

## Report on the International Corporate Governance (August 2008 -March 2009)

The International equity team has voted in 165 corporate meetings between August 2008 and March 2009, as illustrated in the attached table.

This truncated period, to bring corporate governance reporting in line with the fiscal year, does not capture a significant portion of the regular voting season. Those meetings will be reported on in the next annual report.

The current period captures between 30% and 40% of meetings in Asia, Emerging markets and Europe, but only 12% of North America and 2% of Japan.

Overall, BAPIML voted against management on at least one proposal at 27% of these meetings. This ranged from 24% in Europe to 31% in Asia Pacific (excluding the unrepresentative sample size in North America and Japan).

The most contentious issues were once again director elections and remuneration. Share incentive schemes proved a contentious issue in Emerging markets, predominantly in South Africa.

### Asia Pacific

Australia saw a high level of votes against both directors and remuneration. Most of the votes against directors came down to board independence. In line with numerous sets of governance guidelines in Australia, there has been increased shareholder scrutiny of board independence, with 23% of the top 100 companies having a director voted against in 2007/2008 up from 19% the previous year. There has also been an increase in the number of proposed remuneration reports/recommendations being defeated.

### Europe

Most of the meetings in Europe were in Eastern Europe, with a few Scandinavian and a couple of Belgian meetings. The contentious issues were director elections and stock option plans. Turkish companies have been poor at providing the necessary information for director elections, and this has often led to votes against management proposals. Turkey has been working hard to improve corporate governance and the impetus for much needed change in local practices could be the long awaited reforms to the country's legal framework at the end of 2008, the first overhaul to company law in 50 years. The focus is on standards related to board structures, shareholder meetings and the involvement of stakeholders.

## North America

Only a small number of companies had meetings within the review period. There were more examples of the continued move towards 'say on pay'. BAPIML voted in favour of a shareholder proposal to have an advisory vote on executive compensation. The advisory vote gives shareholders a greater voice in company's executive compensation practices. It is seen as a confidence vote on the work of the Compensation Committee and encourages dialogue between investors and the committee on any contentious pay issues. The American Recovery and Reinvestment Act of 2009, signed by President Barack Obama in February, directed the SEC to issue final rules on non-binding "say on pay" votes within one year. The provision applies to all companies that have received funds under TARP until repayment to the government. It is noted that many of the recipients have begun paying back the government funds.

## Emerging Markets

Almost all of the proposals voted against in the Emerging markets area were in South Africa and regarded share incentive schemes. The main issue is either a lack of performance criteria or the potential of excessive dilution.

BAPIML continues to take an active role in promoting international corporate governance. In the period under review, BAPIML has supported the adoption of independent boards, defended shareholder interest against share issuance, and supported accountable performance based remuneration. BAPIML will continue to play its part in ensuring that companies are operated for the benefit of shareholders.

**Originator:** Head of International Equity Portfolio Management

**Date:** 1 October 2009

## International Corporate Governance

1st August 08 - 31st March 09

Total number of meetings voted	Asia Pacific	Japan	Europe	North America	Emerging Markets	Total
<b>Total number of meetings voted</b>	59	2	51	13	40	165
Voted FOR on all proposals or voted in line with all management recommendations	41	2	39	9	30	121
% of votes For	69%	100%	76%	69%	75%	73%
Voted AGAINST on at least one proposal or voted against a management recommendation	18	0	12	4	10	44
% of votes Against	31%	0%	24%	31%	25%	27%
Voted ABSTAIN on at least one proposal	0	0	0	0	0	0
% of votes Abstained	0%	0%	0%	0%	0%	0%
Took NO ACTION	0	0	1	0	0	1
% of votes with no action	0%	0%	2%	0%	0%	1%
<b>Breakdown of voting on individual proposals</b>						
<b>Number of individual proposals voted against</b>						
Against share issuance			1		1	2
Against share repurchase			1			1
Against bond issuance	2					2
Against authorise board to make acquisitions			1			1
Against third party transaction			1			1
Against share incentive scheme					4	4
Against issuance of options to board members					1	1
Against grant of rights for management incentive scheme	1					1
Against severance payment	1					1
Against election of director	14		6	3	3	26
Against election of audit committee member	1					1
Against appointment of auditors			1			1
Against remuneration plan	7		2		1	10
Against amendment of bylaws				1		1
Against amendment to Articles of Incorporation	3					3
Against mgmt/ voting for shareholder proposal advisory vote on compensation				1		1