



INSTITUTIONAL SHAREHOLDER SERVICES

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Institutional Shareholder Services Releases 2007 Board Practices, Board Pay Study

Key Findings Show Increases in Director Pay and Dramatic Decreases in the Number of Classified Boards

Rockville, Maryland; January 30, 2007: Institutional Shareholder Services (ISS), the world's leading provider of corporate governance and proxy voting services, today announced the release of its 2007 Board Practices, Board Pay Study, a report that examines the board structure and compensation of boards of directors at S&P 1500 companies based on 2006 disclosures. The most significant study finding was that the proportion of S&P 500 companies with classified boards dropped dramatically by 8 percentage points. This led, for the first time, to a majority of these companies holding annual elections for all of their directors.

Another key development was rising director pay, which was up 12 percent to an average of \$160,493. The recent growth in director pay stemmed from both a rise in cash pay levels and the increase in stock prices fueling the value of equity awards.

An interesting discovery was the disparity between fees paid to nonexecutive chairs classified as independent directors, versus those who are affiliated with the companies they serve. Extra pay reported for the former group averaged \$79,183, while the overall average for affiliated chairmen totaled \$189,852. The frequency of extra compensation for lead directors also increased as of 2006, but only by three percentage points, to 41 percent of the 812 lead directors named by the study companies.

The striking trend in directors' long-term compensation was the continuing decline in the use of stock options, balanced by the increased prevalence of restricted and deferred share awards. Only 54 percent of the study companies reported granting stock options to directors, down from 58 percent the prior year and from 66 percent the year before that, and declines were seen in all three market indexes. In conjunction with this downward trend in option grants, the prevalence of restricted and/or deferred share awards jumped even more significantly, from 44 percent in 2005 to 51 percent in 2006, marking the first time since the study began in 1996 that more than half of the companies made these awards.

"This landmark report demonstrates that companies are responding to shareholder concerns regarding board structure, independent leadership, and stock compensation," said Carol Bowie, Vice President of ISS' Governance Research Service. "At the same time, directors' pay continued to rise at about the same rate as executive compensation generally."

More companies also disclosed stock ownership guidelines for non-employee board members. The proportion of study companies doing so rose to 37 percent, from 28 percent as of 2005, and is up to 56 percent at S&P 500 companies.

Each year, ISS undertakes a detailed review and analysis of the structure, composition and compensation of boards of directors to identify the latest practices and emerging trends. ISS' 2007 Board Practices, Board Pay Study can be purchased through: <http://www.issproxy.com/bookstore/index.html>.

About Institutional Shareholder Services

ISS, the world's leading provider of corporate governance and proxy voting solutions, is a subsidiary of RiskMetrics Group. Founded in 1985, ISS provides proxy research, voting services and corporate governance advisory services to financial institutions and corporations worldwide. Together, ISS and RiskMetrics Group help investors manage across multiple classes of interrelated risk. 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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