


Meeting Date:	Wed, 21 Jul 2010 11:30	Proxy Deadline:	Mon, 19 Jul 2010	Type:	AGM	Issue date:	Wed, 07 Jul 2010
Meeting Location:	Cayzer House, 30 Buckingham Gate, London SW1E 6NN						
Current Indices:	FTSE MidCap						
Sector:	Investment trust						

PROPOSALS	ADVICE
<p>1 Receive the Annual Report No reference is made to SEE related issues in the Company's investment policy disclosure, and there is no voting policy. The Company has previously informed PIRC that such related factors are taken into consideration in the investment appraisal process. In addition, there is no vote relating to the dividend paid for the year under review, which we consider to be a material erosion of shareholder rights. Therefore we recommend opposition.</p>	Oppose
<p>2 Approve the Remuneration Report Disclosure is satisfactory, and we welcome the disclosure of the precise targets under which bonus payments may be paid. Combined remuneration is not considered excessive. We are concerned with the cliff vesting operation employed under the performance conditions for Matching share awards, and note that the vesting of compulsorily and voluntarily deferred share awards are subject only to continued employment. We are also concerned in relation to the cliff vesting under the ESOS, whereby each element of 50% fully vests at meeting a single target, and therefore we do not consider the share schemes to be geared towards outperformance. In addition, PIRC considers that long term incentives should use two performance criteria concurrently, one with a comparator group, and that separate schemes should utilise different criteria, to avoid rewarding directors twice for the attainment of the same performance measures. Compensation provisions for directors can include bonuses which we consider contrary to best practice - during the year Mr Cartwright resigned as a director and the remuneration committee decided to allow those awards for which performance conditions were met to vest, although allowing for re-testing in certain circumstances. Rating BDC.</p>	Oppose
<p>3 Re-Election of Mr M E T Davies Non-Executive Director, independent by PIRC.</p>	For
<p>4 Re-Election of Mr J M B Cayzer-Colvin Executive director, 12 month rolling contract. We would normally recommend opposition on the basis that termination payments make reference to total emoluments rather than salary and, given precedent, it is therefore possible that bonuses would be included. However, the company have assured us that these contracts are a legacy of previous practice, since superseded by new practice, such as Mr King's contract, whereby there is no provision for any bonus payment on termination and mitigation is applied. The Remuneration Committee has stated that this will be the template for future executive contracts, and on this basis we mitigate to abstention.</p>	Abstain
<p>5 Re-Election of Mr W P Wyatt Chief Executive, 12 month rolling contract. We would normally recommend opposition on the basis that termination payments make reference to total emoluments rather than salary and, given precedent, it is therefore possible that bonuses would be included. However, the company have assured us that these contracts are a legacy of previous practice, since superseded by new practice, such as Mr King's contract, whereby there is no provision for any bonus payment on termination and mitigation is applied. The Remuneration Committee has stated that this will be the template for future executive contracts, and on this basis we</p>	Abstain

	mitigate to abstention.	
6	Re-Election of Mr C H Gregson Non-Executive Director, independent by PIRC.	For
7	To elect Mr S A King Finance Director, 12 month rolling contract.	For
8	Appoint the auditors Deloitte LLP proposed. Inappropriate non-audit fees (GBP 200,000) exceed the audit fee in the year under review and on a three year aggregate basis.	Oppose
9	Allow the board to determine the auditors remuneration Standard proposal.	For
10*	Authorise Share Repurchase Authority limited to 10% of the issued share capital and expires no later than the next AGM. Within acceptable limits.	For
11	Approve Rule 9 Waiver The board is seeking shareholder authority for a Rule 9 waiver in connection with the stake held by the Cayzer Trust, Concert Party Directors, the Employee Share Trust and the wider Cayzer family, between them holding 46.25%. If the waiver is not approved then the Concert Party may be forced to make an offer for the remaining share capital. Only shareholders who are not connected to the controlling shareholder can vote on the proposal and all voting will be via a poll. The directors have given a commitment that the controlling shareholder will not gain control over more than 49.9% of the issued share capital. PIRC has previously noted the recent concern at the issue of 'creeping control' and if the result of the waiver led to a controlling stake of 50% we would recommend opposition. Considering the potential change of stake for the Concert Party; in this instance we again perceive the waiver to be reasonable. We will keep the directors' holdings under review.	For
12	Issue shares with pre-emption rights General authority limited to one third of the issued share capital, and two thirds of the issued share capital if in connection with a pre-emptive rights issue. The requested authority follows the recent published guidance of the Rights Issue Review Group in connection with the ABI. We consider that there is sufficient independent supervision on the Board to monitor the use of the authority, and the company has made a commitment for all directors to seek re-election if the authority is used, as recommended by the published guidance. In light of this we recommend support.	For
13*	Issue shares for cash Authority limited to 5% of the issued share capital and expires no later than the next AGM. Within recommended limits.	For
14*	Notice of General Meetings The proposed resolution reflects the implementation of the EU Shareholder Rights Directive into English law, which took place on 3 August 2009 as implemented by the company in its Articles of Association. Under the regulations, the minimum notice period for general meetings (other than Annual General Meetings) will increase to 21 days unless certain conditions are met, in which case it may be 14 days. PIRC considers that all companies should aim to provide at least 20 working days notice for general meetings in order to give shareholders sufficient time to consider what are often complex issues; however, we recognise that the proposed change is permissible by the Companies Act and recommend support.	For
	* = Special Resolution	

Directors

- Three directors, The Hon C W Cayzer and Messrs Cayzer-Colvin and Wyatt, are involved in the affairs of Cayzer Trust which owns 33.7% of the Company's share capital.
- Four of the eleven directors can be viewed as independent non-executive directors, an improvement on last year. The company has a governance committee, comprised of independent non-executives, which was formally established to review conflict of interest issues relating to the company and board. It keeps under review corporate governance issues relating to the company and is responsible for the monitoring and review of the ability of each director to act in the interests of shareholders as a whole and to exercise independence of judgement free from relationships or circumstances which are likely to, or could appear to, affect his judgement.

Audit and reporting

- Inappropriate non-audit fees (GBP 200,000) exceed the audit fee in the year under review and on a three year basis.

FINANCIAL PERFORMANCE

	2010	2009	2008
Dividend per ordinary share (p)	35.30	33.80	32.50
Net asset value per share (p)	2,047.00	1,574.00	2,180.00

FINANCIAL ADVISORS & CONTACTS

Company Secretary	Graeme Denison
Company Address	Cayzer House, 30 Buckingham Gate, London, SW1E 6NN

PIRC CONTACT

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Tel Number	

1. DIRECTORS

1.1 BOARD OF DIRECTORS

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. *A = audit committee, M = management engagement committee, N = nomination committee, * = committee chairman.*

Board changes during year: Tim Ingram will be retiring as Chief Executive at the forthcoming AGM with Will Wyatt, currently an executive director, succeeding him. Stephen King was appointed Finance Director on 9 December 2009 at which point Jonathan Cartwright stepped down from the board. Charles Gregson, non-executive director, was appointed to the board on 16 September 2009.

James Loudon			Chairman
Age:	67	Date Appointed:	1995
Shares:	13564	Committees:	N*
Contract:			
Other Positions:	Governors of the University of Greenwich [DepCh], Canterbury Cathedral Trust [DepCh], Kent Air Ambulance [Trustee], ex-James Hardie Industries NV [NED], ex-Lafarge Malayan Cement [NED], ex-Blue Circle Industries plc [FD]		
Comment:	Not independent on appointment. Mr Loudon has been on the board for more than thirteen years before his appointment as chairman.		

William Wyatt			Chief Executive
Age:	41	Date Appointed:	2005
Shares:	117940	Committees:	
Contract:	12 months rolling		
Other Positions:	Sterling Industries [Ch], Avanti Communications Group [NED], Terrace Hill [NED], Cobepa [NED], Melrose Resources [NED], TGE Marine [NED], Bristow Group [NED], Cayzer Trust [Dir], ex-Close Brothers		
Comment:	Appointed Chief Executive on 21 July, 2010. Mr Wyatt is involved in the affairs of The Cayzer Trust Company Ltd ('Cayzer Trust'), Caledonia's largest shareholder.		

Stephen King			Finance Director
Age:	49	Date Appointed:	2009
Shares:	0	Committees:	
Contract:	12 month rolling		
Other Positions:	Weir Group plc [NED], ex-Lonhro, ex-Lucas Industries, ex-Seeboard, ex-Midlands Electricity [group FD], ex-De La Rue [group FD]		
Comment:			

The Hon Charles Cayzer			Executive Director
Age:	53	Date Appointed:	1985
Shares:	40892	Committees:	
Contract:	12 months rolling		
Other	Quintain Estates & Development plc [NED], Easybox [Ch], Edinmore [Ch], The Sloane		

Positions: Club [Ch], Eredene Capital [NED], Varun Shipping [NED], ex-Cayzer Irvine , ex-Cayzer Ltd, ex-Baring Brothers

Comment: He is a member of the Cayzer family.

Jamie Cayzer-Colvin		Executive Director	
Age:	45	Date Appointed:	2005
Shares:	408498	Committees:	
Contract:	12 months rolling		
Other Positions:	Celerant [NED], Ermitage [NED], Polar Capital Holdings [NED], India Capital Growth Fund [NED], Close Brothers [NED], Eddington Capital Management [NED]		
Comment:	Mr Cayzer-Colvin is involved in the affairs of The Cayzer Trust Company Ltd ('Cayzer Trust'), Caledonia's largest shareholder.		

John May		Executive Director	
Age:	55	Date Appointed:	2003
Shares:	48218	Committees:	
Contract:	12 months rolling		
Other Positions:	Bristow Group Inc [NED], Amber Chemicals [Ch], British Empire Securities [NED], Oval [NED], Begbies Traynor [NED], Rathbone Brothers [NED], Satellite Information Services [NED], ex-Hambros Group		
Comment:			

Charles Allen-Jones		Senior Independent Director	
Age:	70	Date Appointed:	2001
Shares:	7500	Committees:	A*, R, N
Contract:			
Other Positions:	Hongkong Land Holdings [NED], Jardine Strategic Holdings [NED], Financial Reporting Review Panel [mem], Council of the Royal College of Art [VCh], ex-Linklaters [Senior partner]		
Comment:	Independent by the company, independent by PIRC. Chair of the Governance Committee.		

Mark Davies		Non-Executive Director	
Age:	61	Date Appointed:	2002
Shares:	2500	Committees:	R*, N
Contract:			
Other Positions:	Fleming Family & Partners [CE], ex-Old Mutual Financial Services (UK) [Exec], ex-Inter Commodities [Founder], ex-Gerrard Group [CE]		
Comment:	Independent by the company, independent by PIRC. Member of the Governance Committee.		

Richard Goblet d'Alviella		Non-Executive Director	
Age:	61	Date Appointed:	2005
Shares:	0	Committees:	A
Contract:			
Other Positions:	Sofina [CE], Delhaize [NED], Eurazeo [NED], Group Danone [NED], Suez [NED], ex-Paine Webber Group [MD]		
Comment:	Independent by company, not independent by PIRC as he is the chief executive of Sofina, that has a 4.7% interest in Caledonia Investments.		

Charles Gregson		Non-Executive Director	
Age:	62	Date Appointed:	2009
		Committees:	A, R, N
Shares:	610		
Contract:			
Other Positions:	St. James's Place [NED], United Business Media Plc [CEO of PR Newswire], ICAP [Ch]		
Comment:	Independent by company, independent by PIRC. He is a member of the Governance Committee.		

David Thompson		Non-Executive Director	
Age:	55	Date Appointed:	2003
		Committees:	A, R, N
Shares:	3000		
Contract:			
Other Positions:	Marston's [Ch], Persimmon [NED]		
Comment:	Independent by the company, independent by PIRC. He is a member of the Governance Committee.		

1. DIRECTORS' REMUNERATION

1.1 Management and Remuneration

Management Structure

1.2 Management Best Practice

This table sets out PIRC's assessment of the company's compliance with standards of best practice as set out in PIRC's Shareholder Voting Guidelines. It is based on disclosure in the report and accounts. n/d = not disclosed.

BEST PRACTICE PRINCIPLE AND CRITERIA: MANAGEMENT	ANALYSIS
There should be an independent and transparent management review process	
a) Management engagement committee exists comprising wholly independent directors	No
b) There is no cross shareholding with the management company	n/a
c) Management contract is one year or less	n/a
d) Managers' fees have performance-related elements	n/a
e) All directors are independent of the manager	n/a

1.3 Comment

a)The board will perform the duties normally associated with a management engagement committee.

e)The fund is self-managed and therefore the board of directors includes executives paid for managing assets.

1.4 Management Remuneration

	2010	2009	2008
Management Remuneration	3,237,000.00	2,250,000.00	3,812,000.00

1.5 Director's Remuneration

	2010	2009	2008
Director's Remuneration	316,000.00	215,000.00	171,000.00

1. AUDIT & REPORTING

1.5 Auditor's Remuneration

Auditors:

Date appointed:

Audit partner:

Responsible since:

	2010 £m	2009 £m	2008 £m
Statutory audit fee	0.10	0.10	0.30
Total non-audit fees	0.20	0.30	0.40
Total PIRC category 2 non-audit as percent of Statutory audit fee	200.00%	300.00%	133.33%

4. SHARE CAPITAL & SHAREHOLDER RELATIONS

4.1 Best Practice Institutional Investor Policy

a) There is an institutional shareholder voting policy in place	No
b) Statement of investment policy makes reference to relevance of SEE matters	No
c) The manager is encouraged to engage with companies to promote better SEE practice	n/a

3. OPERATING AND FINANCIAL REVIEW OR BUSINESS REVIEW

3.6 Best Practice

This provides our interpretation of compliance with key guidelines on best practice as set out in ASB Reporting Statement: Operating and Financial Review (January 2006). N.B. Only information in the company's OFR or Business Review is taken into account below except in interpreting guidelines (vi), (vii) and (x) where information elsewhere in the annual report is also considered

BEST PRACTICE FRAMEWORK AND CRITERIA: OFR	ANALYSIS
A. Overview i) Does the company have an OFR or Business Review?	Yes

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