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Council Adopts New Policies and Endorses Principles for Reform of the U.S. System of Financial Market Regulation

Washington, D.C., May 11, 2009 — Members of the Council of Institutional Investors have approved new corporate governance policies on “clawbacks” – recapturing unearned bonus and incentive payments to CEOs – and board diversity. The Council approved best disclosure practices for all institutional investors and endorsed a set of principles that members believe should guide reform of the U.S. system of financial market regulation.

All of the new policies may be viewed via the [Council Policies](#) portal on the Council's Web site.

The Council's new recommended best practice for clawbacks calls on board compensation committees to develop and disclose a policy for reviewing unearned bonus and incentive payments that were awarded to executive officers owing to fraud, financial results that require restatement or some other cause. The Council believes clawback policies should require recovery or cancellation of any unearned awards to the extent that is feasible and practical.

The new policy, modeled after one adopted by Dell Inc. in 2008, broadens the Council's previous best practice guideline on clawbacks. The earlier guideline focused narrowly on recouping funds paid to a CEO who engaged in misconduct or fraud. But typically, such charges are resolved through settlements in which the executive neither admits nor denies the accusations; there is no determination of misconduct or fraud. To read the revised policy on clawbacks, open the Full Corporate Governance Policies document on the Council Policies page of the Council's Web site, and scroll down to the executive compensation section.

The Council amended its existing policy on board diversity to reflect recent studies that suggest that a mix of backgrounds, experiences, ages, races, genders, ethnicities and cultures has benefits that can enhance corporate financial performance, especially in today's global marketplace. To read the revised policy on board diversity, open the Full Corporate Governance Policies document on the Council Policies page and scroll down to the board of directors section.

While most Council policies focus on corporate governance, the Council believes that it is also important for institutional investors themselves to adhere to best practices that foster an environment of transparency and accountability. Toward that end, the Council believes that all institutional investors -- including pension funds, hedge funds, private equity firms and sovereign wealth funds – should make the following publicly available in a timely manner: proxy voting guidelines, proxy votes cast, investment guidelines, names of governing-body members and an annual report on holdings and performance.

Lastly, the Council has embraced five principles aimed at restoring trust and confidence in the global capital markets. The five market reform principles were developed and endorsed by public pension systems in California, Colorado, Connecticut, Illinois, Maryland, New York, Ohio and Wisconsin.

The Council of Institutional Investors (CII) is a nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion. Member funds are major long-term shareowners with a duty to protect the retirement assets of millions of American workers. The Council strives to educate its members, policymakers and the public about good corporate governance, shareowner rights and related investment issues, and to advocate on members' behalf.