

PROXY VOTING UPDATE

Purpose of the Report

1. This report updates Members on the Wiltshire Pension Fund's Proxy Voting Policy.

Background

2. Members will recall confirming that the Wiltshire Pension Fund's Voting Policy should remain unchanged when this Committee met on 24 May 2004. This policy is to adopt the PIRC Shareholder Voting Guidelines as the Fund's UK Proxy Voting Policy.

The 2005 PIRC Guidelines

3. I have received the PIRC Shareholder Voting Guidelines 2005 and the resulting summary "The Guide to PIRC Voting Analysis 2005" (see Appendix). This Voting Analysis is consistent with the essential principles of the 2003 and 2004 Guidelines. In addition it highlights and expands some areas that PIRC consider important in deciding whether to support a resolution.
4. These Guidelines continue to conform to "The Combined Code" published by the Financial Reporting Council. The Combined Code is the best practice guidance that investment professionals should adopt in their shareholder engagement and voting policies.

Wiltshire Pension Fund's Proxy Voting Policy

5. The annual guidelines received from PIRC over the last three years for voting and engagement show that their underlying principles have not changed since 2003. It is these principles which determine PIRC's voting recommendations to Capital International and Baillie Gifford on our behalf in respect of UK companies (they cannot be applied to Northern Trust Global because our investments with them are in Pooled Funds). Therefore, I can confirm that the Wiltshire Pension Fund's Proxy Voting Policy should remain the same.
6. In general PIRC's voting recommendations apply these principles as follows:
 - **FOR** – The proposal meets best practice guidelines and is in shareholders' long-term interests.
 - **ABSTAIN** – The proposal raises issues which do not meet best practice guidelines but EITHER the concern is not regarded as sufficiently material to warrant opposition; OR an oppose vote could have a detrimental impact on corporate structures; OR the issue is being raised formally with the company for the first time.
 - **OPPOSE** – The proposal does not meet best practice guidelines and is not in shareholders' interests over the long term.
7. PIRC provides a weekly "PIRC Alerts" document, which keeps us updated on issues at forthcoming company AGMs and EGMs, particularly where the PIRC recommendation is either to abstain or oppose the recommendation of the company's board. These could be made available to any Member who wishes to be kept up-to-date more regularly.

8. In respect of overseas companies and UK companies that are not within the FTSE 350 Index, our equity managers vote according to their own interpretation of the Combined Code. At the October 2003 meeting, Members agreed not to buy an overseas voting service for the present.

Compliance with Policy

9. We start from the presumption that all shares (both UK and overseas) will be voted by Capital International and Baillie Gifford (our two direct equity managers) and that all UK FTSE 350 votes will be in accordance with PIRC guidance.
10. However, in any year, there may be limited instances where this starting presumption is not achieved:
- a) Where the equity manager's view is that PIRC's voting recommendation is not consistent with maximising investment returns – in these cases they are required to seek my authorisation first.
 - b) Due to some failure in the voting system or late dispatch, the votes do not get delivered.
 - c) PIRC's voting recommendations are very occasionally received too late for the Manager to act on them, which means that he votes in accordance with his own interpretation of best practice (i.e. The Combined Code).
 - d) In some overseas markets, shares cannot be traded in the period between votes being submitted and the AGM date – occasionally Managers do not wish to be constrained in this way and so do not vote.
 - e) In some Scandinavian markets the cost of voting is high, so if the vote is non-contentious a Manager may make a value-for-money judgement not to vote.
11. Notwithstanding these limited exceptions, the voting record for the Wiltshire Pension Fund is good.
12. In respect of UK votes, there have been no instances in the past 12 months where any of our equity managers have deliberately voted contrary to PIRC's recommendation.

Reasons for Proposals / Environmental Impact of the Proposals / Risk Assessment

13. This paper updates Members and does not include new policy proposals.

Proposal

14. The Committee is asked to confirm that Wiltshire Pension Fund's Proxy Voting Policy should be the latest PIRC Voting Guidelines (see Appendix).

MIKE PRINCE
County Treasurer

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Unpublished documents relied upon in the production of this report: None

14/2006/PEN/EP

GUIDE TO PIRC VOTING ANALYSIS

This table provides a guide to PIRC's usual considerations in deciding to support a resolution. It should not be taken as an exhaustive checklist.

Our role is to provide advice in the best interests of our clients. In assessing where these interests lie, we assume our clients are long-term equity investors who value high standards of business conduct, the creation of wealth within legitimate boundaries and the importance of good relations with other stakeholders as key factors in the ongoing success of the companies in which they invest. PIRC will always apply its judgement and experience to the individual circumstances, which may lead to different outcomes.

All resolutions	The resolution deals with one substantive issue and is not bundled with other items.
	The resolution is fully explained and justified.
	There is full disclosure of information relevant to the consideration of a resolution and such information is presented in a fair and balanced way.
Report and accounts	The directors have made a full and acceptable statement regarding their stewardship of the company.
	There are no material omissions in terms of disclosure requirements or best practice.
	The directors have made full and clear statements of compliance with the provisions and appliance of the principles of the Combined Code.
	There are no serious breaches of corporate governance best practice at the company.
	The company respects the principle of one share, one vote.
	The company seeks shareholder approval for dividends paid or proposed
	There have been no donations to political organisations/parties.
Approval of dividend	The dividend is covered by earnings or the board has provided adequate explanation and justification to demonstrate the sustainability of the dividend policy.
	Other relevant stakeholder interests have been addressed.
Election of directors	There are no circumstances which give rise to serious concerns over the conduct or competence of the director.
	The director will face regular re-election by Shareholders

	There is sufficient biographical information for shareholders to vote on an informed basis.
	The individual's other time commitments are not excessive.
	The individual's record of attendance at meetings is adequate.
	There are no issues for which it is considered appropriate to hold the individual responsible as the board chairman or as chairman of a board committee.
	The individual does not have an alternate director.
Additionally:	
Election of Chairman	The individual does not combine the role of chairman and chief executive in name or practice, other than on a temporary basis.
	The individual does not have executive responsibilities
	The individual has not previously been chief executive.
	The individual is not linked to the controlling shareholder, if any.
Election of non-executive directors	The individual is considered to be independent in terms of PIRC's guidelines.
	The individual is not considered to be independent, but there is sufficient weight of independent non-executives on the board.
Election of executive directors	Contractual notice period and/or termination provisions do not raise issues of concern.
Approval of remuneration reports or policy	The company's disclosure, rewards and contract policies all meet high standards, based on PIRC's model which uses our published best practice principles.
New discretionary share-based incentive schemes	The terms of the scheme and the company's disclosure is close to PIRC's published best practice principles.
Amendments to discretionary share schemes	Case by case analysis including: The interests of the participants and shareholders Increased rewards being subject to stringent targets Potential remuneration issues for the future
Appointment of auditors	Factors potentially affecting independence of auditors such as Personal or professional

	links between partners of the audit firm and the company; The level of non-audit fees.
	Any concerns regarding professional conduct or the integrity of the audit process.
Share repurchases	The authority is sought via a Special Resolution; limited to 15% of the share capital; justified as a use of company resources.
	Any repurchases undertaken during the previous year should have resulted in adjustments to relevant performance targets.
Share issues with pre-emption rights	The authority represents no more than one third of the issued share capital and is sought on an annual basis.
	Authorities in excess of 1/3 require explanation in line with institutional anti-dilution guidelines.
	If the company operates dual voting rights, an authority for further issues should at the least offer new shares with proportionate voting rights.
Share issues without pre-emption rights	The authority represents no more than 5% of the issued share capital and is sought on an annual basis.
	Authorities in excess of 5% may be acceptable subject to the company's explanation.
Memoranda and Articles of Association	Substantively separate issues are each subject to specific resolution.
	None of the changes reduce shareholder rights to any material extent.
Takeovers, corporate actions, capital changes	The company has provided adequate information, explanation and justification of the proposal in terms of: The financial implications for the shareholders Any implications for shareholder rights The implications for corporate governance The impacts for other stakeholders
	The board structure provides sufficient scope for constructive challenge to the proposal in the long term interest of the company.
Authority to make political donations and/or incur political expenditure	The resolution is for no more than one year, excludes 'political organisations', and is for a reasonable amount.
All other resolutions proposed by the board	Case by case analysis based on our corporate governance principles.
Shareholder resolutions	PIRC judges these on the merits of the specific issue addressed