

PRESS RELEASE:

Non-US Investors call on the American Bar Association (ABA) to move towards a majority vote standard for shareholders to elect directors to US boards

A group of 14 institutional investors and representative bodies from Australia, Canada, Netherlands and the UK, representing approximately US\$2 trillion of assets have called on the influential ABA to recommend the majority vote standard as the proposed alternative to the current system in their deliberations over voting standards at US corporations.

"The US system is at odds with shareholders' basic ownership rights and lags behind other countries in corporate democracy. It is critical that US policy makers understand that this has ramifications for how foreign investors view the integrity of the US markets" said Peter Moon, Chief Investment Officer of the UK's Universities Superannuation Scheme.

The letter (attached) describes the current director election process in the US as "an inherently suboptimal system of governance that is prone to abuse" as shareholders are effectively left with no practical ability to appoint or remove the directors of companies in which they invest. The current plurality vote standard is described as "an oddity" and "inconsistent with the values espoused by the US as a democratic nation as it effectively renders shareholder votes meaningless in most corporate elections."

"Good governance is underpinned by accountability and directors should be accountable to shareholders. Majority voting is the democratic norm and should be the norm for US corporations too" said Frank Curtiss, Special Projects Officer at the UK's RAILPEN Investments.

In their submission to the ABA, the signatories refer to their experiences in their own markets which require a majority of the shares voting for the election of a director, pointing out that the US lags behind most other democracies in its corporate director electoral system. The group of investors claim that the purported concerns about potential confusion and disruption under a majority vote standard are unfounded. On the contrary, the standard is seen to encourage better communication between shareholders and directors and helps to maintain a healthy balance in the governance of the company. In the US, this could in fact lessen shareholder reliance on disruptive litigation and use of shareholder resolutions as a vehicle for addressing governance concerns.

"It is important that shareholders be able to vote for or against directors on boards based on their individual performance representing shareholders' interests. Directors should be accountable to the shareholders who are, in fact, the owners of the company" said Claude Lamoureux, President and CEO, Ontario Teachers' Pension Plan.

Given that a significant proportion of the assets of signatories' members and clients are invested in American equities (over \$183 billion collectively), and that some

objectionable US practices influence governance standards in other markets, the signatories have a strong interest in promoting good governance and responsible practice in the US market, which for many is their largest market outside their own country.

Notes to editors:

1. The ABA's discussion paper can be found at:
<http://www.abanet.org/buslaw/committees/CL270000pub/directorvoting/200506210000.pdf>

2. For further information, please contact:

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3. The signatories to the letter are: Stichting Pensioenfond ABP, Australian Council of Superannuation Investors, Baillie Gifford & Co, Co-operative Insurance Society Ltd, Local Authority Pension Fund Forum, London Pensions Fund Authority, Morley Fund Management, National Association of Pension Funds, Ontario Teachers' Pension Plan, Public Sector Superannuation Scheme and Commonwealth Superannuation Scheme, RAILPEN Investments, Shell Pensions Management Services Limited, UniSuper Limited, Universities Superannuation Scheme Ltd