

Q2 2007

Responsible Investment

Corporate Governance and SRI

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Corporate Governance and SRI

Voting Profile for Q2 2007

During the quarter, Newton exercised its clients' voting rights at a total of 689 company meetings. 267 of the meetings were for companies domiciled in the UK and 422 related to companies outside of the UK. Votes were instructed against one or more resolutions at 12.4% of UK meetings and at 28.4% of ex-UK meetings.

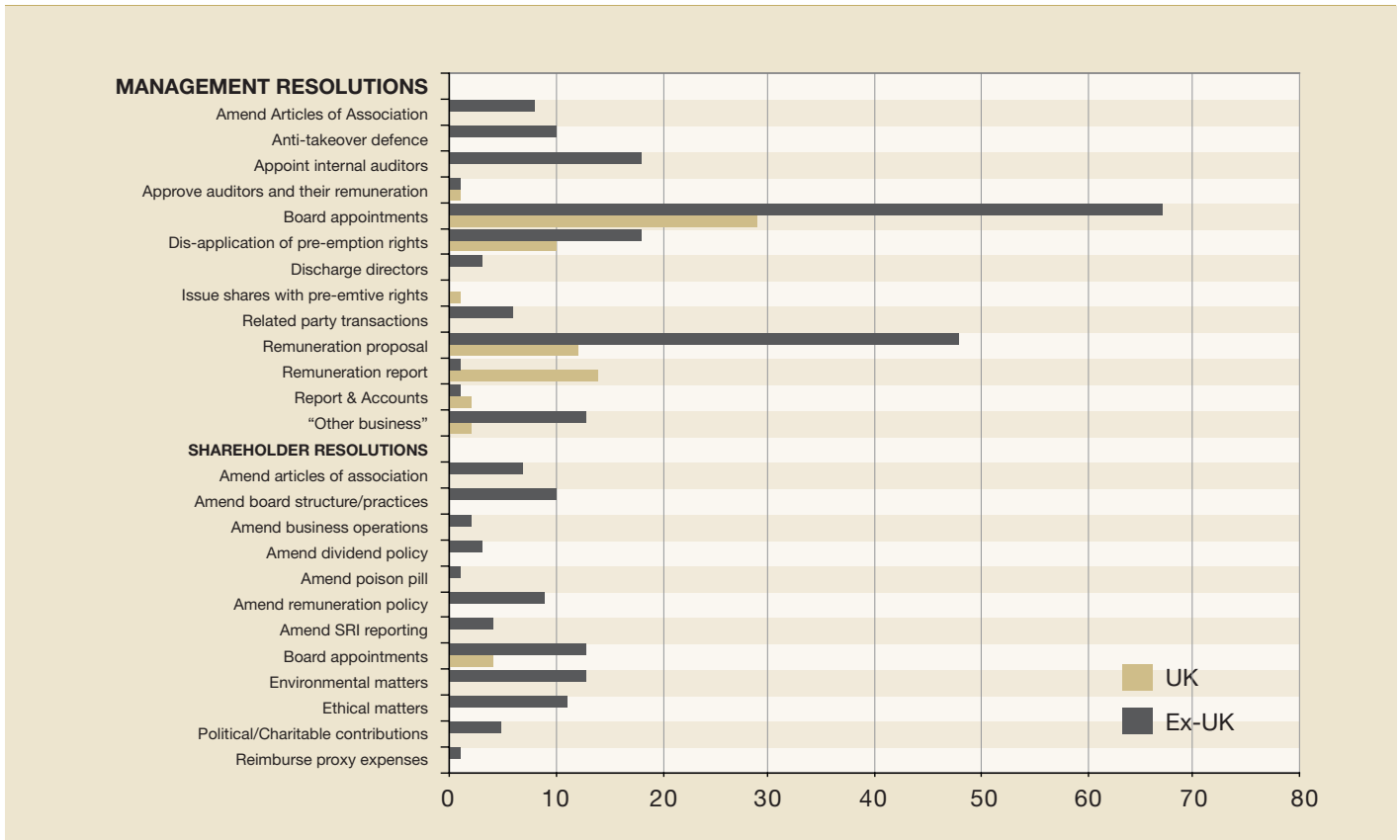
For companies in certain markets, shares are required to be 'blocked' before the exercise of voting rights. Blocking consists of placing the stock on a register for a period of a number of days spanning the meeting. During the period of blocking, it is not possible to freely trade the shares. Where share blocking is required, Newton will only exercise voting when the resolution is not in the shareholders' best interests and where restricting the ability to trade in the shares will not raise the danger of affecting, adversely, the value of our clients' holdings.

On the 12th June 2007, the European Council adopted a Shareholder Rights Directive. The Directive introduces a number of standards, one of which abolishes the practice of share blocking. EU member states have until June 2009 to implement the Directive into their local legislation. However, some member states pre-empted the decision of the European Council and amended their local laws in accordance with the Shareholder Rights Directive. As a result of certain EU member states making early legislative changes, there were only 35 company meetings at which Newton did not exercise its clients' voting rights. This is a reduction of 60% on the same period last year.

The following table and chart summarises and illustrates Newton's voting activity during Q2 2007.

Complete voting summary – Q2 2007	Total	UK	Ex-UK
AGMs	608	226	382
Voted in favour of all resolutions	430	194	236
Voted against one or more resolutions	148	32	116
Took no action	30	0	30
Abstained	0	0	0
EGMs	77	38	39
Voted in favour of all resolutions	67	37	30
Voted against one or more resolutions	5	1	4
Took no action	5	0	5
Abstained	0	0	0
Court Meetings	4	3	1
Voted in favour of all resolutions	4	3	1
Voted against one or more resolutions	0	0	0
Took no action	0	0	0
Abstained	0	0	0
Totals	689	267	422
Voted in favour	501	234	267
Voted against	153	33	120
Took no action	35	0	35
Abstained	0	0	0
Totals	689	267	422

Breakdown of resolutions where votes against were instructed during Q2 2007



UK Companies

Aegis Group PLC – EGM – 4th April 2007

Aegis Group PLC – AGM – 25th May 2007

The AGM and EGM of Aegis saw a repeat of two shareholder proposed resolutions, which were tabled by the same shareholder twice last year.

The proponent was the company's largest shareholder, Groupe Bollere. The two proposed resolutions sought for the election of two of Groupe Bollere's nominees to the company's board. Newton voted against these resolutions for the same reasons as stated before... "The proposed board members would be representatives of Groupe Bollere. It should be noted that Groupe Bollere is also a material holder of Havas, a direct competitor of Aegis. Also, Havas and Groupe Bollere share the same Chairman. Therefore, it could be argued that Groupe Bollere was seeking to potentially disadvantage current shareholders of Aegis and to control the company without paying an appropriate takeover premium to shareholders of Aegis."

Alliance Trust PLC – AGM – 24th May 2007

Newton instructed votes against a proposed new Long-Term Incentive Plan. Vesting of awards would be subject to absolute growth in Total Shareholder Return. Given that the Trust earns fees from its clients based on outperformance relative to a

benchmark index, Newton felt that the proposed structure was not in line with the Trust's own investment objectives.

Ark Therapeutics Group PLC – AGM – 26th April 2007

During the year, despite the pre-determined performance conditions not being met, the remuneration committee exercised its discretion and allowed share option awards to vest. In addition, the maximum annual bonus potential was increased without providing any rationale to shareholders. Votes were instructed against the resolution seeking shareholder approval of the remuneration report.

Shareholders were also asked to approve a resolution that would allow the company to issue up to 3% of its share capital to a single investor of its choosing. This would be achieved by way of issuing warrant instruments. The holder of the warrants would be given the right, but not obligation, to purchase the company's trading shares at a given price, which may be at a discount to the market price. This dis-application of existing shareholders' pre-emption rights would be in addition to a 5% level already sought. Newton felt that such discriminatory behaviour was inappropriate and instructed votes against this resolution.

ARM Holdings PLC – AGM – 15th May 2007

The company sought to re-elect a non-executive director to its board and to its audit committee. The nominee was a director

of an acquired company and had been awarded share options in ARM Holdings. Newton felt that the need for this nominee to exercise independent oversight was compromised by his history with the company and by the nature of the share award. Votes were instructed against this re-election.

Autonomy Corporation PLC – AGM – 18th April 2007

The vesting of share options awarded to the company's executive directors would not be subject to the achievement of any performance conditions. It also appeared that award levels were uncapped. Newton instructed votes against the resolution seeking approval of the remuneration report and against a member of the remuneration committee, who was seeking re-election to the board.

BAE Systems – AGM – 9th May 2007

Newton was concerned with the company's policy surrounding the setting of base salary levels. The policy stated that executives receive salary increases based on their expectation of future salary levels at other companies. Newton considers that setting salaries at expected market levels is an unsustainable policy and warranted votes being instructed against the remuneration report. A member of the remuneration committee, seeking re-election to the board, was also voted against.

Burren Energy PLC – AGM – 23rd May 2007

With a board consisting of eight members in total, only two were considered independent. Therefore, Newton instructed votes against the re-election of a non-executive director, who the company recognises as not being independent. He held the position of managing director of a company that has material business transactions with Burren Energy and can also be linked to a major shareholder of Burren Energy.

Carnival PLC – AGM – 16th April 2007

There were three fundamental concerns relating to the company's remuneration policy. During the year, substantial awards were made under the company's 2002 Stock Plan, which vest subject to time with no performance conditions needing to be achieved. Non-executive directors, including those who are members of the remuneration committee, are awarded share options. The company also operates a guaranteed bonus arrangement for one of its executive directors. Together with votes being instructed against the remuneration report, Newton also voted against three members of the remuneration committee, who were seeking re-election to the board.

Ennstone PLC – AGM – 10th May 2007

In adherence to best practice, an executive director's contractual notice period was reduced from 24 months to 12 months. However, in contravention of best practice, the executive director was significantly compensated for this change. Votes were instructed against the remuneration report and the re-election of a non-executive director, who was a member of the remuneration committee.

Forth Ports PLC – AGM – 2nd May 2007

The remuneration committee decided to award special one-off bonuses to the company's executive directors. It was stated that the payments were necessary given bid speculations in the company's operating sector and the active market for executive talent. Newton was concerned at the lack of disclosure of performance conditions, if any, that governed these awards. In addition to voting against the re-election of a member of the company's remuneration committee, Newton also instructed votes against the resolution seeking approval of the remuneration report.

Guinness Peat Group PLC – AGM – 29th May 2007

The board failed to appoint any independent non-executive directors to its audit committee and its remuneration committee. Instead, these key committees consisted of the non-independent chairman and an executive director. The company is listed on the Alternative Investment Market, where companies are not subject to the same demands as those with a full UK listing. However, given the company's size, Newton felt that shareholders should be afforded the comfort of independent non-executive directors representing their interests. Therefore, votes were instructed against the resolutions seeking shareholder approval of the remuneration report and against the company's financial statements & statutory reports.

Votes were also instructed against two further resolutions, which related to the issuance of additional shares in the company. The first of these resolutions sought a five-year authority for the company to issue shares, with pre-emptive rights, up to 48% of its share capital on an annual basis. The company provided no rationale for the proposed issuance or for the five-year authority. Annual renewal of such authority is considered best practice. The second of these resolutions sought to issue 6%, per annum, of the company's issued share capital, whilst dis-applying existing shareholders' pre-emption rights. Again, this authority was sought for five years. Unless clearly explained, Newton disapproves of companies issuing more than 5% of their share capital on a non-pre-emptive basis.

Interactive Prospect Targeting Holdings PLC – AGM – 14th May 2007

The company sought to issue shares, equivalent to 10% of its share capital, whilst dis-applying existing shareholders pre-emption rights. Without a clear and justified explanation from the company, this level of dis-application is against established best practice. Newton instructed votes against this resolution.

Invesco Perpetual UK Smaller Companies Investment Trust PLC – AGM – 9th May 2007

Of the four members of the Trust's board, two were not considered independent. Of these two, one had been on the board for 18 years and was a member of the audit committee. Newton felt that this length of service sufficiently compromised the need for him to be independent. Therefore, votes were instructed against his re-election.

JPMorgan US Discovery Investment Trust PLC – AGM – 24th April 2007

At the same time as seeking shareholders' authority to re-issue shares at a discount to their Net Asset Value, the Trust also sought to dis-apply existing shareholders pre-emption rights when re-issuing these shares. Newton felt that such a policy was unacceptable and instructed votes against these two resolutions.

Kingspan Group PLC – AGM – 24th May 2007

Newton instructed votes against one of the non-executive directors, who was seeking re-election to the board. In accordance with best practice, members of remuneration committees should be independent of the company. During the year, this nominee provided additional paid services to the company and had been a member of the board for 25 years.

Ladbroke's Group PLC – AGM – 18th May 2007

Shareholder approval was sought for a new Performance Share Plan (PSP). Newton considered that the Earnings Per Share performance conditions, that would govern the vesting of awards, were not sufficiently challenging. This concern was further aggravated by the size of awards that were being proposed. Votes were instructed against the proposed new PSP and a member of the remuneration committee, who was seeking re-election to the board.

Melrose Resources PLC – AGM – 13th June 2007

The company provided no rationale in relation to its resolution seeking to issue 10% of its share capital, whilst dis-applying the pre-emption rights enjoyed by existing shareholders. Newton felt that the potential level of dilution was excessive and instructed votes against the resolution.

Nature Technology Solutions Limited – AGM – 27th June 2007

Newton voted against a resolution entitled "other business". This was a request to allow the board and shareholders to raise other issues at the AGM. Under this resolution, there is a possibility that certain items may be raised and approved that may not be in shareholders' best interests.

Nestor Healthcare Group PLC – AGM – 26th April 2007

Newton was concerned that executive directors were awarded annual bonuses despite profit targets not being achieved. The award levels were between 61% and 80% of the stated maximum. Votes were instructed against the resolution that sought shareholder approval of the company's remuneration report.

NetPlay TV PLC – AGM – 28th June 2007

The company did not justify its request to dis-apply existing shareholders' pre-emption rights in the event of a new issue of shares, which could be up to 10% of the company's issued share capital. 10% dilution of existing shareholders' value was felt to be

excessive where no commitment or comfort was provided to shareholders relating to the company's intended use of any capital raised. Newton instructed votes against this request.

Next PLC – AGM – 16th May 2007

The company sought shareholder approval for renewal of its Risk/Reward Investment Plan, which was first introduced in 2005. Newton remained concerned with the plan for the same reasons given in July 2005. The company's executives could be rewarded with up to 16 times their own investment in shares for absolute share price appreciation. For such substantial levels of awards, Newton would expect performance conditions that incentivise management to improve the underlying financial performance of the company. The Risk/Reward Investment Plan, as structured, could reward or penalise participants solely on share price movement, which may be merely a function of market momentum.

Newton also instructed votes against two members of the remuneration committee, who were seeking re-election to the board.

Peter Hambro Mining PLC – 27th May 2007

Votes were instructed against a non-executive director, who was seeking re-election to the board and its audit committee. Given that this individual receives bonus awards from the company, Newton felt that he was not sufficiently independent to warrant being a member of the audit committee.

Principality Building Society PLC – AGM – 27th April 2007

Despite contacting the company, no report and accounts for the year had been published ahead of the company's AGM. It is a fundamental requirement that a company's report and accounts be available for analysis in order for shareholders to determine a view on the proposed resolution items. Newton had no option but to instruct votes against all seven of the proposed resolutions at the company's AGM.

PuriCore PLC – AGM – 31st May 2007

Under the company's Executive Omnibus Incentive Plan, no cap exists on the size of grants to individuals and no performance conditions are required to be achieved for vesting to occur. These two factors led to Newton instructing votes against the remuneration report and against two members of the remuneration committee, who were seeking re-election to the board.

Votes were also instructed against a resolution 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, this resolution provides an opportunity for matters to be approved which may not be in shareholders' best interests.

Quester VCT PLC – 27th June 2007

The company requested shareholder approval to issue up to 10% of its issued share capital, whilst dis-applying existing shareholders' pre-emption rights. As the company did not provide any comfort as to why shareholders should accept such a level of dilution, Newton voted against the resolution.

Royal Dutch Shell PLC – AGM – 15th May 2007

Despite a year of underperformance, where long-term incentives failed to vest, executive directors' salaries were increased by c.10% and the annual bonus maximum was increased by 20%, to 2.4 times an individual's salary. Newton felt that the lack of explanation for these changes was sufficient to warrant voting against the approval of the remuneration report.

Tesco PLC – AGM – 29th June 2007

At its AGM, the company proposed a number of changes and additions to its remuneration arrangements. The proposals were motivated by the company's intended growth strategy for its US business. In brief, the resolutions sought shareholder approval to make a substantial one-off award of nil-cost shares to the Group CEO and provide similar awards to the company's US based management. In addition, the one-year deferral period, required for awards made under the company's existing Performance Share Plan, would be removed. Approval was also sought for awards to be made under the company's Performance Share Plan (PSP) and Share Option Plan (SOP) for participation by US based management. An enhanced bonus was also proposed that would specifically reward executives for the company's progress in the US.

Under the one-off arrangement, Newton considered that the performance conditions were not sufficiently challenging to warrant the proposed level of awards and that this "private equity" style arrangement offered rewards while not requiring participants to put their own monies at risk. Newton also questioned the appropriateness of heavily incentivising the group CEO for the performance of a small part of the company's total business. In skewing the incentive arrangements, Newton feared that the company's ex-US operations might not receive the required attention.

Awards to US management under the company's PSP and SOP would be made on historic performance achieved with no further performance conditions required for awards to vest. Newton felt this backwards-looking style of rewarding management ran counter to the need to motivate and incentivise.

Newton's confidence in the company's remuneration committee was further reduced by its proposal to remove the 12 month deferral period required for any vested PSP awards. The deferral was considered to be a healthy provision of the plan.

Newton instructed votes against the six remuneration related proposals, including the resolution seeking shareholder approval of the company's remuneration report. In addition, votes were also instructed against two members of the remuneration committee, who were seeking re-election to the board.

Please refer to the SRI activity log for detail relating to Newton instructing votes against the shareholder proposed resolution at the company's AGM. This resolution was in connection with Tesco's human rights policies for companies within its supply chain.

TT Electronics PLC – AGM – 16th May 2007

As a previous chairman of the company and having served on the board for 34 years, Newton felt that the nominee was not suitable as the company's Senior Independent Director, for which he was seeking re-election. Newton was also uncomfortable with his re-election to the audit committee and remuneration committee. Votes were instructed against his re-election.

Tullow Oil PLC – AGM – 30th May 2007

A non-executive director seeking re-election had been a board member for 13 years. This nominee was the designated Senior Independent Director, chairman of the audit committee and a member of the remuneration committee. Newton considered that these roles would be better suited to a truly independent non-executive director. Votes were instructed against this nominee's re-election to the board.

Vernalis PLC – AGM – 23rd May 2007

The company sought shareholder approval of a new Long-Term Incentive Plan (LTIP), which would replace its Share Option Plan. Newton considered that the proposed performance condition of absolute share price growth was an inappropriate method of assessing the vesting level of awards. Newton feared that the LTIP could reward for underperformance or, contrarily, not reward for good performance. The company also failed to commit to best practice in relation to an internal dilution limit of 5% in 10 years. Votes were instructed against the remuneration proposal and two members of the remuneration committee, who were seeking re-election to the board.

Xstrata PLC – AGM – 8th May 2007

Vesting of awards made under the company's Long-Term Incentive Plan are subject to the achievement of certain pre-determined levels of cost savings. Newton did not consider this to be an appropriate performance condition, given the danger of cost reductions being undertaken for short-term personal benefit and without consideration for the longer-term interests of the company. Newton voted against the resolution that sought shareholder approval of the remuneration report and against the re-election of a non-executive director, who was a member of the remuneration committee.

Ex-UK Companies

Abbott Laboratories – AGM – 27th April 2007

Newton instructed votes against a nominee proposed as a non-executive director to the board. It was felt that this individual's commitment to the company would be limited given that he already sat on three other company's boards and served as Chief Executive Officer of another company.

A shareholder resolution requested that the role of Chairman and CEO be split and that an executive director should never act as Chairman of the company's board. Newton did not feel that supporting such a proposal was necessary. The company's independent directors had appointed an independent lead director, who acts as operational chairman to the company's board. This, together with over 90% of the board members being independent non-executive directors, gave Newton the required level of comfort that shareholders are sufficiently represented at board level.

Air Liquide – AGM – 9th May 2007

Votes were instructed against four resolutions. Two of these requested shareholder approval of share option grants and shareholder authorisation to issue shares for use in the company's restricted share plan. The decision to vote against was based on three key concerns with the company's remuneration policy. First, no performance conditions are required to be achieved for awards to vest, which is against the recommendations of the French corporate governance report, the AFEP-MEDEF. Secondly, executive service contracts provide severance payments in excess of 24 month's salary. Thirdly, the company may award more than 5% of the company's share capital. Votes were also instructed against a member of the remuneration committee, who was seeking re-election to the board.

A separate resolution asked shareholders to approve the special auditor's report regarding related party transactions. Included as a related party transaction was the aforementioned severance contracts for executive directors. Newton instructed votes against this resolution.

Altria group Inc – AGM – 26th April 2006

For this company's AGM, Newton declared a conflict of interest. In such cases, voting recommendations are instructed in line with those of an independent third party. This led to votes being instructed against four of the five resolutions proposed by shareholders. These resolutions requested the company disclose information on second-hand smoke; cease certain advertising campaigns; cease production, promotion and marketing of tobacco products; and to adopt the proponents' animal welfare policy.

Ameren Inc – AGM – 24th April 2007

A shareholder resolution was submitted requesting the company describe, in its next annual report, efforts to reduce

the release of radioactive substances from the Callaway nuclear power plant. The resolution also requested an improvement in the quality of monitoring of the radioactive releases. Newton chose to vote against this resolution. Information relating to the company's effluent releases and treatment system modifications is already publicly available through the Nuclear Regulatory Commission (NRC). The controls imposed by the NRC require the company to monitor and record all effluent releases. From publicly available documents, the NRC appears satisfied with the company's disclosure, monitoring and reporting of radioactive discharges. Therefore, Newton did not feel that additional reporting on this matter would add significant value to shareholders.

Amgen Inc – AGM – 9th May 2007

A shareholder submitted a resolution requesting that the company develop an animal welfare policy that addresses the company's commitment to reducing, refining and replacing its use of animals in research and testing. The proponent also requested the policy outline provisions made by the company to address the social and behavioural needs of animals used in research and testing. Newton voted against this resolution. Amgen already makes publicly available, through its corporate website, its "Guidelines on the Care and Ethical Use of Animals in Research". The policy states that the company must abide by the principles known as the 3Rs of animal research: Refine, Reduce, Replace. In addition, the policy stipulates that the company will ensure that the care and use of all laboratory animals meets or exceeds relevant local, national and international regulations. Further, Amgen has received accreditation from the Association for the Assessment and Accreditation of Laboratory Animal Care (AAALAC) for the animal testing conducted in its laboratories. Amgen's policy to safeguard animal welfare extends to its contract partners.

A further shareholder filed a resolution requesting that the company issue a sustainability report by 31 October 2007. Newton believes that Amgen's existing disclosure, through its corporate website, provides sufficient insight into its social, ethical and environmental policies and practices. It also demonstrates a commitment to addressing numerous issues related to creating and maintaining sustainable operations. Therefore, Newton chose to vote against this resolution.

Apache Corp – AGM – 2nd May 2007

A shareholder requisitioned resolution was voted against. This resolution sought for the company to amend its bylaws. The proposed amendment would provide for the reimbursement of reasonable expenses incurred by a shareholder in proposing the election of directors to the company's board. Newton considers that the proposal of nominees to a board is a key role of a well-constituted nomination committee. While Newton supports the right of shareholders to propose resolutions, it was felt that the reimbursement of expenses to shareholders might result in a proliferation of resolutions that may not be in the best interests of all shareholders. It was also felt that the

proposal would encourage shareholder nominees, which may not necessarily be in the best interests of the other shareholders and the company.

Apple Inc – AGM – 10th May 2007

The company sought to extend the life of the non-executive director's share option plan. Newton is fundamentally against the award of share options to non-executive directors due to a belief that these could impair their independent judgement.

In connection with the fraudulent backdating of share options and at the time of the AGM, two former officers of the company were facing civil charges. In disclosing information relating to this backdating of share option awards, the company stated that: "the grant dates for a number of grants were intentionally selected in order to obtain favourable exercise prices". This led to a financial restatement, reducing profitability by US\$105m. Newton instructed votes against four directors seeking re-election to the board, who had been members of the company's remuneration committee at the time when option backdating was being practiced.

A shareholder requisitioned resolution sought for the company to publish a report on the feasibility of adopting a policy that would enable the company to become a leader in the use of safe materials by eliminating certain toxic substances from its products. Newton assessed Apple's policy on responsible manufacturing and its plans to phase out or restrict the use of environmentally harmful compounds. Newton found significant information to be available on the company's corporate website. Such information outlines plans to completely eliminate or restrict the use of many environmentally harmful compounds. Therefore, Newton did not believe that the proposal warranted support.

Bayer AG – AGM – 27th April 2007

Two routine resolutions proposed at German AGMs seek shareholder approval to discharge the management board and to discharge the supervisory board. Newton exercised a level of prudence by instructing votes against both of these resolutions. At the time, the company was under formal investigation for insider dealing by the German market watchdog, fines of US\$104m were being levied for antitrust behaviour by the US department of Justice and the company had admitted to wrongly withholding data from the Federation of Drug Administration.

The Boeing Co – AGM – 30th April 2007

A resolution, submitted by one of the company's shareholders, requested that the company report on its policies and procedures for determining foreign sales of weapons-related products and services, including military equipment categories and contracts. The company already discloses information on its foreign weapons sales programme and the regulatory compliance requirements for these sales. Newton noted that the company operates in a highly regulated environment and

adheres to strict US laws that control the export, sale and transfer of military products and technologies to foreign entities. Newton also considered that detailed disclosure of the company's contract bidding and market promotion strategies may negatively impact the company by providing insight to industry competitors. Due to the combination of these factors, Newton felt that additional reporting in this area would not provide meaningful information to shareholders. Therefore, Newton instructed votes against the resolution.

Broadcom Corp – AGM – 2nd May 2007

Various elements of the company's remuneration arrangements caused concern. The two more alarming aspects were the level of share usage and that non-executive directors, including members of the remuneration committee, could be recipients of share-based incentive awards. Historically, over the last three years, the company had awarded share incentives at a level of 6.63% of its share capital, annually. Potential dilution to existing shareholder value could be as much as 35%. Votes were instructed against two resolutions relating to share incentive plans and against five members of the remuneration committee, who were seeking re-election to the board.

Bunge Ltd – AGM – 25th May 2007

Shareholders were asked to approve a new share incentive plan for its non-executive directors. Awards would be in the form of either market priced or nil cost shares. Given the company's healthy financial position, Newton did not feel that this was an appropriate method for remunerating non-executive directors. It was felt that the need for the non-executive director to be independent would be jeopardised. Votes were instructed against this resolution.

Cap Gemini SA – AGM – 26th April 2007

A lack of disclosure of information pertaining to three resolutions meant that Newton had to exercise a level of prudence and instruct votes against their approval. The resolutions were in connection with related party transactions and using issued share capital in the company's restricted stock plan.

Carnival Corp – AGM – 16th April 2007

There were three fundamental concerns with regard to the company's remuneration policy. During the year, substantial awards were made under the company's 2002 Stock Plan, which vest subject to time with no performance conditions needing to be achieved. Non-executive directors, including those who are members of the remuneration committee, are awarded share options. The company also operates a guaranteed bonus arrangement for one of its executive directors. Together with votes being instructed against the remuneration report, Newton also voted against three members of the remuneration committee, who were seeking re-election to the board.

Carrefour SA – AGM – 20th April 2007

A total of ten of the thirteen proposed resolutions were voted against. This was simply due to a lack of information being disclosed ahead of the meeting. At the time of the voting deadline for the meeting, the company had failed to publish its annual report & accounts. In prior years, the company has published this report at least one month ahead of the AGM date. Newton was not able to take a view as to the company's progress in relation to corporate governance matters. Therefore, votes were instructed against ten resolutions.

Chevron Corporation – AGM – 25th April 2007

Newton agreed with the sentiment of a proposed shareholder resolution, which sought to tighten proceedings around the company's anti-takeover mechanism. However, if approved, any amendment to the company's anti-takeover arrangement would require unanimous consent from the board of directors. Newton felt that this provision could be to the detriment of shareholders by concentrating too much power in a single director. Votes were instructed against this shareholder proposal.

A shareholder submitted a resolution requesting that the company post an animal welfare policy on its corporate website. The policy would commit the company and its contracted laboratories to reducing, refining and replacing the use of animals for research and testing. Additionally, the shareholder requested an annual report that would evaluate compliance with this policy. Newton noted that Chevron undertakes animal testing only when it is required by law to do so. Further, the company has committed to using only qualified and accredited animal research laboratories. Thus, when considering this resolution, Newton did not feel that additional policy and disclosure were needed. Newton instructed votes against the resolution.

A further shareholder resolution requested the company report to shareholders on its procedures for assessing the ability of laws, in a host country, to adequately protect human health, the environment and the company's reputation. The proponent was questioning whether Chevron's procedures and actions, in developing countries, were consistent with its stated policies relating to environmental excellence and protecting human health. Newton agrees that companies with operations in developing markets should take appropriate steps to ensure that operations are conducted in a manner that protects human rights, public health and the environment. However, Newton does not believe it is a company's role to assess and report on host government regulations and laws. Further, a detailed evaluation of the adequacy of legislation across approximately 180 host countries would be unnecessarily burdensome on the company. Newton does not believe that such a report would be value enhancing for shareholders. Therefore, Newton instructed votes against the resolution.

Citigroup Inc – AGM – 17th April 2007

A total of four resolutions were voted against. These resolutions were all requisitioned by shareholders.

It was requested that the company provide an annual report detailing those company executives, consultants, legal counsel and lobbyists who have served in any governmental capacity within the past five years. Newton failed to appreciate any benefit that such a report could provide to shareholders.

Within the company's disclosures, there is a significant level of information surrounding its charitable contributions. This, Newton felt, was sufficient to warrant instructing votes against a shareholder proposal that sought for additional reporting on the company's charitable contributions, which would have to include the rationale for every contribution and the benefits to the company of making each contribution.

A resolution requested that the company limit the average individual compensation (including incentive awards) of senior management to 100 times the average individual salary of the company's employees. Newton felt that this cap would not help the company retain and motivate senior management. Limiting rewards for performance in this way does not help to foster and encourage a strong link between the company's performance and remuneration.

A further shareholder proposal asked that the company adopt a cumulative voting policy for the election of its board members. Cumulative voting allows shareholders to allocate all their votes to a single board nominee or to spread their votes across any number of the board nominees. The directors with the most votes are then elected. Newton considered that majority voting, which is practiced by the company, to be a superior method for the election of board members.

CNOOC Ltd – AGM – 25th May 2007

Two nominees seeking re-election to the company's board were voted against. These nominees had a recent history of not supporting or acting in shareholders best interests.

The company requested shareholder approval to issue up to 30% of its issued share capital, whilst dis-applying existing shareholders' pre-emption rights. Given that the company did not provide any comfort as to why shareholders should accept such a level of dilution, Newton instructed votes against the resolution.

ConocoPhillips – AGM – 9th May 2007

A shareholder proposed resolution requested that the company provide a semi-annual report on its political donations and trade association expenditures. Based on the depth of the company's existing disclosure relating to its policies, levels of contributions and rationale in this area, Newton did not support this resolution.

It was requested, also by way of a shareholder resolution, that all director nominees should hold US\$5,000,000 of the

company's shares, or if the nominees are representatives of mutual funds, pension funds, state treasury funds, foundations or brokerage houses, the associated organisations should hold at least 2,000,000 voting shares in the company. Newton felt that this would be an unworkable policy and could put the company at a commercial disadvantage by limiting the pool of talent from which it seeks to appoint executive directors. Votes were instructed against this resolution.

A shareholder submitted a proposal requesting the company prepare a report to explain how it intends to respond to rising regulatory, competitive and public pressure to significantly develop renewable energy sources. ConocoPhillips currently provides substantial publicly available information relating to its policies to confront challenges relating to climate change. In this area, the management of ConocoPhillips has chosen to focus on the development of research and technology options that have the potential to enable renewable energy. While the company may not be investing in renewable energy commitments to the extent sought by the proponents of the resolution, the company has demonstrated a commitment to evaluating the impact of the risks of operating in a carbon constrained world and it appears to be taking steps to mitigate exposure to such risks. Therefore, Newton chose to support management and instructed votes against this resolution.

Newton instructed votes against another shareholder resolution. This requested the company prepare a report on its policies and procedures relating to host country laws and regulations with respect to their adequacy to protect indigenous rights. The resolution also requested the company report on the process and practice for obtaining consent of indigenous peoples affected by its operations. Newton believes that it is important for global companies, particularly those operating in regions with social, political or economic unrest, to have effective policies in place for interacting with host governments and local communities that may be impacted by operations. However, Newton does not believe it is a company's role to assess host government regulations and laws. ConocoPhillips' already publicly provides information that demonstrates its substantial commitment to stakeholder engagement processes and social strategies. Further, in 2006, the company adopted a Human Rights Policy consistent with the Universal Declaration of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Human Rights at Work. Thus, Newton did not feel that additional reporting would be value enhancing for shareholders.

The final shareholder resolution, voted against by Newton, proposed that the company report on its accountability for the impact of its operations on all the communities in which it operates. The company already provides significant and detailed reporting on its actions to responsibly manage the social and environmental impacts of its operations. The company also gave a commitment to expand and develop its reporting as future Sustainability Reports are produced.

Considering the existing disclosure, Newton did not believe that additional reporting, as requested by the proponent, would provide significant value for shareholders.

Consolidated Edison Inc – AGM – 21st May 2007

Newton instructed votes against a shareholder proposed resolution that sought to limit the remuneration of each of the top five persons named in management. The proposed limit was US\$500,000. Newton felt that, in approving such a resolution, it would put the company at a competitive disadvantage when attempting to attract, retain or motivate senior management.

Cousins Properties Inc – AGM – 14th May 2007

Votes were instructed against the company's resolution to amend its Incentive Stock Plan (ISP). The company sought to secure additional shares for making future awards under its ISP. Newton was concerned that non-executive directors participate in the plan. Also, over the last three years, the company has issued in excess of 10% of its share capital under its share incentive arrangements.

DaimlerChrysler AG – AGM – 4th April 2007

Together, two of the company's shareholders proposed a total of seventeen separate resolutions at the company's AGM. Newton instructed votes against all of these resolutions. The two proponents had been lobbying the company in connection with their disapproval of the merger, in 1998, between Daimler-Benz AG and Chrysler Corp.

Nine of these resolutions concerned amendments to the company's articles of association. Newton felt that all the proposed changes were unnecessary and were, generally, matters that should be at the board's discretion. Proposed amendments included changing the company's name, having every third AGM in Stuttgart and a mandatory retirement age of 65 years for supervisory board members.

Two further resolutions requested that the company's structure be changed from that of a German stock corporation to that of a European company. Newton agreed with the company that this matter is the responsibility of the management board and supervisory board.

The remaining six resolutions related to the establishment and reporting of special audits. Newton felt that the proposed audits would not lead to the discovery of any new evidence that had not already been uncovered by previous proceedings and investigations. Unless there is clear evidence of gross misconduct or negligence, a special audit is rarely warranted.

Du Pont – AGM – 25th April 2007

Newton instructed votes against five shareholder requisitioned resolutions at the company's AGM. It was requested that the company review its internal controls relating to potential adverse impacts associated with genetically engineered (GE)

products. Newton instructed votes against this resolution. A significant factor considered when making this decision was the current conflicting studies regarding the possible effects on wildlife, the environment and humans with regard to GE products. Du Pont has made significant amounts of information publicly available regarding its GE products, existing internal controls as well as adherence to external regulatory oversight mechanisms. The company has also committed to perform post market research on GE products. Therefore, Newton instructed votes against the proposal.

A shareholder sought for the company to assemble a committee to report to the Board regarding the impact on communities of mass layoffs and of plant sales and closures. The resolution also requested the report include alternative options that may be developed to mitigate such actions in the future. Du Pont has undergone significant restructuring initiatives over the past several years, which have resulted in redundancies, plant sales and/or closings. These actions appear to be consistent with Du Pont's strategy to refocus the company's efforts on science, research and development, while streamlining production costs. The company has complied with applicable labour regulations relating to such restructuring measures. Eligible employees have been provided with a career transition plan, the company has a community outreach programme in place and board committees have been formed to evaluate strategic structuring decisions. Newton did not feel that additional reporting on this topic would provide significant value for shareholders.

A shareholder resolution was filed requesting the company report its annual expenditures relating to perfluorooctanoic acid (PFOA) and related chemicals or dioxins for each year from 1996 to 2006. Du Pont uses PFOA as a processing aid to manufacture fluoropolymers for coatings used in cookware. However, PFOA is removed from the end product. Newton noted that Du Pont already openly discusses its legal liabilities relating to PFOA and it provides investors with insight into its existing and potential PFOA-related liabilities. Additionally, management is demonstrating a commitment to minimise future PFOA-related damages by voluntarily committing to eliminate the need to make, buy or use PFOA by 2015. Newton notes that reporting on past environmental remediation costs relating to PFOA may not give an accurate reflection of the company's current and future projections of PFOA-related costs. Therefore, Newton felt the company already provided sufficient transparency to shareholders on this topic. Newton voted against the resolution.

It was requested that Du Pont prepare a report outlining the scientific data and rationale behind the company's approach to climate change. The company does provide a significant amount of information relating to climate change on its website, through publicly available information, such as its response to the Carbon Disclosure Project, and in its public filings. This information provides substantial insight into the company's

climate change policies and strategic rationale for pursuing these initiatives. Newton did not believe that such a report would add value when considered against the extent of information that is already provided.

The final resolution that Newton voted against was a proposal requesting the company report to shareholders on the implications of adopting certain policies to reduce the danger of a potential catastrophic chemical release. The proponent recommended increasing security, re-engineering chemical processes, locating facilities away from high population areas and reducing the use and storage of extremely hazardous substances. Newton noted that government regulation and legislation, to a large extent, already addresses many of these concerns. Du Pont also provides information, on its website, regarding policies and procedures for management of the safety and security of chemicals. Information on the company's existing management systems and controls to mitigate risk to employees and the public is also detailed. Further, Newton recognises there is a concern about releasing additional information that may include proprietary details about the company's security policies and procedures. Therefore, Newton did not believe the resolution warranted shareholder support.

Eli Lilly and Co – AGM – 16th April 2007

A shareholder proposed resolution requested the company report to shareholders on the feasibility of amending the company's Animal Care & Use policy to include superior standards for animal care at company facilities and contract laboratories. Eli Lilly already has a publicly available policy addressing issues of animal welfare. Contract laboratories are also required to adhere to this policy. The policy appears to be comparable to other companies in the industry and has been approved by the National Institutes of Health Office of Laboratory Animal Welfare as complying with the Public Health Service Policy on Human Care and Use of Laboratory Animals. There is no evidence to suggest that Eli Lilly has experienced systematic problems due to its animal welfare policies, or to suggest the company lags behind industry peers on this subject. Therefore, Newton instructed votes against the resolution.

A shareholder submitted a resolution requesting the company prepare a report stating the rationale for increasing the exportation of animal experiments to countries that have either non-existent or substandard animal welfare regulations with little or no enforcement. The proponent also requested that the information include the extent to which management requires adherence to US animal welfare standards at its facilities in foreign countries. Eli Lilly's "Animal Care and Use Policy" is disclosed on the company's website. The company states it is committed to the responsible treatment of all laboratory animals and that it maintains the highest standards of animal care and use, globally. All animal facilities are subject to external review and inspection. Thus, Newton felt that additional disclosure on animal welfare could lead to the creation of a report that provides limited value to shareholders. Therefore, Newton instructed votes against the resolution.

Ericsson (Telefonaktiebolaget LM) – AGM – 11th April 2007

At the company's AGM, shareholders were asked to approve the auditors' remuneration. Newton instructed votes against this resolution due to the company's failure to disclose any information surrounding its payment of auditors' fees.

Exxon Mobil Corp – AGM – 30th May 2007

A shareholder of the company requested the board to consider providing a more equal ratio between the cost of repurchasing stock in the market relative to the cost of paying special dividends. Newton believes that it should be a management's discretion as to the method of distributing the company's excess cash to its shareholders. Votes were instructed against this resolution.

Newton voted against a shareholder resolution that requested the company provide a report on pay disparity between the company's executives and its lowest paid workers. The period covered would be 10 years, starting from 1995, and should include rationale for, and analysis of, movements in the pay gap over the period. Newton did not feel that such a report would provide useful or meaningful information to shareholders.

Newton also voted against a shareholder proposed resolution that sought to limit the remuneration of each of the top five persons named in management to US\$500,000. It was felt that in approving such a resolution it would put the company at a competitive disadvantage when attempting to attract, retain or motivate senior management.

Certain shareholders submitted a proposal requesting the company disclose information on how it accounts for the environmental impact that its operations have on local communities. Exxon Mobil already provides a substantial amount of disclosure on its environmental performance and social initiatives. Newton believes this is sufficient to allow investors to evaluate how the company manages environmental and social factors that could potentially impact local communities. Therefore, Newton did not feel the resolution warranted shareholder support.

A shareholder proposed a resolution requesting that the company disclose information relating to carbon emitted from the use of gasoline and diesel on fuel pumps. Newton voted against the resolution as detailed information about the carbon content and emissions associated with fuel for motor vehicles is readily available on the US Environmental Protection Agency (EPA) website. The information is part of an overview of pollutants entitled: Emission Facts: Average Carbon Dioxide Emissions Resulting From Gasoline and Diesel Fuel.

A shareholder filed a resolution requesting that the company adopt a policy to significantly increase its global renewable energy sourcing. The proponent requested that, between 2015 and 2025, the target for renewable energy sourcing should be in the range of 15% and 25% of the company's total energy output. Newton noted that Exxon Mobil is involved with

alternative energy sources that best fit the company's parameters for feasible and profitable operations. Though some shareholders may not agree with Exxon Mobil's strategy, the company has been transparent on its position related to renewable energy and has substantially explained the rationale that it believes supports its policies and activities. Newton chose to support the management in this case and instructed votes against the resolution.

Ford Motor Company – AGM – 10th May 2007

A shareholder submitted a resolution requesting the company prepare a report outlining the scientific data and rationale behind the company's approach to climate change. Newton believes that Ford's current disclosure effectively presents most shareholders with sufficient information to understand the company's position with regard to climate change. Newton does not believe that provision of the information requested in the resolution will be of economic benefit to shareholders. Therefore, Newton instructed votes against the resolution.

A proponent submitted a resolution requesting that the company amend its Equal Employment Opportunity (EEO) statement to exclude reference to sexual orientation, interests or activities. Newton believes that companies should have policies in place that prevent workplace discrimination in all of its forms. Such discrimination has the potential to translate into real financial losses and strategic disadvantages for the company. Therefore, Newton did not believe that the proposal requesting the removal of sexual orientation from the company's EEO statement was supportable. Newton instructed votes against the resolution.

Certain Ford shareholders submitted a resolution requesting the company report on the impact of rising healthcare costs on the company and how it is prepared to address these concerns. Ford, through its public filings, already provides substantial disclosure on the financial and competitive impact that rising healthcare expenses may have on the business. The company's internal policies highlight some of the measures the company is taking to address such concerns. Additionally, the company provides discussion on initiatives that Ford has undertaken to help encourage healthy lifestyles among its employees. Therefore, Newton did not feel that the resolution warranted shareholder support.

Gazprom OAO – AGM – 29th June 2007

Russian commercial law requires cumulative voting for directors. This allows shareholders to randomly distribute their votes to as many or as few of the nominees as they wish. In addition, the election process is often complicated by a company proposing more candidates than available board seats.

In this instance, there were eleven vacant non-executive board seats but nineteen nominees were made available for election by shareholders. Newton concentrated votes on ten of the proposed nominees. Of the nine nominees not voted for,

five were government representatives and four were existing employees of the company. It was felt that these nine would not help the non-executive board create a necessary balance of independence.

In a similar process to the election of board members, eleven nominees were proposed for election to the nine seats on the company's audit commission. Newton felt that the existing five members of the company's audit commission appropriately represented the necessary level of independence. Votes were instructed in favour of these five members and against the remaining six nominees.

General Electric Co – AGM – 25th April 2007

A shareholder requisitioned resolution proposed that the board should, on an annual basis, nominate one of the company's retirees for a position as non-executive director of the company's board. The proponent believes that the substantial number of shares held by the 205,000 retirees warrant the election of a retiree to the board and that the candidate would bring to the board unique perspectives and a better balance. Newton does not consider it appropriate for one shareholder group to be advantaged over another and that nominations to the company's board is a key role that should be conducted by the board's nominations committee. Newton instructed votes against this shareholder proposal.

Votes were also instructed against a shareholder proposed resolution seeking for a report on pay disparity. The report would compare total compensation between the board members and lowest paid 10% of the company's workforce. Included in the comparison would be an evaluation of the costs and benefits of the pay differentials. Newton did not feel that the information requested would be useful.

A shareholder submitted a resolution requesting the company prepare a report outlining the scientific data and rationale behind the company's approach to climate change. Newton believes that the information already provided by General Electric, on its corporate website and in its public filings, provides enough insight into the company's policies and strategic initiatives for shareholders to understand the company's stance on climate change. Therefore, Newton did not believe that such a report would add value to shareholders. Newton voted against the resolution.

A shareholder requested that the board of General Electric review and amend its code of conduct and policies that relate to bidding on military-related contracts. Newton notes that the federal government has stringent regulations regarding the contract bidding process for military products. Additionally, the company already has policies in place governing military and government sales. Newton is also concerned that detailed disclosure of the company's contract bidding and market promotion strategies may negatively impact the company by providing insight to industry competitors. Due to the combination of these factors, Newton felt that additional reporting in this area

would not provide meaningful information to shareholders. Therefore, Newton instructed votes against the resolution.

Griffin Mining Limited – AGM – 15th June 2007

Newton instructed votes against the election of an executive director. This was due to the executive being proposed as a member of the company's audit committee. Newton believes that audit committees should comprise of independent non-executive directors only.

Honeywell International Inc – AGM – 23rd April 2007

By way of a shareholder requisitioned resolution, it was requested the company remove any reference to its quality control programme, Six Sigma. The proponent claims that the company's Six Sigma operations are not scientifically or mathematically based on Six Sigma Statistics. Newton considers this to be an operational issue that would be best dealt with by management. A shareholder meeting is not the correct forum for discussions on this matter.

Host Hotels & Resorts Inc – AGM – 17th May 2007

It was proposed that the company's former president and CEO be re-elected to the board and to the company's audit committee. Newton was unhappy with a former CEO being a non-executive director and with the inappropriateness of this nominee being a member of the audit committee. Audit committees should be comprised of independent non-executive directors who are able to exercise independent judgement and have limited conflicts of interest.

ING Groep – AGM – 24th April 2007

In the process of electing members to the company's supervisory board and management board, two nominees are proposed for each board position available. Newton was confident in the recommendations of the management board and of the supervisory board. Therefore, votes were instructed in line with their recommendations. This led to seven votes being instructed against two nominees for the management board and five nominees to the supervisory board.

ING UK Real Estate Income Trust – AGM – 20th June 2007

The re-election of a member of the audit committee was voted against. The nominee holds the position of Chief Financial Officer of the company's investment manager. Newton believes that all members of a company's audit committee should be independent.

Intel Corp – AGM – 16th May 2007

Newton voted against a shareholder proposed resolution that sought to limit the remuneration of each of the top five persons named in management to US\$500,000. Newton felt that, in approving such a resolution, it would put the company at a competitive disadvantage when attempting to attract, retain or motivate senior management.

International Business Machines Corp – AGM – 24th April 2007

By way of a shareholder proposed resolution, it was requested that the company establish an independent committee to evaluate and report to shareholders on the risk to IBM's brand name from its outsourcing of jobs to offshore locations. The proponent is concerned that the level of outsourcing is having a negative effect on the morale of the American population. Newton is comfortable that the company's decision to outsource jobs forms part of its considered strategy to maximise shareholder value. Votes were instructed against the resolution.

JPMorgan Chase & Co – AGM – 15th May 2007

The proponent of a shareholder requisitioned resolution sought for the board to take the necessary steps to cease future awards of share options. Newton considered that the board's compensation committee is best placed to recommend, for shareholder approval, the use of share options, should it feel they are an appropriate form of incentive. Newton voted against this resolution.

A resolution was submitted, by one of the company's shareholders, requesting disclosure of information on initiatives instituted by management to address the company's alleged links to slavery and other human right abuses. The company has previously commissioned an outside firm to research historical records of the company, and its predecessor firms, to assess if it had any former ties with slavery or past profits derived from slavery. The research determined that two of the company's predecessors, which operated in Louisiana, either owned slaves or offered mortgages on slaves and other assets. Consistent with the requirements of Chicago law, the company released a report containing the names of over 13,000 slaves as referenced in the third party firm's research. This disclosure was followed, thereafter, by a public apology. The company also established a scholarship fund for African American students in Louisiana. Considering these actions, Newton did not feel it was necessary to report separately on this matter. Therefore, Newton voted against the resolution.

Kimberly-Clark Corp – AGM – 26th April 2007

A shareholder submitted a resolution requesting the company commit to the implementation of certain human rights standards based on the International Labour Organisation (ILO) Conventions and the UN norms on the Responsibilities of Transnational Corporations with regards to human rights in the workplace. Kimberly Clark produces a Sustainability Report

that provides substantial information relating to environmental sustainability, community involvement and equal employment opportunities. Also addressed are workplace labour rights, including child labour, prison labour, indentured labour, freedom of association, the right to bargain collectively and freedom from discrimination. Further, the report discusses information on fair wages and compensation. Thus, it appears that Kimberly Clark's current policies already provide support for human rights in the work place. Newton voted against the resolution.

A further resolution, submitted by a shareholder, requested that the company assess and report to shareholders on the feasibility of phasing out, within a ten-year period, the use of wood fibre that is not certified by the Forest Stewardship Council (FSC). In response to the resolution, Kimberly Clark commissioned an independent consulting firm to evaluate the feasibility of such a movement. Upon completion of this study, the company has committed to preparing a report on the findings, which would be made available to interested stakeholders. Newton notes that the company already purchases FSC certified fibre to the extent that it is available, meets product performance standards and the price requirements of the company. Additionally, the company's website discusses its policy on supporting sustainable forestry. Therefore, Newton felt there was enough information for shareholders to evaluate the company's approach to this matter. Newton voted against the resolution.

Merrill Lynch international Investment Fund – EGM – 12th April 2007

Prior to the voting deadline for the company's EGM, no information was disclosed pertaining to eight separate resolutions that sought to amend the company's articles of association. Votes were instructed against these resolutions, given that Newton was unable to ascertain the substance or motivations behind these resolutions.

Newton also instructed votes against a resolution that sought shareholder approval of "Other Business". The unknown content of this resolution meant that Newton, again, felt it necessary to exercise a level of prudence by voting against its approval.

Moly Mines LTD – EGM – 17th May 2007

In Australia, shareholders are asked to separately approve each issuance of share options to named executive directors. Newton was concerned with the structure of the proposed share option award. These concerns extended to shares being awarded at a 70% discount to their market price; vesting occurring after just two years; performance conditions being re-tested if they are not met; and potential dilution to existing shareholders of more than 30%. In addition, three of the four proposed share option awards would be to non-executive directors. Newton instructed votes against the four proposed share option awards.

Newton also instructed votes against a further resolution. This sought shareholder approval to amend the company's Incentive Option Scheme. Newton's concerns centred on non-executive directors being able to participate in the Incentive Option Scheme and the lack of disclosure relating to the performance conditions governing the vesting of awards.

Nordea Bank AB – AGM – 13th April 2007

A shareholder proposed a resolution requesting that the company allocate SEK100 million to the Institute for Integration and Growth in Landskrona. The proponent failed to provide any information relating to the rationale for why shareholders should support his request. Votes were instructed against this resolution.

Northern Star Mining Corp – AGM – 15th June 2007

The company sought shareholder approval and ratification of a share option plan. On average, over the past three years, the company has issued 6.25%, per annum, of its market capitalisation by way of share option awards. Newton was concerned at this liberal use of share options and felt that the company would continue with this policy under the proposed arrangement. Also, the share option plan would allow for awards to be re-priced should they become underwater. Newton considers that the re-pricing of awards undermines the value share options have in incentivising key people connected to the company. Newton instructed votes against the proposed share option plan.

For the reasons stated above, Newton instructed votes against the resolution that requested shareholder approval to re-price outstanding share option awards.

Issuing shares by way of private placements can be an efficient way for a company to raise necessary capital for future growth and expansion. However, in the case of this company, no information was provided as to the intended use of the requested authority for it to raise up to 100% of its share capital. Given the potential excessive dilution to existing shareholders and no indication of the intended use of the capital raised, Newton instructed votes against this resolution.

Newton voted against a resolution entitled "other business". This was a request to allow the board and shareholders to raise other issues at the AGM. Under this resolution, there is a possibility that certain items may be raised and approved that may not be in shareholders' best interests.

Northrop Grumman Corp – AGM – 16th May 2007

A shareholder requisitioned resolution required the company to report on its policies and procedures for determining foreign sales of weapons-related products and services, including military equipment categories and contracts. The company already discloses information on its foreign weapons sales programme and the regulatory compliance requirements for these sales. Newton noted that the company operates in a highly regulated environment and adheres to strict US laws that

control the export, sale and transfer of military products and technologies to foreign entities. Newton also considered that detailed disclosure of the company's contract bidding and market promotion strategies may negatively impact the company's competitive advantage. Due to the combination of these factors, Newton felt that additional reporting in this area would not provide meaningful information to shareholders. Therefore, Newton instructed votes against the resolution.

Occidental Petroleum Corp – AGM – 4th May 2007

Newton instructed votes against six members of the company's compensation committee, who were seeking re-election to the board. Votes were also instructed against proposed amendments to the company's Long-Term Incentive Plan. Many elements of the company's remuneration arrangements caused Newton concern. These concerns included non-executive directors receiving share based incentive awards; a lack of performance conditions governing the vesting of substantial awards of share incentives; and full vesting in the event of retirement or change of control.

A shareholder submitted a resolution requesting the company prepare a report outlining the scientific data and rationale behind its approach to the challenge of climate change. Newton believes that the information already provided by Occidental, on its corporate website and in its public filings, provides enough insight into the company's policies and strategic initiatives for shareholders to understand the company's stance on climate change. Therefore, Newton did not believe that such a report would add value to shareholders. Newton voted against the resolution.

Parkway Holdings Ltd – AGM – 12th April 2007

The company sought approval to issue shares under its share incentive arrangements. Newton considered that the potential level of dilution to existing shareholders of 15% was excessive for such purposes. Votes were instructed against this resolution.

A resolution entitled "Other Business" was put to shareholders for their approval. This would allow the board and shareholders to raise other issues at the AGM. While such requests are routine in certain jurisdictions, there is a possibility that certain items may be raised and approved under this resolution, which may not be in shareholders' best interests.

PepsiCo Inc – AGM – 2nd May 2007

A shareholder resolution was proposed that requested the company provide and publish a semi-annual report disclosing its contributions to public and private charitable organisations. It was stated that the report should include the company's policies, monetary contributions and rationale for each contribution. Newton noted that the company discloses detailed information, on its website, concerning its policies and contributions in relation to its charitable expenditure. Newton did not consider that this resolution warranted shareholder support.

Peugeot SA – AGM – 23rd May 2007

A representative of the company's largest shareholder, the Peugeot family, sought re-election to the company's board. This nominee also sought re-election as chairman of the company's audit committee. It was noted that the nominee would be elected for a six-year term and that no members of the audit committee would be considered independent. Newton prefers all audit committee members to be independent. Therefore, votes were instructed against this nominee's re-election.

Two further resolutions were voted against. These would allow the issuance of the company shares in the event of a public tender offer or share exchange. Newton did not consider that such anti-takeover mechanisms would be in the best interest of shareholders.

Pfizer Inc – AGM – 26th April 2007

It was requested, by way of a shareholder resolution, that all director nominees be either (i) the sole owner of US\$5,000,000 of shares; or (ii) if representatives of mutual fund, pension funds, state treasury funds, foundations or brokerage houses; holders of at least 2,000,000 voting shares in the company. Newton believes that such a level of individual ownership requirements for non-executive directors would compromise the need for them to exercise independent judgement and oversight of the executive directors. Also, Newton felt that such a policy could put the company at a commercial disadvantage by limiting the pool of talent from which it seeks to appoint executive directors. Newton instructed votes against this shareholder proposal.

A shareholder submitted a resolution requesting the company prepare a report stating the rationale for increasing the exportation of animal experiments to countries that have either non-existent or substandard animal welfare regulations with little or no enforcement. The proponent also requested that the information include the extent to which management requires adherence to US animal welfare standards at its facilities in foreign countries. Pfizer already provides information about animal welfare standards on its corporate website. The company, in guidelines aiming to ensure the highest possible standards of laboratory animal care and use, states, "the care and use of all laboratory animals should meet or exceed relevant local, national and international regulations." Parties that conduct research for Pfizer are required to adhere to the company's policy on "Experimental Animal Care and Use" as well as to applicable regulations. Pfizer also undertakes welfare audits of third party facilities in accordance with its quality assurance policies. Thus, Newton felt that additional disclosure on animal welfare could lead to the creation of a report that provides limited value to shareholders. Therefore, Newton instructed votes against the resolution.

A shareholder submitted a resolution requesting the company report on the feasibility of amending its "Guidelines and Policy on Laboratory Animal Testing" to include superior standards for

animal care at company facilities and contract laboratories. Pfizer already provides a publicly available policy addressing issues of animal welfare. These policies include a commitment to treating animals with care and respect, strict compliance with applicable legislation, training programmes for employees involved in animal testing and a discussion of oversight mechanism through third-party audits. Pfizer also expects independent contractors conducting research on behalf of the company to adhere to its animal welfare principles. Newton believes that the company's current policy already addresses the proponent's concerns. Therefore, votes were instructed against the resolution.

Publicis Groupe – AGM – 4th June 2007

The company proposed to increase the number of shares in issue by 10%, while dis-applying existing shareholders' pre-emption rights. Given that the company failed to provide any explanation as to why shareholders' should accept such a level of dilution, Newton instructed votes against the proposal.

Two connected resolutions sought for the granting and issuing of shares pursuant to the company's share option plan. Newton voted against the resolutions given that more than 10% of the issued share capital of the company may be awarded. Best practice suggests that not more than 5% in 10 years should be awarded under such discretionary schemes. Also, the company failed to provide detail on any performance conditions that would govern the vesting of awards.

Votes were also instructed against a resolution that would allow the company to issue shares in the event of a public tender offer or share exchange offer. Newton did not consider the proposed anti-takeover mechanism to be in shareholders' best interests.

Raffles Medical Group – AGM – 23rd April 2007

Four major concerns surrounding the company's long-term incentive arrangements meant that Newton did not support the resolution seeking shareholder approval to grant further awards. First, existing shareholders' value could be diluted by up to 15%. Secondly, non-executive directors participate in the plan. Thirdly, share options may be awarded at significant discounts to the market price of the shares. Fourthly, the company did not disclose any performance targets that would govern the vesting of awards.

Sanofi-Aventis – AGM – 16th May 2007

The company provided no justification for a proposed dis-application of existing shareholders' pre-emption rights. The level of issuance sought was 29% of the company's share capital. The company also proposed a resolution seeking the adoption of an anti-takeover mechanism. These two resolutions raised concerns over the boards' attitude to protecting and creating shareholder value. Votes were instructed against both these resolutions.

The lack of any performance criteria governing the vesting of nil-cost share option awards meant that Newton voted against the two resolutions that requested shareholders to approve and authorise these awards.

The company's special auditor's report on related party transactions included details of the CEO's severance contract, which could provide for more than two year's total remuneration in the event of a loss of office. Newton considered this to be excessive and instructed votes against the Special Auditor's report.

SAP AG – AGM – 10th May 2007

Newton instructed votes against two non-executive directors, who were seeking re-election to the board. The first nominee had been the CEO of the company and was being proposed as chairman of the remuneration committee. The second nominee had been a board member for 19 years and was proposed as a member of the remuneration committee. Newton did not consider either of the nominees to be sufficiently independent to justify membership of the company's remuneration committee. Newton also noted that none of the members of the remuneration committee could be considered independent.

Simon Property Group Inc – AGM – 10th May 2007

The chairman of the company's audit committee was seeking re-election to the board. This nominee had been a board member for 14 years and was the president of a company that provided banking services (included unsecured lending) to Simon Property Group. Given the very real conflicts of interests, votes were instructed against his re-election.

Southwest Airlines Co – AGM – 16th May 2007

The re-election of a non-executive director, who was a member of the company's compensation committee, was voted against. The nominee was a director of a firm that provided legal services to Southwest Airlines. He had been a board member for 13 years.

The Dow Chemical Company – AGM – 10th May 2007

Certain Dow Chemical shareholders submitted a resolution that sought for the company to report to shareholders on new initiatives that address specific health, environmental and social concerns associated with the Union Carbide India toxic release, which occurred in Bhopal, India, in 1984. Dow Chemical stated that, prior to its February 2001 acquisition of Union Carbide, it conducted a liability assessment and concluded that there would be no outstanding liability in relation to Bhopal. In 1998, the Indian government stated that it would take responsibility for managing any further clean up or remediation work required on the site. Newton believes the company has been open and transparent regarding this issue, providing information on the specific incident, associated legal proceedings, remediation efforts and business developments. Therefore, Newton instructed votes against this shareholder proposal.

By way of a shareholder resolution, it was requested that Dow Chemical review its internal controls relating to potential adverse impacts associated with genetically engineered (GE) products. Newton instructed votes against this resolution. A significant factor behind this decision was the current conflicting studies regarding the possible effects on wildlife, the environment and humans with regard to GE products. The company provides detailed information on biotechnology, responsible uses of certain products and information on policies and controls related to GE products. Furthermore, the company is committed to engaging with interested shareholders on GE matters. Though it is prudent for a company to thoroughly evaluate its processes and increase disclosure of "off-balance sheet risk", Dow Chemical has already taken significant steps in this direction.

A shareholder requisitioned resolution requested that the company establish an independent panel to provide a report on the extent to which the company's products cause or exacerbate asthma. Newton voted against this resolution. Newton believes that the company's current disclosures provide shareholders with adequate information to evaluate the risks associated with investing in the company. Therefore, the additional reporting requested by the resolution would largely duplicate existing disclosure. Newton felt that a more appropriate forum for assessing this matter would be the public regulatory agencies, which are tasked with creating policy on these issues. To minimise all chances of any biased results, it is important that any such study and report be completely independent of Dow Chemical. It was also noted that the use of hazardous chemicals is heavily regulated in the US and EU.

Time Warner Inc – AGM – 18th May 2007

For this meeting, Newton had to declare a conflict of interest. Therefore, voting recommendations were outsourced to an independent third party. As a result, votes were instructed against two shareholder proposed resolutions requesting the separation of chairman and CEO positions and a request for shareholder ratification of directors' compensation.

Toll Holdings Ltd – EGM – 28th May 2007

In the event of termination of executive directors' service contracts, a reward of up to 18 months total remuneration may become payable. This was considered to excessive. Votes were instructed against five resolutions, each seeking shareholder approval of termination arrangements for five individual executive directors.

Toreador Resources Corp – AGM – 14th June 2007

Newton instructed votes against the re-election of two non-executive directors. One was a member of the company's audit committee and both were members of the company's compensation committee. Newton considered that both these nominees were not appropriate members of such committees due to their sons being senior employees of the company.

Total SA – AGM – 11th May 2007

In October 2003, a French code of best practice for corporate governance was published. In an attempt to protect minority shareholders, this code recommends that at least half the constituents of a company's board be independent non-executive directors. On this company's board, only six of the fifteen directors could be considered independent. In an effort to harmonise the board, Newton instructed votes against the re-election of two non-executive directors who were not deemed to be independent and against three employee shareholder representatives seeking board membership.

A further resolution was also voted against. The company did not justify its request to dis-apply existing shareholders' pre-emption rights in the event of a new issue of shares, which could be up to 15% of the company's issued share capital. 15% dilution of existing shareholders' value was felt to be excessive. The company provided no commitments or comfort to shareholders relating to its intended use of any capital raised.

Under the company's remuneration arrangements, any award of share options would vest irrespective of the company's performance. Newton instructed votes against the approval of share option grants.

United Technologies Corp – AGM – 11th April 2007

A resolution was submitted requesting that the company report to shareholders on its policies and procedures for determining foreign sales of weapons-related products and services, including military equipment categories and contracts. Newton felt that the company's current disclosure of such matters already addressed many of the proponents concerns without divulging commercially sensitive information. Moreover, the company's sales of military equipment are closely monitored by the government. Therefore, votes were instructed against the resolution.

United Overseas Bank Limited – EGM – 27th April 2007

Newton did not consider the company's share incentive arrangements to be sufficiently well-structured to warrant the potential dilution to existing shareholders' value of 15%. Votes were instructed against two resolutions. These sought shareholder approval for the company to adopt the incentive scheme and for shares to be issued pursuant to any vesting of awards.

Veolia Environnement – AGM – 10th May 2007

Shareholder approval was sought for a special auditor's report that detailed a related party transaction between the company and one of its non-executive directors, who was a member of the remuneration and nomination committees. This non-executive director was chairman of a company that had a three-year contract to provide management and investment consulting services to the company. Newton instructed votes against the resolution seeking approval of the special auditors report.

Volkswagen AG – AGM – 19th April 2007

A single resolution was proposed that sought shareholder approval to elect members of the supervisory board. Newton was concerned that the members of the then existing supervisory board were not acting in shareholders' best interests. In bundling this resolution, shareholders were not able to individually elect the members of the supervisory board. For this AGM, the company also required that each proxy card be manually signed. The company further stated that it would not accept votes cast by way of electronic methods, which it had accepted in the past. In addition, Newton felt that the board was not sufficiently independent. Votes were instructed against the bundled resolution to elect members of the supervisory board.

Wal-Mart Stores Inc – AGM – 1st June 2007

A shareholder of the company submitted a resolution requesting the company prepare a report detailing the pay disparity between the top executive directors and lowest paid employees. The period to cover would be 10 years, starting from 1996, and the report should include rationale for and analysis of movements in the pay gap over the period. Newton did not feel that such a report would provide useful or meaningful information to shareholders. Votes were instructed against this resolution.

It was requested, by way of a shareholder resolution, that all director nominees be either (i) the sole owner of US\$5,000,000 of shares; or (ii) if representatives of mutual fund, pension funds, state treasury funds, foundations or brokerage houses; holders of at least 2,000,000 voting shares in the company. Newton believes that such a level of individual ownership requirements for non-executive directors would compromise the need for them to exercise independent judgement and oversight of the executive directors. Also, Newton felt that such a policy could put the company at a commercial disadvantage by limiting the pool of talent from which it seeks to appoint executive directors. Newton instructed votes against this shareholder proposal.

Certain Wal-Mart shareholders submitted a resolution requesting the company report on the impact of rising healthcare costs on the company and how the company is placed to address these concerns. Wal-Mart already publicly discloses its view on the implications of rising healthcare costs and discusses how it is addressing this issue. Newton believes the current disclosure provided by the company already gives shareholders sufficient information to evaluate its approach to this issue. Therefore, Newton did not feel that the resolution warranted shareholder support.

A further shareholder submitted a resolution requesting that the company prepare a Business Social Responsibility Report. This report would describe the company's strategy for improving its business environment and include policies relating to frivolous litigation, abusive class action lawsuits, unnecessarily burdensome regulations and other topics that may affect the

free-enterprise system. Newton considered that detailed disclosure of the company's public policy initiatives and market strategies could negatively impact its competitive advantage. Therefore, Newton instructed votes against the resolution.

Newton instructed votes against another shareholder requisitioned resolution. This sought for the company to issue a report on the negative social and reputational impacts likely to lead from the failure to comply with the International Labour Organisation (ILO) conventions. The report should include the Board's recommendations and actions taken to improve compliance. There have been instances when Wal-Mart has been, and continues to be, subject to significant legal proceedings as a result of its existing workplace human rights practices. In some cases, substantial legal settlements have been incurred. Newton agreed that the company could improve mechanisms for compliance with its Statement of Ethics. However, disclosing information relating to this matter may not be appropriate given the ongoing status of legal proceedings.

Wells Fargo – AGM – 24th April

A Wells Fargo shareholder submitted a resolution requesting that the company report to shareholders on the rationale for the racial and ethnic disparities in the cost of loans provided by the company. Newton noted that Wells Fargo is subject to stringent fair lending laws. The company states it is in compliance with all applicable legislation regarding fair lending and is committed to the highest standards of equal opportunity lending. The company also provides, on its corporate website, some discussion on the rationale for differences in cost disparity between loans to white and minority borrowers. Therefore, Newton felt that the company's current disclosure on such matters already addressed many of the proponent's concerns. Newton voted against the resolution.

Windstream Corp – AGM – 9th May 2007

By way of a shareholder submitted resolution, it was requested that the company adopt a policy requiring executive directors to retain 75% of any vested shares from incentive arrangements. Newton was comfortable that the company's existing share ownership guidelines for its executive directors were adequate and took comfort in the extent to which executives have exceeded these guidelines. Votes were instructed against this shareholder resolution.

Wyeth – AGM – 26th April 2007

A shareholder submitted a resolution asking for the company to develop an animal welfare policy that addresses its commitment to reducing, refining and replacing its use of animals in research and testing. The proponent also requested that the policy outline provisions made by the company to address the social and behavioural needs of animals used in research and testing. Wyeth already publicly discloses its policy on animal welfare. The policy specifies, amongst other criteria, compliance to applicable legislation, training programmes for

employees involved in animal testing, humane treatment of animals and compliance reporting mechanisms. Wyeth has also committed to using the minimum number of animals necessary and to replace animal testing with alternative methods whenever it is feasible and permissible. Therefore, Newton felt that the company's current disclosure of such matters already addressed many of the proponents concerns. Newton voted against the resolution.

Yahoo! Inc – AGM – 12th June 2007

Historically, the company has made very high awards under its various share incentive arrangements. In 2006 0.5% of the company's US\$18 billion market capitalisation was awarded in the form of share options to the company's CEO. On an annualised basis, over the past three years, the company has awarded 3.4% of its market capitalisation by way of share incentive arrangements. There exists a total potential dilution to shareholder value of 18% from all incentive schemes. Newton considered this to be an unsustainable policy and an imprudent use of shareholders' funds.

Votes were also instructed against a resolution seeking shareholder approval for an increase in the number of shares that may be awarded under the company's share incentive arrangements. Finally, three members of the compensation committee, who were seeking re-election to the board, were also voted against.

Japanese Companies

During the quarter, many Japanese companies proposed a number of common resolutions, which Newton viewed as contentious. These included:

(a) Appointment of non-independent internal statutory auditor

Shareholder approval was sought for the appointment of an internal statutory auditor, who Newton considered to be affiliated to the company. Internal auditors are privy to market sensitive information that requires them to act in the best long-term interests of the company. Therefore, it is essential for such nominees to be viewed as independent of the company and its directors. Votes were instructed against the proposed appointment of non-independent internal statutory auditors.

(b) Retirement bonuses or cash compensation for loss of such bonuses to independent non-executive directors, as determined by the company.

The award of retirement bonuses or compensation in substitution of such bonuses was proposed for shareholder approval. In these instances, at least one of the proposed recipients was designated, by the company, as an independent non-executive director. Newton considers this method of payment to non-executive directors to be inappropriate. The non-executive's ability to exercise independent judgement could be adversely affected. Votes were instructed against this resolution.

(c) Adopt poison pill

In general, Newton is against companies adopting anti-takeover mechanisms. It is believed that such mechanisms may not be in the best interest of maximising shareholder value. It is perceived that the protection afforded by anti-takeover mechanisms can entrench poorly performing management and contribute to management complacency. Newton instructed votes against the proposed poison pill.

The following companies, at their AGMs, included resolutions relating to the categories shown above. In addition, any further comment shown beneath the company indicates that there were other contentious issues.

Company	
Accordia Golf Co Ltd – AGM – 28th June 2007	(a)
Acom Co Ltd – AGM – 27th June 2007	(a) x2
Aozora Bank Ltd – AGM – 28th June 2007	(b)
Asics Corp – AGM – 22nd June 2007	(c)
Fujitsu Ltd – AGM – 22nd June 2007	(b)
Furukawa Electric Co Ltd – AGM – 26th June 2007	(c)
A further resolution was voted against. This requested that the company's articles be amended in relation to poison pills. It was proposed that a special committee would be in charge of administering and enacting any poison pill. However, none of the proposed members of the special committee were deemed to be independent.	
Honda Motor Co Ltd – AGM – 22nd June 2007	(a) x2
Lawson Inc – AGM – 25th May 2007	(a)
JS Group Corp – AGM – 21st June 2007	(a), (b)
Komatsu Ltd – AGM – 22nd June 2007	(b)
Kurita Water Industries Ltd – AGM – 28th June 2007	(a)
Kyorin Co Ltd – AGM – 21st June 2007	(b)
Matsui Securities – AGM – 24th June 2007	(a)
Mazda Motor Corp – AGM – 26th June 2007	(b)
Misawa Homes Holdings Inc – AGM – 28th June 2007	(a)
Mitsubishi Estate Co Ltd – AGM – 27th June 2007	(a), (c)
Newton also instructed votes against the election of a director. In March 2005, this nominee, who was the company's president, was forced to resign following criminal charges being brought against him. These charges included a conspiracy to conceal facts and violations of laws relating to real estate transactions.	
Mitsubishi Heavy Industries – AGM – 27th June 2007	(a)
Mitsubishi UFJ Financial Group – AGM – 28th June 2007	(b)
Mizuho Financial Group – AGM – 26th June 2007	(b)
NEC Electronics Corp – AGM – 27th June 2007	(a)
Nippon Sheet Glass Co Ltd – AGM – 28th June 2007	(b)
The company also sought shareholder approval of its deep discount share option plan. Votes were instructed against this proposal due to the company's lack of disclosure of performance conditions and the potential dilution to existing shareholders' value.	
Nippon Telegraph & Telephone Corp – AGM – 28th June 2007	(a)
Nissan Motor Co Ltd – AGM – 20th June 2007	(b)
NTT DoCoMo Inc – AGM – 19th June 2007	(a) x2
Secom Co Ltd – AGM – 27th June 2007	(a)
Shin-Etsu Chemical Co Ltd – AGM – 28th June 2007	(a), (c)
Takashimaya Co Ltd – AGM – 22nd May 2006	(a) (b)
Toyota Motor Corp – AGM – 22nd June 2007	(b)
Yamada Denki Co – AGM – 28th June 2007	(b)

East Japan Railway Co – AGM – 22nd June 2007

Newton instructed votes against twelve resolutions that had been proposed by a single group of shareholders. These shareholders were acting on behalf of the company's labour unions. Newton did not consider that the company's AGM was the correct forum for its labour unions to express their concerns.

It was requested that the company amend its articles of incorporation to allow its labour policies to be put to a vote at future AGMs. Subject to the passing of this resolution, it was sought for the company to re-employ 1,047 terminated employees and establish a fund for them and their families. By way of another resolution, it was stated that monies be injected into the fund by way of the company forfeiting the payment of dividends to shareholders.

It was further requested that the company's panel of advisors be disbanded and replaced with a special committee of the board of directors. Whilst corporate governance concerns can exist with the use of advisory panels, Newton did not feel that the proponents' motivation was to address such matters.

Ten resolutions were proposed that, if passed, would have seen five board directors being replaced with five shareholder nominees. These nominees were only experience as academics or labour activists. Given their lack of commercial experience, Newton did not believe that the proposed nominees would be valuable substitutes for the incumbent directors.

Other Business

The companies below all included a resolution at their meetings entitled "other business". For each company below, this was the only resolution that Newton considered to be sufficiently against shareholders' best interests to warrant voting against.

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. Newton instructed votes against the resolution seeking shareholder approval of "other business".

Company	
Advanced Info Service PCL – AGM – 25th April 2007	Fuhwa Ginancial Holding Co Ltd – AGM – 29th June 2007
Bangkok Bank PCL – AGM – 12th April 2007	Ctci Corp – AGM – 15th June 2007
Bangkok Expressway – AGM – 4th April 2007	Phatra Securities Public Co Ltd – AGM – 9th April 2007
Bank of Ayudhya Public Co Ltd – AGM – 11th April 2007	PTT Public Company – AGM – 30th April 2007
Emgold Mining Corp – AGM – 20th June 2007	Singapore Petroleum Co Ltd – AGM – 25th April 2007

Dis-application of pre-emption rights at Ex-UK companies

In the UK, the Pre-emption Rights Group issued a guidance note to companies and investors where companies seek to issue more than 5% of their share capital without recognising the pre-emption rights of existing shareholders. Above 5%, consultation should be undertaken and adequate justification given.

The following table shows companies, outside of the UK, held by Newton's clients, that sought to dis-apply pre-emption rights, whilst failing to justify the requests. Newton instructed votes against each of these requests.

Company	
Allianz SE – AGM – 2nd May 2007	10.0%
Alstom – AGM – 26th June 2007	30.9%
China Netcom Group Corp Hong Kong Ltd – AGM – 22nd May 2007	30.0%
Hopson Development Holdings Ltd – AGM – 15th June 2007	30.0%
Hutchison Whampoa Ltd – AGM – 17th May 2007	30.0%
Lafarge – AGM – 3rd May 2007	19.1%
Pacific Basin Shipping Ltd – AGM – 4th April 2007	30.0%
Swire Pacific Ltd – AGM – 10th May 2007	20.0%

Examples of Corporate Governance Engagement – Q2 2007

Where clients provide Newton with discretion over the exercise of their voting rights, Newton undertakes corporate governance engagement activity in relation to their underlying investments. Below are examples of corporate governance engagement carried out during the quarter. This is not an exhaustive list of engagement activity.

UK Building Society – April 2007

Contact: Corporate Communications

At the time of its AGM in 2007, the company had not published its annual report and accounts. Newton wrote to the company requesting information pertaining to the expected release of its report and accounts or, at the very least, information that would enable Newton to make informed voting decisions on the proposed resolution items at its AGM. The company failed to respond with a justification for the delay in producing its annual report and accounts.

Korean Electronics company – April 2007

Contact: Investor Relations

Generally, Newton takes a negative view of anti-takeover mechanisms adopted by investee companies. Such devices can act to entrench management and also limit the creation of shareholder value. Newton wrote to the company to gain a better understanding of its proposal for seeking shareholder authorisation to significantly increase its share capital. Newton requested comfort from the company that such issuances would not be used as an anti-takeover mechanism. Unfortunately, the company did not share Newton's views and explicitly stated that it wanted to ensure the continuity of the company.

UK Food Producer – April 2007

Contact: Chairman

Following many instances of engagement with the company, in 2006, it changed its status from a public company to a private company. One of the reasons for this change was to make it simpler for shareholders to divest. Newton contacted the company's chairman to ascertain the position in relation to returning funds to shareholders. The chairman stated that a board meeting was being planned, at which it would be put to the members and, subsequently, to shareholders, that the company seek voluntary liquidation. A resolution seeking shareholders' approval was proposed and passed at the EGM in May 2007. The company stated that, due to a majority of the company's assets being liquid, shareholders' funds should be promptly returned after the appointment of the liquidators.

UK Aerospace & Defence company – April 2007

Contact: Company Secretary

Newton contacted the company in relation to the methods used for setting the base salary levels of two executive directors. The remuneration committee stated that it awarded salary increases in line with the expected trend in salaries of other large companies listed on the London Stock Exchange.

Newton explained that basing current salaries on expectations of future salaries was an unacceptable policy and would only help increase the ratchet effect, which is common amongst this type of benchmarking exercise. The company was unable to offer a sufficient explanation to allay Newton's concerns but it was stated that this would be raised at a future meeting of the company's remuneration committee.

UK Utility company – May 2007

**Contacts: Chair of the Remuneration Committee
Company Secretary**

Despite introducing a new Long-Term Incentive Plan last year, the company wanted to increase the annual award levels made to its executive directors. In doing so, it was proposed that the performance targets governing the vesting of awards be made more stretching. Given that the company's remuneration structure was significantly less demanding than that of its direct competitors, Newton appreciated and understood the motivation of the remuneration committee to amend remuneration arrangements at the company. However, Newton commented that, going forward, it would not expect salary increases above the rate of inflation and that the Earnings Per Share performance conditions should be made more challenging at the top end of the proposed range. Newton also stated that it would look unfavourably on any further amendment to the proposed remuneration structure within the next three years.

UK Utility company – May 2007

**Contacts: Chair of the Remuneration Committee
Remuneration Consultant**

The company wanted to alter the levels of awards being made under its Long-Term Incentive Plan (LTIP) and annual bonus arrangements. It was also proposed that the Total Shareholder Return comparator group be altered. This comparator group determines the levels of vesting under the LTIP. Newton was comfortable with the proposed changes. However, Newton raised a concern relating to a provision in LTIP, which would be used in the event of the company going through a change in control. In the event that a change in control leads to loss of an employment, any outstanding LTIP awards would be pro-rated to time and the performance achieved. However, the performance period would be rounded up to the company's next financial year-end. Newton considered that this provision could cloud and potentially delay a valuable bid approach. Newton suggested that the practice of rounding to the nearest week, or month, would be more appropriate.

UK Industrial Transportation company – June 2007

**Contacts: Chair of the Remuneration Committee
Director of Human Resources**

The company consulted with Newton on an enhanced share-matching plan that would require members of the company's executive committee to make personal investments in the company's shares. It was proposed that invested shares could be matched at a rate of up to 4:1, should stretching performance targets be achieved. Newton raised a number of queries relating to the proposed changes to the company's remuneration structure. Due to the lack of head-room for the company to issue new shares under its remuneration arrangements, Newton sought answers to various questions that related to the effect of the proposals on the company's profit and loss account. Newton also raised a query in relation to executive directors hedging against their exposure to the company's share price. The company stated that executive directors would not be allowed to take out any contracts that would neutralise the effect of fluctuations in the company's share price. The company went on to state that awards would only vest subject to the remuneration committee being satisfied that there had been an improvement in the underlying financial performance of the company. One of Newton's biggest concerns surrounded the protection of the company's progressive dividend policy. The proposed Earnings Per Share performance condition could incentivise a stark change in this policy. Newton requested that the remuneration committee's interpretation of "improvement in the underlying financial performance of the company" incorporate an assessment of the continuation of the company's progressive dividend policy. It was also requested that wording to this effect be made clear within the remuneration report. Newton also requested that the company provide evidence of the value of awards versus the cost to shareholders.

Hong Kong Real Estate company – May 2007

Contact: Executive Directors

In a meeting with the company's executive directors, Newton queried the company's share issuance policy. Specifically, Newton sought a commitment from the company that it would not negatively impact shareholder value by exercising its ability to issue up to 30% of its share capital, whilst dis-applying existing shareholders pre-emption rights. The company stated that it was not its intention to unnecessarily dilute shareholders funds and that the requested share issuance authority was sought to allow the company to act quickly on investment opportunities. The management stated that it was very much focused on enhancing the company Earnings Per Share.

UK Equity Investment Trust – June 2007

Contact: Head of Investment Affairs

Newton was concerned that there was insufficient representation of independent non-executive directors on the Trust's board. It was also raised that the chairman of 16 years was not a suitable member of the Trust's audit committee. It was explained that the board was in the final stages of finding additional independent non-executive directors, the result of which the Trust was hoping to announce soon. The Trust appreciated Newton's concern relating to the chairman being a member of the audit committee and stated that this would be raised at the next meeting of the independent non-executive directors.

UK General Retailer – June 2007

Contact: Chair of the Remuneration Committee

In a consultation with its largest shareholders, the company requested Newton's views on a one-off remuneration structure proposed for its CEO. Under the proposal, the CEO would be required to invest his own money in the company's shares, which would then be matched at a maximum ratio of 5:1. Any matching would be subject to the achievement of stretching performance targets. Newton was surprised to be consulted on such a scheme given that, on appointment last year, the CEO had been granted share incentive awards as part of his recruitment package. It was explained that these awards were no longer appropriate due to the company going through significant changes and that the remuneration committee wanted to more closely incentivise the CEO with the new business recovery plan. It was also explained that all historic awards would lapse. For Newton to support the proposed one-off arrangement, it was stated that certain amendments would need to be made. First, the CEO's investment in the company's shares should be made at the time of grant and not yearly intervals, as proposed. Secondly, the Earnings Per Share performance condition should be underpinned by a Total Shareholder return measure. Thirdly, in the event of the award vesting, the delivery of shares should be deferred for a minimum of 12 months. Newton also requested that the remuneration committee ensure that the CEO would not be able to buy derivative products that would allow him to hedge against his exposure to the company's share price. The remuneration committee hadn't considered this point. However, together with Newton's other points, this would be raised at the next meeting of the remuneration committee.

SRI Activity – Q2 2007

Please note that this activity log shows examples of SRI activity and engagement undertaken over the quarter. It is not an exhaustive list of all engagement. A complete list of how Newton voted on securities during the period is available upon request.

BP – April 2007

Subject: Tangguh project update

The company held a meeting to update stakeholders on the progress of BP's Tangguh project in Indonesia. The project is scheduled to begin operations in late 2008 and is expected to have an operating life of 25 years. Current reserve estimates indicate that 14 trillion cubic feet of gas is accessible from within the reservoir.

In 2002, BP established an independent advisory panel with the specific task of providing external advice on the "non-commercial" aspects of the project. The panel was named the Tangguh Independent Advisory Panel (TIAP). Following a visit to Indonesia in November 2006, the TIAP published its 5th assessment on BP's management of social, ethical and environmental (SEE) matters relating to the Tangguh project. The objective of the meeting was to allow TIAP to present its findings and recommendations to interested stakeholders.

The TIAP's recommendations on how to improve management of SEE matters are considered seriously by BP. The Panel has assessed the company's management of matters such as the provision of tangible benefits to impacted communities, including health and education initiatives. It has provided guidance on methods to manage the different security forces within the area. The provision of training and opportunities for skilled and semi-skilled positions created by the project have been reviewed and recommendations for improvement given. Management of demobilisation and the loss of jobs that will occur once the project becomes operational have also been assessed. Additionally, BP is monitored with regard to the human rights of those impacted by the project. The implementation of safety and environmental protection systems are two further examples of assessments made by the Panel.

BP's actions to implement the recommendations of the TIAP highlight the company's commitment to better manage the impact on communities affected by its operations. The company seems to understand that its reputation can be enhanced by building mutually advantageous relationships with local communities, respecting quality of life and the right to economic and social progress. This approach to project management can also help to increase the company's ability to gain future operating licences in other areas.

Hanson – April 2007

Subject: Reporting on Social, Ethical and Environmental (SEE) considerations

In April 2005, Newton assessed the level of disclosure within Hanson's SEE reporting. Considering the high environmental intensity of the Construction and Building industry, Newton found Hanson's disclosure to be insufficient. Newton contacted the company to discuss its reporting inadequacies and to encourage improvement in this area going forward. It was explained that, due to the company's inadequate resources, SEE matters had not been fully reported. The company recognised this as a concern and was mindful that investors would be seeking more information. Newton outlined its approach to the monitoring and recording of disclosure levels on SEE matters by investee companies, and also its approach to voting at AGMs should disclosure levels not meet Newton's expectations.

In April 2006, Newton assessed Hanson's reporting on SEE matters. Disappointingly, Newton felt that reporting had not significantly improved since the previous assessment, one year earlier. Newton contacted the company once again to discuss the matter. Hanson stated that information on health, safety and environmental performance is already measured and collected. However, the information is not made publicly available. Hanson was planning to improve this going forward, predominantly through offering more information on the company website. In response, Newton highlighted the type and level of information it would expect to see from a company in the Construction & Building industry when reporting on SEE matters. However, having given Hanson an opportunity to respond to concerns, Newton voted against accepting the company's 2005 annual report and accounts, based on the limited level of reporting on SEE matters.

In April 2007, Newton once again assessed Hanson's SEE reporting. Newton was encouraged to see that Hanson had taken significant efforts to improve reporting on its management of SEE matters that impact the company.

Novartis – May 2007

Subject: Glivec patent challenge in India

Newton spoke to the company's Chief Executive Officer about the reasons why the company had taken the Indian government to court over the decision not to grant a patent for the cancer drug, Glivec. The case was in connection with an attempt by Novartis to safeguard its intellectual property rights and was not about preventing access to medicines. The company stated that it was important the hearing continued given that the outcome would provide clarity on Indian law in this area. This should enable both Indian society and the pharmaceutical industry to better understand the government's stance on approving patents going forward in this increasingly significant emerging market.

Draft Climate Change Bill – May 2007

Subject: Stakeholder consultation

Newton attended a seminar, presented by Robin Mortimer, Head of the Climate Change Bill Team, which provided an overview of the draft Climate Change Bill. A question and answer session followed where attendees were able to voice concerns, which would be fed back as part of the consultation process on the draft bill.

The aim of the Climate Change Bill is to provide a clear, credible and long-term domestic framework for tackling climate change. It hopes to put in place a mechanism for achieving medium and long-term statutory goals to generate a reduction in greenhouse gas emissions. Progress would be reported to Parliament on an annual basis. It is also intended that the Bill enable the creation of a Committee on Climate Change. This Committee will advise the Government on the best pathways to reach emission reduction targets. Such pathways would aim to achieve environmental ambitions while maintaining a strong, competitive economy, secure energy supplies and affordable fuel prices. The draft bill also encompasses room for flexibility, which may be needed to respond to factors outside human control, such as weather-related events and/or global fuel and energy price movements.

By establishing the Climate Change Bill, the UK will be the first country to create such a legal framework. The UK government believes that the demonstration of strong leadership in the area of climate change is key to helping achieve global and multilateral agreements. The UK government hopes other countries will follow suit.

Tesco – June 2007

Subject: Shareholder resolution

Certain shareholders requisitioned a resolution, at Tesco's AGM, relating to employment conditions in the company's supply chain. The resolution acknowledged a report, Fashion Victims, published in December 2006, by the campaign group War on Want. War on Want campaigns for workers' rights and against the root causes of global poverty, inequality and injustice. The report alleges that Tesco is able to sell clothing cheaply due to garment factory workers, in the developing world, being paid less than a living wage and working long hours. The resolution sought for the company to take appropriate measures to be independently audited and to ensure that workers in its supplier factories are provided with appropriate working conditions. The suggested working conditions include payment of a living wage, reasonable hours of work, job security, freedom of association and of collective bargaining and, where available, the right to join a trade union of their choice.

Before voting on this resolution, Newton met with both the proponent of the resolution and the company, to discuss the issues raised.

Tesco acknowledges that the problems associated with supply chain labour standards are complex and not easy to solve. This is particularly the case when there is social or political unrest within the sourcing country and when poverty levels are high. However, the company also recognises it can play a significant role in driving change in this area. Tesco is committed to working with stakeholders, NGOs, suppliers, regulators and governments to try to work towards solving the matters highlighted in the resolution. The company has been involved with numerous initiatives, on a global basis, to drive improvement in the working conditions of its supplier factories. Tesco is a founding member of the Ethical Trading Initiative (ETI). This requires the company to request its suppliers to adhere to the standards outlined in the ETI base code. The company also has an ethical trading policy in place. This policy has two over-riding priorities: to ensure the welfare of workers in the group's supply chain and to limit the company's environmental impact. Tesco utilises independent organisations, with a verified track record of experience in conducting ethical audits, to conduct ethical assessments of its suppliers. The process enables detection of non-compliance with the group's ethical trading policy and can lead to the implementation of corrective actions within supplier sites. Thus, Newton believes that Tesco is taking a responsible and proactive approach with the objective of driving progress towards a better working environment for suppliers in the developing world.

Newton also felt the proponent's objective of "guaranteeing that working conditions are in alliance with all countries and all codes" to be unrealistic given the lack of government support and poor legislation regarding workers' rights in some jurisdictions. Therefore, Newton instructed votes against the resolution. Newton will continue to monitor Tesco's efforts to improve worker conditions in its supply chain.

Attendance at corporate responsibility updates – 22 2007

Subject: Investor updates

During the quarter, Newton attended investor updates on corporate responsibility by Rio Tinto, Coca Cola HBC, Barclays, Anglo American, British Sky Broadcasting, Tomkins, and Tesco.

Company Meeting Log – Q2 2007

During the quarter, Newton analysts and fund managers had individual meetings with the management of 366 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. Meetings were held with the following companies:

Aberdeen Asset Management	Carphone Warehouse	Genworth Financial
Acciona	Carters	GETINGE
Acer	Champion REIT	GlobeOp Financial Services
Aceryg	Cheung Kong Infrastructure	Gold Fields
Acorn International	China Insurance International	Graco
Adecco	China LotSynergy	GRD
Adobe Systems	China Medical Systems	Greentown China
Advanced Info Service	China Overseas Land & Investment	GVT
Advanced Metallurgical	China Unicom	Hakuhodo
AEGON	China Water Affairs	Halfords
Agile Property	China Yurun Food	Harford Financial Services
Agnico-Eagle Mines	Chloride	Harsco
Air Products & Chemicals	Clapham House	High Tech Computer
Alcatel-Lucent	CNOOC	Home Retail
Align Technology	Colonia Real Estate	Honda Motor
Allergan	Companhia De Saneamento De Minas	Hopson Development
AllianceBernstein	Gerais	Hua Xia Healthcare
Alnylam Pharmaceuticals	Companhia Vale do Rio Doce	Huabao International
Altech	Constellation Energy	Hyundai Development
Altron	Corin	ICAP
Ameriprise Financial	Corn Products International	Illinois Tool Works
Anglo American	Crew Gold	Impala Platinum
Arena Pharmaceuticals	Cytec	Imperial Chemical Industries
ASSA ABLOY	Daimaru	Imperial Tobacco
Assicurazioni Generali	Dawnay Day Carpathian	Infinity Pharmaceuticals
Associated British Foods	Debenhams	Intel
AstraZeneca	Deere & Company	InterGroup
Aten International	Deutsche Post	Interpublic
Australia & New Zealand Banking	Deutsche Wohnen	ITIS
Aviva	Devro	Itron
Bango	Dobson Communications	Jadoo Power
Bank Handlowy w Warszawie	Doosan Heavy Industries & Construction	Japan Airlines
Bank of America	Drogasil	Japan Tobacco
Bank of China	DSG International	Just Retirement
Bank Pekao	E.ON	Kingdee International Software
Bank Zachodni	eaga	Kirin
Barclays	EFG Eurobank Ergasias	Kookmin Bank
Bavarian Nordic	Eisai	Korea Investment Holdings
Bic Camera	Electromagnetic Geoservices	Kraft Foods
Biocon	Elisa	Ks
Blinkx	Elpida Memory	KT Freetel
Block Shield	Emap	Laboratorios Almirall
BPP	Enova	Land Securities
Brasil Telecom	Equatorial Energia	Lawson
Brulines	Equidebt	Lehman Brothers
BT	Ericsson	Limelight Networks
Bunge	Evans Analytical	Lite-On Technology
Bursa Malaysia	Experian	Lloyds TSB
Business Post	F5	LUKOIL
Cable & Wireless	Famsa	Maintel
Cadbury Schweppes	Far Eastone Telecommunications	Makhteshim-Agan Industries
Canadian Pacific Railway	FKI	Marks & Spencer
CapitaLand	Furukawa Electric	Maxima
Care UK	Genting	Mecom

Media Prima	QIAGEN	Symrise
Mekonomen	QinetiQ	Synergy Healthcare
Michelin	QXL ricardo	Synexus Clinical Research
Mizuho Financial	RESO-Garantia	Taishin Financial
Mobile Telephone Networks	Resolution	Tandberg
Mobile TeleSystems	Reuters	Tate & Lyle
MorphoSys	Reynolds American	Tekelec
Mouchel Parkman	Richemont	Tele Norte Leste Participacoes
Myhome International	RM	Tele2
N Brown	Roche	Telecom Egypt
National Financial Partners	Royal Philips Electronics	Telephone and Data Systems
National Grid	S1	THK
Natura Cosméticos	SABMiller	Thomson Intermedia
Netcare	Sage	Three Seven
Network Health	Samsung Electronics	Tiffany & Co
Newcrest Mining	Samsung Heavy Industries	TIM Participacoes
Newron Pharmaceuticals	Sansiri	TiVo
Nexen	SAVIS	Tokyo Seimitsu
NGK Insulators	SCi Entertainment	Tomkins
NicOx	Scottish & Southern Energy	Tractebel Energia
Nobel Biocare	SDI	Travelers
Noble Group	Sentul City	U.S. Cellular
Nomura International	Sevan Marine	UBS
Nomura Research Institute	Severn Trent	United Bank
Norske Skog	Shanghai Electric	UPM-Kymmene
Northern Trust	Shanghai Forte Land	Uranium One
Northgate Minerals	Shed Productions	Vanco
NSD	Shimao Property	Vectura
NWS	Shinhan Financial	VIVO Participacoes
Ocean Freight	Shoppers Drug Mart	Vodafone
Oil Search	Sigma Pharmaceutical	VT
Old Mutual	Signet	Wellstream
Oncolytics Biotech	Silex Systems	West Pioneer Properties
OpSec Security	Silverjet	Whitbread
Orascom Telecom	Silverstone Energy	WILEX
Orthofix International	Simcere Pharmaceutical	Wilson, Sons
Oxford Instruments	Singapore Post	Wincanton
Paragon	Singapore Technologies Engineering	Woolworths
PARIS RE	Sistema	Woongjin Coway
Parkway	Smith & Nephew	Woori Investment and Securities
PDL BioPharma	Societe Generale	Workspace
Pentadyne	Sportech	WorleyParsons
Pharmstandard	SSL International	Xchanging
Phatra Securities	STADA Arzneimittel	XinAo Gas
Philippine Long Distance Telephone	State Street	Xinhua Finance Media
Phillips-Van Heusen	Straumann	Xstrata
PKO Bank Polski	Subex Azure	Yell
Premier Research	Superglass	YES BANK
Pressure Technologies	Supporta	YouGov
Prisa	Suzlon Energy	Yuhan
ProSieben	Swedish Match	Zhejiang Expressway
PT Lippo Karawaci Terbuka	Symmetry Medical	

In addition, the analysts and fund managers attended a large variety of external meetings arranged by the companies or by brokers and other research providers.

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Registered in England No. 1371973.

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