

Q2 2008

Responsible Investment

Corporate Governance and SRI



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30 years
1978-2008

NEWTON
The Power of Ideas

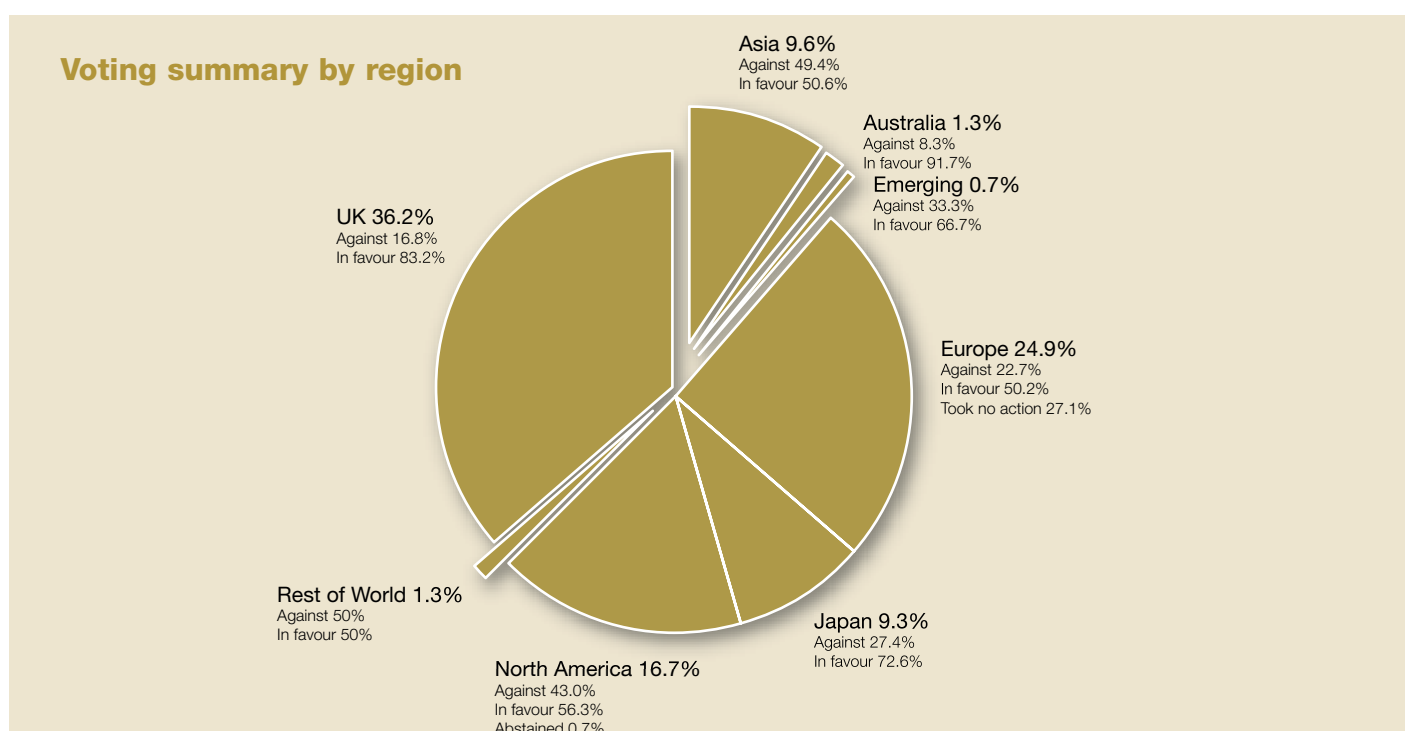
Corporate Governance and SRI

Voting Profile for Q2 2008

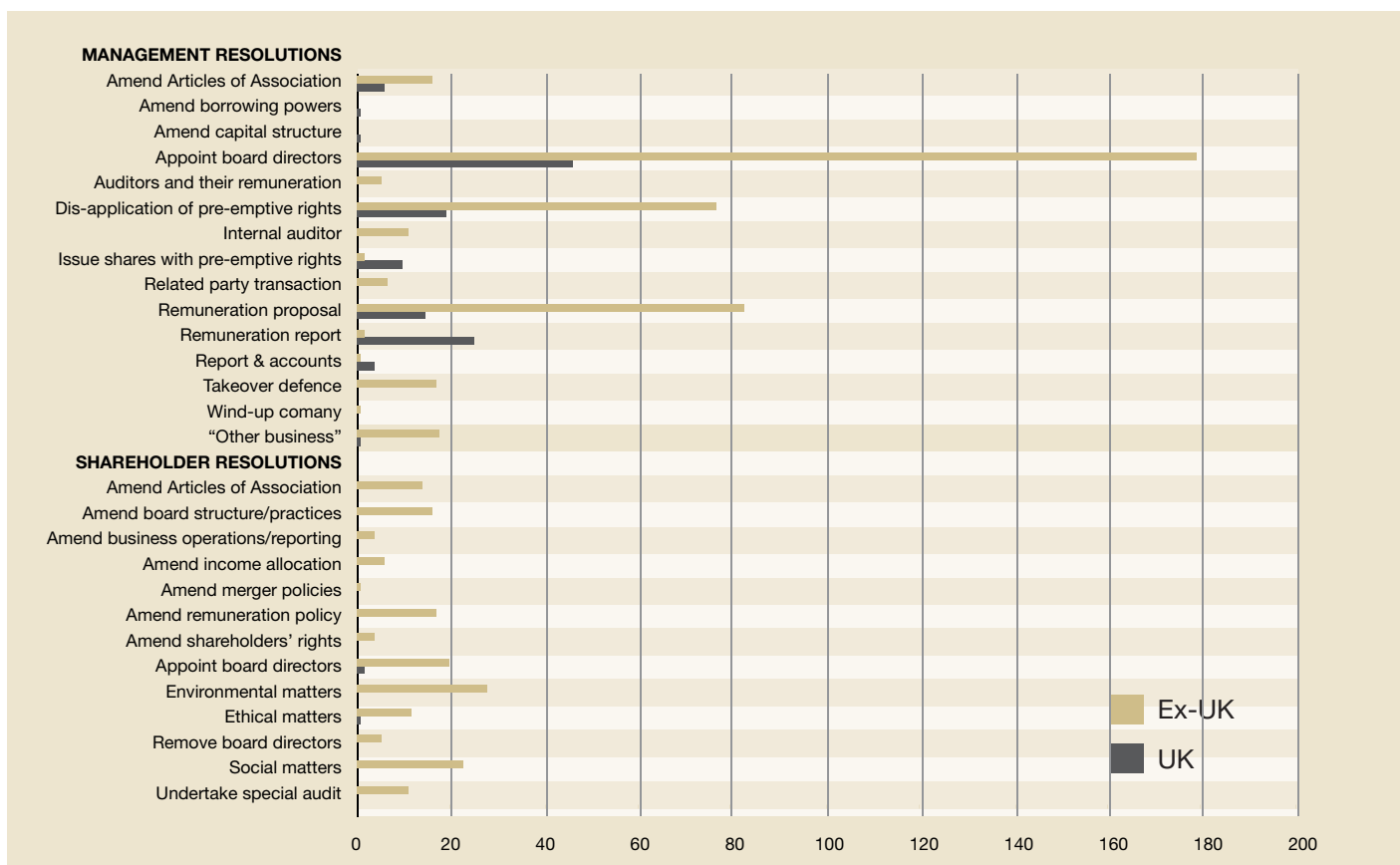
During the quarter, Newton exercised its clients' voting rights at a total of 904 company meetings. 327 of the meetings were for companies domiciled in the UK and 577 related to companies outside of the UK. Across all jurisdictions, votes were instructed

against one or more resolutions at 27.2% of meetings. A summary of all voting activity during the quarter, including a regional summary, is illustrated in the proceeding table and chart.

Complete voting summary – Q2 2008	Total	UK	Ex-UK
AGMs	816	279	537
Voted in favour of all resolutions	521	227	294
Voted against one or more resolutions	239	52	187
Took no action	55	0	55
Abstained from one or more resolutions	1	0	1
EGMs	83	43	40
Voted in favour of all resolutions	70	40	30
Voted against one or more resolutions	7	3	4
Took no action	6	0	6
Abstained from one or more resolutions	0	0	0
Court Meetings	5	5	0
Voted in favour of all resolutions	5	5	0
Voted against one or more resolutions	0	0	0
Took no action	0	0	0
Abstained from one or more resolutions	0	0	0
Total	904	327	577
Voted in favour	596	272	324
Voted against	246	55	191
Took no action	61	0	61
Abstained	1	0	1



Breakdown of resolutions where votes against were instructed during Q2 2008



Companies

3M Co – AGM – 13th May 2008

The company sought shareholder approval for a new long-term incentive plan. Votes were instructed against its approval due to potentially excessive dilution of shareholder value and that non-executive directors would participate in the plan. Newton also instructed votes against three members of the compensation committee, who were seeking re-election.

Abbott Laboratories – AGM – 25th Apr 2008

A group of shareholders submitted a resolution requesting the board amend the company's human rights policy to address the issue of the right to access to medicines. Newton acknowledged that the pharmaceutical industry has a responsibility to facilitate access to its products. It also has a responsibility to work in partnership with governments and others to close health disparities. However, tackling the access to medicines issue is a complex challenge. Significant political will and extra funding are needed from national and international sources to aid development and build health care infrastructure. Abbott Laboratories has already implemented policies and initiatives which demonstrate a commitment by management to address the issue of access to medicines. Additionally, the company's human rights policy is guided by the Universal Declaration of

Human Rights. Therefore, Newton did not believe that the amendment requested by the proponent would be useful to shareholders. Newton voted against the resolution.

Aberdeen Asian Income Fund – AGM – 15th Apr 2008

The Managing Director of the Fund's investment manager was seeking re-election to the board. Given potential conflicts of interest, Newton did not consider it appropriate for him to be a member of the audit or remuneration committees, as proposed. Newton voted against this individual's re-election to the board.

Accor – AGM – 13th May 2008

Under the French Commercial Code, separate shareholder approval has to be received for any related-party transactions. Newton voted against two resolutions concerning related-party transactions with two investment banks. Newton did not consider it appropriate for two executive directors of these investment banks to be non-executive directors of Accor.

Votes were also instructed against a resolution seeking shareholder approval of the CEO's severance arrangements. Newton considered it excessive for the CEO to be awarded up to three times his remuneration in the event of his employment contract being terminated.

Finally, two resolutions were proposed relating to the implementation of long-term remuneration arrangements. The company failed to disclose the performance conditions, if any, that would govern the vesting of awards under the proposed long-term remuneration arrangement. Historically, only a portion of long-term remuneration awards have been subject to the achievement of performance conditions. Votes were instructed against these two resolutions.

Acciona SA – AGM – 19th Jun 2008

A single resolution was proposed for the appointment of all board directors. In addition to concerns over the bundled nature of the resolution, Newton voted against this resolution due to the company's failure to provide any details, including names, of any of the nominees.

Aegis Group PLC – AGM – 23rd May 2008

For the fifth time in two years, the company's largest shareholder, Groupe Bolloré, proposed the same two resolutions. These resolutions sought for the election of two of Groupe Bolloré'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 Bolloré. It should be noted that Groupe Bolloré is also a material holder of Havas, a direct competitor of Aegis. Also, Havas and Groupe Bolloré share the same Chairman. Therefore, it could be argued that Groupe Bolloré was seeking to potentially disadvantage current shareholders of Aegis and to control the company without paying an appropriate takeover premium to shareholders of Aegis."

Afren PLC – EGM – 14th Apr 2008

Votes were instructed against two resolutions, which related to the issuance of additional shares in the company. If approved, one of these resolutions would allow the company to issue shares representing up to 55% of its existing share capital, whilst dis-applying shareholder's pre-emption rights. The second resolution, which sought approval for the same level of issuance, would respect shareholders' pre-emption rights. However, without adequate justification from the company, Newton felt that the proposals did not warrant shareholder support.

In addition, the company sought to amend its Articles of Association by removing the restriction that limits its borrowing powers. Newton felt that the removal of such a facility was not in shareholders' best interests and voted against this resolution.

Aggreko PLC – AGM – 23rd Apr 2008

Under the company's Co-Investment Plan, participants receive free matching shares, irrespective of any performance achieved. The company sought shareholder approval to further this poor practice by seeking to increase the level of investment individuals can make in to the Co-Investment Plan. Awarding unconditional free shares is considered poor practice and, Newton felt,

warranted votes being instructed against the resolution to increase the potential participation in the Co-Investment Plan. In addition, votes were also instructed against the remuneration report and a member of the remuneration committee, who was seeking re-election to the board.

Air Liquide – AGM – 7th May 2008

French company law states that related-party transactions have to receive separate shareholder approval. Executive directors' contracts are classed as related-party transactions. Due to potentially excessive payments being made to three executive directors in the event of their contracts being severed, Newton instructed votes against three related-party transactions.

Shareholders were also asked to provide authorisation to the board for it to issue warrants, with voting rights, in the event of a public tender offer or share exchange. Given the lack of independence on the board and potential for such a policy to be abused, Newton voted against this anti-takeover mechanism.

Allgreen Properties Limited – AGM – 28th Apr 2008

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. This lack of rationale also prompted Newton to instruct votes against the resolution that requested shareholder approval for the company to issue 15% of its share capital to facilitate the award of share options.

Altria Group Inc – AGM – 28th May 2008

A group of shareholders submitted a proposal requesting the company adopt, globally, the marketing and advertising provisions for the US Master Settlement Agreement (MSA) for all tobacco products. The MSA asks tobacco companies to study youth smoking, finance youth anti-smoking campaigns and enforce new curbs on tobacco marketing practices that appeal to children. However, since the spin-off of Philip Morris International in March 2008, Altria no longer manufactures or markets cigarettes or smokeless tobacco products outside the US. Therefore, Newton did not believe the proposal was relevant for Altria Group and voted against the resolution.

A second shareholder requisitioned resolution requested the board stop all company sponsored promotional marketing and advertising campaigns designed to prevent youth smoking within one week of the 2008 AGM. The proponent of the resolution believed Altria's previous youth anti-smoking campaigns had been ineffective. Though Newton felt that Altria's current youth anti-smoking campaign could be improved, it did not believe that the proposal was practical. If the company undertook action to halt all advertisements within one week of the 2008 AGM, there would not be sufficient time to develop a strategic solution to these concerns. Therefore, Newton voted against the resolution.

A further shareholder requisitioned resolution requested that the company immediately begin to find ways to implement a global “two cigarette” approach for all its cigarette brands. A two cigarette strategy would require the company to implement parallel product lines, which are free of nicotine, for all its cigarette brands. The proponent believed that the provision of alternative cigarettes that are nicotine free would help to prohibit young smokers from buying addictive cigarettes. Newton acknowledged that the tobacco industry faces significant risks associated with the health implications of cigarettes. However, Newton did not believe that it was in the best interests of shareholders to prescribe specific operational strategies requiring implementation by management. Newton voted against the resolution.

A fourth shareholder resolution requested that Altria adopt principles for health care reform based on those drafted by the Institute of Medicine (IOM). The IOM principles state:

- 1) Health care coverage should be universal.
- 2) Health care coverage should be continuous.
- 3) Health care coverage should be affordable to individuals and families.
- 4) The health insurance strategy should be affordable and sustainable for society.
- 5) Health insurance should enhance health and well-being by promoting access to high quality care that is effective, efficient, safe, timely, patient-centered and equitable.

Newton acknowledged that Altria could improve disclosure regarding its position on broader health care public policy issues. However, Newton also recognises that the issue reaches beyond the scope of any one company and is more properly the province of legislative activity and regulatory action. Additionally, it is not clear how the adoption of the IOM health care principles would ensure the mitigation of risks to the company and its shareholders. Therefore, Newton did not believe the resolution warranted shareholder support and voted against the resolution.

A similar resolution was submitted for consideration by Boeing, Ford Motor and Reynolds. Newton voted against the resolution in all situations.

AMEC PLC – AGM – 14th May 2008

The company sought approval of a Transformational Incentive Plan. Of the proposed performance conditions, Newton felt that they were either not sufficiently stretching or could encourage radical cost cutting, which may not be in the best long-term interests of shareholders. Votes were instructed against the proposed plan, against the remuneration report and against a member of the remuneration committee, who was seeking re-election to the board.

Amgen Inc – AGM – 7th May 2008

A shareholder submitted a resolution requesting that the company report on the measures it has taken to resolve, correct and prevent further US Department of Agriculture citations for

violations of the Animal Welfare Act. Newton noted that since 2006, inspections of the company’s research laboratories, undertaken by the Animal and Plant Health Inspection Service (APHIS), have shown no non-compliances with standards of care and treatment for animals as outlined in the Animal Welfare Act. Whilst the company has faced breaches of the Animal Welfare Act in the past, it has demonstrated a commitment to mitigate violations of animal welfare regulations. Newton did not believe that the costs associated with the development of the requested report would provide benefit to shareholders. Therefore, Newton voted against the resolution.

Anadarko Petroleum Corp – AGM – 20th May 2008

Newton had two key concerns with the company’s remuneration structure. First, non-executive directors are provided with significant annual grants of shares. Secondly, retention awards, innocent of performance conditions, are made to executive directors by way of additional years’ of pension contributions. Newton voted against the Non-Employee Director Omnibus Stock Plan and the appointment, to the board, of a non-executive director, who was a member of the company’s compensation committee.

A group of shareholders, by way of a shareholder resolution, requested that the company implement an Equal Employment Opportunity (EEO) policy to prohibit discrimination based on sexual orientation and gender identity. Though Newton believes that companies should have policies in place that prevent workplace discrimination in all of its forms, Newton voted against this resolution. The company already has policies in place that reflect its commitment to non-discrimination. Additionally, as a result of receiving the resolution, the company updated its EEO policies to formally prohibit discrimination on the basis of sexual orientation.

Anhanguera Educacional Participacoes SA – AGM – 29th Apr 2008

The company did not disclose any information relating to a resolution that requested shareholder approval of executives’ and non-executives’ remuneration. Votes were instructed against this resolution.

Ark Therapeutics Group PLC – AGM – 24th Apr 2008

A resolution respecting existing shareholders’ pre-emption rights was accompanied by a resolution seeking to issue stock while dis-applying pre-emption rights. This second request would enable the company to issue warrants that would convert into ordinary shares. The lack of any rationale provided by the company meant that Newton was not sympathetic to its request and instructed votes against this resolution.

The re-election of a non-executive director and the senior independent director were also voted against. Both directors had been board members for 11 years and had served, concurrently, with the only two executive board members, since their appointment in 1998. Newton believed that the senior independent director was not sufficiently independent to warrant his position or his membership of the remuneration committee.

Similarly, it was felt that the non-executive director should not sit on the remuneration and audit committees, to which he was seeking re-appointment.

AXA – AGM – 22nd Apr 2008

Historically, the company has made awards under its restricted stock plan and share option plan, which have vested, in part, irrespective of performance achieved. Also, where performance conditions have applied, these have not been sufficiently disclosed and, for option awards, these performance conditions may be re-tested. Given these poor remuneration practices, Newton did not support the resolutions to approve the stock option grants or 1% of the company's issued share capital to be awarded as part of the company's restricted stock plan.

Under French law, where employees of the company control in excess of 3% of the issued share capital, one or more directors must be elected to the company's board as an employee representative. In this case, a slate of nine competing nominees were presented. The nominee receiving the most votes would then be elected to the board. Newton accepted the recommendation made by the company's management and voted against the remaining eight nominees.

AXA Asia Pacific Holdings – AGM – 16th Apr 2008

Votes were instructed against two non-independent non-executive directors. Each nominee would represent the company's controlling shareholder, where each of these non-executive directors serves as an executive director. It was also proposed that these non-executive directors be appointed to the audit committee, whilst one would also be appointed to the remuneration committee. Given that the company's majority shareholder was already represented on the board by a non-executive director, Newton instructed votes against these two nominees.

By way of a separate resolution, shareholders were asked to approve the grant of a share-based remuneration award to the company's CEO. Newton instructed votes against this resolution due to the ability for performance conditions to be re-tested over the seven-year life of the award.

BAE Systems PLC – AGM – 7th May 2008

Newton considered that inadequate disclosure was made in relation to a proposed one-off remuneration award to the company's CEO, who would be retiring later in the year. In addition, Newton believed that the revised performance conditions were not sufficiently robust to govern the vesting of the company's established share-based remuneration arrangements. Votes were instructed against three resolutions; the remuneration report, amendments to the Share Matching Plan and amendments to the Performance Share Plan.

Boeing Co – AGM – 28th Apr 2008

A resolution, submitted by one of the company's shareholders, requested that the company report on its policies and procedures on foreign sales of weapons-related products and services. The report was expected to include details on military equipment categories and contracts, sales and arrangements with security forces and any anti-smuggling or third-party sales preventative measures that the company has implemented. Newton noted that Boeing 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. Additionally, the company already discloses information on its foreign weapons sales programme and the regulatory compliance requirements for these sales. 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. Newton instructed votes against the resolution.

A second shareholder resolution that Newton voted against requested that Boeing adopt principles for health care reform based on those drafted by the Institute of Medicine (IOM). This resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for Altria.

Bouygues – AGM – 24th Apr 2008

French companies are required to present a special auditors' report detailing any related-party transactions, if at all. In this instance, shareholders were asked to approve such a report that detailed a related-party transaction with a company, SDCM, controlled by Bouygues's Chairman/CEO and vice CEO. SDCM controls 18.2% of Bouygues share capital and 27.2% of its voting rights. Newton considered that this related-party transaction to be against the best interests of Bouygues' shareholders and voted against this resolution.

On remuneration, the company failed to disclose the performance conditions that would govern the vesting of share option awards. This meant that Newton instructed votes against the resolution seeking shareholder approval for grants of share option awards.

With regard to share structure, the company wished to gain shareholder support for it to buy-back up to 10% of its issued share capital, which could be carried-out in the event of a takeover bid of the company. Given the concentration of the company's share register, having a free-float of just 62% and independent directors being in a minority on the board, Newton instructed votes against this resolution. Two further resolutions, which were considered to be anti-takeover devices, were also voted against.

Finally, due to the lack of independent board members, votes were instructed against the appointment, to the board, of two nominees. These proposed nominees were Chairman/CEOs of the company's subsidiaries

Bradford & Bingley PLC – AGM – 22nd Apr 2008

During the year, following a benchmarking review of executives' remuneration levels, a one-off long-term remuneration award was made. Concern centred on the lack of transparent performance targets that would govern the vesting of these awards. Newton considers that one-off awards should only be made in truly exceptional circumstances and that they often highlight a failure by the company's remuneration committee to create an appropriate remuneration structure. Votes were instructed against the remuneration report and against two non-executive directors, who sought re-election to the board and its remuneration committee.

Bunge Ltd – AGM – 23rd May 2008

Newton was uncomfortable with the size of the company's requests to increase its authorised share capital and its preference shares. Given that shareholders would not necessarily enjoy pre-emption rights in the event of the issuance of authorised shares, it was considered that a 66% increase in ordinary shares and 110% increase in preference shares was excessive. In addition, and in relation to the proposed increase in preference shares, Newton was concerned that pricing, voting rights, conversion rates and dividend accruals would be left to the discretion of the board. Newton was also concerned that the issuance of preference shares might also be used as a takeover defence. Votes were instructed against the two resolutions proposing the 60% increase in ordinary shares and the 110% increase in preference shares. Votes were also instructed against the three non-executive directors, seeking re-election to the board.

Cairn Energy PLC – AGM – 23rd May 2008

Votes were instructed against the company's deputy chairman, who was the designated Senior Independent Director and member of the audit committee. This nominee had been a board member for 14 years and, without explanation, had only attended 50% of the audit committee meetings that were held during the year.

Canadian National Railway Company – AGM – 22nd Apr 2008

Two shareholders submitted a resolution requesting that CNR release to shareholders the complete findings of all environmental studies the company has commissioned relating to the decommissioning of the Algonquin Park train line. Algonquin Park is located in Ontario. It is a provincial park with natural and environmental features that make it a primary tourist destination. The train line ceased functioning in the 1990's. The proponents of the resolution state that decommissioning of the line has not been fully completed. Deteriorating infrastructure and pollutants have been left along the old train route, causing contamination of the surrounding soil and water. The proponents believe that if left unremediated, these sources of pollution will negatively impact the park's ecosystem and may lead to reputational and legal risks for the company. Therefore, the proponents are requesting that the company report to shareholders on how it will deal with these environmental concerns and complete the unfinished remediation. Newton noted that the company is working with the Ontario

Ministry of Environment (MOE) to carry out further assessment of the remediation requirements. Additionally, the company has committed to add information to its website explaining the procedures for rail line discontinuance and plans for protecting the relevant Algonquin Park land. Newton views these actions as an indication of the company's commitment to address the concerns raised by the proponents. Therefore, Newton did not support the resolution and voted against its acceptance.

Carnival PLC & Carnival Corp – AGM – 22nd Apr 2008

Discouragingly, the company's remuneration structure provides for substantial levels of share-based awards to executive directors, which vest irrespective of performance achieved. In addition, non-executive directors, including members of the remuneration and audit committees, receive regular share-based awards. Further, Newton considered that the 11-year average tenure for the non-executive directors demonstrated a need for refreshment amongst the board's members. Votes were instructed against five non-executive directors, who were not considered independent and were members of either, or both, the remuneration committee or audit committee.

Carrefour – AGM – 15th Apr 2008

The French Commercial Code requires company's to seek separate shareholder approval for related-party transactions, which include executive directors' service contracts. In the event of a change in control, the Carrefour's executive directors have contracts that provide an award of an additional six months notice and vesting conditions of share-option awards are removed. Newton felt this arrangement to be against shareholders' best interests and warranted votes being instructed against seven resolutions seeking approval of such related-party transactions.

The company did not disclose the details of its restricted share plan or the performance conditions, if any, governing the vesting of such awards. This led to Newton voting against a resolution requesting shareholder approval for awards under the company's Restricted Share Plan.

Caterpillar Inc – AGM – 11th Jun 2008

A shareholder submitted a resolution requesting the company report on its foreign sales of weapons related-products over the past 10 years. Newton noted that the company does not manufacture or sell weapons or weapons systems. However, Caterpillar has sold limited quantities of commercial equipment that have been modified for military purposes. The US government agencies provide substantial regulatory oversight and enforcement regarding the foreign sale of military-related products and services to which Caterpillar must comply. Further, Caterpillar already discloses some information regarding the sale of equipment to foreign governments as required by the US Foreign Military Sales Programme. Newton did not feel that a further report for shareholders would add value or offer insights. Newton voted against the resolution.

CEMEX S.A.B de C.V. – AGM – 24th Apr 2008

The lack of information provided in relation to two resolutions, coupled with a deficiency of independent directors, meant that Newton voted against two resolutions. The first was a bundled resolution seeking shareholder support for the appointment of directors and members of the board's committees. The second resolution sought shareholder approval of directors' compensation.

Chevron Corp – AGM – 28th May 2008

A shareholder submitted a resolution requesting that the company publicly adopt quantitative goals for reducing greenhouse gas emissions. Newton noted that Chevron already communicates its targets for and progression on reducing emissions. Additionally, discussion on energy efficiency policies and measures can be found in the company's annual sustainability report which is available on its corporate website. Further, the company has published a specific action plan on climate change. Newton felt that the company's actions already demonstrated a commitment to reduce the company's exposure to climate change related risks. Therefore, Newton voted against the resolution.

A second shareholder resolution requested that the board review and develop guidelines for selecting countries in which it operates. Specifically, the proponents of the resolution believe the company should adopt guidelines with criteria for investing in, or withdrawing from, countries with human rights concerns. Newton recognises that investing in such countries provides a moral quandary. However, companies with strong corporate social responsibility policies and practices can often do more good than bad when operating in a country that does not have a well-developed regulatory framework. Additionally, Newton felt that the resolution could limit the company's ability to operate in high-risk markets. Newton was also concerned with the prescriptive nature of the resolution. Therefore, votes were instructed 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 acknowledges that companies with global operations should take appropriate steps to ensure that operations are conducted in a consistent manner, in line with best practice. However, Newton does not believe it is a company's role to assess and report on host government regulations and laws. 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, votes against the resolution were instructed.

China Construction Bank Corp – AGM – 12th Jun 2008

The company's majority shareholder proposed its own nominee for appointment as an executive director. No explanation was provided as to why shareholders should support this nominee. Votes were instructed against her election to the board.

China Merchants China Direct Investments Ltd – AGM – 26th May 2008

Votes were instructed against the re-election of two executive directors. Neither nominee attended any of the board meetings in 2006 or 2007.

Additionally, two further resolutions were also voted against. If approved, the resolutions would allow the dis-application of existing shareholders' pre-emption rights. The level of dis-application sought was considered excessive at 30% of the company's issued share capital.

Citadel Broadcasting Corp – AGM – 19th May 2008

Due to his membership of the remuneration committee, Newton instructed votes against the re-election, to the board, of a non-executive director. Newton's concerns over the company's remuneration arrangements included the payment of dividends to holders of unvested share-based awards and further compensation being provided to equalise the tax treatment of such payments. Whilst Newton encourages the inclusion of dividend payments for share-based awards, these should only be made should the performance conditions allowing the vesting of awards be met.

Newton also instructed votes against a resolution that sought shareholders' approval of "Other Business". The unknown content of this resolution meant that Newton had to exercise a level of prudence by voting against its approval.

Citigroup Inc – AGM – 22nd Apr 2008

A substantial payment, authorised by the compensation committee, was made to the company's departing CEO/chairman. Newton considered this to be a payment for poor performance. Its appropriateness was also questioned by the US Congress. Newton instructed votes against the three members of the compensation committee, who were seeking re-election to the board.

A shareholder 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 and instructed votes against the resolution.

By way of a shareholder resolution, it was stated that the company should set a cap on the CEO's compensation and disclose this cap to shareholders. Whilst, concerns remain over the company's compensation policy, Newton did not consider this proposal to be in shareholders' best interests due to the potential for such a structure to impede the company's ability to attract and retain future CEOs.

A further shareholder proposed resolution was voted against. In relation to the election and re-election of board members, this resolution requested that more director nominations be made than board seats available. Newton felt that this could limit the number of potential candidates seeking board appointments and unnecessarily increase the turnover of existing board members.

A shareholder proposed a resolution requesting that the company create a report to discuss how its implementation of the Equator Principles has led to improved environmental and social outcomes in project finance transactions. Newton voted against this resolution. As a signatory to the Equator Principles, CitiGroup is required to publicly report, annually, on its experiences relating to the implementation of the principles. Therefore, Newton felt that the company already provided a substantial level of oversight on its implementation of the principles.

It was requested, by way of a shareholder proposed resolution, that the company amend its policies in order to cease all financing, investment and involvement in activities that support mountain top removal coal mining or the construction of new coal-burning power plants that emit carbon-dioxide. Newton voted against the resolution. Coal is likely to be a source of fuel for electricity for the foreseeable future. Additionally, new coal-fired power stations are more efficient and emit less particulates than older style coal-fired power stations. Further, coal is closely linked to the issue of energy independence in some countries. Finally, the company has a comprehensive climate change policy and has been recognised by the Carbon Disclosure Project as leader on climate change disclosure. Therefore, Newton did not feel that resolution warranted shareholder support.

Finally, another shareholder resolution requested that the company report to shareholders on how its investment policies address or could address human rights. The supporters of the resolution are concerned that companies in which CitiGroup may be invested, including its subsidiaries and affiliates, could be contributing to human rights violations through business operations in Sudan. Newton noted that CitiGroup does not directly operate in Sudan. US federal law currently prohibits companies from undertaking business in Sudan or from financing the business operations of clients in the country. Newton recognises that investing in countries with human rights concerns provides a moral quandary. However, companies with strong corporate social responsibility policies and practices can often do more good than bad when operating in a country that does not have a well-developed regulatory framework, particularly in the areas of human rights and environmental standards. Newton felt that adopting policies which may require divestment from indirect investments is not necessarily the best option for managing risks associated with investing in troubled countries. Therefore, Newton instructed votes against the resolution.

City National Corp – AGM – 23rd Apr 2008

Given the structure of the compensation arrangements and company's history of paying significant levels of remuneration despite poor performance, Newton instructed votes against a proposed Omnibus Stock Plan. On average, over the past three years, almost 2% of the company's share capital has been awarded under share-based remuneration plans, annually. Shareholders' total dilution from such share-based arrangements could be as much as 17%. Finally, non-executive directors would be able to participate in the plan. Votes were also instructed against a member of the compensation committee, who was seeking re-election to the board.

Clinica Baviera SA – AGM – 19th May 2008

Contrary to the advice given in the Spanish code on corporate governance, the company proposed a single, bundled, resolution for the election of all directors. Given that only one of the six non-executive directors was considered independent, Newton voted against this bundled resolution.

In addition, the lack of information provided by the company meant that votes were also instructed against the proposed share-based remuneration arrangements.

Compagnie de Saint Gobain – AGM – 5th Jun 2008

In the event of the CEO being dismissed or his contract not being renewed, an amount greater than twice his annual remuneration could be awarded. This is considered excessive and warranted votes being instructed against the resolution seeking shareholders' approval of this related-party transaction.

ConocoPhillips – AGM – 14th May 2008

Nine shareholder resolutions were submitted for consideration at ConocoPhillips' 2008 AGM. Newton instructed votes against four of these resolutions.

It was requested that, to qualify for nomination, board candidates must meet certain requirements. Each nominee must have invested at least US\$3m in the company's shares, or represent an investor that controls more than five million of the company's voting rights. Newton voted against this resolution. It was considered that, by adopting such a policy, the company could unnecessarily limit its pool of talent for directors. Newton took comfort on this matter in a policy requiring directors to build a personal shareholding in the company.

In the second shareholder resolution Newton voted against, it was requested that the company prepare a report on its policies, procedures and practices for obtaining consent to operate in areas where indigenous peoples live. The proponent of the resolution also requested that the company report on its policies to avoid contact with indigenous peoples living in voluntary isolation. In 2006, ConocoPhillips adopted a policy which recognises human rights as a core value. The policy also commits the company to conduct business in a manner consistent with the Universal Declaration of Human Rights and

the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. The policy is publicly available on the company's corporate website. Given the company's current human rights policy and the existing information relating to activities associated with this issue, Newton did not feel that the proposed report would provide additional value to shareholders.

In the third shareholder resolution which Newton voted against, the proponent requested that the company report on how it manages and is accountable for the environmental impact of its operations on all communities in which it operates. The company has provided information on its environmental and social performance in its Sustainability Report. Considering the company's existing disclosure, Newton did not believe that additional reporting, as requested by the proponent, would be beneficial for shareholders.

The final shareholder resolution voted against by Newton requested that the company prepare a report which discusses the effectiveness of its efforts to minimise the current and future impacts of climate change. In effect, the proponent was questioning the company's rationale for implementing its climate change strategy. The same resolution was also submitted for vote at the AGMs of DuPont, Exelon, Ford Motor, FPL Group, General Electric, Occidental Petroleum and Pepsico. Newton voted against the resolution in each instance.

Newton believes that companies should develop climate change strategies for a number of reasons. There is now scientific consensus that climate change is occurring. Additionally, many countries are adopting state, national and international legislation relating to the reduction of greenhouse gas emissions to which businesses must comply. Increasing public concern and shifting consumer demands surrounding energy efficient products further highlights the drive for companies to develop climate change strategies. Considering the unpredictable nature of climate change, Newton did not believe that quantifying the impacts of a company's efforts to reduce global warming, would provide an accurate measure of progress.

Cousins Properties Inc – AGM – 6th May 2008

The structure of the company's Incentive Stock Plan led to votes being instructed against proposed amendments to this plan and against the five members of the compensation committee, who were seeking re-election to the board. Newton's concerns centred on the fact that non-executive directors are given annual awards of share options, dilution of shareholders' value is excessive at 14% and performance conditions, if any, are not disclosed.

Credit Agricole SA – AGM – 21st May 2008

Newton instructed votes against a total of 10 resolutions at the company's AGM.

Five of these resolutions related to the proposed restructuring of the company's share capital. If approved, the proposals would allow the company to issue new shares, equivalent to 20% of its share capital, whilst dis-applying existing shareholders' pre-

emptive rights. A quarter of these could be issued at a discount to the share's market price. The company would also be provided with an authority to buy-back shares, which could be carried-out during a take-over period. Newton's disquiet, relating to the protection of minority shareholders, was heightened by the company having a majority shareholder, whose representatives occupied 13 of the 21 board seats. Votes were also instructed against the appointment, to the board, of four non-executive directors who would represent the company's majority shareholder.

Finally, Newton voted against the re-election, to the board, of a further non-executive director. Newton did not consider him to be sufficiently independent to warrant his position as chairman of the remuneration committee and member of the audit committee. This nominee was a director of a company where Credit Agricole's CEO was also a director.

Daimler AG – AGM – 9th Apr 2008

During 2007, two of the company's shareholders proposed, in collaboration, a total of 34 resolutions at the company's AGM and EGM. At this year's AGM, the same shareholders requisitioned twelve resolutions. Nine of these 12 resolutions were proposed in 2007. They sought approval for various amendments to the company's Articles of Association and for special audits to be carried-out. A further two resolutions requested additional special audit reports, concentrating on alleged mis-management claims and alleged wastage of company resources. The twelfth resolution sought to appoint a representative to the board to enforce shareholder compensation claims in connection with the company's previous CEO. For the same reasons as stated last year, that is the absence of any verdict that the board had been found negligent, acted fraudulently or evidence of gross misconduct, Newton instructed votes against these twelve shareholder-requisitioned resolutions.

Desarrolladora Homes S.A.D de C.V. – AGM – 25th Apr 2008

By way of two bundled resolutions, shareholders' approval was sought for the appointment of board directors and for the election of the members of the board's committees. Irrespective of Newton's disquiet relating to the bundling of resolution, votes were instructed against these two resolutions due to the company failing to provide any underlying information.

Deutsche Bank AG – AGM – 29th May 2008

The two shareholders that have been collaboratively raising resolutions at the General Meetings of Daimler AG requisitioned eight resolutions at Deutsche Bank's AGM. The resolutions, proposed at this AGM, sought for the company to sell its investment banking business, to make four amendments to its Articles of Association and carry-out three special audit reports. Votes were instructed against these eight resolutions. Newton considered that the proponents' requests were either already captured by the company's existing policies and practices, lacked legal substance or were tantamount to micro-management of the company.

Dow Chemical Company – AGM – 15th May 2008

A shareholder requisitioned resolution requested that the company establish an independent panel to provide a report highlighting the extent to which its products cause or exacerbate asthma. Newton voted against this resolution. The company, on its website and through other public venues, already provides a substantial amount of publicly available information related to the chemicals included in its products and the associated safety concerns. Additionally, the company has committed to make publicly available, by 2015, the safety assessments for all its products, globally. Newton also felt that a more appropriate forum for assessing this matter would be through the public regulatory agencies, which are tasked with creating policy on these issues. To minimise all chances of biased results, it is important that any such study and report be completely independent of Dow Chemical.

In a second shareholder resolution, proponents requested that the company report to shareholders on its internal controls relating to potential adverse impacts associated with genetically engineered (GE) organisms. Newton voted against this resolution. Newton noted that, currently, there is no scientific consensus regarding possible harmful effects on wildlife, the environment and humans associated with GE ingredients. Additionally, the Federal government has established a process for reviewing and approving GE products for commercial marketing. Dow Chemical has already taken significant steps towards publicly reporting on GE related matters through disclosure of its policies on biotechnology, product information and risk management processes. The company has also stated a commitment to continually engage with the scientific community and interested stakeholders on matters relating to GE organisms.

E.I. Du Pont De Nemours & Co – AGM – 30th Apr 2008

A shareholder submitted a resolution requesting the company create a committee to report to the board on the community impact of mass layoffs, plant closures and the associated loss of sales. The report should include discussion on strategies to mitigate the impact of these actions in the future. Newton did not believe the resolution warranted shareholder support and voted against the resolution. The company's policies and procedures relating to large-scale plant reductions, sales, closures or restructuring appear to be similar to those at other companies. Additionally, they appear to be consistent with DuPont's strategy which aims to refocus the company's efforts on science, research and development while stream-lining production costs. Further, the company appears to be in compliance with applicable labour regulations relating to such restructuring measures. Finally, the company provides eligible employees with a career transition plan that seeks to balance the needs of the company and its employees in the event of displacement by strategic restructuring activities.

A second shareholder requisitioned resolution requested that the company prepare a report which discusses the effectiveness of its efforts to minimise the impacts of climate change and how the company's actions will reduce impacts in the future. In effect, the proponent was questioning the company's rationale for

implementing its climate change strategy. Newton instructed votes against the resolution. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for ConocoPhillips.

A further shareholder resolution was submitted requesting the company review and amend its human rights policy to include respect for the seed saving rights of traditional agricultural communities. The proponents of the resolution are concerned that if DuPont enforces its patent, it could inhibit traditional seed sharing by farmers. Newton instructed votes against this resolution. Newton recognises the need for companies to protect their intellectual property with patents. Patents are helpful in recovering the costs of research and development and for funding further research for the design and development of products. Newton also recognises that companies have a responsibility to facilitate access to products. However, in this situation, Newton did not feel that amending the company's human rights policy was an appropriate way to tackle the issue.

eBay Inc – AGM – 19th Jun 2008

The company proposed, for shareholder approval, an Equity Incentive Plan. The terms of the plan would allow awards to be made to non-executive directors and could lead to dilution of shareholders' value by more than 14%. In addition, Newton also noted that, over the past three years, the company has awarded almost 3% of its share capital, per annum, to facilitate awards under its share-based remuneration arrangements. Newton considered the potential transfer of value from shareholders to be excessive and instructed votes against the proposed Equity Incentive Plan.

Eli Lilly and Co – AGM – 21st Apr 2008

Shareholder approval was sought in order to reserve additional shares for making awards pertaining to the company's 2002 Lilly Stock Plan. Given that non-executive directors participate in the Plan and dilution to shareholder value could be in excess of 10%, votes were instructed against the proposal.

A shareholder submitted a resolution requesting that the company prepare a report outlining its rationale for increasing the amount of animal experimentation it is undertaking in countries which have either non-existent or substandard animal welfare regulation. Newton instructed votes against the resolution. Newton noted that the company states, in its 2006/2007 Corporate Citizenship Report, that all Eli Lilly facilities are accredited by the Association for the Assessment and Accreditation of Laboratory Animal Care, International. Further, the company is in the process of carrying out a commitment to add provisions to its contracts with third parties who do research on its behalf, or supply laboratory animals to its facilities. The provisions require these parties to comply with Eli Lilly's Animal Care and Use Policy. Eli Lilly provides information on its corporate website and in its Corporate Citizenship reports relating to its policies on animal use and welfare. Additionally, the management makes publicly available its Animal Care Policy. These policies apply internationally.

EnCana Corporation – AGM – 22nd Apr 2008

Shareholders submitted a resolution requesting that the company report to shareholders on a strategy for incorporating the potential costs of carbon into long-term business planning. Newton recognises the importance of efforts by energy intensive companies to account for the future potential cost of carbon. Such efforts can help reduce the risk of future carbon liabilities for companies in high-emitting sectors. However, Encana has already established a strategy for assessing and disclosing the cost of carbon to its business. Additionally, the company is included in the Carbon Disclosure Leadership Index. Given the company's existing efforts to factor a price of carbon into long-term planning decisions, Newton did not believe the resolution warranted shareholder support. Votes were instructed against the resolution.

Endesa SA – AGM – 30th Jun 2008

In the absence of any detail being provided ahead of the company's AGM, Newton instructed votes against a resolution at the company's AGM. The resolution sought shareholder approval for the appointment of board directors.

EnergySolutions Inc – AGM – 23rd Jun 2008

Newton was concerned that only two of the 10 board members were independent. This led to votes being instructed against the appointment of seven non-executive directors. Six were representatives of the company's majority shareholder, whilst the seventh was not considered independent due to him being one of the highest remunerated individuals at the company.

Votes were also instructed against a new long-term remuneration arrangement. This decision reflected the absence of sufficient detail surrounding the proposed Executive Incentive Bonus Plan. The situation was exasperated by the compensation committee comprising of only affiliated non-executive directors.

Enova Systems Inc – AGM – 22nd May 2008

A previous CEO of the company, from 2004 to 2007, was proposed as a member of the compensation committee. Given his recent position as an executive director at the company, Newton did not consider him to be sufficiently independent to warrant membership of the compensation committee. Votes were instructed against his election as a non-executive director.

Exelon Corp – AGM – 29th Apr 2008

A shareholder requisitioned resolution requested that the company prepare a report which discusses the effectiveness of its efforts to minimise the impacts of climate change and how its actions will reduce impacts in the future. In effect, the proponent was questioning the company's rationale for implementing its climate change strategy. Newton instructed votes against the resolution. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for ConocoPhillips.

Exxon Mobil Corp – AGM – 28th May 2008

At the company's AGM, Newton instructed votes against a total of 10 of the 17 shareholder-proposed resolutions.

A shareholder requested that the company's bylaws be amended to prohibit shareholders from submitting non-binding resolutions at future General Meetings of the company. Under appropriate circumstances, Newton believes that shareholders requisitioning non-binding resolutions can be an effective strategy for bringing about necessary change.

It was also proposed that shareholders support a motion that would mean that any nominee to the board must meet certain requirements. It was stated that each nominee must have invested at least US\$3m in the company's shares, or represent an investor that controls more than five million of the company's voting rights. In adopting such a policy, Newton felt that the company would unnecessarily limit its pool of talent for directors.

A non-binding resolution was proposed that sought for the company to adopt a policy relating to the distribution of earnings. Newton considers it to be part of management's responsibility to decide on the most appropriate use of any earnings. By introducing a structured distribution policy, the company would lose the necessary flexibility required for making allocation decisions such as acquisitions, share buy-backs and dividend distributions.

Further, it was requested that the company produce a report comparing the compensation of the CEO with that of the company's lowest paid US employee. Newton failed to appreciate the relevance of such information.

Of the 17 shareholder-proposed resolutions, nine related to social, ethical or environmental matter. Newton voted against six of these resolutions.

In the first shareholder resolution Newton voted against, it was requested that the company conduct a special review of its anti-discrimination policy as it pertains to corporate sponsorships and executive perks. Newton noted that the company had already articulated its policies regarding non-discrimination. Additionally, the company's "Sponsoring and Contributing" policy requires that sponsorships undertaken by the company are related to safety, health, environment, education, community voluntary work and culture. Though the company's existing disclosure does not specifically address all the proponent's specific concerns, Newton did not feel an additional report would provide additional value to shareholders.

Newton also voted against a resolution requesting that the company report on how it manages and is accountable for the environmental impact of its operations on all communities in which it operates. The supporters of the resolution argue that ExxonMobil has a moral obligation to be accountable for its environmental impacts as it will continue to require the resources of host communities in order to remain operationally successful. The company 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 which could

potentially impact local communities. Therefore, Newton did not feel the resolution warranted shareholder support.

Another group of shareholders submitted a resolution requesting that the company prepare a report on the potential environmental damage that would result from the company drilling for oil and gas in the coastal plain of the Arctic National Wildlife Reserve (ANWR). Newton voted against the resolution. Currently oil and gas exploration and development in ANWR is prohibited by federal regulation. Given the uncertainties about potential changes in federal regulations prohibiting ANWR development, preparation of the requested report would be speculative.

A shareholder proposed a resolution requesting that the company inform its customers about the amount of carbon emitted from the use of gasoline and diesel, by disclosing information at the fuel pump in petrol stations. 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 about pollutants titled: Emission Facts: Average Carbon Dioxide Emissions Resulting from Gasoline and Diesel Fuel.

A shareholder resolution was submitted requesting the company establish a taskforce to investigate the likely consequences of global climate change, between now and 2030, on emerging countries. The proponent also requested that the report look at the potential impacts of climate change on poor communities within developed and developing countries and to assess how the company's sustainable energy technologies could be used for the benefit of those communities most threatened by climate change. The proponents are concerned that the company continues to focus almost exclusively on hydrocarbon energy. Therefore, the proponents believed that ExxonMobil was failing to successfully take into consideration the inevitability of operating in a carbon-constrained world. Newton did not support this resolution. The information requested by the proponent is already publicly available. In 2007, the Intergovernmental Panel on Climate Change (IPCC) released the findings of its "Impacts, Adaptation and Vulnerability" study, which provides a comprehensive peer-reviewed assessment similar to that requested by the proponents. However, given the continually evolving landscape surrounding climate change and technology, Newton believes that ExxonMobil should continue to provide disclosure on its strategic rationale for pursuing its current energy portfolio.

The final shareholder resolution that Newton voted against requested that the company establish a committee to study steps on how it can become the industry leader for the development and dissemination of technology needed to enable the US to become energy independent in an environmentally sustainable way. Given the country's current dependency on foreign energy resources and considering the future projections for hydrocarbon demand, Newton did not believe that the proponent's request was feasible.

Filtrona PLC – AGM – 24th Apr 2008

Despite having a lacklustre year, in relation to the overall performance of the company, Newton was surprised to see that annual bonuses had been awarded at almost their maximum level. Votes were instructed against the resolution seeking shareholder approval of the remuneration report.

On a separate remuneration matter, votes were instructed against the proposed amendments to the company's long-term incentive arrangements. It was proposed that the company cease making share option awards and replace these with additional Long-Term Incentive Plan (LTIP) awards. Whilst this, in itself, was not of concern, Newton felt that the proposal to award two separate LTIPs, each having their own exclusive performance conditions, was a deterioration from previous arrangements.

The re-election, to the board, of the senior independent non-executive director, who was a member of the remuneration committee, was also voted against. Given Newton's concerns over the company's remuneration arrangements, it was not considered that he was representing, adequately, shareholders' interests.

Ford Motor Company – AGM – 8th May 2008

By way of a separate resolution, the company proposed a new Long-Term Incentive Plan. Newton instructed votes against this resolution due to concerns that shareholders could be excessively diluted. For a company of its size and maturity, the proposed ongoing dilution to existing shareholders of 2% per year, and the existing potential dilution of c.20% was considered unnecessary and excessive. The company also failed to disclose adequate justification for the plan.

Whilst Newton retains concerns over the company's use of share-based compensation arrangements, votes were instructed against a shareholder proposed resolution requesting the cessation of share option awards. It is Newton's view that appropriately structured share option schemes can act as effective incentive mechanisms.

A shareholder resolution requested that Ford Motor adopt principles for health care reform based on those drafted by the Institute of Medicine (IOM). Newton instructed votes against this resolution. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for Altria.

A further shareholder requisitioned resolution requested that the company prepare a report which discusses the effectiveness of its efforts to minimise the impacts of climate change and how its actions will reduce impacts in the future. In effect, the proponent was questioning the company's rationale for implementing its climate change strategy. Newton instructed votes against the resolution. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for ConocoPhillips.

Fortum Oyj – AGM – 1st Apr 2008

A resolution was proposed that requested shareholder approval of the remuneration of the board members and the company's auditors. In the absence of any remuneration related information, Newton instructed votes against this resolution.

A shareholder requisitioned resolution, proposed at the company's AGM, sought shareholder approval for the abolition of the company's Supervisory Board and the creation of a Unitary Board structure. There is little empirical evidence to suggest that one board structure is superior to the other. Also, Finnish company law does not dictate the approach that companies should take. Therefore, Newton did not support this resolution.

A second shareholder resolution requested the company abolish the existing nomination committee and the remuneration committee. It was stated that these committees should be combined to form a single committee. This new committee would be comprised of representatives of three major shareholders, together with the company's chairman. Newton believes that it is not in shareholders' best interests to delegate such authority to shareholders, given that they do not owe a fiduciary duty to the other shareholders. Also, it is felt that the appointment of executive board members and key executives should be, in part, the responsibility of the company's CEO. Newton voted against this shareholder proposed resolution.

FPL Group Inc – AGM – 23rd May 2008

A shareholder requisitioned resolution requested that the company prepare a report which discusses the effectiveness of its efforts to minimise the impacts of climate change and how its actions will reduce impacts in the future. In effect, the proponent was questioning the company's rationale for implementing its climate change strategy. Newton instructed votes against the resolution. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for ConocoPhillips.

France Telecom SA – AGM – 27th May 2008

Newton instructed votes against a proposal for the company to buy-back up to 10% of its issued share capital. It was stated that the buy-back could be carried out in the event of a takeover. Given that the French state controls c. 27% of the company's share capital, Newton was concerned that the proposal could be used as an anti-takeover device.

Freeport-McMoRan Copper & Gold Inc – AGM – 5th Jun 2008

During the year, significant levels of one-off awards of restricted stock units were made to two executive directors. These awards would vest, in part, irrespective of performance. Where performance conditions apply, Newton did not consider them sufficiently challenging. Votes were instructed against three members of the compensation committee, who were seeking re-election to the board.

Fresenius SE – AGM – 21st May 2008

None of the existing or proposed members of the remuneration or audit committees were deemed independent. Thus, Newton voted against the election of two non-executive directors, who were proposed for membership of the audit, remuneration and nomination committees. One of these nominees was a previously the company's CEO and the other represented the company's majority shareholder.

Gaz de France – AGM – 19th May 2008

The company sought shareholder authorisation to buy-back up to 5% of its issued share capital. Due to the French State owning c. 80% of the company and that the buy-back could be carried out during a take-over period, Newton felt that the best interests of minority shareholders were not being adequately protected.

In addition, the lack of detail accompanying the proposed long-term remuneration arrangement meant that Newton exercised a degree of caution by voting against its approval.

A shareholder proposed a resolution seeking for the company to make an alternate income allocation arrangement. The proponent failed to provide any supporting information and, as a result, votes were instructed against this shareholder proposal.

Gazprom OAO – AGM – 27th Jun 2008

The company appoints board directors and members of its audit commission by way of cumulative voting and proposes more candidates than there are positions available. Practically, the voting right of each shareholder equates to the number of positions available and shareholders can support as few or as many of the proposed nominees, limited by the number of seats available. For the appointment of Gazprom's board directors, 19 nominees were proposed. Newton voted in favour of the four executive directors, in favour of six independent non-executive directors and against nine affiliated non-executive directors. In relation to the election of members of the company's audit commission, for which nine seats were available, Newton voted against four non-independent nominees and in favour of eight nominees.

Genentech Inc – AGM – 15th Apr 2008

Newton was concerned with the structure of the company's board and its committees. Only two members of the board were considered independent. Of the remaining five members, one was the company's founder, one was the CEO/chairman and the remaining three represented the company's majority shareholder. Votes were instructed against the re-election, to the board, of the three shareholder representatives and the company's founder, all of whom were members of the compensation committee.

General Electric Co – AGM – 23rd Apr 2008

A shareholder requisitioned resolution requested that the company prepare a report which discusses the effectiveness of its efforts to minimise the impacts of climate change and how its actions will reduce impacts in the future. In effect, the proponent

was questioning the company's rationale for implementing its climate change strategy. Newton instructed votes against the resolution. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for ConocoPhillips.

GlaxoSmithKline PLC – AGM – 21st May 2008

In February 2008, a one-off award of restricted shares was made to an executive director of the company. The award was described as compensation for the individual not being appointed CEO and as a method of retaining his services. In addition to concerns over the rationale for this one-off remuneration award, it was not made clear that the award would be subject to the achievement of any meaningful performance criteria. It is Newton's view that one-off awards should only be made in truly exceptional circumstances. Votes were instructed against the company's remuneration report.

Groupe Danone – AGM – 29th Apr 2008

The French Code of Best Practice for Corporate Governance (AFEP-MEDEF Report), states that companies, whose shares are widely held, should have a board of directors where a majority of its members are independent. Of Groupe Danone's 13 board members, Newton considered only five to be independent. Also, the remuneration and audit committees were not wholly independent. This led to Newton instructing votes against four non-executive directors, who were seeking re-election to the board. The average tenure of these four nominees was c. 22 years.

Guinness Peat Group PLC – AGM – 13th May 2008

Newton was concerned that the company's board did not contain any non-executive directors. In addition, the chairman of the board was not considered independent due to his 18-year tenure, his regular bonus awards and his receipt of share options. Despite being listed on the AIM market, Newton expects the company to have appointed independent non-executive directors. Votes were instructed against the resolutions seeking shareholder acceptance of the company's Financial Statements and approval of the remuneration report.

Halliburton Co – AGM – 21st May 2008

A shareholder submitted a resolution requesting the company amend its bylaws to establish a board committee on human rights. While Newton would encourage the company to improve its existing human rights policies, Newton felt the prescriptive nature of the resolution was inappropriate. Newton believes that decisions over how to address key operational initiatives are best left to the discretion of management. Therefore, Newton did not believe that the requested binding bylaw changes were necessary.

HBOS PLC – AGM – 29th Apr 2008

Within the remuneration report, it was disclosed that the level of performance required to allow the vesting of Long-Term Incentive Plan awards would be reduced by 50%. Newton was also concerned that the performance conditions for unvested LTIP

awards, made in 2006 and 2007, would also be amended. It was felt that effectively re-pricing performance conditions part way through a performance period could be considered as payment for poor performance. Votes were instructed against the remuneration report and the re-election to the board of a non-executive director, who was a member of the remuneration committee.

Hennes and Mauritz AB – AGM – 8th May 2008

In relation to the election and re-election of board members, Newton believes shareholders should be able to vote on the appointment of each nominee, separately. In this instance, the company bundled together, by way of a single resolution, the election and re-election of nine board members. Given that only three of the 11 board members were considered independent, votes were instructed against this resolution.

Host Hotels & Resorts Inc – AGM – 14th May 2008

Newton instructed votes against a non-executive director, who was seeking re-election to the board and appointment to the audit committee. Newton did not consider him to be a suitable candidate for membership of the audit committee due to the fact that he had served as the company's CEO.

HSBC Holdings PLC – AGM – 30th May 2008

During the year, following the remuneration committee's review of remuneration arrangements, which included a benchmarking exercise relative to the company's peers, it was decided that bonus maximums would be increased by 60%, to four times an individuals' base salary. From the company's disclosures, it appeared that the benchmarking review failed to take account of the pension contributions awarded to executive directors, which are significantly more generous than HSBC's peers at up to 55% of base salary. In addition, the company did not explain if additional stretching performance conditions would need to be met to achieve the increased annual bonus maximum. Newton instructed votes against the resolution seeking shareholder approval of the remuneration report. A member of the remuneration committee, who was seeking re-election to the board, was also voted against.

HSBC Partners Group Global Private Equity SICAV – EGM – 24th Jun 2008

The company proposed a total of nine resolutions, which sought shareholders' approval to amend its Articles of Association. Newton instructed votes against all these nine resolutions due to the company not providing necessary detail on the proposed amendments.

Hunting PLC – AGM – 23rd Apr 2008

The service contract for one of the company's executive directors provides for payments in excess of 12 months salary in the event of his contract being terminated early or in the event of a change of control. This contravention of established best practice led to Newton instructing votes against the resolution seeking shareholder approval of the remuneration report.

Hutchison Whampoa Ltd – AGM – 22nd May 2008

In the absence of challenging performance conditions, governing the vesting of long-term remuneration arrangements, and a provision for vesting to be accelerated in the event of a change in control, votes were instructed against five remuneration related resolutions. The resolutions sought shareholder approval of various amendments to the company's long-term remuneration arrangements and the issuance of awards pursuant to these arrangements.

A further two resolutions were also voted against. Combined, these two resolutions would enable the company to dis-apply existing shareholders' pre-emption rights at a level up to 30% of the company's issued share capital. This was considered to be excessive.

Industrial and Commercial Bank of China Ltd – AGM – 5th Jun 2008

A resolution was proposed that requested shareholder authorisation to enable the board to deal with matters relating to the purchase liability insurance for directors, supervisors, and officers. Newton noted that the liability protection offered would cover individuals' wrongful acts. This level of protection was not considered to be in shareholders' best interests and warranted votes being instructed against this resolution.

Inmarsat PLC – AGM – 6th Apr 2008

Newton had a number of concerns with the company's remuneration structure. A significant one-off award of shares was made to the CEO, which would vest on absolute share price performance. It was also proposed that the maximum potential bonus and awards under the company's performance share plan be doubled. No detail was provided as to any additional performance criteria. Votes were instructed against the proposed Bonus Share Plan, the Performance Share Plan and the remuneration report. Also, Newton voted against two members of the remuneration committee, who were seeking re-election to the board.

Integrated Asset Management PLC – AGM – 19th Jun 2008

Newton did not consider any of the board's six non-executive directors to be independent. These directors had various affiliations to the company, which included representing a shareholder, previously holding a position as an executive director of the company, being a board member for more than nine years and being a director of an associated company. At the company's AGM, only one of the six non-executive directors was seeking re-election to the board. Newton instructed votes against his appointment to the board.

The company requested shareholder approval to issue up to 33% of its issued share capital, whilst dis-applying existing shareholders' pre-emption rights. Given that the company failed to provide any comfort as to why shareholders should accept such a level of dilution, Newton voted against this resolution.

Further, a resolution was proposed that sought shareholder approval of certain amendments to the company's Articles of Association. One of the amendments was to seek shareholder approval of the company's indemnification policy, per the 2006 UK Companies Act. However, the company did not explicitly exclude auditors from this proposal. Whilst Newton would have supported the other proposed amendments, the potential for the company's auditors to be indemnified by the company was considered significantly against shareholders' best interests that a vote against the resolution was warranted.

Intel Corp – AGM – 21st May 2008

A shareholder submitted a binding resolution requesting the company amend its bylaws to establish a board committee on sustainability. Newton voted against the resolution as there is already board-level responsibility regarding the management of sustainability matters. Additionally, Newton felt the prescriptive nature of the resolution was inappropriate.

International Business Machines Corp – AGM – 29th Apr 2008

A shareholder submitted a resolution requesting the company amend its bylaws to establish a board committee on human rights. Newton noted that IBM has a publicly available set of Global Employment Standards and a publicly available set of Supplier Conduct Principles, both of which address a wide range of human rights issues. In addition, IBM is a founding member of the Electronic Industry Code of Conduct (EICC) which has established an industry-wide supply chain code of corporate social responsibility. Therefore, Newton did not believe that the requested bylaw changes were necessary. Additionally, Newton felt the prescriptive nature of the resolution was inappropriate. Newton instructed votes against the resolution.

International Personal Finance PLC – AGM – 14th May 2008

Newton did not consider that the performance conditions, governing the vesting of long-term remuneration awards, to be sufficiently stretching or well-structured to warrant the potential transfer of value from shareholders to the company's executive directors. Votes were instructed against the resolution seeking shareholder approval of the remuneration report. Three members of the remuneration committee, who were seeking re-election to the board, were also voted against.

Inversiones Aguas Metropolitanas SA – AGM – 11th Apr 2008

The failure to disclose any information pertaining to four resolutions led to Newton instructing votes against their approval. The resolutions sought shareholder approval for the appointment of the external auditor, appointment of rating agencies, approval of director nominees and approval of directors' remuneration.

Newton also instructed votes against a resolution that sought approval of "Other Business". The unknown content of this resolution meant that Newton had to exercise a level of prudence by voting against its approval.

Invesco Perpetual European Absolute Return Trust PLC – AGM – 15th Apr 2008

By way of a single resolution the company sought to make four amendments to its Articles of Association. These amendments would reflect the UK's 2006 Companies Act. However, in its amendment relating to indemnification, auditors were not explicitly excluded. Newton voted against this resolution.

Jardine Matheson Holdings Ltd – AGM – 8th May 2008

The company's board did not contain any independent non-executive directors and two of the three audit committee members were executive directors. This led to Newton instructing votes against the re-election, to the board, of two non-executive directors and an executive director, who was a member of the audit committee.

A fourth resolution was voted against. This sought shareholder approval of the appointment of the company's auditors and to authorise the board to fix their remuneration. Newton was not comfortable supporting this resolution due to a failure to disclose the auditor's remuneration.

Jardine Strategic Holdings Ltd – AGM – 8th May 2008

The company stated that it did not consider any of its four non-executive directors to be independent. This admittance from the company led to Newton instructing votes against a non-executive director, who was seeking re-election to the board.

Given that two of three members of the audit committee were executive directors of the company and that no board members were considered independent, Newton voted against the resolution seeking shareholder acceptance of the Financial Statements and Auditor's report

A third resolution was voted against. This sought shareholder of the appointment of the company's auditors and to authorise the board to fix their remuneration. Newton was not comfortable supporting this resolution due to the lack of independent non-executive directors on the board and a failure to disclose the auditor's remuneration.

Johnson & Johnson – AGM – 24th Apr 2008

Newton declared a conflict of interest for this meeting and outsourced the voting recommendation to an independent third party, Risk Metrics Group. As such, abstentions were registered in relation to the election of four non-executive directors. The Risk Metrics Group considered the company's remuneration practices to be sufficiently against shareholders' interests to warrant the registration of abstentions relating to the re-election of these four non-executive directors, who were members of the compensation committee.

JPMorgan Chase & Co – AGM – 20th May 2008

A shareholder-proposed resolution requested the company provide a report listing all its executives, consultants, lobbyists, legal counsels, investment bankers or directors that had served in any governmental capacity in the past five years. Newton did

consider that such a report would be useful to shareholders and instructed votes against the resolution requesting its creation.

It was also requested, by way of a shareholder resolution, that at least two candidates should be proposed for each available position on the company's board. Newton considered that such a policy would limit the potential pool of talent available to the company by deterring candidates from seeking election due to the increased likelihood of them not being elected. Newton voted against this resolution.

Shareholders submitted a resolution requesting the company report to shareholders on how its investment policies address or could address human rights. The supporters of the resolution are concerned that companies in which JPMorgan Chase (JPMC) may be invested, including its subsidiaries and affiliates, could be contributing to human rights violations through business operations in Sudan. Newton noted that JPMC does not directly operate in Sudan. US federal law currently prohibits companies from undertaking business in Sudan or from financing the business operations of clients in the country. Newton recognises that investing in countries with human rights concerns can create a moral quandary. However, companies with strong corporate social responsibility policies and practices can often do more good than bad when operating in a country that does not have a well-developed regulatory framework, particularly in the areas of human rights and environmental standards. Newton felt that adopting policies which may require divestment from indirect investments is not necessarily the best option for managing risks associated with investing in troubled countries. Therefore, Newton instructed votes against the resolution.

A further shareholder resolution requested that the company report on its processes for identifying and prioritising legislative and public policy advocacy activities. The proponent of the resolution believed that activist pressure on management had encouraged the company to adopt a restrictive environmental policy that may not provide any significant benefits to the global climate. Newton voted against this resolution. The company already discloses information regarding its political contribution and lobbying policies, as well as the general business rationale for such activities. Additionally, information on its accountability mechanisms is available through the company's publicly available, Political Contributions Statement. Therefore, Newton felt that the company's current level of disclosure regarding its processes for identifying and prioritising legislative and regulatory public policy activities were adequate.

Kimberly-Clark Corp – AGM – 17th Apr 2008

A shareholder proposed resolution requested that, to qualify for nomination, board candidates must meet certain requirements. Each nominee must have invested at least US\$3m in the company's shares, or represent an investor that controls more than five million of the company's voting rights. Newton voted against this resolution. It was considered that the company would unnecessarily limit its pool of talent for potential board members by placing such requirements on all board candidates.

A shareholder submitted a proposal requesting that the company commit to the implementation of certain human rights standards based on the International Labour Organisation (ILO) Conventions and the United Nations Norms on the Responsibilities of Transnational Corporations with Regards to Human Rights, for its international production facilities and suppliers. The proposal also requested that the company commit to independent monitoring of these standards. Newton voted against the resolution. Kimberly Clark already provides publicly available information regarding its policies on human rights and workplace labour standards, including information on fair wages and compensation. The company also provides publicly available information on environmental sustainability, community involvement and equal opportunity. Further, the company's Sustainability Report addresses each of the key ILO conventions set forth by the proponent.

A further shareholder resolution requested that the company amend its bylaws to establish a board committee on sustainability. Newton voted against the resolution as there is already board-level responsibility regarding the management of sustainability matters. Additionally, Newton felt the prescriptive nature of the resolution was inappropriate.

Kingspan Group PLC – AGM – 15th May 2008

Votes were instructed against three non-executive directors, who were seeking re-election to the board. Newton did not consider these nominees to be independent. One had been a board member for 26 years, whilst the other two were co-founders of the company and relatives of the company's CEO.

Kroger Co – AGM – 26th Jun 2008

A shareholder submitted a resolution requesting that the company give purchasing preference to company suppliers that use or adopt controlled-atmosphere killing (CAK) in their poultry processing operations. Newton voted against the resolution. The company appears to take steps to ensure that animals supplied by the company's vendors are treated humanely according to industry standards as represented by the Food Marketing Institute (FMI) and the National Council of Chain Restaurants (NCCR) Animal Welfare Guidelines. Additionally, the company already discloses information regarding its animal welfare policies, initiatives and oversight mechanisms allowing shareholders to make informed decisions regarding their investments.

A second shareholder resolution requested the company to commit to a time-frame to phase out the sale of eggs from hens confined in battery cages. For similar reasons as stated above, Newton voted against the resolution. The FMI-NCCR Animal Welfare Guidelines address the issue of appropriate space allocation for laying hens and establishes an industry standard regarding the rearing of cage confined laying hens.

Lafarge SA – AGM – 7th May 2008

On a board of 18 members, Newton considered only eight to be independent. Of the three non-executive directors seeking re-election to the board, Newton instructed votes against two. These two nominees represented separate, but significant,

shareholders in the company. The shareholders that each of these nominees represented already had at least one board director appointed to represent their views.

Lonrho PLC – AGM – 28th Apr 2008

Newton instructed votes against the resolution seeking shareholders acceptance of the company's Financial Statements and Statutory Reports. This decision was taken due to two of the three members of the audit committee being executive directors of the company.

LVMH Moët Hennessy-Louis Vuitton – AGM – 15th May 2008

The company did not provide sufficient detail relating to its Restricted Stock Plan. This led to Newton voting against the proposal for 1% of the company's issued share capital to be awarded under the plan.

In addition, votes were instructed against two further resolutions. Combined, the resolutions would provide the company with an authority to issue up to 23% of its share capital, without first making an offer to existing shareholders. Without any justification from the company, the potential dilution to shareholder value was considered excessive.

Mack-Cali Realty Corp – AGM – 21st May 2008

Due to Newton's opinion that the company operates poor remuneration practices, votes were instructed against the chairman of the compensation committee, who was seeking re-election to the board. Newton's main concerns were in connection with the CEO being awarded restricted share awards representing 3.5% of the company's issued share capital and that the CEO's tax bill, incurred on vested awards, was paid by the company.

Manulife Financial Corporation – AGM – 8th May 2008

Newton instructed votes against a total of seven shareholder-requisitioned resolutions proposed by the MEDAC (the shareholder education and advocacy movement). Newton's rationale for instructing votes against five of the seven resolutions was due to the company either having policies and practices already in place that, Newton felt, adequately addressed the proponent's concerns or Newton felt that the resolutions related to operational matters that would be best left to the discretion of the board. These resolutions are highlighted in the table below.

The further two resolutions, that Newton voted against, sought for the company to discriminate between long-term and short-term shareholders. It was proposed that long-term shareholders receive an increased dividend and greater voting rights than short-term shareholders. Newton felt that adopting such a policy could act against the proponent's desire to create long-term shareholder value, given that the proposal could discourage potential long-term investors from investing in the first instance and encourage the entrenchment of management by way of effecting an anti-takeover mechanism.

The concern is already addressed	Should be at board's discretion
Executives' compensation should be linked to average wages, costs and financial performance.	Provide payment into the employee pension fund in the event of a merger or acquisition.
Disclose participation in hedge funds and high risk mortgage loans.	Half the board members should be female.
	Cease awards of share options to executives and directors.

McGraw-Hill Companies Inc – AGM – 30th Apr 2008

At last year's AGM, two shareholder-proposed resolutions received support from 75% and 78% of the votes cast. These resolutions requested the de-classification (annual appointment of all board members) of the board of directors and for board members to be elected by receiving a simple majority of the votes cast. Despite the significant shareholder support for these proposals, the company failed to amend its practices. Votes were instructed against the two executive and two non-executive directors, who were seeking re-election to the board.

Melrose Resources PLC – AGM – 12th Jun 2008

Against prevailing market best practice, the company sought approval for the indemnification of its auditors. This was presented for approval by way of a resolution, which sought to make a number of amendments to the company's Articles of Association. Newton considers the indemnification of auditors to be of significant concern to warrant instructing votes against this bundled resolution.

Merck Co Inc – AGM – 22nd Apr 2008

Newton instructed votes against a shareholder proposed resolution that sought to limit the remuneration of each of the top five senior members of 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.

Middlefield Canadian Income Trust Inv Co PCC – AGM – 22nd May 2008

The board had not established a remuneration committee or an audit committee. It was stated that the four board members perform the functions of these two committees. Newton voted against the re-election of a non-independent non-executive director. This nominee was not considered independent due to the positions he held at companies associated with the Middlefield Canadian Income Trust.

MobileOne Ltd – AGM – 8th Apr 2008

Shareholder approval was sought for the issuance of shares and granting of share options pursuant to the company's share option scheme. Newton instructed votes against this resolution due to its concerns over the structure of the scheme. No performance conditions govern the vesting of awards and options can be

awarded up to a 20% discount to the prevailing share price.

A further resolution was also voted against. This requested shareholder authority for 20% of the company's share capital to be issued on a non-pre-emptive basis. The ensuing potential dilution to existing shareholders' value was considered excessive.

Morgan Sindall PLC – AGM – 22nd Apr 2008

The company's senior independent non-executive director was not considered independent. He had been a board member for 10 years and concurrently with the company's CEO. In addition to being selected as the senior independent director, he chaired the audit committee and was a member of the remuneration and nominations committees. Votes were instructed against his re-election to the board.

Motorola Inc – AGM – 5th May 2008

Several shareholders submitted a resolution requesting that the company review and amend its policies which guide the approach of its global operations to human rights. Newton recognises the value of labour standards and formal company policies in influencing human rights practices, particularly for companies operating in countries which may not have well-developed regulatory frameworks. However, Newton voted against the resolution as it believes that the company's policies already effectively articulate the company's commitment to human rights. Motorola has a Human Rights policy, a Code of Business and a Business Conduct Expectations for Suppliers policy which appear to substantially address core human rights protections typically espoused by internationally recognised standards. Therefore, Newton did not believe the resolution warranted shareholder support.

Nationwide Accident Repair Services PLC – AGM – 27th May 2008

Within the resolution to amend the company's Articles of Association was a proposal for the indemnification of directors. However, the company failed to explicitly exclude auditors from this provision of indemnification. Newton voted against the proposed amendments to the company's Articles of Association, due to a belief that companies' auditors should not be indemnified, not least by the companies that they audit.

New Star Asset Management Group PLC – EGM – 20th Jun 2008

The three resolutions proposed at the company's EGM sought shareholder approval of a new remuneration proposal. Newton held several concerns relating to the proposed new Shared Ownership Plan (SOP). The stated dilution to shareholder value, resulting from this plan, was considered excessive at 15%. Adequate details relating to performance conditions and vesting were absent. In addition, Newton considers it poor planning on behalf of the remuneration committee that a costly EGM had to be convened solely for the proposal to implement a new remuneration arrangement. Newton voted against all three resolutions proposed at the EGM.

NEXT PLC – AGM – 13th May 2008

Shareholder approval was sought for the renewal of the company's 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 20 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, significantly, 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 and not necessarily representative of operational performance.

Newton voted against the renewal of the Risk/Reward Investment Plan, the remuneration report and two members of the remuneration committee, who were seeking re-election to the board.

The company also sought shareholder approval for it to enter into contingent contracts and off-market share purchases to facilitate the buy-back of its own shares. Newton considers share buy-backs to be an appropriate method of returning funds to shareholders. However, historically, the company has overpaid for its own shares due to entering into similar contingent contracts. Newton instructed votes against this proposal.

Northern Star Mining Corp – AGM – 12th Jun 2008

A total of five resolutions were voted against. Three of these resolutions would aid the operation of the company's Stock Option Plan. Newton did not consider the Stock Option Plan to be in line with the creation of shareholder value. It was proposed that in excess of 20% of the company's issued share capital be used to facilitate awards and, should share options become underwater (i.e. the share price falls beneath the level of the option price), the compensation committee would be able to re-price these awards. Over the past three years, an excessive 14.25% of the company's issued shares have been awarded under the Stock Option Plan.

Given the company's unsustainable remuneration policy, Newton voted against a member of the compensation committee, who was seeking re-election to the board.

Finally, 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 that may not be in shareholders' best interests.

Northrop Grumman Corp – AGM – 21st May 2008

Under section 162(m) of the US Internal Revenue Code, companies should seek shareholder re-approval for performance-based awards. In this instance, the company sought approval for a straight renewal of its Stock Plan. For a company of its size and maturity, Newton felt that the potential transfer of value away from the company's existing shareholders was excessive at 3% per annum. Votes were instructed against the renewal of the plan.

A shareholder requisitioned resolution requested that the company report on its foreign sales of weapons-related products and services. 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. Further, the company already discloses information on its foreign weapons sales programme and the regulatory compliance requirements for these sales. 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 Corporation – AGM – 2nd May 2008

Newton instructed votes against the five members of the compensation committee, seeking re-election to the board. Despite certain revisions being made to the company's remuneration structure, Newton retained concerns relating to the setting of appropriate performance conditions that govern the vesting of long-term remuneration awards. Historically, substantial long-term share-based awards have vested at their maximum level, while company performance has no more than met expectations. In addition, non-executive directors participate in these long-term remuneration arrangements and full vesting occurs in the event of retirement or on change of control.

By way of a shareholder proposed resolution, it was requested that the company adopt a policy relating to the appointment of compensation consultants. The policy should state that any compensation consultant used to advise the compensation committee should not be retained to provide any other services to the company or its affiliates. Votes were instructed against this resolution due to the company's existing policy, relating to the appointment of such advisors, already covering and going beyond the proponent's request.

A shareholder requisitioned resolution requested that the company prepare a report which discusses the effectiveness of its efforts to minimise the impacts of climate change and how its actions will reduce impacts in the future. In effect, the proponent was questioning the company's rationale for implementing its climate change strategy. Newton instructed votes against the resolution. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for ConocoPhillips.

Oilexco Incorporated – AGM – 7th May 2008

No performance conditions govern the vesting of long-term remuneration awards made under the company's Stock Option Plan. This, coupled with excessive dilution of shareholder value at 2.2% per annum, was considered sufficiently against shareholders interests to warrant votes being instructed against the plan. Newton also instructed votes against two members of the compensation committee, who were seeking re-election to the board.

Onex Corp – AGM – 8th May 2008

It was proposed that the company's By-laws be amended so that, at the meetings of directors the chairman has the casting vote in the event of a tie. Given that the company's chairman also held the position of CEO, Newton instructed votes against this proposed amendment.

Oxford Biomedica PLC – AGM – 9th May 2008

During the year, executive directors received a significant one-off transaction bonus. Newton considers transaction bonuses to be unnecessary. A well-structured remuneration policy should negate the need for such arrangements and should reward executives for the creation of long-term shareholder value. Votes were instructed against the remuneration report and against two members of the remuneration committee, who were seeking re-election to the board.

A further resolution was voted against. This sought to dis-apply existing shareholders' pre-emption rights. It was proposed that the company be given the authority to issue new shares, equivalent to 10% of its issued share capital. Newton believed the potential destruction of existing shareholder value to be excessive.

Parkway Holdings Ltd – AGM – 25th Apr 2008

Newton's concerns over the potential for existing shareholders' value to be unnecessarily diluted led to votes being instructed against two resolutions. Both resolutions related to the issuing of new shares in the company. The first of these resolutions requested shareholder approval for their pre-emption rights to be dis-applied in the event of the company issuing new shares up to 20% of its issued share capital. The second resolution requested approval for 15% of the company's issued share capital to be used for making awards under the company's share option scheme. Newton did not consider the share option scheme to be sufficiently well-structured to warrant the potential dilution to existing shareholders' value.

In addition, during the year, the company announced a steep discounted rights issue. Newton was concerned that the rights issue would be underwritten by the company's largest shareholder and that a higher than average fee would be paid to this shareholder. Given that the rights issue would be steeply discounted, it could be reasonably expected that a majority of shareholders would take-up their rights, leaving the underwriter with minimal exposure. For such a rights issue, Newton would expect the company's largest shareholders to support the company by underwriting the rights issue at no fee.

Given that Newton did not consider that the company's directors to be acting independently and for the benefit of all existing shareholders, Newton instructed votes against three non-executive directors and the board's chairman, who were seeking re-election to the board.

Parkwood Holdings PLC – AGM – 1st May 2008

The company requested shareholder authorisation to issue equity or equity-linked securities, whilst dis-applying existing shareholders' pre-emption rights. The level of issuance sought was 10% of the company's outstanding shares. In line with Newton's view on this method of raising capital, together with the guidelines from the Pre-emption Group, it was felt that, without any justification from the company, the level of issuance was excessive. Votes were instructed against this resolution.

The company failed to provide the necessary assurances relating to proposed amendments to its Articles of Association. Newton interpreted the amendments to mean that corporate representatives, appointed by shareholders to attend and exercise their voting rights at General Meetings, may not be able to properly represent the underlying shareholders. Newton voted against the resolution to amend the company's Articles of Association.

Partners Group Global Opportunities Ltd – AGM – 6th May 2008

Newton had a number of concerns relating to the company's board structure and the structure of its committees. These were exasperated by the expectation that the company would be seeking a listing on the UK's main stock exchange. Contrary to best practice, the company's non-independent chairman was also the chairman of the remuneration committee. Newton instructed votes against his re-election to the board. The re-election to the board of another member of the remuneration committee was also voted against. This nominee was a director and shareholder of the company's beneficial owner and its administrator.

In addition, the company sought shareholder approval to adopt new Articles of Association. Within these Articles, it was stated that shareholders would not be given the right to approve fees paid to the company's auditors and directors. Given that Newton considers it important for shareholders to be able to vote on such matters, support for this proposal was not given.

Pengrowth Energy Trust – AGM – 18th Jun 2008

Shareholder approval was sought for an amendment to the Trust's Indenture, which would remove the limit on authorised capital. No assurances were provided that related to how existing shareholders' value would be protected. Newton instructed votes against this resolution, which could allow for unlimited dilution of existing shareholders' value.

PepsiCo Inc – AGM – 7th May 2008

Several shareholders submitted a resolution requesting that the board review the efficacy of its container recycling programme and prepare a report on recycling strategy. The proponents requested that the report includes a publicly stated, quantitative goal for enhanced rates of beverage container recovery and recycling in the United States. Newton voted against the resolution. The company already produces a roadmap that includes policies to further develop sustainable packaging and recycling. The company has stated commitments to use a greater amount of recycled content in its containers and to reduce packaging. Further, Pepsico is a founding member of the Beverage Packaging Environmental Council which works to increase beverage container recycling rates. Another consideration is that recycling involves the cooperation of consumers and regulators. Therefore, Newton does not believe that it is the responsibility of one company to produce a report on recycling in the United States. A multi-faceted approach to recycling is needed, including educating the public, government partnership and enhancement of infrastructure as well as company commitment. Newton voted against the resolution.

A second shareholder requisitioned resolution requested that an independent committee review the company's policies and procedures for monitoring genetically engineered (GE) products. The report should include the potential for GE contamination to affect Pepsico's product integrity. The proponents also requested evidence of independent long-term safety testing of GE crops, organisms or products thereof, and contingency plans for removing GE ingredients from the company's products should circumstances require. Newton chose to vote against this resolution. Currently there is no scientific data to suggest that GE products cause significant long-term harm to humans and the environment. Additionally, there are government bodies tasked with determining the health and safety of GE products. Therefore, Newton did not feel that the generation of such a report would add value to shareholders.

Newton instructed votes against a further shareholder resolution. The proponent of the resolution requested that the Board of Directors create a comprehensive policy articulating the company's respect for and commitment to the human right to water. Though water is of significant importance to Pepsico's business, as well as to the communities in which it operates, Newton did not feel that the resolution warranted shareholder support. The company is involved in many initiatives which highlight its commitment to improve water access. Further, the company has developed corporate-wide goals to reduce water consumption allowing shareholders to evaluate the company's consideration and management of water-related risks and opportunities.

The final shareholder resolution which Newton instructed votes against, requested that the company prepare a report discussing the effectiveness of its efforts to minimise the impacts of climate change and how its actions will reduce impacts in the future. In effect, the proponent was questioning the company's rationale for

implementing its climate change strategy. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for ConocoPhillips.

PetroChina Co Ltd – AGM – 15th May 2008

The company sought to issue shares, equivalent to 20% of its share capital, whilst dis-applying existing shareholders pre-emption rights. Without a clear and justified explanation from the company, Newton considered this to be excessive. Votes were instructed against this resolution.

In addition, Newton voted against a resolution entitled "Other Business". Concern centred on the potential for matters to be raised and approved at the time of the AGM, which may not be in shareholders' best interests.

Pfizer Inc – AGM – 24th Apr 2008

Newton instructed votes against a resolution proposed by one of the company's shareholders. The proponent sought for the company to cease the use of share-based remuneration awards for its senior executives. In order for the company to remain competitive and to align the interests of senior executives with shareholders' interests, Newton believes that it is important for the company to be able to attract, retain and motivate the right people. It is considered that this is achieved, in part, by the award of well-structured long-term remuneration arrangements.

Pharmstandard OJSC – AGM – 27th Jun 2008

In the absence of any information from the company, Newton voted against four resolutions proposed at the company's AGM. These requested shareholder approval of a new company charter, regulations on management and two related-party transactions.

Phaunos Timber Fund Ltd – AGM – 23rd May 2008

An executive director of the Fund's administrator was seeking re-election to the board and to the audit committee. Newton believed that this individual's affiliation with the company could hinder the requirement for him to act independently. Votes were instructed against his re-election.

Premier Foods PLC – AGM – 16th May 2008

In contrast to best practice, discretionary bonuses were paid in connection with two acquisitions made by the company. Newton's concerns were exacerbated by the fact that one of the acquisitions had not, at the time of the AGM, resulted in enhanced shareholder value. Votes were instructed against the resolution seeking shareholder approval of the remuneration report.

Prospect Japan Fund Limited PLC – AGM – 22nd May 2008

In accordance with the company's Articles of Association, shareholders were asked to vote on the winding-up of the company. Given the expected prospects for the company, Newton supported management in its recommendation to vote against this resolution.

PT Astra Agro Lestari Tbk – AGM – 22nd May 2008

Votes were instructed against two resolutions. This was due to the company's failure to provide the necessary information required to make an informed decision. The resolutions requested shareholder approval of directors' and commissioners' remuneration and appointment of the auditors and to authorise the board to fix their remuneration.

PT Bumi Resources TBK – EGM – 12th Jun 2008

Shareholder authorisation was requested for the company to buy-back its own shares. It was proposed that the share buy-back programme be used to facilitate awards of share-based remuneration arrangements. Up to 5% of the company's issued share capital could be awarded under its Stock Option Program. The lack of detail surrounding the operation of the Stock Option Plan led to Newton instructing votes against this resolution for the company to buy-back its own shares.

PT Semen Gresik Tbk – AGM – 7th May 2008

Votes were instructed against two resolutions. This was due to the company's failure to provide any substantive information. The resolutions requested shareholder approval of directors' and commissioners' remuneration and approval of the auditors and to authorise the board to fix their remuneration.

Public Services Enterprise Group Inc – AGM – 15th Apr 2008

Three separate shareholders proposed separate resolutions at the company's AGM. Newton instructed votes against each of these resolutions. Newton believed that the proposals would be unnecessarily restrictive on the company and could act as a barrier to recruiting and retaining talented executive and non-executive directors.

The first resolution requested the company set certain limits on the various elements of executives' remuneration. The second sought shareholder approval for the company to adopt a policy whereby qualification as a director of the company would require being an owner of 5,000 shares in the company and for these shares to have been held for a minimum of 10 years. Finally, it was proposed, by way of the third shareholder-proposed resolution, that the board adopt a policy that would require two candidates being put forward for nomination to each available seat on the company's board.

Publicis Groupe – AGM – 3rd Jun 2008

Under French company law, executive directors' service contracts are considered to be related-party transactions, for which separate shareholder approval is required. In the event of certain executives' service contracts being severed, in excess of two year's remuneration may be made available. Newton considered this to be excessive and could be against shareholders' interests. Votes were instructed against five resolutions requesting shareholder approval of the related-party transactions.

Of the company's 15 non-executive directors, Newton only considered five to be independent. Therefore, votes were

instructed against the re-election of the three non-executive directors that Newton did not consider independent. One of the nominees was previously a member of the company's management board, whilst the remaining two would be representing a substantial shareholder of the company.

Votes were also instructed against the company's request to buy-back its own shares. Newton was perturbed by the company's ability to continue share buy-backs during a potential takeover period. A further anti-takeover mechanism was also voted against. If approved, the resolution would allow the company to use any outstanding capital authorisations in order to fend-off any public tender offer or share exchange offer.

Finally, the lack of information from the company led to Newton voting against a further resolution. Shareholder authority was sought for up to 5% of the company's issued share capital to be awarded by way of the company's long-term remuneration arrangement.

PuriCore PLC – AGM – 26th Jun 2008

In addition to annual fees, non-executive directors receive awards of share options and are retained on 12 month contracts. Newton believes that such arrangements compromise the requirement for non-executive directors to exercise independent oversight and judgement over the company. Votes were instructed against three non-executive directors, who were seeking re-election to the board. Two were members of the remuneration committee and one was a member of the audit committee. In addition, the resolution seeking shareholder approval of the remuneration report was also voted against.

Finally, no rationale was provided by the company for its intention to issue 10% of its issued share capital, whilst dis-applying existing shareholders' pre-emption rights. Without any assurance relating to the intended use of such an issuance of shares, Newton instructed votes against the resolution seeking shareholder authority to issue these shares.

Quester VCT PLC – AGM – 18th Jun 2008

The company proposed to increase the number of its shares in issue by 10%, whilst 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.

Quester VCT 5 PLC – AGM – 17th Jun 2008

For Quester VCT 5, Newton declared a conflict of interest and outsourced the voting recommendation to an independent third party, the Risk Metrics Group. This led to two resolutions being voted against, which sought to issue additional shares in the company.

Reckitt Benckiser PLC – AGM – 1st May 2008

In Newton's view, the potentially substantial reward from the company's long-term remuneration arrangements is not commensurate with the low performance targets required to

be achieved for vesting to occur. Votes were instructed against the resolutions seeking shareholder approval of the remuneration report and against two members of the remuneration committee, who were seeking re-election to the board.

Rentokil Initial PLC – AGM – 14th May 2008

The company sought to establish a new Share Incentive Plan. Newton was not comfortable with a number of the plan's features. These included the use of absolute share price as a performance target; the ability for performance conditions to be re-tested; and the potential for the plan to provide rewards for a temporary improvement in share price performance. Newton voted against the proposed plan, against the remuneration report and against a member of the remuneration committee, who was seeking re-election to the board.

Rexam PLC – AGM – 1st May 2008

In relation to the changes to the company's remuneration policy, Newton considered that the explanations provided by the company were insufficient. During the year, the potential maximum annual bonus awards were increased and the vesting schedule under the Long-Term Incentive Plan would provide greater reward for achieving mediocre performance. Newton instructed votes against the company's remuneration report.

Reynolds America Inc – AGM – 6th May 2008

A shareholder resolution requested that Reynolds adopt principles for health care reform based on those drafted by the Institute of Medicine (IOM). Newton instructed votes against this resolution. The resolution was raised at a number of meetings during the quarter. For Newton's voting rationale, please see comments included in the commentary for Altria.

Royal Dutch Shell A PLC – AGM – 20th May 2008

During the year, the remuneration committee allowed awards under the Long-Term Incentive Plan (LTIP) to vest despite the company failing to achieve the stated Total Shareholder Return performance threshold. In addition, shareholders were asked to approve an increase in the size of LTIP awards. The award level would be increased by up to three times an individuals' base salary but performance conditions would not be amended to reflect the enhanced award. Finally, shareholders were asked to approve the company's proposal to allow executive directors to participate in the Restricted Share Plan. Newton retained concerns that the vesting of awards under this plan would be wholly at the discretion of the remuneration committee.

Newton instructed votes against the proposed amendments to the Restricted Share Plan, the Long-Term Incentive Plan, the remuneration report and against a member of the remuneration committee, who was seeking re-election to the board.

Schneider Electric SA – AGM – 21st Apr 2008

At the AGM of Schneider Electric, Newton declared a conflict of interest and outsourced the voting recommendation to an independent third party, the Risk Metrics Group. The company's

By Laws state that, should employees control in excess of 3% of the company's shares, an employee shareholder representative must be elected to the supervisory board. A total of six candidates were proposed as employee shareholder representatives, from whom shareholders were required to elect just one. This led to votes being instructed against five of these candidates.

Schroders PLC – AGM – 24th Apr 2008

Newton instructed votes against the resolution seeking shareholder approval of the company's remuneration report. The re-elections of two non-executive directors, who were members of the remuneration committee, were also voted against. This was due to awards under the Equity Compensation Plan being increased at the point of vesting without additional performance conditions being required to be achieved. Also, the CEO's service contract was considered excessive given that, should this be terminated, he would receive a one-off payment equal to the average of his past three-year's salary, bonus and Equity Compensation Plan awards.

In addition, Newton held concerns over the lack of independent non-executive directors on the company's board. Only five of the 12 board members were considered independent. This led to votes being instructed against the re-election of two long-standing non-executive directors, who had been board members for 45 and 31 years.

Seabridge Gold Inc – AGM – 18th Jun 2008

A resolution was proposed that sought shareholder approval to reserve additional shares for making awards under the company's Stock Option Plan. Newton instructed votes against this proposal on the basis that no vesting time-frame had been disclosed and awards vest at the discretion of the remuneration committee. Votes were also instructed against the chair of the remuneration committee, who was seeking re-election, to the board, and was not considered independent due to his role as a technical advisor to the company.

Newton also voted against a resolution entitled "Other Business". This was a request to allow the board and shareholders to raise other issues at the AGM. While such requests are often 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. Until further information and assurances can be provided, Newton will continue to vote against resolutions seeking approval of "other business"

Sino Gold Mining Ltd – AGM – 27th May 2008

Newton was concerned that no performance hurdles would govern the vesting of awards made under the company's Executive Option Plan. This led to votes being instructed against a total of five resolutions. The remuneration report and a member of the remuneration committee, who was seeking re-election to the board, were voted against. The proposed individual awards to three executive directors were also voted against.

Sistema JSFC – AGM – 28th Jun 2008

Newton instructed votes against the appointment to the board of three non-executive directors. The nominees were not considered independent given that each had either served as executive directors of the company or as executive directors at one of its subsidiaries.

Société Générale – AGM – 27th May 2008

The potentially excessive dilution to shareholder value, together with the lack of performance hurdles governing the vesting of long-term remuneration awards, meant that Newton instructed votes against four separate remuneration-related resolutions. These resolutions sought for the re-election to the board of two members of the remuneration committee, approval of stock option grants and authorisation for 2% of the company's issued share capital to be awarded under the Restricted Stock Plan.

A further three resolutions were also voted against. These were proposals for the company to alter its capital structure, which could have been used as anti-takeover devices. Generally, Newton is against the use of anti-takeover mechanisms. It is believed that they can result in the entrenchment of management.

Southern Company – AGM – 28th May 2008

A shareholder submitted a resolution requesting the company report to shareholders on the actions that it would need to take to reduce carbon emissions using current and emerging technology. Newton noted that the company had already taken a number of steps to decrease its emissions. Additionally, it disclosed a significant amount of information regarding efforts to reduce emissions. Further, the company had made information on its climate change policies and initiatives publicly available. Therefore Newton did not feel that the resolution warranted shareholder support.

Sterling Energy PLC – AGM – 6th Jun 2008

Newton did not consider a non-executive director, who was seeking re-election to the board, to be sufficiently independent to warrant being chairman of the audit committee and member of the remuneration committee. Newton also considered it inappropriate for such a person to receive share-based remuneration awards. Newton voted against the resolution for his re-election.

Suez SA – AGM – 6th May 2008

Of the three members of the remuneration and audit committees, only one member of each committee was considered to be independent. This lack of independence also extended to the company's main board, where only three of the thirteen directors were considered independent. In an effort to improve the independence, Newton instructed votes against the re-election of five affiliated non-executive directors.

In addition, the company requested shareholder approval to issue up to 19% 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 voted against this resolution.

Svenska Handelsbanken – AGM – 23rd Apr 2008

Newton disapproves of the bundling of resolutions. This is especially the case for the election of directors, where it is preferred that each nominee receive individual support from the company's shareholders. The company bundled the election of directors into a single resolution. Given that Newton also felt the board lacked sufficient independence, votes were instructed against this resolution.

A shareholder-proposed resolution was also voted against. The proponent requested shareholder approval for the company to donate SEK100m to the municipality of Landskrona. The donation would be used to tackle social issues in the area. Newton believed that tackling a municipality's social issues should be the priority for local authorities and donations, if any, from the company should be made at management's discretion after assessing the appropriateness of using shareholders' funds in this way.

Teck Cominco Ltd – AGM – 23rd Apr 2008

The company bundled together the election of board directors into a single resolution. Due to concerns over the independence of the nominated lead independent director, Newton instructed votes against this resolution.

In another resolution, which Newton also voted against, the company sought shareholder approval to adopt a new By Law. If approved, the By Law would provide the company's chairman with a casting vote in the event of a tied board meeting or general meeting. Newton felt uncomfortable in providing this authority to the company's chairman. He had been a board member for 45 years, which included 20 years as the company's CEO.

Tesco PLC – AGM – 27th Jun 2008

At its AGM in 2007, the company proposed a substantial one-off remuneration arrangement intended to reward participants for growth in the company's US business. Under the one-off arrangement, Newton considered that the performance conditions were not sufficiently challenging to warrant the proposed level of awards and that the "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.

At the time of Tesco's AGM this year, Newton's concerns over the company's remuneration structure remained. Votes were instructed against the resolutions seeking shareholder approval of the remuneration report and the appointment of four non-executive directors, who were members of the remuneration committee.

Please refer to the SRI activity log for detail relating to Newton instructing votes in favour of the shareholder proposed resolution

at the company's AGM. This resolution was in connection with Tesco's policy on the rearing of the chickens it sells.

Texas Instruments Inc – AGM – 17th Apr 2008

A shareholder-requisitioned resolution requested that, to qualify for nomination, board candidates must meet certain requirements. Each nominee must have an investment of at least US\$3m in the company's shares or represent an investor that controls more than five million of the company's voting rights. Newton voted against this resolution. It was considered that, in adopting such a policy, the company would unnecessarily limit its pool of potential talent for directors.

Thales – AGM – 15th May 2008

Of the 17 board members, Newton considered only two to be independent. This lack of independent representation of shareholders' interests led to Newton instructing votes against the re-election, to the board, of five non-executive directors. Their associations included being a former CEO of the company, representing the government and representing significant shareholders.

Newton was concerned with certain aspects of the company's long-term remuneration arrangements for its executive directors. The two key concerns were the lack of performance hurdles governing the vesting of long-term remuneration awards and potentially excessive dilution to shareholder value. Votes were instructed against the proposed grants under the company's Stock Option Plan.

Finally, two resolutions, if approved, would allow shareholders rights to be dis-applied in the event of the company issuing new shares. Newton considered that, without justification from the company, the level of dis-application sought was excessive at 45% of the company's issued share capital.

Tomkins PLC – AGM – 1st May 2008

Newton's concerns over the operation of the company's annual bonus arrangements led to votes being instructed against the resolution seeking shareholder approval of the remuneration report. The absence of a threshold, below which bonuses are not paid, provides for opportunities to reward underperformance.

Toronto Dominion Bank – AGM – 3rd Apr 2008

Newton instructed votes against a total of ten shareholder-requisitioned resolutions. Seven of these resolutions were proposed by the MEDAC (the shareholder education and advocacy movement) and three resolutions were proposed by a single shareholder (J Robert Verdun). Newton's rationale for instructing votes against eight of the ten resolutions was due to the company either having policies and practices already in place that, Newton felt, adequately addressed the proponent's concern or Newton felt that the resolution related to operational matters that would be best left to the discretion of the board. These resolutions are highlighted in the table below.

The concern is already addressed	Should be at board's discretion
Executives' compensation should be linked to average wages, costs and financial performance.	Provide payment into the employee pension fund in the event of a merger or acquisition.
Disclose participation in hedge funds and high risk mortgage loans.	Half the board members should be female.
Amend the nominating committee's director election criteria.	Cease awards of share options to executives and directors.
Ensure remuneration structure complies with the regulations of the Ontario Securities Commission.	Direct the largest part of senior executives' compensation to charitable funds.

The further two resolutions, that Newton voted against, sought for the company to discriminate between long-term and short-term shareholders. It was proposed that long-term shareholders receive an increased dividend and greater voting rights than short-term shareholders. Newton felt that adopting such a policy could act against the proponent's desire to create long-term shareholder value, given that the proposal could discourage potential long-term investors from investing in the first instance and encourage the entrenchment of management by way of effecting an anti-takeover mechanism.

Total SA – AGM – 16th May 2008

Under French company law, executive directors' service contracts are considered to be related-party transactions that require separate shareholder approval. In the event of the CEO's contract being terminated he could be compensated with up to three year's remuneration. Newton considered this to be excessive and instructed votes against the resolution seeking shareholder acceptance of this related-party transaction.

It was proposed that shareholders approve the issuance of shares equivalent to 14.6% of the company's outstanding share capital. The method of issuance would not respect existing shareholders' pre-emption rights. No adequate justification was provided as to why the company's existing shareholders should accept this potential destruction of their value. Votes were instructed against this resolution.

Based on the number of outside directorships, a shareholder proposed that one of the company's non-executive directors be dismissed. Newton did not consider this director's roles on six other companies' boards was adequate justification to dismiss him from Total's board. Newton noted that the director in question had an attendance record in excess of 90% at Total's board meetings. Votes were instructed against this resolution.

Finally, Newton agreed with the shareholder-proposed resolution for the adoption of an all employee restricted stock plan. However, votes were instructed against its approval due to no substantive details being provided by the proponent.

Transatlantic Holdings Inc – AGM – 22nd May 2008

Newton instructed votes against the re-election, to the board, of two non-executive directors. The two nominees, who were members of the remuneration committee, held positions as the CEO and CFO of the company that controlled a majority of Transatlantic's shares. Newton did not consider the nominees to be sufficiently independent to warrant membership of the remuneration committee.

Trident Microsystems Inc – EGM – 16th May 2008

A single resolution was proposed that sought shareholder approval of amendments to the company's Equity Incentive Plan (EIP). The proposed amendment could result in 20% dilution to shareholder value from EIP awards. This was considered excessive and added to Newton's concern relating to the discretion afforded to the compensation committee in its ability to accelerate the vesting of EIP awards. On average, over the past three years, the company had made annual awards under the EIP equal to 2.8% of the company's issued share capital. Votes were instructed against this resolution.

United Overseas Bank Ltd – AGM – 30th Apr 2008

Two resolutions, connected with the restructuring of the company's capital, were voted against. The first requested shareholder approval to dis-apply existing shareholders' pre-emption rights equivalent to 20% of the company's issued share capital. The second resolution provided no detail on a proposal to allot and issue preference shares.

United Technologies Corp – AGM – 9th Apr 2008

A group of shareholders submitted a resolution requesting the company report to shareholders on the promises it had made to governments or firms as part of foreign military sales. Newton noted that the company already discloses some information on company policies related to export control compliance, government contract bidding and financial information on military related programmes through public filings. Additionally, the company's sales of military equipment are closely monitored by US federal government agencies. Further, detailed disclosure of the company's foreign military sales strategies may negatively impact the company by providing insight to industry competitors. Therefore, votes were instructed against the resolution.

Veolia Environnement – AGM – May 2007

Shareholders were asked to approve a special auditor's report regarding a related-party transaction. This was for a contract between Veolia Environnement and a company, which is chaired by one of Veolia's non-executive directors. Given that such a transaction could impede on the non-executive director's independent judgement, Newton voted against this resolution.

By way of three resolutions, the company sought shareholder approval to issue additional shares in the company. The proposal would provide an opportunity for the company to issue up to 15% of its share capital, whilst dis-applying existing shareholders' pre-

emption rights. 15% dilution of shareholders' value was felt to be excessive where no commitment or comfort was provided relating to the company's intended use of any capital raised. Newton instructed votes against all three resolutions.

The company did not provide sufficient detail relating to its long-term remuneration arrangements. This led to votes being instructed against the resolution seeking shareholder approval for awards of stock options.

Newton did not consider that the company's proposed takeover defence to be in the best interests of enhancing shareholders' value and instructed votes against its approval.

Verigy Ltd – AGM – 15th Apr 2008

The inclusion of non-executive directors as participants in the Equity Incentive Plan led to Newton instructing votes against the proposed amendments to the remuneration scheme. In addition, the resolution caused concern given that potential dilution to shareholder value from the plan could be as much as 17.2%.

Votes were also instructed against another resolution. If approved, the company would be given the authority to issue up to 20% of its issued share capital, whilst dis-applying existing shareholders' pre-emption rights. The absence of any rationale from the company as to why shareholders should accept such a level of dilution, meant that Newton considered the potential destruction of existing shareholders value to be excessive.

Versant Corporation – AGM – 24th Apr 2008

The company requested shareholder approval to reserve additional shares for making awards under its Non-Employee Director Stock Option Plan. Newton is fundamentally against the award of share options to non-executive directors. Newton believes that being in receipt of such awards can conflict with the requirement for exercising independent judgement.

Votes were also instructed against three members of the audit committee, who were seeking re-election to the board. Newton considered that, by being in receipt of share-options, they were not suitably independent to warrant such positions.

Vinci – AGM – 15th May 2008

In contrast to the French code of corporate governance best practice, independent directors did not comprise at least 50% of the board members. Newton instructed votes against the election of seven non-executive directors, who Newton did not consider to be independent.

Due to the absence of sufficient information, Newton instructed votes against a further resolution. This resolution sought shareholder authorisation for up to 1% of the company's issued share capital for making awards under its Restricted Share Plan. Newton assumed that the authority would facilitate one year's awards, only.

Wal-Mart Stores INV – AGM – 6th Jun 2008

A proponent submitted a resolution requesting that the company amend its written Equal Employment Opportunity (EEO) policy to prohibit discrimination based on sexual orientation and gender identity. 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. In this case, Newton noted that Wal-Mart's current EEO statement explicitly states that it will not tolerate discrimination in employment on the basis of sexual orientation and that sexual orientation status should not be a factor in hiring, evaluation, promotion, compensation or other employment-related decisions. Therefore, Newton did not feel that the resolution warranted shareholder support.

A group of shareholders submitted a resolution requesting that the company amend its bylaws to establish a board committee on human rights. Newton voted against the resolution as it felt the prescriptive nature of the resolution was inappropriate. Newton believes that decisions over how to address key operational initiatives are best left to the discretion of management as long as those decisions reflect best practice and are in the best interests of shareholders. Further, Newton noted that Wal-Mart is already taking significant measures to responsibly manage human rights matters that could potentially impact the company. For example, Wal-Mart has developed a programme titled "Standards for Suppliers" and verifies compliance with the required standards. Therefore, Newton did not believe that the requested binding bylaw changes were necessary.

Certain Wal-Mart shareholders submitted a resolution requesting that the company issue a report on the negative social and reputational impacts of reported and known cases of management non-compliance with International Labour Organisation (ILO) conventions and standards on workers' rights. The proponent of the resolution also requested that information on the company's related legal and regulatory controls be included in the report. 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. Therefore, Newton instructed votes against the resolution.

Weir Group PLC – AGM – 7th May 2008

The company proposed a substantial one-off award of shares to its CEO. Whilst Newton appreciated that vesting would be subject to the achievement of pre-determined performance conditions, the proposed performance conditions were not considered appropriate. Moreover, Newton considered that the company's rationale for introducing a one-off award lacked substance.

Votes were instructed against the one-off share award to the CEO

and against two members of the remuneration committee, who were seeking re-election to the board.

Wells Fargo and Company – AGM – 29th Apr 2008

The resolutions pertaining to the re-election, to the board, of four non-executive directors were voted against. Each of these nominees were related, by way of sister or father, to employees at the company's subsidiaries and had been board members for 14, 15 & 16 years, respectively. Newton considered their independence to be sufficiently compromised for it to be inappropriate for them to maintain their positions on the audit or remuneration committees.

Shareholders submitted a resolution requesting the company report to shareholders on how its investment policies address or could address human rights. The supporters of the resolution are concerned that companies in which Wells Fargo may be invested, including its subsidiaries and affiliates, could be contributing to human rights violations through business operations in Sudan. Newton noted that Wells Fargo does not directly operate in Sudan. US federal law currently prohibits companies from undertaking business in Sudan or from financing the business operations of clients in the country. Newton recognises that investing in countries with human rights concerns creates a moral quandary. However, companies with strong corporate social responsibility policies and practices can often do more good than bad when operating in a country that does not have a well-developed regulatory framework, particularly in the areas of human rights and environmental standards. Newton felt that adopting policies which may require divestment from indirect investments is not necessarily the best option for managing risks associated with investing in troubled countries. Therefore, Newton instructed votes against the resolution.

A shareholder resolution was submitted 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.

A 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 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.

Willis Group Holdings Ltd – AGM – 23rd Apr 2008

A proposal was put to shareholders seeking their approval for the adoption of a new Share Purchase and Option Plan. Newton's disapproval of the plan was based on the company's over-zealous use of the company's shares in the granting of share-based remuneration awards. On average, over the past three years, 2.8% of the company's share capital had been awarded, annually, by way of share-based remuneration awards. Newton voted against the proposed plan and against two members of the remuneration committee, who were seeking re-election to the board.

Wyeth – AGM – 24th Apr 2008

The company proposed a new Non-Employee Director Restricted Stock Plan and sought shareholder approval for additional shares to be awarded under its Stock Incentive Plan. Whilst the proposed awards to non-executive directors were considered inappropriate, Newton was mainly concerned with the dilution experienced by the company's existing shareholders. Over the past three years, c.2% of the company's share capital has been awarded, annually, under the remuneration arrangements. This was thought to be unsustainable and irresponsible use of shareholders funds. Votes were instructed against the two proposed remuneration arrangements and against three members of the remuneration committee, who were seeking re-election to the board.

Xemplar Energy Corp – AGM – 2nd Jun 2008

Newton instructed votes against the re-election of an executive director, who was a member of the audit committee. Due to their lack of independence, Newton believes executive directors should not sit on a company's audit committee.

Two remuneration-related resolutions were voted against. If approved, these resolutions would facilitate the continuation of the company's share option plan. It was proposed that in excess of 10% of the company's issued share capital be used to facilitate awards and, should share options become underwater (i.e. the share price falls beneath the level of the option price), the compensation committee would be able to re-price these awards.

Finally, 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. Votes were instructed against this resolution.

Xpertise Group PLC – AGM – 16th Apr 2008

Newton was concerned by the lack of independent directors on the company's board. Only one of the five board members was considered independent. However, given that he was a member of the remuneration committee and that share option awards are not subject to achieving performance hurdles, Newton doubted his effectiveness. Given concerns over board independence and the remuneration policy, votes were instructed against three resolutions. These were the resolutions seeking shareholder

acceptance of the financial statements, approval of the remuneration report and re-election to the board of the non-executive director.

Votes were instructed against a further two resolutions, which related to the issuance of additional shares in the company. If approved, one of these resolutions would allow the company to issue shares representing up to 20% of its existing share capital, whilst dis-applying shareholder's pre-emption rights. It was also proposed, in the second of these resolutions, that shareholders' pre-emption rights be respected in the issuance of shares representing up to 100% of the company's share capital. Without adequate justification from the company, Newton felt that the proposals to be excessive.

Finally, the company failed to provide the necessary assurances relating to proposed amendments to its Articles of Association. Newton interpreted the amendments to mean that corporate representatives, appointed by shareholders to attend and exercise their voting rights at General Meetings, may not be able to properly represent the underlying shareholders. Newton voted against the resolution to amend the company's Articles of Association.

Xstrata PLC – AGM – 6th May 2008

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 a member of the remuneration committee, who was seeking re-election to the board.

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.

The award of retirement bonuses or compensation in substitution of such bonuses was proposed for shareholder approval. In this instance, 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) Adoption of a 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.

(d) Appointment of non-independent non-executive directors

The appointment of non-independent non-executive directors is common practice at Japanese companies. Typical types of affiliation include the appointment of cross-shareholder representatives, executive directors of business partners (including lawyers and auditors) and previous executive directors of the company. Newton voted against the appointment of non-executive directors, who were not considered to be independent.

The following companies, at their AGMs, included resolutions relating to the categories shown above.

	Company	Date
(b)	Acom Co Ltd	20th Jun 2008
(d) x8	Aozora Bank Ltd	26th Jun 2008
(a), (b)	Bank of Yokohama Ltd	24th Jun 2008
(b)	Honda motor Co Ltd	24th Jun 2008
(d) x3	Ibiden Co Ltd	24th Jun 2008
(a) x2	KDDI Corporation	19th Jun 2008
(a) x2, (d)	Mitsubishi Estate Co Ltd	27th Jun 2008
(a)	NEC Electronics Corp	26th Jun 2008
(a), (c)	Nippon Express Co Ltd	27th Jun 2008
(d) x2	Nomura Holdings	26th Jun 2008
(c)	Parco Co Ltd	24th May 2008
(d)	Resona Holdings Inc	26th Jun 2008
(c)	Sawai Pharmaceutical Co Ltd	24th Jun 2008
(a), (c), (d)	Shin-Etsu Chemical Co Ltd	27th Jun 2008
(a) x2, (d)	Takasago International Corp	27th Jun 2008
(c)	Terumo Corp	27th Jun 2008
(a), (b), (c)	Tokyo Land Corp	26th Jun 2008
(b)	Toyota Motor Corp	24th Jun 2008
(a)	Uni-Charm Corp	25th Jun 2008

East Japan Railway Co – AGM – 24th Jun 2008

Shareholders submitted a resolution requesting amendments to the company's labour policies. The suggested changes are specifically targeted to benefit workers who were employees of the Japan National Rail (JNR) system and who were not given positions at any of the companies created when JNR was broken up and privatized in the 1980's. Newton voted against the resolution. Newton does not believe that the current company should take entire responsibility for legacy issues inherited pre-privatisation.

By way of a shareholder proposed resolution, it was requested that the company's Articles of Association be amended such that separate shareholder approval be required for the appointment of senior advisors and the compensation that they are paid. Newton did not consider shareholders to be best placed to exercise such judgement on the appointment of the company's advisors.

Further shareholder proposals sought removal of five of the boards existing directors and for the appointment of five of their own nominees. The proponents sited concerns relating to the company's labour policies. Newton did not consider support was appropriate given that the proponents concerns were not founded and it was felt that the proposed nominees would not add to shareholders' value.

By way of a shareholder-proposed resolution, a 10% reduction in directors' compensation was sought. It was not made clear whether the proponent sought a 10% reduction in the aggregate compensation level or a 10% reduction in each individuals' compensation. Given this ambiguity and a lack of rationale provided by the proponents, Newton instructed votes against this resolution.

Newton also instructed votes against the last two shareholder-proposed resolutions. These requested that the company create and fund two separate reserve accounts from carried forward earnings. The first account should be credited with ¥30bn and used for the re-employment of 1,047 employees made redundant following the privatisation of the company in 1987. It was proposed that the second account be credited with ¥20bn to provide for the consolidation of local railways threatened with closure. Newton did not consider either of these proposals to be in shareholders best interests and instructed votes against their approval.

Matsui Securities – AGM – 22nd Jun 2008

Under the old Commercial Code in Japan, shareholder-requisitioned resolutions at a company's General Meeting were limited to 400 characters (kanji characters or their equivalent). However, this limit was not included in subsequent company Law. The company sought shareholder approval to amend its Articles of Association to re-introduce this 400-character limit on shareholder-proposed resolutions. Newton considered that, in applying such a limit, shareholder proponents could be unduly restricted in the rationale for their proposals. Votes were instructed against this resolution.

TDK Corp – AGM – 27th Jun 2008

Shareholder approval was sought for a new nil-cost share option plan. Given that the intended recipients of such awards would be the company's executive officers, Newton expected awards to vest only after pre-determined performance conditions had been achieved. The company did not disclose the performance conditions, if any, that would be required for the vesting of the proposed nil-cost share option awards. Votes were instructed against the resolution seeking shareholder approval of the Stock Option Plan.

Toshiba Corp – AGM – 25th Jun 2008

A shareholder and former employee of the company proposed a total of 19 separate resolutions. 13 resolutions sought for the individual re-election of the company's former executives directors. The proponent's objective was to re-appoint those individuals who were board members during a successful legal case against the company in 1994-95. Newton did not consider the re-election of these directors to be the appropriate method of addressing the proponent's concern.

For the remaining six shareholder-requisitioned resolutions, Newton was convinced that the company had dealt with the proponent's concerns or that the historical information requested would not be meaningful to shareholders.

“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 not in shareholders' best interests to warrant instructing votes against.

Advanced Info Services PCL – AGM – 10th Apr 2008

Bangkok Bank Public Co Ltd – AGM – 11th Apr 2008

Bangkok Expressway PCL – AGM – 18th Apr 2008

Bank of Ayudhya PCL – AGM – 9th Apr 2008

Banpu PCL – AGM – 4th Apr 2008

Boston Scientific Corp – AGM – 6th May 2008

CMR Fuel Cells PLC – AGM – 1st May 2008

First Gen Corp – AGM – 14th May 2008

NetSuite Inc – AGM – 29th May 2008

Phatra Securities Public Co Ltd – AGM – 23rd Apr 2008

PTT PLC – AGM – 11th Apr 2008

Singapore Post Ltd – AGM – 30th Jun 2008

Vina Concha y Toro SA – AGM – 24th Apr 2008

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”.

Dis-application of Pre-emption Rights

At the meetings listed in the table below, Newton voted against resolutions seeking shareholder authority to issue new shares. This reflected either the dis-application of pre-emption rights or excessive level of issue, unaccompanied by sufficient explanation. The guidance from The Pre-emption Group suggests that a company should provide justification to shareholders should it wish to dis-apply pre-emption rights above 5% of its issued share capital.

Company	Meeting type	Date	Issue without pre-emption rights	Issue with pre-emption rights
Andersons Inc	AGM	9th May 2008	315%	
Ashley (Laura) PLC	AGM	2nd Jun 2008	10%	
Belle International Holdings Ltd	AGM	15th Apr 2008	30%	
Block Shield Corporation PLC	EGM	9th Jun 2008	89%	89%
Celesio AG	AGM	30th Apr 2008	10%	
Cheung Kong Holdings Ltd	AGM	22nd May 2008	30%	
China Insurance International Holdings Co Ltd	AGM	15th May 2008	30%	
China Mobile (Hong Kong) Ltd	AGM	8th May 2008	30%	
China Properties Group Ltd	AGM	20th May 2008	30%	
China Unicom Ltd	AGM	16th May 2008	30%	
CNOOC Ltd	AGM	29th May 2008	30%	
Dawnay Day Treveria PLC	AGM	27th May 2008	100%	
DBS Group Holdings Ltd	AGM	2nd Apr 2008	20%	
Deutsche Wohnen AG	AGM	17th Jun 2008	60%	
Drillisch AG	AGM	30th May 2008	50%	
Genting International PCL	AGM	25th Apr 2008	20%	
Hengan International Group Co Ltd	AGM	13th May 2008	30%	
Hill Station PLC	AGM	17th Jun 2008	34.4	34.4
Hopson Development Holdings	AGM	16th Jun 2008	30%	
Humberts Group PLC	AGM	25th Apr 2008	10%	141%
Humberts Group PLC	EGM	14th May 2008	197%	382%
Indofood Agri Resources Ltd	AGM	28th Apr 2008	20%	
K+S AG	AGM	14th May 2008	10%	
Keppel Corp Ltd	AGM	25th Apr 2008	20%	
Kingdee International Software Group Co Ltd	AGM	8th May 2008	30%	
MDY Healthcare PLC	AGM	29th Apr 2008	33%	
Melco International Development Ltd	AGM	9th May 2008	30%	
Mondi Ltd	AGM	7th May 2008	15%	
Noble AIM VCT PLC	AGM	24th Jun 2008	33%	
Northern Petroleum PLC	AGM	30th Jun 2008	25%	50%
Phynova Group PLC	AGM	30th Apr 2008	412%	412%
Ports Design Ltd	AGM	21st May 2008	30%	
Quester VCT 4 PLC	AGM	20th Jun 2008	10%	
Raffles Medical Group	AGM	28th Apr 2008	20%	
Shimao Property Holdings Ltd	AGM	23rd Jun 2008	30%	
Singapore Technologies Engineering	AGM	25th Apr 2008	20%	
Swire Pacific Ltd	AGM	8th May 2008	20%	
Thames River Multi Hedge PCC Limited	EGM	22nd May 2008	Unlimited	577%
Times Ltd	AGM	20th May 2008	30%	
Travelzest PLC	AGM	30th Apr 2008	30%	343%
Xing AG	AGM	21st May 2008	13%	

Examples of engagement – Q2 2008

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 all engagement activity.

UK Support Services company – April 2008

Engagement subject: Board succession

Contact: Corporate Broker

Following the resignation of the board's senior independent non-executive director, the company sought Newton's views relating to three potential candidates, who had been identified as potential successors. Newton appreciated the opportunity to provide comments on the three candidates, who were all considered to be adequately qualified for the role of senior independent director. However, Newton did explain its preference for one of the three candidates, due to his previous positions as the Finance Director of two listed companies.

UK Industrial Engineering company – April 2008

Engagement subject: Borrowing powers

Contact: Company Secretary

The company sought to amend its Articles of Association. Within the amendments was a proposal for the company to remove its borrowing limit. Whilst it was stated in the company's circular that it did not intend to take on additional debt, Newton contacted the company to gain a better understanding of the rationale behind the proposal. The proposal was a direct result of legal advice received from the company's appointed law firm. The company re-iterated that it had no intention of increasing its debt exposure and that its cautious stance towards debt and its positive cash flow situation would be unlikely to change. Newton explained its apprehensions relating to company's proposal to remove its stated borrowing limit. Following this discussion, the company retracted the proposed amendment to its Articles of Association that would see its borrowing limit removed and stated, further, that the borrowing limit, stipulated in its existing Articles, would be retained.

UK Bank – April 2008

Engagement subject: General corporate governance matters

Contacts: Chairman

Company Secretary

A general update was provided by the company pertaining to its operational activities and its corporate governance structure. Newton took the opportunity to question the chairman over the company's approach to executive remuneration. Newton appreciated the company's honesty, when describing its remuneration philosophy, and took comfort in the company's stated approach to ensuring the right remuneration structure was in place to incentivise the creation of long-term shareholder value.

UK Telecommunications company – April 2008

Engagement subject: Board succession

Contacts: Chairman

Senior Independent Director

Chair of the Remuneration Committee

General Counsel & Company Secretary

Human Resources Director

Finance Director

From a corporate governance perspective, the company had been through a few turbulent years. In an effort to continue its engagement with the company, Newton met with six of its senior employees in order to better understand how the company's new corporate governance structure had bedded-in. Specific areas discussed included board composition, succession planning, organisational structure, risk management, whistle-blowing policy, audit committee practices, board evaluation, executive remuneration and the roles of the key executive and non-executive directors. Following the meeting, Newton was confident that the company's approach to corporate governance had dramatically improved and that a culture had been created that would further enhance shareholder value. It was clear that the company had gone beyond "ticking of the box". However, given the chairman's executive role at the company, one key area of concern remained relating to the chairman's potential to exercise undue influence over the company.

UK General Financial company – May 2008

Engagement subject: General corporate governance matters

Contacts: Chairman

Investor Relations

Following the Investment Trust's creation in 2007, Newton met with its chairman to discuss its approach to corporate governance. In particular, Newton sought to understand better the relationship between the Trust and its majority shareholder. Newton took comfort that the majority shareholder had not exercised its voting rights on matters that could be deemed as a conflict of interest. However, the company failed to provide evidence demonstrating that this was part of a formal agreement.

Newton also requested detail on the structure and operation of the board. Specifically, information was sought relating to how the Trust's investment advisor is evaluated, the process for reviewing the effectiveness of board members and the board's succession planning policy.

Generally, Newton was comfortable in its knowledge that the Trust was being managed effectively. However, one area of concern centred on an exclusivity arrangement that the Trust had entered into with its investment advisor. The agreement stated that the investment advisor will, in the first instance, provide the Trust with potential investments before offering them to its other clients. Newton queried how the board ensures that this exclusivity arrangement is monitored and how the board ensures that the Trust is not excluded from possible investment opportunities. The chairman's response, that he trusted the investment advisor, was considered inadequate.

UK Software Services company – May 2008

Engagement subject: Remuneration

Contact: Company Secretary

At the time of his recruitment to the company, the CEO was given one-off remuneration awards. Newton contacted the company to gain clarification over the rationale and calculation methodology used for making the awards, which would vest over four years and would only be subject to the CEO remaining employed at the company. The company stated that it had instructed a remuneration consultant to ensure that the CEO's awards match, exactly, the awards forgone at his previous employer. Newton noted that, at his previous company, the CEO was awarded a non-performance-based retention award.

UK Food & Beverages company – May 2008

Engagement subject: Remuneration

Contact: Deputy Company Secretary

Newton queried the remuneration committee's action of awarding transaction bonuses to the company's CEO and finance director for the completion of two acquisitions. The rewards were made shortly after the completion of the second acquisition and before it could be properly assessed as to whether they would deliver the expected value to shareholders. Newton believes that, only in truly exceptional circumstances are transaction bonuses considered appropriate methods of remuneration. Newton explained that it now had little confidence in the remuneration committee's ability to align the interests of management with shareholders' interests. Newton stated its disappointment that no members of the remuneration committee would be seeking re-election at the AGM. Newton will be minded to vote against the re-election of remuneration committee members at future AGMs.

UK Pharmaceutical & Biotech company – May 2008

Engagement subject: Remuneration

Contacts: Company Secretary

Deputy Company Secretary

Remuneration Consultant

Within the company's remuneration report, mention was made of a one-off retention award being made to an individual. It was stated that the remuneration committee would have full discretion in relation to the award vesting, which would be staggered over

the coming three years. Newton contacted the company in order to better understand the rationale for the award and, specifically, how the remuneration committee would determine whether the award vests or not. The company stated that it was unable to provide any details of the performance criteria as they were considered to be commercial sensitive but then went on to state that the criteria would be based on the remuneration committee's subjective assessment of the individual's performance "in the round". Newton requested that, should the award vest, details be provided at the time of vesting as to what performance conditions had been assessed. The company stated that it would only be able to provide high level commentary as to why the award had vested. Newton explained that only in truly exceptional circumstances does it support the use of retention awards and that the company had not properly explained the truly exceptional circumstances that, it felt, applied to this situation.

UK Pharmaceutical & Biotech company – May 2008

Engagement subject: General corporate governance matters

Contact: Senior Independent Director

In a meeting with the company's recently appointed senior independent director, various corporate governance matters were discussed. Newton queried the board's policy on succession planning and how it would be dealing with the expected retirement of the company's CEO. Newton was comforted by the apparent pro-active approach to succession planning being taken by the board going forward. However, the expected introduction of a two-year remuneration arrangement for the departing CEO suggested that succession planning had only recently been a priority for the board.

Discussions were also had over the suitability of the company's directors. The company stated that no major knowledge gaps existed amongst the board members. However, due to the company's expected expansion programme, the board would be seeking board talent that had significant experience of Asian markets.

In 2006, the company appointed an IT solutions company, whose chairman was also the chairman of this company. It was stated that the chairman was involved in the appointment of this IT solutions company. The chairman was also an investor in the IT company. Newton raised questions over the nature of the contract and the significance of the contract to the IT solutions company. The senior independent director was not able to answer fully Newton's questions. However, he stated that Newton's concerns would be raised with the company's board members and that he hoped the company would be more transparent in the future.

Last year, the company sought shareholder approval to dis-apply pre-emption rights relating to 10% of its issued share capital. Newton received confirmation that this level of authority would not be sought this year and that it would accept market best practice by seeking a level of dis-application up to 5% of its issued share capital.

**Singaporean Healthcare & Equipment Services company
– May 2008**

Engagement subject: Shareholder rights issue

Contacts: CEO

Corporate Broker

In communication with the company and its broker, Newton expressed its concerns relating to certain elements of a planned rights issue. Unusually, the company intended to pay its largest shareholder to underwrite a steeply discounted rights issue. Newton believed that the underwriting fees were excessive and, moreover, that the company's largest shareholder should not charge for underwriting such a steeply discounted rights issue. The steep discount of the rights issue minimises the risk of the underwriter having to take-up shareholders' unexercised rights. Therefore, it was deemed inappropriate for the company's largest shareholder to be charging a fee, based on a percentage of capital raised, for acting as an underwriter.

UK Investment company – June 2008

Engagement subject: Dis-application of pre-emption rights

Contacts: Corporate Broker

Head of Sales & Distribution

In the event of the issue of new shares, the company sought an unlimited dis-application of shareholders' pre-emption rights. Newton was comforted that the Listing Rules (15.411) stated that any issue of ordinary shares has to be done at the Trust's prevailing Net Asset Value. However, it was considered that, this Listing Rule did not apply to the issue of shares from a company's treasury account or for the issue of securities that later convert to ordinary shares. Newton contacted the company to ascertain the price at which it could issue treasury shares and convertible securities. Newton's concerns were allayed when the company provided written confirmation that any such issuances would be done at the Trust's Net Asset Value, calculated at the time of issuance.

UK Food & Beverages company – June 2008

Engagement subject: General corporate governance matters

Contact: Chairman

In a meeting with the company's chairman, various corporate governance matters were discussed, which included his succession, the company's remuneration policy, communication with shareholders, risks associated with the supply chain and the influence that the company's majority shareholder has over the company.

Japanese Pharmaceutical company – June 2008

Engagement subject: Anti-takeover mechanism

Contacts: Chief Financial Officer

Investor Relations

The company requested shareholder approval of a proposed anti-takeover mechanism. 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.

Given Newton's concerns relating to anti-takeover mechanisms, Newton contacted the company to get a better understanding of its rationale for introducing an anti-takeover mechanism and how it might be implemented. The company stated that it sought to implement an anti-takeover mechanism in order to safeguard long-term shareholder value and ensure any potential acquirer's strategy for the company was in line with the company's existing strategy. The proposed poison pill was one of an advanced warning type, which would have a three-year life. It was explained that, in the event of a third-party approach, the board would instruct a special committee to make a recommendation, to the board, as to whether or not the poison pill should be enacted. The special committee would be comprised of two external auditors and a corporate lawyer, none of whom would have material connections with the company.

On questioning, the company stated that the special committee would have no power of authority over the board. The board would use its discretion to instruct the special committee and its discretion to apply the recommendations of this committee. This caused additional concern, due to the fact that the board did not comprise of any independent directors. However, the company stated that it would be seeking to appoint independent board directors.

Despite detailed discussion on the matter, Newton remained concerned over the company's proposed anti-takeover mechanism. Later in the year, Newton will follow-up this matter with the company and outline more appropriate mechanisms for safeguarding long-term shareholder value in the event of a third party acquiring shares in the company.

SRI Activity – Q2 2008

Please note that this activity log shows examples of SRI activity and engagement undertaken during 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.

GlaxoSmithKline (GSK) – April 2008

Reporting procedures

In early April it came to light that GSK had received a warning letter from the U.S. Food and Drug Administration (FDA). The FDA stated that some data relating to the clinical trials for Avandia had been omitted from statutory reports which were required to be filed with the Regulator. The letter was sent last year after a routine audit of GSK's reporting processes.

Newton acknowledges that the future profitability of a pharmaceutical company is determined by the success of its new drug pipeline. Success and setbacks during drug research and development can cause significant movements in the share price of a company.

The stringent regulatory environment surrounding clinical trials is designed to ensure that patient safety is the number one priority. To be successful in drug development, companies must ensure that the research and development process remains scientifically and ethically vigilant. Regulations have become increasingly demanding as governments and regulators have adopted a strong stance on patient safety.

With this in mind, Newton contacted GSK to discuss the reasons why data was omitted from the statutory reports required by the regulator. GSK stated that the omissions were inadvertent and highlighted that the FDA had acknowledged that it received all the required information from GSK, only that it had not been submitted in the correct format. Since GSK received the letter, procedures relating to the inclusion of data in statutory reports have been updated. Additionally, training relating to these procedures has been provided for relevant employees. The company stated that it always aims to comply with the regulator. The company also highlighted that at no time was patient safety compromised. Adverse events are continuously reported and in the specific case of the Avandia trials, all data was reported within the period required.

Harbin Electric Power (HEP) – April 2008

Operations in Sudan

Newton held a conference call with the Company Secretary of Harbin Electric Power to discuss its 2007 full-year results and outlook for 2008. The conference call also provided an opportunity to ask management about the group's operations in Sudan.

Newton has been contacting companies in which it is invested, on behalf of its clients, with operations in Sudan. Newton recognises that investing in companies in Sudan creates a moral quandary. On one hand, investment can be positive. For example, the Sudanese economy is dependent on revenues for progress in post-war construction and development of infrastructure and services. On the other hand, investment in countries which face heightened levels of political risk, can contribute towards increasing tensions.

By engaging with companies on such issues, Newton can attempt to assess the potential risks faced by companies in regards to operations, company reputation and staff. Further, constructive engagement with investee companies can help to encourage positive progress. HEP highlighted that only 7% of its revenues are gained from operations outside China. Sudan contributes only a small portion of this. The company is involved with engineering projects for the generation of electricity in Sudan. Management stated it has no plans to invest in further assets in the country.

Tesco – May 2008

Feedback on ethical trade position paper

Newton provided feedback to Tesco regarding its Ethical Trade Position Paper which was to be included in the company's 2008 Corporate Responsibility Review (CRR). Newton believes Tesco is making a considerable effort to improve reporting relating to ethical trading issues. Tesco's 2008 CRR will enable investors and interested stakeholders to assess efforts made by the company to improve the management of issues relating to its supply chain. Newton acknowledges that many of the issues involved with working conditions in the supply chain cannot be solved overnight. However, by improving transparency, shareholders can at least assess the efforts made by a company.

Newton suggested several amendments be made to the Paper. For example, Newton suggested Tesco include dialogue on how it is working towards tackling the problem of audit fatigue. Newton also suggested that it would be useful to see information which outlines the company's average length of relationships with suppliers. Additionally, Newton felt the company should add a section that discusses the topic of a living wage.

Anglo American – June 2008

Safety performance

Newton attended Anglo American's sustainable development performance update in June 2008. After the company's poor safety performance during 2007, Newton was interested to hear about how the initiatives undertaken by the company to improve safety were progressing.

During the first half of 2007, Anglo American suffered 29 work related fatalities. Over the same period in 2008 work related fatalities had fallen to 10. Though the improvement is encouraging, further progress is clearly needed. In order to drive improvement in safety performance, the company has implemented several procedural changes. At board level, the circumstances surrounding each fatality are reviewed and prevention measures implemented across the company. At the managerial level, managers have become responsible for employee safety records. Additionally, the progress of a division's safety record is now a consideration within the process of deciding whether a manager may be promoted. In addition to these procedural changes, the company held meetings with

c.28,000 miners in an effort to embed a culture focused on safety performance within the company.

Cynthia Carroll, the company's Chief Executive Officer, has been a significant force behind the company's focus to improve safety. However, she recognises that further improvements are needed. For now, Newton is comfortable with the progress the company is making. However, Newton will continue to monitor developments in this area.

Tesco – June 2008

Chicken welfare

A group of shareholders, lead by Hugh Fearnley-Whittingstall, requisitioned a resolution requesting that Tesco set a commitment, within a fair timeframe, to take measures to ensure that chickens purchased for sale by the company are reared in systems capable of providing the "Five Freedoms".

The Five Freedoms is a standard proposed by the Farm Animal Welfare Council (FAWC) which requires that chickens are reared with:

- 1) Freedom from hunger and thirst;
- 2) Freedom from discomfort;
- 3) Freedom from pain, injury or disease;
- 4) Freedom to express normal behaviour;
- 5) Freedom from fear and distress.

The proponents of the resolution believe that by ordering, stocking and selling standard intensive broiler chickens, Tesco is breaching its own animal welfare policy which endorses the Five Freedoms.

The company believes that the chickens it purchases for sale are already produced in "systems capable of providing the Five Freedoms". Tesco is independently audited to certify full compliance with the Five Freedoms through its membership of the Assured Chicken Production Scheme. This Scheme states in its policy "The Scheme unreservedly supports the ideals of FAWC and the Five Freedoms". Additionally, the company feels that chicken welfare is an industry-wide problem and debate on this matter should include government, farming groups, suppliers, retailers and animal welfare groups.

Newton voted in favour of this resolution. Whilst Tesco states that the chickens it purchases for sale are already produced in "systems capable of providing the Five Freedoms", the Scheme in which the company is involved supports only the ideals of the Five Freedoms. Animal welfare is an important issue and Newton believes that Tesco faces reputational risk associated with this matter. Newton agrees that this is an issue that impacts the wider industry. However, Tesco currently lags its competitors in relation to offering products that meet the Five Freedoms standards. From the company's attestations, the resolution would be easy to implement whilst incurring relatively few additional costs.

A final point to note: This is the second successive year that a shareholder resolution has been submitted for vote, at Tesco's

AGM, accusing the company of not meeting standards. Newton believes that Tesco, as a market leader with a significant global reach, should be clearly demonstrating its commitment to meet the standards it espouses. There is real risk that the company could jeopardise its reputation.

Oil companies – June 2008

Operations in Sudan

Newton is part of a collaborative initiative in which a group of investors are engaging with a number of companies operating in Sudan. The initiative requests information from companies which have previously not disclosed any information on their activities in Sudan or their approach to managing the risks involved with operating in the country. In June, letters requesting this information were sent to four companies.

When investing in companies with operations in countries ruled by a weak government, human rights issues present real business risks. As investors, we have a responsibility to understand these risks and how well a company is managing them. We expect companies to take sufficient action and justify their decisions to operate in Sudan and report on this to shareholders in a transparent manner.

Attendance at corporate responsibility updates – Q2 2008

Investor updates

During the quarter, Newton attended investor updates on corporate responsibility by HSBC, AstraZeneca, Barclays, Aviva, Tesco, Unilever and L'Oreal.

Company Meeting Log – Q2 2008

During the quarter, Newton analysts and fund managers had individual meetings with the management of 269 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:

3i Infrastructure Fund	Carphone Warehouse	FirstEnergy
3SBio	Celesio	FKI
Aberdeen Asset Management	Celgene	FLIR Systems
Actelion	Central European Media Enterprises	Focus Media
Advanced Info Service	Centrica	Freddie Mac
AerCap	Century Aluminium	Fresnillo
AGCO	Chevron	FTI Consulting
Agile Property	China Nepstar Chain Drugstore	Genentech
Agrenco	China Pacific Insurance	General Mills
Air Liquide	China Power New Energy Development	Genomma Lab Internacional
Air Products & Chemicals	China Railway	Genus
Aker Solutions	China Resources Power	Gildan Activewear
Alapis	China Security & Surveillance Technology	GoIndustry-DoveBid
Align Technology	Chloride	GRD
Ameren	Clorox	Greif
Amil Participacoes	Coeur d'Alene Mines	Grupo Clarin
Anhanguera Educacional x 2	Colgate-Palmolive	Gulf Keystone Petroleum
Arena Pharmaceuticals	Companhia de Saneamento Basico do Estado de Sao Paulo	Halfords
Asahi Breweries	Compass	Hallwood Energy
Associated British Foods	Connaught	Hansen Sicherheitstechnik
Asustek Computer	Constellation Energy	High Tech Computer
Australia and New Zealand Banking	Daekyo	Hologic
Aveva	Daewoo Engineering & Construction	Homeserve
B2W Companhia Global do Varejo	Daewoo Shipbuilding and Marine Engineering	Honda Motor
Babcock & Brown Wind Partners	DataCash	HORNBACK
Babcock International	Dawnay Day Carpathian	Huaneng Power International x 2
Bangkok Bank	Deere & Company	Human Genome Sciences
Bank Sarasin	Detica	Iberdrola
Bankers Petroleum	Digital River	Iberdrola Renovables
Bankrate	Diploma	ICAP
Bavarian Nordic	Dong-A Pharmaceutical	Imperial Tobacco
Bellway	Dubai Islamic Bank	Indosat
Bezeq	Dynegy	International Flavors & Fragrances
BHP Billiton	Dyson	International Paper
Brasil Telecom	E.ON	Internet Capital
Brightpoint	Eastern Platinum	Interpublic
British Land	EFG Eurobank Ergasias	J D Wetherspoon
Britvic	Enbridge	Japan Tobacco
BSS	Energi Mega Persada	JBS
BT	EnergySolutions	Kenedix Realty Investment
Bunge	Eni	Kenexa
Buried Hill Energy	Ericsson	Kewill Systems
Burrup	ESCO Technologies	Kingdee International Software
Bursa Malaysia	Estee Lauder	KT Freetel
Cable & Wireless	Eurasian Natural Resources	Lamprell
Cadogan Petroleum x 2	Eurofins Scientific	Lanco Infratech
CAE	Exelon	Landsbanki Islands
Capcom	FEI	Lawson
CapitaCommercial Trust		Logica x 2
Care UK		Lojas Renner

Lonmin	PPL	SPX
Lonza	Pride International	SSL International
Lundbeck	Procter & Gamble	STADA Arzneimittel
Magnit	Pronova BioPharma	Standard Chartered
Manganese Bronze	Public Service Enterprise Group	StatoilHydro
Marks & Spencer	PZ Cussons	Subsea 7
Marston's	QinetiQ	Sun Microsystems
Medco Health Solutions	QNB	Sunland
MEI	Regal Petroleum	Synergy Healthcare
Mizuho Financial	Resaca Exploitation	Synopsys
Mouchel	Resolution	Tata Power
MTN	Rexam	Tate & Lyle
Murchison Metals	Reynolds American	Teck Cominco
National Australia Bank	Richemont	Tele Norte Leste Participacoes
National Grid	Rio Tinto	Tele2
Newmont Mining	Rockwell Collins	Telkom
Nexen	ROHM	TIM Participacoes
NII	Royal Dutch Shell	Titan Pharmaceuticals
Noble	RPS	Toyota Motor
Novorossiysk Commercial Sea Port	SABMiller	TUI Travel
NSD	Sage	Unipol
NTT DATA	Samsung Electronics	United Utilities
OdontoPrev	Samsung Heavy Industries	Verisign
OGX Petroleo e Gas Participacoes	Santos	VIVO Participacoes
Oil Search	Sava Re	Vodafone
Oilexco	Scott Wilson	VP Bank
Opera Software	Seadrill	VT
OPG Power Ventures	Seven & I	W.W. Grainger
Pacific Gas & Electricity	Severn Trent	Watson Pharmaceuticals
Panalpina	Shandong Weigao Group Medical Polymer	Wells Fargo & Company
PayPoint	Shanks	Wharf
Petra Perdana	Shed Media	Whitbread
PetroChina	Sherwin-Williams	Wincanton x 2
Petróleo Brasileiro	Shoppers Drug Mart	Woolworths
Pharmstandard	Silex Systems	Wumart Stores
Phase Forward	SK Energy	X5 Retail
PLDT	SK Telecom	Xstrata
PNC Financial Services	Société Générale	Yamana Gold
Ports Design	Sony	Yell
Pou Sheng International	Southern Cross Healthcare	Yuhan

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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