

Proxy Voting and Shareholder Dialogue

Report

2009

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Foreword

On December 31st 2009, the investment management company CAAM, Crédit Agricole Asset Management, changed its name to AMUNDI. This proxy voting and shareholder dialogue report covers the year 2009 and the activities of CAAM..

AMUNDI has been exercising the voting rights for companies held in its investment funds on behalf of its clients since 1996.

Consequently, AMUNDI implemented a dedicated organization in order to ensure the best efficiency in the exercise of voting rights in every aspects of the function such as the monitoring of the voting chain, the determination of the voting perimeter or the integration of the best corporate governance practices.

1.1 Corporate Governance Unit

The organization of the exercise of voting rights is centralized in a dedicated Corporate Governance unit. It is in charge of all the aspects of the voting chain - analyses of the resolutions, relations with the fund managers, financial and extra-financial analysts and the issuers – and, for some cases, of organizing and convening voting committee meetings. Details of this organization are published in our voting policy documents.

1.2 Voting perimeter

Since the 2008 voting season, for international companies, AMUNDI has decided to restrict its voting perimeter to meetings where its vote will represent at least 0.1% of the company's equity capital. However, it may also decide to vote at meetings where it deems its participation important, even if its investment does not reach the specified threshold. This limitation does not apply to SRI funds that vote for all the companies held in the funds.

1.3 Voting funds

The list of voting funds for 2009 experienced a slight increase compared to 2008. This increase is mainly due to the integration of the Luxembourg funds in our voting perimeter.

1.4 Voting Policy

From 1996 onwards, AMUNDI has drafted a voting policy based on the corporate governance principles impacting the performances of the companies, in the best interest of its clients and, more broadly, of the minority shareholders of the companies held in the funds. As of 2003, AMUNDI introduced social and environmental criteria in its voting policy in order to contribute to the sustainable dimension of the performances.

The 2009 voting policy was revised after the analysis of the 2008 voting season and the identification of the new trends for 2009, then presented to the voting committee for validation and finally published at the very beginning of 2009 on our website.

Main modifications of the 2009 voting policy

- Capital increases without preemptive rights : ceiling reduced from 20% to 15% of issued capital
- Share-based incentive plans: rejection of plans without clear performance criteria and quantifiable challenging targets
- Severance payments : maximum of two years (fixe and variable) remuneration and linked to published, challenging, quantifiable performance criteria

1.5 Special cases

↳ **Cases where AMUNDI was unable to vote**

On the 2009 voting perimeter, we repertoried 16 cases where the effective execution of the vote could not be assured. Those cases are uniquely for international meetings. **So, we estimate that we effectively voted at 1309 AGMs out of a perimeter of 1325, or 99%.**

The reasons for not being able to ensure the execution of some votes are varied, but mostly, this was due to insufficient time between the dates the meeting was announced and the deadline for sending proxy votes or to local legislative requirements. In some cases, the reason was purely technical preventing voting orders from being accepted.

↳ **Securities lending policy**

In the interests of its clients, AMUNDI reserved the right to recall loaned securities, based on our analysis of the forthcoming AGM. AMUNDI systematically recalled loaned securities for French AGMs. Recalls were handled on a case-by-case basis for international AGMs.

↳ **Conflicts with governance principles**

We did not encounter any significant conflicts with our governance principles.

↳ **Conflicts of interest**

No conflicts of interest arose during 2009.

02 EXERCISE OF VOTING RIGHTS

This activity complies with the regulations published by the AMF consecutively to the Financial Security Act of 2003 but also with the Principles of Responsible Investment signed by AMUNDI.

2.1 Global analysis of the votes

For 2009, AMUNDI voted at a total of 1309 AGMs worldwide

Global geographical repartition of votes		
Europe	744	57%
France	170	
U.K.	154	
North America	298	23%
USA	254	
Asia	168	13%
Japan	97	
South America	62	5%
Oceania	30	2%
Africa	7	0%

In 894 of those AGMs, at least one opposition vote was cast.

➤ In France, 82% of the 170 voted AGMs had at least one opposition vote cast.

➤ Internationally, 66% of the 1139 voted AGMs had at least one opposition vote cast.

AMUNDI analyzed 14272 resolutions and voted in contradiction with management recommendations but in the long term interests of shareholders for 18% of them.

These opposition votes can be classified in four thematic categories:

- Boards structure : 28%
- Capital structure : 25%
- Remunerations : 21%
- Shareholders resolutions : 13%

2.2 2008-2009 comparison

The first semester 2009 has seen a **noticeable increase in our opposition votes** in terms of both meetings with at least an opposition vote and resolutions opposed. This evolution is primarily characterized by **the importance of opposition votes concerning capital operations**, and is due to the change in our voting policy, to the renewal of most routine capital authorizations in France and to regulatory evolutions in some European countries. Despite the current public debates on the subject, **the topic of remunerations has experienced a small decrease in relative importance** compared to 2008. This trend is due to the decline of resolutions concerning severance payments due to the TEPA law whose deadline was in 2008 act and to the improvements of the ones still proposed thanks to the AFEP-MEDEF recommendations. Improvements in the meetings with remuneration reports submitted to the vote of shareholders in the voting perimeter can also explain the decrease of the weight of the remuneration topic. **The other themes of opposition stayed relatively stable.**

Voting Statistics		
	2009	2008
Total voted AGMs	1309	1037
France	170	167
International	1139	870
AGMs with at least one opposition vote cast	68%	66%
France	82%	72%
International	66%	65%
Total voted resolutions	14272	12134
Opposition votes	18%	17%
Opposition votes by theme		
Boards structure	28%	32%
Capital structure	25%	15%
Remunerations	21%	28%
Shareholders resolutions	13%	13%

2.3 Boards structure

This theme (28% of opposition votes) covers the issues of the organization and the functioning of the board, especially the separation of the functions of management and control, the existence and the functioning of the specialized committees, the weight and responsibilities of the independent directors the necessary time commitment for directors with an excessive number of directorships or the responsibilities of directors.

In France, despite a constant improvement during the previous years, most of the **boards are still far from having an independent majority of directors** in non-controlled companies and they do not even reach our threshold of one third of independent directors in too many cases. This weakness of the independence of the boards stays the main reason for opposition votes on the board theme. The second reason is the **excessive number of directorships** for some directors, executive or not, that lead us to question their aggregate time commitment to ensure their role in the different boards and committees. Another consequence of this situation is the lack of renewal in the closed group of French directors.

In Italy, we are facing some difficulties due to the **system of «voto di lista»**. The first difficulty is technical as the proposed alternative lists are disclosed only fifteen days before the meeting. This delay is often very close to the voting deadlines imposed by our proxy provider. A second difficulty is more is theoretical. This system is based on a list of directors which is considered as a bundled resolution and in contradiction with our voting

policy as we prefer to vote individually on each director. Nevertheless, due to the positive impact of this system on the improvement of the independence of the boards, we are not opposing those bundled resolutions and supporting them when we consider that they can improve the structure of the board.

In the US, the level of boards' independence is traditionally not a problem. But considering the limited perimeter of resolutions proposed to the general meeting, the vote on directors' election is often a tool to express other preoccupations. The main reason for opposition is the **votes against the members of the remuneration committees** in cases of noticeable problems in the remuneration policies adopted. Nevertheless, those votes are not really deterrent as the system of plurality voting is still in use in numerous companies (system where if the number of directors proposed is equal to number of places available in the board, a director needs only one positive vote to be elected and not 50% of the votes as in a majority election system).

«Voto di lista» system and minority lists proposed by Assogestioni

Assogestioni, the Italian association of asset managers, that presents every year lists of independent directors at Italian general meetings for companies where the level of independence is considered as too low.

In 2009, Assogestioni attempted to present minority lists at 19 annual meetings of Italian companies and succeeded in electing independent members in the statutory boards for 6 of them.

↳ **AMUNDI** collaborated with Assogestioni in the presentation of two lists in 2008 and in the attempt to present one list in 2009.

↳ **AMUNDI** supported through its vote, when it was possible, the lists proposed by Assogestioni at Italian general meetings.

2.4 Capital structure

This theme (25% of opposition votes) covers capital increases presenting an excessive dilutive impact in contradiction with the criteria of our voting policy, the anti-takeovers measures such as resolutions allowing, during a public offer, the use of all capital authorizations or the repurchase of shares and other local poison pills.

In France, the length of 26 months of capital authorizations can explain the relative calm of 2008 but also the return of the issue in 2009 with **the renewal of financial authorizations**. The multiplication of the types of authorizations, with preemptive rights, without preemptive rights, for future exchange offers, in the event of additional demand, for future acquisitions, for private placement ..., explains the large number of resolutions proposed and also the large number of opposition votes on our side as the companies tend to choose to cover all their potential capital needs by using all the types of authorizations available. Whereas the creation of global and partial ceilings to cap those resolutions has developed, the addition of the numerous resolutions proposed by the issuers often goes beyond our criteria.

In the UK, the routine capital authorizations were usually not a problem as most issuers were following the local codes that established the thresholds for capital increases at 33% with preemptive rights and 5% without preemptive rights. Nevertheless, this year, following the report of the Rights

Issue Review Group, **the Association of British Insurers modified its guidance on capital increases** (largely followed by investors in the UK) by allowing the possibility of an additional 33% for routine capital increases with preemptive rights in case of a rights issue and if the board members stand for re-election at the next AGM. This new threshold representing 66% of issued capital is beyond the criteria of our voting policy and resulted in negative votes for the companies that used that new possibility.

In Netherlands, a new law derived from the second European directive on company law abolished the usual 10% limit for shares repurchase and allowed **shares buybacks for up to 50% of issued capital**. Our voting policy was not covering cases of repurchases of more than 10%, a voting committee was called to answer that new issue and decided to maintain the 10% limit that was implicitly used before. Most Dutch companies did not use that new possibility. Those that used it have often chosen to limit its scope to 20 or 30% of issued capital but it still resulted on negative votes on our side.

Slight decrease of anti-takeover measures in France

Most companies that had their resolutions on defensive warrants known as “Bons Breton” rejected by the AGM in 2008 (or that cancelled the resolution before the AGM) did not re-propose them in 2009. Among those whose resolutions were adopted in 2008, some decided not to submit the renewal of their “Bon Breton”. The voting rights limitations presented and rejected in 2008 were not re-proposed this year.

The resolutions proposing to allow, during a public offer, the use of all capital authorizations stayed stable and those allowing repurchase during public offer slightly decreased due to a better attention of the issuers in the writing of the resolutions.

↳ **AMUNDI**, according to its voting policy, opposed resolutions allowing anti-takeover measures contrary to the best interests of minority shareholders. Nevertheless, some resolutions concerning “Bons Breton” were supported when considered, due to their amount and the situation of the company, as a mean of negotiating a higher bid price.

2.5 Remuneration

This theme (21% of opposition votes) covers the consistency with the criteria of our voting policy of remuneration schemes, options and performance shares plans, remuneration reports submitted to the AGMs, severance payments and other types of delayed or indirect remuneration presented to the approval of shareholders.

In France, the AFEP-MEDEF code contributed to improve the implementation of **performance criteria in remuneration plans**. Nevertheless, the majority of issuers still does not have established clear and quantifiable criteria preventing us from analyzing their challenging aspect. Ex-post analysis is also quite difficult as we rarely find historical data on the performance thresholds reached and the related vesting in annual reports. Transparency is also insufficient for indirect remuneration through holdings.

Internationally, the number of companies proposing **remuneration reports** to the vote of shareholders is still increasing. After **UK** in 2002, **Australia, Scandinavian countries and Netherlands**, it is now the turn of **Switzerland** (Ethos campaign), **Italy** (rules of Banca d'Italia), **USA** (TARP and voluntary «say on pay») and **Canada** (SHARE campaign) to introduce this practice at different levels. Nevertheless, there are still huge differences in the quality and levels of transparency in those reports depending on the companies and the countries.

Discretionary modifications of performance criteria and shareholders' reaction

The 2009 voting campaign is characterized by an increased attention to remuneration issues. The non-respect of the performance criteria published by the issuers and the lack of detailed explanations from the Boards that decided to exercise their discretion and to modify the level of vesting has induced strong reactions from shareholders.

In the UK, the remuneration committees of two large companies decided to approve the vesting of a significant part of the performance shares from their long-term incentive plans whereas the strict respect of the published performance criteria thresholds would have led to no vesting. The performance criteria structure of both companies were quite similar with a Total Shareholder Return as the unique criteria and no performance shares were supposed to vest if those companies were ranked beyond the third place in the peer group. The two companies did not reach the third place and provided insufficient explanations for the discretionary change in the vesting levels. The shareholder's reaction was a strong opposition against the remuneration reports submitted to the consultative vote of shareholders with more than 40% opposition for one company and more than 60% opposition for the other.

In France, the severance payment for the CEO of a company was based on five performance criteria. If four out of five criteria were met, 100% of the severance payment was due. The board recognized that only three criteria were met, which would have led to the payment of 70% of the indemnity but decided to attribute 100% of the indemnity. The shareholder's reaction was a strong opposition against the resolution concerning that related-party agreement which was rejected with 99% of negative votes.

🗳️ **AMUNDI** voted negatively on the resolutions concerning the remuneration reports of the two companies and against the resolution concerning the severance payment. These three companies were alerted by a letter of our voting intentions and their rationale.

2.6 Shareholders resolutions

We had to take a position on **438 shareholders resolutions** (342 in 2008). 11 were supported by management, 32 without recommendations and 395 with a negative recommendation from management. The phenomenon of shareholders resolutions stays on a very large proportion mainly American. Nevertheless, some shareholders campaigns took place in Canada, Switzerland or Japan. **In France**, we had to take a position on 15 shareholders resolutions not supported by management that were all concerning corporate governance issues.

Out of those resolutions, usually not supported by management, we supported 282, or 64% of them. We also abstained on 65 of them mainly to express our support to the issue contained in the resolution whereas considering that the writing of the resolution was not totally adequate with the situation of the company.

Shareholders resolutions represent only 3% of all resolutions but account for 13% of our opposition votes to the management recommendations.

Those opposition votes to support totally (votes in favor) or partially (abstentions) the shareholders resolutions can be classified in three main categories:

Corporate Governance, 71% of supports, this category includes resolutions on the introduction of “say on pay”, the use of a majority voting system, the change in the thresholds for special meetings, the end of golden coffins or the choice of an independent chairman of the board.

Social issues, 17% of supports, this category includes resolutions to adopt social policies, to create specialized committees or to carry out specific studies on human rights and discriminations, to request the gender parity in boards or to publish reports on political contributions.

Environmental issues, 12% of supports, this category includes resolutions on climate change and impact of carbon emissions, the publication of sustainable development reports or reports on environmental impacts for specific cases.

Ethos « Say on Pay » campaign

“The “Say on Pay” shareholder resolutions placed by Ethos and eight Swiss public pension funds on the agenda of the general meetings of the five largest Swiss listed companies bore fruit. Four amongst the targeted companies accepted to submit the executive remuneration to the shareholder vote, allowing Ethos to withdraw the resolution. Only one company refused to do so and recommended shareholders to vote against. 31% of the votes however supported the resolution.

↳ **AMUNDI** supported the Ethos campaign by voting in favor of the “Say on Pay” shareholder resolution and by sending an alert letter explaining the rationale of our vote to the company.

CERES and ICCR shareholder resolutions campaigns on climate change

Members of those associations filled several dozens of resolutions at north-American companies requesting reports on quantitative goals for reducing total greenhouse gas emissions or clear and detailed sustainability reports.

↳ **AMUNDI** supported through its vote, when it was possible and justified, those resolutions attempting to improve the level of extra-financial information in order to better appreciate the elements that could potentially impact the value of the companies.

03

SHAREHOLDER DIALOGUE

Early in its commitment as a responsible investor, AMUNDI implemented a shareholder dialogue process that was structured around a formalized dialogue system alerting companies, before their shareholders meetings, of resolutions potentially contradicting our voting policy that could induce a negative vote. This systematic process was initially concentrated on companies of the SBF120 index and was extended, since this year, to a group of about fifty European companies chosen in collaboration with the extra-financial analysts according to different criteria (size, holdings, governance ...). While continuing to develop this formalized alert system, AMUNDI has also expanded its shareholder engagement through other types of actions. **Shareholder dialogue is becoming more and more important as a necessary complement to the exercise of voting rights.**

3.1 Alert letters and shareholder engagement

During 2009, AMUNDI sent 124 alert letters to issuers (86 in 2008) about the contested resolutions in order to initiate a dialogue.

We received 57 responses to the letters, which represent, for our alert system, **an engagement rate of 46%** (40% in 2008).

This dialogue led to **29 changes in our voting intentions** (10 in 2008). The quality and the deepening of the dialogue with issuers are probably the main reason for this evolution. Most of those changes are the result of additional explanations and complementary information provided by the companies and answering the issues contained in our analyses. But, more and more often, changes also come from the modification of the resolutions or from additional measures publicly disclosed by the issuers in order to answer our issues. We can also consider the withdrawal of contested resolutions by issuers before or during the AGM as a result of shareholder dialogue (6 in 2008 and 6 in 2009 in France).

➔ **In France**, AMUNDI sent **90 alerts** (83 in 2008). We received 45 responses (engagement rate of 50%) that induced 26 changes of voting intentions.

➔ **Internationally**, AMUNDI sent **34 alerts** (3 in 2008). We received 12 responses (engagement rate of 35%) that induced 3 changes of voting intentions. This result represents a very encouraging signal for this first year of systematic international engagement.

3.2 Issues contained in the alert letters

Alert letters by theme		
	France	International
Resolutions covered	433	79
Capital increases/poison pills	46%	25%
Remunerations	21%	39%
Board and directors	13%	31%
Other (related party agreements, statutory changes...)	16%	4%

3.3 Other aspects of shareholder engagement

The formalized alert system represents the basis of our shareholder dialogue process and is not limiting but, on the contrary, is complementary to our other actions for an improved dialogue: case by case dialogue, meetings initiated by the issuers, corporate governance roadshows, relations with proxy solicitors, support of collective shareholder initiatives, participation to various organizations related to corporate governance ...

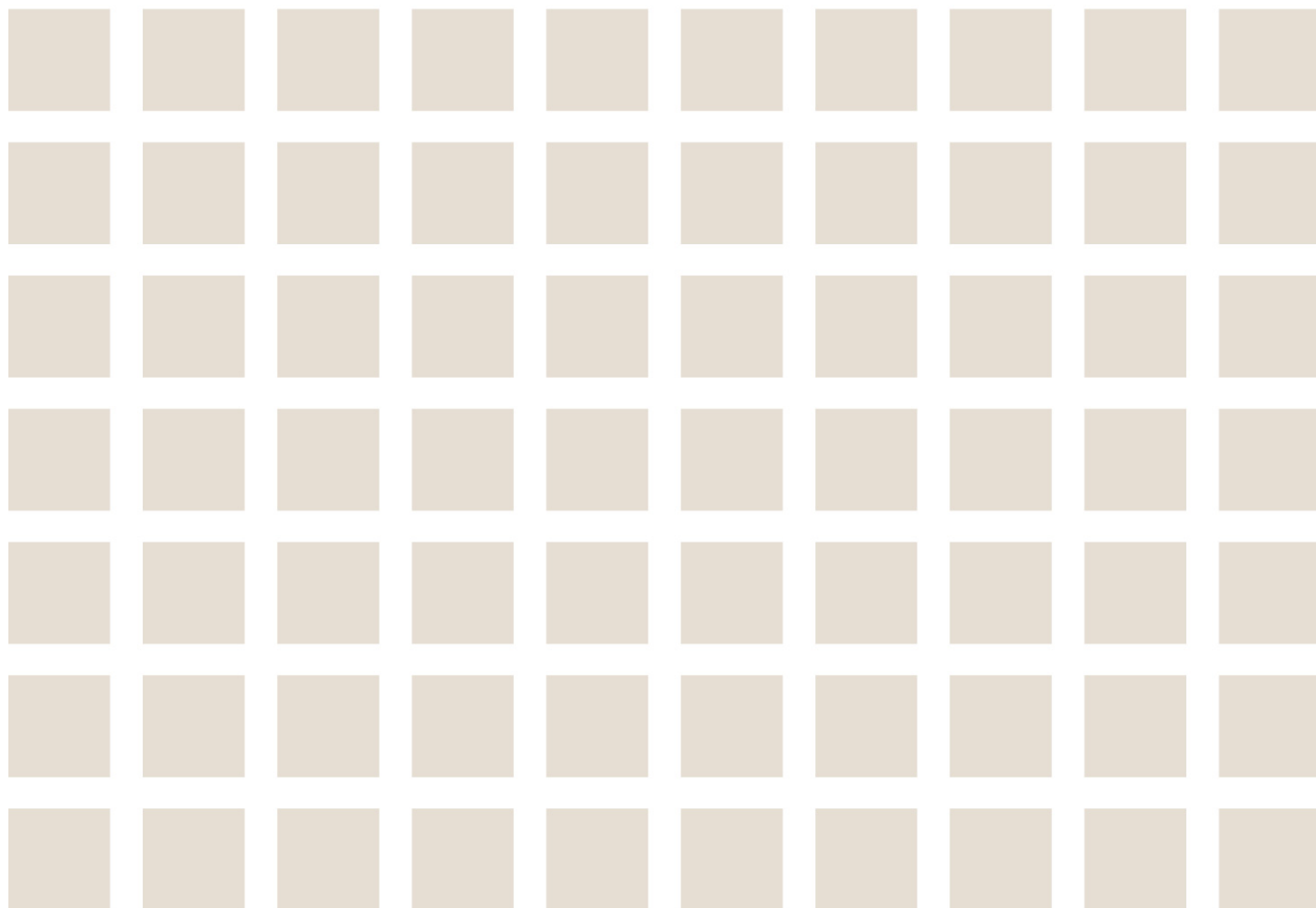
↳ Our new voting policy is sent at the beginning of every year to all of the companies of the SBF120 index and, for next year, to the European issuers of our dialogue list. Following that communication, some companies initiate a dialogue to better understand the new voting guidelines in order to prepare their next shareholders meetings allowing us to have a more continuous dialogue over time. In case of substantial modifications of the voting policy during the voting season, we also contact the issuers.

↳ Physical attendance at some French AGMs, AMUNDI was present at 7 meetings including 6 as scrutineer.

↳ Contributed to the works of the corporate governance committee of the AFG, the French association of asset managers.

↳ Collaborated with the proxy advisors (Proxinvest, Riskmetrics...) through our participation to their surveys and working groups in order to update and improve their voting guidelines.

↳ Participated to several working groups (AFGE, FIR...) in order to contribute to the improvement of corporate governance practices.



MENTIONS LÉGALES

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