

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 that at the meeting held on 25 May 2006 it was confirmed that the Wiltshire Pension Fund's Voting Policy is to adopt the PIRC Shareholder Voting Guidelines as the Fund's UK Proxy Voting Policy.

The 2007 PIRC Guidelines

3. The Fund has received the PIRC Shareholder Voting Guidelines 2007 and the resulting summary "The Guide to PIRC Voting Analysis 2007" (see Appendix). This Voting Analysis is consistent with the essential principles of previous years' Guidelines. There are some, mostly minor, additions and these are shown in ***bold italics*** in the summary table in the Appendix.
4. In particular, Members will note the addition of the requirement for companies to have an appropriate statement on the environment. This is in line with the growing concern about environmental issues in general, and global warming in particular, and the need to monitor that companies are disclosing the level of their carbon emissions as required by regulation.
5. 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

6. The annual guidelines received from PIRC over the last five 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 the recently appointed equity managers Edinburgh Partners and Fauchier Partners because our investments with them are in Pooled Funds). Therefore, the Wiltshire Pension Fund's Proxy Voting Policy should essentially remain unchanged.
7. In general PIRC's voting recommendations apply these principles as follows (overleaf):

- **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.
8. 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.
 9. 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

10. 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.
11. 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.

12. Notwithstanding these limited exceptions, the voting record for the Wiltshire Pension Fund is good.

13. In respect of UK votes, there have been no instances that I am aware of 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

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

Proposal

15. The Committee is asked to confirm that Wiltshire Pension Fund's Proxy Voting Policy should be:

- a) For the UK, that the Fund's investment managers be required to follow PIRC's voting recommendations, which arise from the principles set out in the Appendix; and
- b) For Overseas, that the Fund's investment managers be required to follow their own policy and interpretation of the Combined Code.

SANDRA SCHOFIELD
Chief Financial Officer

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

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APPENDIX

GUIDE TO PIRC VOTING ANALYSIS

In general terms, PIRC considers the following in coming to voting recommendations:

- PIRC's shareholder voting guidelines
- Board's explanation for the proposal including any departure from good practice.
- Board assurances on positive changes.
- Potential impact of oppose votes on corporate structure (and likelihood of occurrence).
- Materiality of any concern and timescales involved.
- Opportunities for further votes in the future on the issue.
- Market implications from any precedent created.

PIRC applies these guidelines to all companies that we cover on the UK market.

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

ALL RESOLUTIONS	Does the resolution only cover one substantive issue?
	Is there full explanation and justification?
	Is there full disclosure of information relevant to the consideration of the matter and is such information presented in a fair and balanced way?
REPORT AND ACCOUNTS	Are there material omissions in terms of disclosure?
	Are there full and clear statements of compliance with the provisions and appliance of the principles of the Combined Code?
	Are there serious breaches of corporate governance best practice at the company?
	Does the company respect the principle of one share, one vote?
	Has the company sought shareholder approval for dividends (paid or proposed)?
	Have donations been made to political organisations/parties without shareholder approval?
	<i>Does the company have an appropriate policy statement on the environment</i>

APPROVAL OF DIVIDEND	Is the dividend covered by earnings or has the board provided adequate explanation to demonstrate the sustainability of the dividend policy?
	Have other relevant stakeholder interests been addressed?
ELECTION OF DIRECTORS	Are there circumstances which give rise to serious concerns over the conduct or competence of the director?
	Will the director face regular re-election by shareholders?
	The biographical information provided to shareholders.
	The individual's other time commitments and company statements on the balance thereof.
	The individual's record of attendance at meetings.
	Any issues for which it is considered appropriate to hold the individual responsible.
ELECTION OF CHAIRMAN	The combination of roles of chairman and chief executive in name or practice.
	Any executive responsibilities?
	Has the individual previously been an executive?
	Is the individual linked to the controlling shareholder, if any?
	Independence upon appointment of a new chairman.
	Any risks to the chairman's effectiveness?
ELECTION OF NON-EXECUTIVE DIRECTORS	The independence of the individual (in terms of PIRC's guidelines) and the balance of independent directors on the board. We have made it clear that, going forward we will regard aboard less than one half independent excluding the chairman as a potential governance concern.

ELECTION OF EXECUTIVE DIRECTORS	Contractual notice period and/or termination provisions.
APPROVAL OF REMUNERATION REPORTS OR POLICY	The company's remuneration disclosure, its reward structure and <i>quantum both objectively and as regards similar companies and</i> contract policies.
NEW DISCRETIONARY SHARE-BASED INCENTIVE SCHEMES	The terms of the scheme and the company's disclosure.
AMENDMENTS TO DISCRETIONARY SHARE SCHEME	Case by case analysis including: <ul style="list-style-type: none"> ○ The interests of the participants and shareholders ○ Increased rewards being subject to stringent targets ○ Potential remuneration issues for the future
APPOINTMENT OF AUDITORS	<p>Factors potentially affecting independence of the auditors such as</p> <ul style="list-style-type: none"> ○ Personal or professional links between partners of the audit firm and the company; ○ The level of non-audit fees <i>versus that of audit fees.</i> <p>Any concerns regarding professional conduct or the integrity of the audit process.</p>
SHARE REPURCHASES	The board's explanation and justification for this use of company resources.
	Potential impact on the interests of other stakeholders.
SHARE ISSUES	UK market norms, directors' interests, control issues.
MEMORANDA AND ARTICLES OF ASSOCIATION	The potential effects on shareholder rights.
TAKEOVERS, CORPORATE ACTIONS, CAPITAL CHANGES	<p>The information and justification provided by the board.</p> <p>An assessment of the impact on the interests of employees.</p>

	Potential impacts on business relationships with suppliers, customers and others.
	Standards of business conduct implied.
	<i>Appropriate analysis of major risks</i>
	The board structure.
AUTHORITY TO MAKE POLITICAL DONATIONS AND/OR INCUR POLITICAL EXPENDITURE	PIRC will support such resolutions provided political parties are specifically excluded, <i>no donations to political parties were made during the previous reporting period</i> the authority is for no more than one year and the amount is reasonable given the size of the company and amounts previously disclosed as political 'expenditure'.
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.