



PRESS RELEASE

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Dissent up as shareowners flex their muscles

Shareowners in top 300 Australian companies were more prepared than ever before to act in defence of their interests in 2007, with almost 30% of votes cast on controversial resolutions at Australia's largest companies being cast against management.

Shareowners in large companies were much more willing than in prior years to vote against management when they felt a resolution was contrary to their interests: In 2007, an average of 28% of votes dissented from management on controversial resolutions at S&P/ASX 100 companies, up sharply from 24.6% in 2006.

The average level of dissent - defined as shareowners voting against or abstaining on resolutions endorsed by management - was 19.62% in 2007, slightly down from 2006 when it was 19.72%.

These figures show institutional investor willingness to protect their interests - even in the face of strong and sometimes vocal opposition from directors and executives - remains at or near record highs, despite the strong returns generated by the Australian share market over the past five years. In 2005, the average dissent vote on a controversial resolution at an S&P/ASX 100 company was 13 percent, meaning investors are twice as likely to use voting as a way to protect their interests than they were two years ago.

Controversial resolutions are those where one or more aspects of the proposal deviate from governance principles used by Australian investors to assess companies, such as the ASX Corporate Governance Council's principles and recommendations.

Dissent levels also rose in companies ranked 101 to 200 in the S&P/ASX 300 Index, with an average of 21.8% of votes dissenting from management in 2007, up from 20% in 2006.

The increased willingness of investors in top 200 companies to stand up for their interests was not however indicative of a general increase in the number of controversial resolutions put to shareowners.

Controversial resolutions accounted for 4.8% of all resolutions in S&P/ASX 100 companies in 2007, down from 6% in 2006. They accounted for 11.8% of resolutions put to shareowners by companies ranked 101 to 200 in the S&P/ASX 200, up marginally from 11.5% in 2006.

There was however a substantial increase in controversial resolutions put to shareowners by companies ranked 201 to 300 in the S&P/ASX 300 Index, with 24.6% of all resolutions put to shareowners by these companies being defined as controversial, up from 15.1% in 2006.

These figures were indicative of the ability of large shareowners to remain vigilant and act to protect their interests even in times of strong returns, said Martin Lawrence of RiskMetrics Australia.

“What these figures tell us is that institutional investors are capable of deciding what is in their and their clients’ long term interests and voting on that view,” he said.

The 2007 season also saw continued high levels of voter turnout at company meetings, albeit at a slightly lower level than in 2006, with an average of 48.2% of all shares being voted in 2007, down from 51% in 2006.

The fall was due to a drop in average turnout at S&P/ASX 100 companies from the record high of 2006, down from 57.8% of all shares owned to 52.3%, and a smaller fall in average turnout at companies ranked 201 to 300 in the S&P/ASX 300, with turnout falling from 41.5% to 39.6%.

Average turnout at companies ranked 101 to 200 actually rose marginally, from 50.6% in 2006 to 51.1% in 2007.

For more information please contact:

Martin Lawrence
RiskMetrics Australia
03 9642 2062
0400 034 312

About RiskMetrics:

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