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Media release

Few easy answers when it comes to remuneration

Determining the degree to which remuneration structures are aligned with shareholder interests continues to be a challenge, according to the latest Corporate Governance Report prepared by AMP Capital Investors.

The mid year Report outlines how the Global Financial Crisis brought to light numerous structural problems, resulting in various moves to strengthen remuneration practices. However, while some improvement is needed, it's important to carefully assess any unintended consequences that may come from new hard and soft rules.

In fact AMP Capital Investors Director of Sustainable Funds, Michael Anderson identifies that with each company having its own unique characteristics it is difficult to find a remuneration structure that will be right for everyone.

“There are many remuneration methodologies that can be used and while each approach has its merits, there is no perfect tool that satisfies both shareholders and employees, and no one-size-fits all solution. It's this balancing act that regulators and boards must consider and it's no easy feat.”

Despite the complexity, AMP Capital Investors has a preference for performance hurdles that include a measure of long-term relative Total Shareholder Return (TSR). This model compares the performance of different companies' stocks and shares over time by combining share price appreciation and dividends paid to show the total return to the shareholder.

“AMP Capital strives to invest in companies that will provide our clients with the best long-term returns, and in our opinion relative TSR typically provides the greatest alignment with that objective. As a performance hurdle, relative TSR is not only aligned with shareholder interests, but also has the added benefits of being easily defined, measured and communicated. While every approach has its problems relative TSR is one of the most robust in a wide range of situations.” Mr Anderson said.

The latest Corporate Governance report also examines gender diversity on the boards of Australian companies. The report identifies how discussions around board diversity are now becoming more focused on how to accelerate the progress of women into senior positions.

“As this focus on gender diversity continues, the selection of company boards will need to change. Having more women on boards has been linked with better performance and there have been many reasons cited as to why. Increasingly, shareholders will consider gender imbalance when engaging with the companies they choose to invest in,” Mr Anderson said.

The Corporate Governance Report, which is released twice a year, provides a summary of AMP Capital's corporate governance activity. AMP Capital takes seriously its responsibilities as an investment manager, as an agent of shareholders in companies and as a steward of its clients' assets. The latest Report included an analysis of the first half of the 2010 proxy season, detailing the votes cast and the governance issues considered.

AMP Capital Investors Proxy Voting statistics (2007 to 2010):	2010 First half (6 months)	2009 First half (6 months)	2008 First half (6 months)	2007 First half (6 months)
Number of company meetings where votes were submitted:	83	97	109	122
Number of resolutions voted on:	365	473	561	556
% of meetings where all resolutions were supported (by AMP Capital):	71%	62%	71%	59%
% of meetings where incentive issues were considered:	63%	60%	66%	54%
% of meetings where incentive issues were not supported (by AMP Capital):	25%	34%	35%	34%

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