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Media release

Remuneration remains the biggest governance issue in 2009

The appropriateness of pay structures is increasingly being questioned by shareholders, with protest votes on remuneration reports remaining at high levels, according to the latest Corporate Governance Report prepared by AMP Capital Investors.

The final Report for the year highlights how the Global Financial Crisis has provided shareholders with the opportunity to observe how incentive schemes behave in a downturn. More recently, shareholders have become more inclined to vote against poor remuneration structures. Areas of particular concern to shareholders include lack of alignment where incentive structures reward inadequate performance, poor disclosure and lack of clarity around short and long-term performance hurdles.

AMP Capital Investors Director of Sustainable Funds, Michael Anderson said: "In some cases shareholders who have been happy for executives to receive a share of boom time profits have discovered that in the tough times 'at risk' pay has never really been at risk at all."

"In regards to executive remuneration, we have held the long-term view that shareholder and management interests must align. Appropriate performance hurdles must be set and challenging benchmarks need to genuinely reflect the improved competitiveness of the company," Mr Anderson said.

The latest Corporate Governance report also examines the 'two-strikes rule' proposed by the Productivity Commission in October this year. The rule suggests that should companies receive more than 25% votes 'against' their Remuneration Report two years running, then entire company boards would be up for re-election. Shareholder dissatisfaction on remuneration matters will have much greater consequences if this rule is put in place.

"If some form of the 'two-strikes' proposal is implemented, companies would be more inclined to engage directly with shareholders in regards to remuneration matters, and much greater pressure would be placed upon shareholders to carefully consider their vote. However, the benefits of this increased scrutiny will need to be carefully weighed against the costs of disruption and loss of continuity," Mr Anderson said.

Also discussed in the Report are the recent GovernanceMetrics International ratings from September 2009, where Australia maintained its fourth place ranking.

The Corporate Governance Report 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 2009 proxy season and reviews proxy voting issues surrounding corporate governance issues.

AMP Capital Investors Proxy Voting Statistics (2006 to 2009):	2009	2008	2007	2006
Number of company meetings where votes were submitted	406	418	496	413
Number of resolutions voted on	2007	2154	2482	2,049
Meetings where all resolutions supported (by AMP Capital)	55%	59%	58%	64%
Meetings where incentive issues considered (since 2005 includes Rem reports)	83%	82%	72%	79%
Meetings where remuneration reports considered	71%	75%	68%	76%
Remuneration reports not supported (by AMP Capital)	37%	39%	36%	31%

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