



PRESS RELEASE

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Australian directors safer than the safest MP

Director 'gene pool' shrinking in established companies

The typical Australian company director receives 96 percent of the vote when standing for reelection, new research by governance advisory firm RiskMetrics reveals.

The figures, which show that the average vote in favour of a management-endorsed director standing for election at a top 200 company was 96.2 percent in 2007, indicate that a top 200 company director is less likely to lose their board seat due to voter backlash than any present or past federal or state MP in Australia (for example, at present the safest seat in the federal parliament is held with 76 percent of the two-party vote).¹

Table 1: Vote results from S&P/ASX 200 director elections 2006 and 2007

Year	2005	2006	2007
Average percentage of vote cast in favour	96.4	96.5	96.2

This safety from electoral defeat does not however mean that directors are elected for life. Based on a sample of 122 companies that were members of the S&P/ASX 200 throughout 2004 and 2007, RiskMetrics found the non-executive director pool renews itself every 10 years.

Over the period 2004 to 2007, new non-executive directors - those directors who on appointment to a board were not already directors of companies within the 122 company sample - made up 10.4 percent of all non-executive directors.

¹ Batman, held by Martin Ferguson. The safest seat in the Victorian Parliament is Broadmeadows, held on a margin of 31.9 percent.

Table 2: Non-executive director gene pool 2004 to 2007

Year	2004 - 05	2005 - 06	2006 - 07	Average
New non-executive directors as percentage of all non-executive directors	11.7	9.4	10.2	10.4

Note: Based on 122 companies in S&P/ASX 200 2004 - 2007; a 'new' non-executive director is one who was not already a director of a sample company at the time of appointment.

The study has also found that the non-executive director pool also appears to be getting shallower over time in the established companies that were part of the study. In 2005, 72.8 percent of non-executive director appointments at the sample companies involved directors who were not already directors of S&P/ASX 200 companies; in 2007 this had fallen to 62.3 percent.

Martin Lawrence from RiskMetrics said that boards may be adopting an increasingly cautious approach when it came to making new director appointments.

"It's to be hoped that experience is not triumphing over talent in the selection process," Lawrence said. "The best boards are comprised of experienced talent".

He said that the results showed investors needed to pay more attention in deciding how to vote on director election resolutions.

"In Australia investors are very lucky - we don't suffer from some of the outrageous barriers to shareholder democracy suffered by investors in the US and elsewhere. Voting is an important feedback mechanism on board performance," he said.

Lawrence noted that over the period 2004 to 2007, no director seeking board endorsement was defeated in a reelection bid at an S&P/ASX 200 company, although a handful of directors resigned immediately prior to the AGM being held.²

He said that at present it was unclear to what extent shareholders were involved in decisions over board renewal and director selection, and that

² In 2004, John Cassidy resigned as a director of Hills Motorway one day prior to the AGM; in 2005 Peter Kerr resigned the weekend before the Tattersall's AGM and two non-board endorsed candidates, Julien Playoust and Michael Vertigan, were elected as directors.

shareholders would be able to give themselves a greater role by being more active in how they voted on directors seeking election.

“The fundamental question is whether we have the right mix of people on Australian boards. Experience and incumbency alone are not the only proxies for talent.”

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About RiskMetrics:

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