



FOR IMMEDIATE RELEASE

RiskMetrics Group
One Chase Manhattan Plaza
New York, NY 10005
Tel (212) 981-7400
www.riskmetrics.com

RiskMetrics Group's ISS Governance Services Unit Releases 2007 Postseason Report

Director Accountability and Engagement Define the 2007 Proxy Season

New York, NY (October 2, 2007) - RiskMetrics Group, a leading provider of risk management and corporate governance services to the global financial community, today released its annual postseason report putting in context the most salient corporate governance issues and voting outcomes from the 2007 proxy season. The ISS Governance Services unit of RiskMetrics Group publishes its Postseason Report annually to assist both institutional investors and corporate issuers as they prepare for the upcoming season. Key themes from this year's proxy season include strong shareholder support for proposals seeking greater board accountability. Additionally, there was clear evidence that the effectiveness of shareholder-company engagement is increasing, as more than half of shareholder proposals on majority voting, stock option reforms and sustainability reporting were withdrawn by proponents after target companies took steps toward improved practices.

As of mid-September, 656 investor proposals had appeared on 2007 corporate ballots, up from 581 at the same time last year. So far this year, 107 shareholder proposals have earned a majority of votes cast. Last year, 116 proposals did so, and two years ago, just 85 proposals received majority backing. Another indication shareholder engagement is proving effective is the relatively low number of recommendations issued against directors by ISS Governance Services. As of mid-September, ISS Governance Services had issued negative recommendations against 15 percent of the directors appearing on U.S. company ballots, which is about the same as 2006.

Pay-related proposals received the most attention. Forty proposals that requested an annual advisory vote on compensation—or “say on pay”—were voted on and averaged about 42 percent support. A year ago, this topic averaged 40 percent at seven firms. This level of second year support is comparable to that received by majority voting resolutions in 2005. Since that breakthrough season, more than half of S&P 500 companies have adopted election reforms. In fact, in a notable display of engagement, more than a dozen firms have joined a new investor-issuer working group on the issue, which may pave the way for more companies to agree to an annual shareholder vote on pay.

In another key development this year, for the first time, U.S. companies filed proxy statements with the additional information required by the Securities and Exchange Commission's (SEC) new compensation disclosure rules. Results from the 2007 ISS Governance Services Policy Survey showed that a significant majority of respondents described the new SEC compensation disclosures as useful, and 71 percent indicated that current disclosures on pay practices are sufficient for investors to make an advisory vote on compensation, if that option were available.

There also was debate about another method to improve board accountability: proxy access. The once dormant issue appeared on three corporate ballots in 2007 after the SEC expressed “no view” on Hewlett-Packard's request to exclude an access bylaw proposal submitted by four pension funds. The SEC has dueling access proposals pending; meanwhile, investors strongly support the concept of access: the 2007 ISS Governance Services Policy Survey found that two-thirds of respondents support proxy access at all U.S. companies, with a tiny minority (only 5 percent) opposing.



RiskMetrics Group

“Engagement and dialogue dominated the 2007 proxy season, but some signs point towards confrontation in 2008,” said special counsel Patrick McGurn. “Significant progress was made during 2007 on key issues such as majority voting in boardroom elections, pay for performance and environmental disclosure. The hottest topics on shareholders’ 2008 agenda, especially proxy access and say on pay, draw limited support from the issuer community. This lack of consensus on these next generation governance reforms coupled with the uncertainties of both the market and political environments could mean a turbulent 2008 proxy season.”

Support for U.S. shareholder proposals on environmental and social issues increased significantly this year. But for many social and environmental activists, achieving a solid withdrawal agreement constitutes a greater success than a high vote, and 2007 produced many withdrawals. Thirty-eight percent of all political contributions proposals were withdrawn this year, for example, compared with just 19 percent in 2006 and 17 percent in 2005. In sum, proponents settled 109 of 344 proposals filed, or 32 percent, giving them a good shot at the record for withdrawals of 113 set in 2005. Not surprisingly, more than two-thirds of Policy Survey respondents said they believe it’s very or somewhat important to report performance on social and environmental criteria to shareholders as part of routine disclosure.

To hear more about the trends from proxy season 2007, please join us for a governance webcast forum on Tuesday, October 16 at 1 p.m. EDT. To register go to http://www.riskmetrics.com/webcasts/2007proxy_season_review, where you can also download a copy of our 2007 Postseason Report.

###

About RiskMetrics Group

RiskMetrics Group is a leading provider of risk management and corporate governance products and services to financial market participants. By bringing transparency, expertise and access to the financial markets, RiskMetrics Group helps investors better understand and manage the risks inherent in their financial portfolios. Made up of three business units—Risk Management, ISS Governance Services, and Financial Research and Analysis—our solutions address a broad spectrum of risk across our clients’ financial assets. Headquartered in New York with 19 global offices, RiskMetrics Group serves some of the most prestigious institutions and corporations worldwide. For more information, please visit: www.riskmetrics.com.

RiskMetrics Group Media Contacts:

Cheryl Gustitus
301.556.0538
cheryl.gustitus@riskmetrics.com

Sarah Cohn
212.354.4643
sarah.cohn@riskmetrics.com