

Global voting and engagement

Actively managed portfolios

October – December 2010

Pension
Protection
Fund

Introduction

As set out in its Statement of Investment Principles, the PPF is committed to exercising its ownership rights and to transparency on its responsible investment activities.

In order to discharge its ownership duties cost-efficiently across a growing global listed equity portfolio, it has appointed F&C's reo® service team to vote the shares in the Fund's actively managed portfolios, to monitor portfolio companies for ESG risks, and where concerns arise, to engage with company management on these concerns.

This report contains information on the voting and engagement activities carried out by F&C on behalf of the PPF.

PPF engagement record (actively managed portfolios) – October to December 2010**In this quarter, F&C has**

- engaged 40 of our portfolio companies across the globe
- raised concerns over issues such as Corporate Governance, Business Ethics, Human Rights, Labour Standards, Public Health, Environmental Management, Ecosystem Services and Climate Change
- recorded 9 milestones – events where a company's policies, performance or behaviour are improved after intervention by F&C (alone or in collaboration with other investors)

Engagement highlight* : Corporate Governance at Total

F&C advocated, on behalf of the PPF, principles of good governance in a one-to-one meeting with the French oil company Total ahead of its 2010 AGM. The company was about to ask its shareholders for their approval of its plans to combine the roles of chairman and CEO. It is good governance practice to separate these roles, to ensure effective oversight by a Chairman who is not overly involved in the day-to-day business of the company. F&C told Total that if the company did proceed with its plan to combine them, it should at least appoint a Senior Independent Director (SID). The company doubted the merits of appointing a SID, and argued that this was not appropriate in the French market.

F&C also asked for a link between directors' pay and the company's environmental and social performance, but made no progress on this issue, which it had raised previously.

The PPF's vote at Total's AGM (21 May 2010) reflected F&C's conclusions from the meeting. We abstained on a resolution relating to the benefits received by the chief executive on the grounds that it asked shareholders implicitly to approve the recombination of his role with that of the chairman. 40% of Total's shareholders took the same view.

* Engagement highlights are not always taken from the latest quarter, as some engagement activities remain confidential for a certain time period before we can publish them.

PPF voting record (actively managed portfolios) – October to December 2010

During the period of 1st October to 31st December 2010, the PPF voted 395 resolutions at 57 company meetings. For 87% of votes cast the PPF supported management. For 9% of votes cast the PPF opposed management, on 4% of resolutions the PPF abstained. Details of abstain and oppose votes are provided below.

Company	Meeting Type	Date	Proponent	Resolution Text	Vote Cast	Reason	Country
ANHANGUERA EDUCACIONAL PARTICIPACOES SA, VALINHOS,	EGM	29-Oct-2010	Management	To ratify the election of the current members of the board of directors of the company and to extend their respective terms in office until the date the annual general meeting that approves the financial statements of the company in relation to the fiscal year that ends on December 31, 2012, is held	Against	We voted against because we wish to comment on the board. While we have no objection to the proposed candidate, we recommend the company recruit additional independent non-executive directors to broaden and diversify board discussion. At least one third of the board should be made up of independent non-executives.	Brazil
BRITISH SKY BROADCASTING GROUP PLC	AGM	22-Oct-2010	Management	Re-appoint Arthur Siskind as a Director & Member of Corporate Governance and Nominations Committee	Against	We voted against this director because, while we have no objections to this individual's performance, we wish to comment on board balance and integrity. We noted that more than one-third of non-executive directors have served for more than 12 years. The board should seek additional fresh perspectives.	United Kingdom

PPF voting record (actively managed portfolios) – October to December 2010

Company	Meeting Type	Date	Proponent	Resolution Text	Vote Cast	Reason	Country
BRITISH SKY BROADCASTING GROUP PLC	AGM	22-Oct-2010	Management	Approve the report on Directors' remuneration for the YE 30 JUN 2010	Against	We voted against the remuneration report due to concerns about the uncapped awards for the Long-term Incentive Plan (LTIP), the overlap between the targets for LTIP and bonuses and the unchallenging nature of the Earnings-per-share (EPS) performance targets.	United Kingdom
CHAODA MODERN AGRICULTURE	AGM	30-Nov-2010	Management	To grant a general mandate to the board of directors to allot, issue and deal with shares of the Company	Against	We voted against because the resolution provides for a potential 20% increase in issued capital without pre-emptive rights. While we understand that this request is in line with local market practice, we believe that a 20% increase is excessive, unless the company has provided specific justification for such an increase.	Cayman Islands
CHAODA MODERN AGRICULTURE	AGM	30-Nov-2010	Management	Conditional on the passing of resolutions 5(A) and 5(B), the general mandate under resolution 5(B) be extended by the addition of the aggregate number of shares purchased pursuant to the general mandate granted under resolution 5(A)	Against	We voted against since we believe that treasury stock, when re-issued without pre-emption rights, should be subject to the same limitations as newly issued stock.	Cayman Islands
CISCO	AGM	18-	Management	Election of director	Against	We voted against J. Hennessy	United States

PPF voting record (actively managed portfolios) – October to December 2010

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SYSTEMS, INC.		Nov-2010		Dr. John L. Hennessy		because he lacks independence due to philanthropic ties with the company but sits on the governance and nominating committees. The audit, compensation and nominating committees should consist exclusively of independent non-executive directors, and this director's membership could hamper committee impartiality and effectiveness.	
CISCO SYSTEMS, INC.	AGM	18-Nov-2010	Management	To approve a non-binding advisory resolution regarding executive compensation	Against	We voted against because, as in 2009, we object to the compensation committee's decision to award discretionary cash bonuses with subjective multipliers to executive managers despite missing key performance indicators. At risk compensation should remain at risk. The company has not adequately disclosed performance goals for both short-term and long-term compensation nor has it demonstrated that those objectives and performance periods are sufficiently demanding . As a result, we have little confidence that compensation is designed to reward extraordinary performance and drive long-term value for investors.	United States
CISCO SYSTEMS, INC.	AGM	18-Nov-2010	Shareholder	Proposal submitted by a shareholder requesting that CISCO adopt and implement a policy	Abstain	We abstained because this proposal is overly prescriptive. However, we agree that the company faces regulatory and reputation risks associated with customer misuse of	United States

PPF voting record (actively managed portfolios) – October to December 2010

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				restricting certain sales in China, adopt a related oversight and compliance system with respect to human rights impacts and provide public disclosure of CISCO'S sales to China and certain other governments, as set forth in the accompanying proxy statement.		its technology to restrict the free exchange of information on the Internet. We urge the company to undertake a human rights risk assessment and publish a report outlining how its products and services contribute to the human rights landscape in high risk countries such as China and Saudi Arabia.	
COLOPLAST A/S, HUMLEBAEK	AGM	01-Dec-2010	Management	General guidelines for the Company's remuneration of members of the Board of Directors and the Executive Management. The Board of Directors proposes to amend the section dealing with the Executive Management's remuneration and Consequently, the third and fifth paragraphs are amended. In addition, the sixth	Abstain	We abstained due to concerns over performance targets under the Long Term Incentive Plan, where share options are granted at nil cost to executive directors with vesting subject to absolute share price growth over three years. We prefer companies to base vesting levels on multiple performance criteria - absolute and relative financial metrics - rather than a single performance criterion, and to stagger vesting to reward progressively better performance.	Denmark

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				paragraph is deleted. See the full wording of the agenda in the notice convening the general meeting. The guidelines are otherwise unchanged			
COLOPLAST A/S, HUMLEBAEK	AGM	01-Dec-2010	Management	To re-election of Mr. Per Magid, Attorney as the member to the Board of Directors	Abstain	We abstained because this director is not considered independent due to the length of service and there is insufficient number of independent directors on the board.	Denmark
CORINTHIAN COLLEGES, INC.	AGM	17-Nov-2010	Management	Approval of the amendment and restatement of the Corinthian Colleges, Inc. 2003 performance award plan, which authorises the issuance of an additional 5,000,000 shares under such plan and certain other amendments described in the accompanying proxy statement.	Against	We voted against because we are concerned with the high annual grant rate, which could lead to excessive dilution. No more than 1.5% of reserved shares should be granted per annum unless the company has adequately explained its need to deviate from standard practice.	United States
CORINTHIAN COLLEGES, INC.	AGM	17-Nov-	Management	Approval of the Corinthian	Against	We voted against because stock should be issued at the current	United States

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		2010		Colleges, Inc. Employee Stock Purchase Plan to extend the company's ability to grant new awards under such plan until December 31, 2020.		market price on a fixed date, except for an all-employee plan where the discount should not exceed 20%. A percentage of fair market value on the first or last day of the offering period could result in a substantial discount if the stock appreciated significantly over the period.	
DELEK DRILLING LP, NETANYA	OGM	14-Nov-2010	Management	Approval of the use of cash flow surplus for the years 2010 and 2011 for carrying out explorations in Licenses Marine Ratio, Ruth and Alon and others in accordance with the budget from the time to time approved under the Joint Operation Agreements	Abstain	We abstained as there was insufficient information provided by the company at the time we had to submit our proxy to enable us to make an informed decision.	Israel
DELEK DRILLING LP, NETANYA	OGM	14-Nov-2010	Management	To the extent that additional finance is required, approval of the issue of units and or securities and or bonds to the extent and on the terms determined by the general partner	Abstain	We abstained as there was insufficient information provided by the company at the time we had to submit our proxy to enable us to make an informed decision.	Israel

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DELEK DRILLING LP, NETANYA	OGM	20-Dec-2010	Management	Approval of amendment of the options agreement with the general partner granting the general partner an option to purchase pct 15 of the production sharing contract in clock 12 of the marine area of the Cyprus continental shelf, by which the date for exercise of the option will be extended until June 30, 2011	Abstain	Insufficient information provided to shareholders	Israel
DELEK DRILLING LP, NETANYA	OGM	20-Dec-2010	Management	Approval of payment to the general partner of USD 38,000 refund of expenses disbursed prior to the production sharing contract	Abstain	Insufficient information provided to shareholders	Israel
DELEK DRILLING LP, NETANYA	OGM	20-Dec-2010	Management	Approval of payments to an external consultant in connection with preparation of financial statements of joint transactions	Abstain	Insufficient information provided to shareholders	Israel

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				between the partnership and entities connected with interested parties of the general partner			
GESTEVISION TELECINCO S.A., MADRID	EGM	24-Dec-2010	Management	Appointment of Don Manuel Polanco Moreno	Abstain	We abstained because, at the time when proxies had to be submitted, there was insufficient biographical information provided on directors to enable us to assess their independence and qualifications.	Spain
GESTEVISION TELECINCO S.A., MADRID	EGM	24-Dec-2010	Management	Appointment of Don Juan Luis Cebrian Echarri	Abstain	We abstained because, at the time when proxies had to be submitted, there was insufficient biographical information provided on directors to enable us to assess their independence and qualifications.	Spain
GOLD FIELDS LTD NEW	AGM	02-Nov-2010	Management	Acquisition of Company's own shares	Against	We voted against because while we recognise the 20% limit under the Companies Act, we would expect additional explanation for any share repurchase request in excess of 15%.	South Africa
GUOCO GROUP LTD	AGM	22-Oct-2010	Management	Authorize the Directors to allot and issue shares of the Company	Against	We voted against because the resolution provides for a potential 20% increase in issued capital without pre-emptive rights. While we understand that this request is in line with local market practice, we believe that a 20% increase is excessive, unless the company has provided specific justification for such an increase.	Bermuda
GUOCO GROUP	AGM	22-Oct-	Management	Approve to extend	Against	We voted against since we believe	Bermuda

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LTD		2010		the general mandate granted to the Directors to allot and issue shares by adding to it the number of shares repurchased by the Company		that treasury stock, when re-issued without pre-emption rights, should be subject to the same limitations as newly issued stock.	
HARMAN INTERNATIONAL INDUSTRIES, INC.	AGM	08-Dec-2010	Management	Proposal to amend the amended and restated 2002 stock option and incentive plan.	Against	We voted against because executive pay is not effectively linked to company performance. Performance targets should be clearly disclosed and stretching, and the compensation committee should do more to establish compensation packages that build shareholder value over time.	United States
HAYS PLC	AGM	10-Nov-2010	Management	To approve the Directors' remuneration report	Abstain	We abstained because of high payouts under the annual bonus scheme despite poor performance of the company during the year under review.	United Kingdom
HONG LEONG BANK BHD	AGM	20-Oct-2010	Management	Re-elect Mr. Kwek Leng Hai as a Director	Against	We voted against because we wish to comment on the board. While we have no objection to the proposed candidate, we recommend the company recruit additional independent non-executive directors to broaden and diversify board discussion. At least one third of the board should be made up of independent non-executives.	Malaysia
IMPERIAL	AGM	03-	Management	Elect Thembisa	Against	We voted against this director	South Africa

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HOLDINGS LTD (IPL)		Nov-2010		Dingaen as Director		because, while we have no objections to this individual's performance, we wish to comment on board balance and integrity. The board should include at least 50% independent non-executive directors.	
IMPERIAL HOLDINGS LTD (IPL)	AGM	03-Nov-2010	Management	Authorise Repurchase of Up to 20% of Issued Share Capital	Against	We voted against because while we recognise the 20% limit under the Companies Act, we would expect additional explanation for any share repurchase request in excess of 15%.	South Africa
IMPERIAL HOLDINGS LTD (IPL)	AGM	03-Nov-2010	Management	Place Authorised But Unissued Non-Redeemable Cumulative Non-Participating Preference Shares under Control of Directors	Against	We voted against as this violates the principle of one share, one vote and because we oppose the issuance of shares with impaired or enhanced voting rights. Multiple classes of voting rights often serve as an anti-takeover device.	South Africa
MICROSOFT CORPORATION	AGM	16-Nov-2010	Shareholder	Shareholder proposal – establishment of Board committee on environmental sustainability	Against	We voted against because the proposal is of an overly prescriptive nature. In addition, Microsoft already has a strong approach to managing its CSR impacts and has assigned board responsibility for environmental oversight to the public policy committee.	United States
NEW WORLD DEVELOPMENT CO LTD, HONG KONG	AGM	24-Nov-2010	Management	To re-elect Mr. Liang Cheung-Biu, Thomas as director	Against	We voted against this director because, while we have no objections to this individual's performance, we wish to comment on board balance and integrity. As a controlled company, the board should include at	Hong Kong

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						least one-third independent non-executive directors to represent the interests of minority shareholders.	
NEW WORLD DEVELOPMENT CO LTD, HONG KONG	AGM	24-Nov-2010	Management	Ordinary resolution in item no. 6 of the notice of Annual General Meeting. (to approve a general mandate to the Directors to issue shares not exceeding 20% of the existing issued share capital)	Against	We voted against because the resolution provides for a potential 20% increase in issued capital without pre-emptive rights. While we understand that this request is in line with local market practice, we believe that a 20% increase is excessive, unless the company has provided specific justification for such an increase.	Hong Kong
NEW WORLD DEVELOPMENT CO LTD, HONG KONG	AGM	24-Nov-2010	Management	Ordinary resolution in item no. 7 of the notice of Annual General Meeting. (to extend the general mandate to be given to the Directors to issue shares by the addition thereto the shares repurchased by the Company)	Against	We voted against since we believe that treasury stock, when re-issued without pre-emption rights, should be subject to the same limitations as newly issued stock.	Hong Kong
NEWCREST MINING LTD, MELBOURNE VIC	AGM	28-Oct-2010	Management	That the Remuneration Report for the Company included in the report of the Directors for the year ended 30	Abstain	We abstained because termination payments to former executives are not in the interests of shareholders and should be no greater than one year's base salary if the company has performed reasonably over the tenure of the departing executive.	Australia

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				June 2010 be adopted		However, we note that the board is reviewing this provision of executive contract. We also note that other aspects of the company's executive remuneration arrangements compare favourably against many other Australian companies.	
ORACLE CORPORATION	AGM	06-Oct-2010	Management	Approve the Oracle Corporation Executive Bonus Plan.	Against	We voted against because we believe that executive pay is not effectively linked to company performance. The company should establish multiple, relevant performance targets for the bonus and long-term equity plans that are stretching and clearly disclosed. We acknowledge that the company has performed better than peers. However, we question the board's decision to set overall target compensation above the average compensation levels of selected peer companies. While management should be rewarded for extraordinary performance, excessively high target compensation threatens to overpay for average performance and reduce the overall incentive effect of the strategy.	United States
ORACLE CORPORATION	AGM	06-Oct-2010	Management	Approve the Oracle Corporation amended and restated 2000 long-term equity incentive plan, including	Abstain	We abstained because this plan could lead to excessive dilution. We also prefer a more limited proposal that would require the company to return to shareholders sooner. The proposed plan may provide enough equity to last for over seven years,	United States

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Company	Meeting Type	Date	Proponent	Resolution Text	Vote Cast	Reason	Country
				amendment to increase the aggregate number of shares authorised for issuance under the plan by 419,020,418 shares.		which is too long.	
ORACLE CORPORATION	AGM	06-Oct-2010	Shareholder	Act on a stockholder proposal to amend the corporate bylaws to establish a board committee on sustainability.	Against	We voted against because the proposal is too prescriptive, although we support the establishment of a corporate responsibility or sustainability committee to actively monitor and review emerging environmental, social and ethical risks and opportunities.	United States
ORACLE CORPORATION	AGM	06-Oct-2010	Shareholder	Act on a stockholder proposal regarding equity retention.	Against	We voted against because the proposal is overly prescriptive. However, we agree that compensation should be structured to align management interests with long-term investor interests.	United States
RMB HOLDINGS LTD	AGM	03-Dec-2010	Management	Election of director Jan Jonathan Durand	Abstain	We abstained because we do not consider this director independent and yet he sits on the remuneration committee. The remuneration committee requires ironclad independence and this director's membership could hamper the committee's impartiality and effectiveness.	South Africa
RMB HOLDINGS LTD	AGM	03-Dec-	Management	General authority to issue shares for	Against	We voted against because the resolution provides for an increase in	South Africa

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Company	Meeting Type	Date	Proponent	Resolution Text	Vote Cast	Reason	Country
		2010		cash		capital of greater than 5% without pre-emption rights. While we recognise that this is in line with the JSE limit, we consider any request greater than 5% to be excessive and would expect adequate justification by the company prior to seeking such authority.	
SASOL LTD	AGM	26-Nov-2010	Management	To elect Directors, retiring in terms of Article 75(i) of the Company's Articles of Association, who are eligible and offer themselves for re-election: VN Fakude	Against	We voted against this director for attending less than 75% of meetings. Attendance is crucial for making valuable contributions to the board and fulfilling fiduciary duties.	South Africa
SASOL LTD	AGM	26-Nov-2010	Management	To elect Directors, retiring in terms of Article 75(i) of the Company's Articles of Association, who are eligible and offer themselves for re-election: IN Mkhize	Against	We voted against this director for attending less than 75% of meetings. Attendance is crucial for making valuable contributions to the board and fulfilling fiduciary duties.	South Africa
SHOPRITE HLDGS LTD	AGM	25-Oct-2010	Management	Resolved that Mr. B Harisunker, who retires by rotation as a Director in terms of Article 14.1 of the Articles of Association of the Company and has offered himself	Against	We voted against this director because, while we have no objections to this individual's performance, we wish to comment on board balance and integrity. The board should include at least 50% independent non-executive directors.	South Africa

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				for re-election to the board of the Company, be and is hereby re-elected.			