



INSTITUTIONAL SHAREHOLDER SERVICES

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Institutional Shareholder Services Releases 2007 Corporate Governance Policies

Investor and Industry Views Strongest on Options Backdating, Equity-Based Compensation, Majority Voting and Performance

Rockville, Maryland; November 17, 2006: Institutional Shareholder Services (ISS), the world's leading provider of corporate governance and proxy voting services, today released its 2007 [U.S.](#), [Canadian](#) and [international](#) proxy voting policy updates. ISS analysts will begin applying the new policies for all companies with shareholder meeting dates on or after February 1, 2007. As part of its comprehensive policy formulation process, ISS took on numerous policy outreach activities worldwide throughout the year to collect feedback across clients, a variety of industry constituencies and key regional markets.

"Through our client 'Policy Survey,' our issues-based advisory roundtables and our new policy review and comment period, the ISS Policy Board received meaningful input on the key corporate governance issues that will face investors and corporations this proxy season," said Cheryl Gustitus, ISS' senior vice president of marketing and communications. "The feedback ISS received during our proactive market outreach provided the foundation for our 2007 proxy voting policies, which reflect the multiple viewpoints of institutional investors."

In fact, results from ISS' Policy Survey show that the backdating of stock options was ranked by institutional investors as "most problematic" among pay practices. This response from investors, as well as additional market views on the issue, shaped ISS' new policy on options backdating. ISS is adopting a case-by-case analysis approach to the options backdating issue and may recommend withholding votes from compensation committee members, depending upon the severity of the practices and the subsequent corrective actions on the part of the board.

"Options backdating has serious implications and has resulted in financial restatements, delisting of companies, and the termination of executives," said Dr. Martha Carter, ISS' managing director of corporate governance. "A case-by-case approach is preferred in order to differentiate between companies who were careless in options administration and have since taken corrective action and those who committed outright fraud."

Majority voting in board elections also gained more traction during the 2006 proxy season as more than 180 companies adopted new election policies and bylaws. At more than 85 companies, the average level of support for majority vote shareholder proposals increased to 49%, compared to 44% at more than 55 company meetings last year.

Given the strong level of shareholder support, ISS is fine-tuning its policy on majority voting in director elections and will generally support precatory and binding resolutions requesting that the board change the company's bylaws to stipulate that directors need to be elected with an affirmative majority of votes cast, provided it does not conflict with state law where the company is incorporated. Binding resolutions need to allow for a carve-out for a plurality vote standard when there are more nominees than board seats.

In July, the Securities and Exchange Commission responded to investor concerns by approving new disclosure rules on executive compensation. ISS has long believed that pay for performance should be a central tenet in executive compensation philosophy. To that end, ISS is updating its poor pay practices policy and may recommend a vote to withhold from the compensation committee and/or the CEO in cases where it identifies poor pay practices. In addition, ISS may consider recommending withhold from the entire board if the whole board was involved in and contributed to the egregious compensation problems.

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On the international front, the major policy addition for the 2007 Canadian proxy season is an equity-based compensation plan amendment for TSX issuers. This addition was prompted by the recent regulatory changes in the Canadian market. Additionally, ISS is also introducing a formal policy on poison pills for the French market, whereby vote recommendations regarding management proposals to approve the issuance of warrants in the context of a takeover offer (poison pills) will be determined on a case-by-case basis.

In its ongoing commitment to setting the industry standard for transparency, ISS makes its 2007 policy updates completely available via its website at www.issproxy.com/policy/2007policy.jsp. ISS' policy website contains helpful FAQs, summaries of its surveys, roundtables and comment period and other informational materials to help investors and companies better understand how ISS views various corporate governance matters.

About Institutional Shareholder Services

ISS is the world's leading provider of corporate governance and proxy voting solutions. ISS provides proxy research, voting services and corporate governance advisory services to financial institutions and corporations worldwide. Founded in 1985, ISS is headquartered in Rockville, Maryland with offices in Washington DC, Amsterdam, Brussels, Chicago, London, Manila, Melbourne, New York, Paris, Tokyo and Toronto. For more information on ISS, visit www.issproxy.com.

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