



RiskMetrics Group

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RiskMetrics Group Releases 2008 Corporate Governance Policies

Say-on-Pay Takes Center Stage for 2008 Proxy Season

New York, NY (November 20, 2007) – RiskMetrics Group, a leading provider of risk management and corporate governance services to the global financial community, today announced its ISS Governance Services unit has released its **2008 U.S., Canadian, U.K. and International proxy voting policies updates**, which will be applied to all companies with shareholder meeting dates on or after February 1, 2008. ISS Governance Services' global research team conducted extensive policy outreach activities worldwide throughout the year to collect feedback from clients, a variety of industry constituencies and key markets.

“RiskMetrics Group’s ISS Governance Services unit continues to build on its open and transparent policy formulation process, which serves as the cornerstone of our proxy voting policies and vote recommendations,” said Cheryl Gustitus, Head of Marketing and Communications at RiskMetrics Group. “Our 2007 Policy Survey had the broadest response to-date from our institutional investor clients. We also added several new initiatives to make our policy formulation process more robust this year, including an international comment period and meetings with shareholder proponents. More so every year, we are confident that our policies reflect the collective voice of institutional investors worldwide.”

Compensation issues continue to be the major focus for investors heading into the U.S. 2008 proxy season. The strong level of voting support for proposals seeking advisory votes on executive pay, or “say-on-pay,” indicate more U.S. companies may potentially adopt resolutions next season. As a result, ISS Governance Services is adopting a case-by-case analysis approach in advance of potential say-on-pay management resolutions in the U.S. Assessment of pay programs will be based on five global principles and U.S. market guidelines, which includes an evaluation of the board’s stewardship of investors’ interests regarding compensation practices.

“Alignment of pay with performance received strong support from investors who participated in our policy survey and comment period,” said Dr. Martha Carter, Head of the Global Policy Board. “Shareholder votes on pay are designed to ensure transparency and accountability in executive compensation. The proposed criteria for U.S. say-on-pay evaluations fall within the scope of the global principles and emphasize investors’ demands for executive compensation programs that connect pay to performance.”

However, broad-based equity plans with a high cost are not necessarily problematic, as 59 percent of Policy Survey respondents said they would support plans where employees have been holding vested in-the-money options for a significant amount of time. This response and additional market feedback shaped ISS Governance Services decision to evaluate, on a case-by-case basis, a carve-out of a portion of cost attributable to stock option overhang, considering performance, overhang, dilution, and compensation practices.

Investors also expressed a strong desire for more independent, accountable boards, with over 80 percent of Policy Survey respondents preferring either an independent chair or independent lead director, in the case where chair and CEO positions are combined. Based on this input, ISS Governance Services will generally support shareholder proposals requesting an independent board chair at U.S. companies, unless there are compelling reasons to recommend against the proposal, such as a well-reasoned counterbalancing governance structure. For 2008, ISS Governance Services also added two additional factors it will take into consideration in evaluating these proposals: the disclosed comparison of the duties of the lead director and the chairman, and the disclosed rationale for choosing the combined CEO/chair structure as opposed to appointing an independent chair.



The recent wave of recalls and warnings regarding products produced in China has ignited concerns about the complex risks associated with product safety and global supply chain management. The heightened attention to product safety plus strong investor interest for companies to disclose their social and environmental practices led ISS Governance Services to enhance its policy to support proposals requesting companies report on policies and oversight mechanisms related to toxic materials. In fact, 66-75 percent of Policy Survey respondents believe it's very or somewhat important to report performance on social and environmental criteria to shareholders as part of routine disclosure.

On the international front, ISS Governance Services will adopt a director attendance policy for Japan, which will oppose the reelection of directors who fail to attend at least 75 percent of board meetings, unless the company discloses a legitimate reason for the poor attendance. Under a new law that took effect in 2006, Japanese companies must now disclose the participation of outside directors and statutory auditors at board meetings. In the Netherlands and Belgium, ISS Governance Services will recommend against remuneration plans that grant stock options to non-executive directors. This new policy is intended to reflect local best practice codes, which recommend strictly against such a practice. In Canada, the policy on non-employee director participation in stock options has been revised to establish a reasonable limit on the amount of grants for TSX issuers and to promote best practices.

RiskMetrics Group makes its 2008 policy updates available via RiskMetrics Group's online [Policy Gateway](#). The Policy Gateway contains helpful FAQs, summaries of its surveys, roundtables and comment period and other informational materials to help investors and companies better understand how it views corporate governance matters. The full 2008 Proxy Voting Manual will be available in January 2008. RiskMetrics Group will also hold a 2008 Policy Webcast for clients on December 5 at 11:30 EST. To register, please visit: [2008 Corporate Governance Policy Updates Forum](#).

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. 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.

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