, Newton voted against these resolutions.

The board recommended that shareholders approve a merger-of-equals with a third party, Allied World. Subsequent to the announced plan to merge with Allied World, it emerged that the company had received unsolicited bids, which may have been more advantageous to the company's shareholders than the proposed merger. Owing to the lack of compelling reasons for accepting the merger, together with a belief that the board had not explored, fully, alternative suitors, Newton instructed votes against the proposed merger.

It was also proposed that shareholders support a resolution that would allow the board to adjourn the meeting should it be necessary for the company to solicit further support for the merger. Newton felt that this was unnecessary given that, ahead of the meeting, the board had had adequate time to garner shareholder support.

Finally, an advisory vote was proposed for shareholders to express their views on golden parachute arrangements that would be put in place should the merger be approved. The company's named executive officers would be provided with significant awards that vest irrespective of performance. This was not felt to be in shareholders' best interests.

Value and Income Trust PLC

AGM – 8 Jul 2011

In the absence of a significant proportion of the company's board members being independent, Newton instructed votes against the re-election to the board of two non-independent directors. These candidates included the chairman of the nomination committee and the senior non-executive director.

Victoria PLC

AGM – 2 Aug 2011

The company disclosed that its executive directors were employed under service contracts that allow notice periods to be extended from 12 to 24 months following a change of control of the company. Best practice suggests notice periods should be set at one year or less. Newton instructed votes against the resolution seeking shareholder approval of the company's remuneration report.

In addition, Newton was also concerned with the fact that the audit committee was not fully independent. The four members of the audit committee included two executive directors together with the non-independent non-executive chairman. This situation led to Newton instructing votes against the resolution seeking shareholder acceptance of the company's financial statements and statutory reports.

Wincanton PLC

AGM & EGM – 21 Jul 2011

The company convened a separate EGM in order to propose two resolutions that related to the company's remuneration arrangements. These resolutions requested shareholder approval of a new executive bonus plan and also a new special share option plan. Overall, Newton considered the plans to be unnecessarily complex, which brought concerns relating to the ability for shareholders and the recipients of the awards to understand the motivating factors of the plans. In addition, Newton was not satisfied that the performance conditions governing the vesting of the awards warranted their significant size. Newton voted against the approval of these two plans.

In addition, at the company's AGM, votes were instructed against three members of the remuneration committee, who sought re-election to the board.

Witwatersrand Consolidated Gold Resources Ltd

AGM – 29 Jul 2011

At the company's AGM, shareholder support was requested for the election of three members to the board's audit committee. Newton instructed votes against two of these nominees. These candidates were not considered to be sufficiently independent to warrant the proposed appointment given that each candidate would each represent significant shareholders in the company.

In addition, two resolutions, if approved, would allow the company to issue new shares representing up to 60% of the company's existing shares in issue. The method of issuance would allow existing shareholders' pre-emption rights to be dis-applied. The lack of justification for why shareholders should accept the associated dilution meant that Newton voted against these two resolutions.

Finally, shareholders were asked to support the company's remuneration policy. Newton instructed votes against this resolution owing to the fact that long-term remuneration awards, to the company's executive directors, vest irrespective of performance.

Woodburne Square Ag PLC

AGM – 1 Aug 2011

The company sought shareholder approval to raise additional funds by way of issuing new shares. Two resolutions were proposed, each of these would give the company an authority to issue new shares representing up to 43.5% of the company's existing shares in issue. One resolution would allow shares to be issued while respecting existing shareholders' pre-emption rights. The second resolution would allow shareholders' pre-emption rights to be dis-applied. Limited justification was provided as to the intended use of monies raised and why shareholders should support the associated dilution that could result from these resolutions. Votes were instructed against each resolution.

Wynnstay Properties PLC

AGM & EGM – 14 Jul 2011

The company had a concert party shareholder controlling 34.7% of the company's share capital. Should this shareholder's interest in the company's shares increase, the UK takeover code would require this concert party to make a mandatory offer to the remaining shareholders. With the company seeking to buy back 15% of its issued shares, in which the concert party would not participate, a resolution was proposed that would waive the requirement for the concert party to make a mandatory offer to the company's other shareholders (a Rule 9 waiver). Should the company buy back 15% of its issued shares, by not participating in the buy back, the concert party's shareholding would increase to 40.82%. Given the potential for the concert party to gain effective control of the company without paying an appropriate takeover premium, Newton instructed votes against the resolution seeking a Rule 9 waiver.

Newton instructed votes against the resolution seeking shareholder approval of the company's financial statements and statutory reports. The company had not established an audit committee or a remuneration committee. Instead, the whole board assumed the functions reserved for these committees. As such, concerns regarding independent oversight existed. The board's five members include two executive directors, a non-independent chairman and two independent non-executive directors.

Votes were also exercised against a further resolution. This resolution sought to issue new shares representing up to 15% of the company's issued shares. The proposed method of issuance would not respect existing shareholders' pre-emption rights. Given the

potential dilution to shareholders, Newton felt that the proposed level of issuance was excessive.

Zetar PLC

AGM – 28 Sept 2011

In contrast to the UK Companies Act 2006 (CA 2006), the re-election to the board of two board directors was proposed by way of a single resolution. CA 2006 states that, unless 100% of shareholders agree to the contrary, a separate resolution has to be proposed for the election or re-election of each board director. Newton voted against this bundled resolution.

In addition, votes were instructed against a resolution that related to the proposed issuance of new shares. If approved, the resolution would allow the company to issue new shares representing up to 15% of the company's existing shares in issue. It was proposed that these shares would be issued without respecting existing shareholders' pre-emption rights. The company did not justify why shareholders should accept their value and control being diluted in this way.

Issuance of new shares

At the meetings listed in the table below, Newton voted only against resolutions seeking shareholder authority to issue new shares. This reflected the excessive dis-application of pre-emption rights without adequate explanation. The guidance from The Pre-emption Group suggests that a company should provide justification to shareholders should it wish to dis-apply pre-emption rights when issuing shares representing in excess of 5% of its issued shares. If Newton also voted against other resolutions at a meeting, the company is discussed separately in the preceding text.

Company	Meeting type	Date	Issue without pre-emption rights
Bglobal PLC	AGM	28 Sept 2011	10%
CSF Group PLC	AGM	22 Sept 2011	20%
Cyan Holdings PLC	EGM	16 Aug 2011	18%
Gable Holdings Inc	AGM	3 Aug 2011	20%
Huabao International Holdings Limited	AGM	5 Aug 2011	30%
ILX Group PLC	AGM	20 Sept 2011	15%
Lancashire Holdings Ltd PLC	EGM	18 Aug 2011	10%
Mwana Africa PLC	AGM	14 Sept 2011	21%
Neopost SA	AGM	5 Jul 2011	16.4%
Noventa Ltd	EGM	29 Jul 2011	648.5%
Scancell Holdings PLC	EGM	25 July 2011	21.7%
Sino Prosper State Gold Resources Holdings Ltd	AGM	30 Aug 2011	30%
Strategic Natural Resources PLC	AGM	22 Jul 2011	66%

“Other business”

The companies below all included a resolution at their meetings entitled “other business”. For each company below, this was the only resolution at the meeting that Newton considered to be sufficiently against shareholders’ best interests to warrant instructing votes against. If Newton also voted against other resolutions, the company is discussed separately in the preceding text.

Company	Meeting type	Date
HSBC GIF - Indian Equity	AGM	29 Jul 2011
Invesco Funds - Global Structured Equity	AGM	20 Jul 2011
Invesco Funds - Pan European Equity	AGM	20 Jul 2011

Shareholder approval was sought for the company to conduct “other business” that may arise at its General Meeting. Open-ended resolutions of this type, with no additional supporting information or shareholder protection measures, are generally considered to be unhelpful by institutional investors and other shareholders who vote by way of proxy. They allow other issues, not specified in the company’s official meeting agenda, to be raised and approved at the AGM. Newton instructed votes against the resolution seeking shareholder approval of “other business”.

Company meeting log

During the quarter Newton analysts and fund managers had individual meetings with the management of 316 companies to initiate or maintain dialogue around financial performance and/or responsible investment matters. The insights gained through this engagement are used when making investment decisions. One or more meetings were held with the following companies:

3SBio	Bellzone Mining	CSF Group	Hargreaves Lansdown
Anheuser-Busch Inbev	Berendsen	CSL	HDIL
ABB	BG Group	Cupid	Health Management Associates
Abril Education	BHP Billiton	Dabur	Heartware International
Ace Hardware	Biogen Idec	Danone	Hengan
Actelion	Biomerieux	DASA	Hiscox
Advanced Medical Solutions	Booker Group	Dechra Pharmaceuticals	Hitachi Construction Machinery
Aegon	Bowleven	Dell	Howdens Joinery
African Barrick Gold	BP	Deutsche Telekom	HSBC
African Minerals	Brammer	Diageo	HTC
Agnico Eagle Mines	Bristol Meyers Squibb	DnB NOR	Huabao International
AIA	British American Tobacco	Don Quijote	Hutchinson China Meditech
Air Liquide	British Sky Broadcasting	DSV	Hypermarcas
Align Technology	BT	E Ink	IG Group
Amadeus IT Holding	Bunge	E.ON	IMI
Amazon	Bunzl	EDC	Impala Platinum
Amlin	Cable & Wireless Worldwide	Eli Lilly & Co	Indocement
AMP	Carillion	Emperor Watch	Indofood CBP Sukses Makmur
Amplifon	Camelot Information Systems	Emtek	Informa
Aneka Tambang	Carclo	Equifax	Inmarsat
Anglo American	Catalpa	Esco Technologies	Intel
Anhanguera Educacional	Catur Sentosa Adiprana	Esprit	Intercell
APA Group	CCR	Exito	InternetQ
Apollo Hospitals Enterprise	Celesio	Expansys	Intertek Group
Aquarius Platinum	Centrica	First Gen	ITC
Asian Citrus	Charles Taylor Consulting	Flir Systems	ITV
Associated British Foods	Charter International	Foster's Group	Japan Tobacco
Astra International	China Biologic Products	Frac Tech Services	Jardine Lloyd Thompson
AstraZeneca	China Mobile	France Telecom	Jasa Marga
Audika	China Resource Enterprises	Freeport McMoRan	JD Sports Fashion
BAE Systems	Christian Hansen	Fresnillo	Kabel Deutschland
Bahamas Petroleum	Cigna	GDF Suez	Kalbe Farma
Balfour Beatty	CIMB Group	Genus	Kinnevik
Bangkok Bank	Circle Oil	GI Dynamics	Kuraray
Bango	Cobham	Gildan Activewear	Lamprell
Bank Mandiri	Colfax	GlaxoSmithKline	Lawson
Bank of India	Coloplast	GN Store Nord	Liberty Global
Bank Rakyat	Conquest Mining	GoAhead	Link REIT
Bank Sarasin	CP All	Gome	Logica
Barrick Gold	CPP Group	Greene King	Lonza
Bayer	Craneware	GSW Immobilien	Lookers
BBA Aviation	CRH	Halosource	
Belgacom	Cruz Blanca	Hansteen	

L'Oréal	Pennon Group	Sound Global	Unilever
Lorillard	Perform Group	Spectra Systems	United Tractors
Lupin Pharmaceuticals	Petra Diamonds	Sprint Nextel	United Utilities
Man Wah	Playtech	Standard Chartered	Vedanta
MAP Airports	Pola Orbis	Standard Life	VeideKe
Marks & Spencer	Premier Foods	Statoil	Virgin Media
Mayora Indah	Premier Oil	Statoil Fuel & Retail	Vodafone
MCB	Principal Financial Group	Straits Asia Resources	Wetherspoon (J.D.)
McCormick	Prudential	Sumitomo Mitsui Financial Group	White Energy
Media Nusantara Citra	PTT Aromatics	Sun Art Retail	Whitehaven Coal
Melrose	PTT Chemical	SuperGroup	Wijaya Karya
Merck	Puregold	Svenska Handelsbanken	William Hill
Mesoblast	Qiagen	Syngenta	Wood (John) Group
Metcash	Ramayana	Sysmex	Woodside Petroleum
Mindray Medical International	Rathbone Brothers	Taiwan Mobile	Woolworths Group
Minth Group	Renishaw	Taiwan Semiconductor Manufacturing Company	Worley Parsons
Mitra Adiperkasa	Rhoen Klinikum	TalkTalk	Xaar
Mitsubishi	Rio Tinto	TDC	Yamana Gold
Mongolian Mining	Roche	Tele2	Yuexiu Transport Infrastructure
Morgan Crucible	Rotork	Telecom Italia	Zurich Financial Services
Morrisons (Wm) Supermarkets	Royal Caribbean	Telefonica	
MTN Group	Royal Dutch Shell	Telekom Austria	
N. Brown Group	RSA Insurance Group	Telekomunikasi Indonesia	
Naspers	Saipem	TeliaSonera	
National Australian Bank	Samsung Electronics	Telstra	
NCC	Santos	Tempo Scan Pacific	
Nestlé	SBM Offshore	Tesco	
Newcrest Mining	Scottish & Southern Energy	Thales	
NHN Group	Serco	ThromboGenics	
Nintendo	Severn Trent	Total	
Noble Energy	SFR	Toyota Motor	
Noble Group	Shandong Weigao	TPK	
Nomura	Shaw Group	Transurban	
Nordea	Shenguan	TrygVesta	
Novo Nordisk	Shiongi	Tunas Ridean	
NTT DoCoMo	Shiseido	Tupperware	
Olympus	Siam Commercial Bank	Turk Telekom	
Oil & Natural Gas Corporation	Sihuan Pharmaceutical	Turkcell	
Ophir Energy	Silex	Ubisense	
Otsuka Pharmaceutical	Sirius Minerals	Ultra Electronics	
Parkson	Smith & Nephew	Umicore	
Pearson	Softbank		
	Sotheby's		

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