Confidential

Global Investor Opinion Survey: Key Findings

July 2002

McKinsey&Company

Global Investor Opinion Survey 2002: Key findings

Corporate governance remains of great concern for institutional investors according to the 2002 Global Investor Opinion Survey released by McKinsey & Company today, with strengthening the quality of accounting disclosure as the top priority.

- **Corporate governance is at the heart of investment decisions**
  - Investors state that they still put corporate governance on a par with financial indicators when evaluating investment decisions.
  - An overwhelming majority of investors are prepared to pay a premium for companies exhibiting high governance standards. Premiums averaged 12-14% in North America and Western Europe; 20-25% in Asia and Latin America; and over 30% in Eastern Europe and Africa.
  - While the relative significance of governance appears to have decreased slightly since 2000, this highlights that (i) many countries have implemented governance-related reforms that have been welcomed by investors, and (ii) more than 60% of investors state that governance considerations might lead them to avoid individual companies with poor governance with a third avoiding countries.

- **Financial disclosure is a pivotal concern**
  - In pursuit of better accounting disclosure, investors resoundingly express support for the introduction of a single unified global accounting standard, with 90 percent favoring such a move. However, investors are split down the middle on the preferred standard.
  - Investors are unified on expensing stock options in P&L statements, with over 80 percent supporting such a change.

- **Reform priorities focus on rebuilding the integrity of the system**
  - Investment behavior is affected by a broad spectrum of factors, not just those at the corporate level. The quality of market regulation and infrastructure is highly significant, along with enforceable property rights and downward pressure on corruption.
  - After strengthening corporate transparency, investors believe companies should create more independent boards and achieve greater boardroom effectiveness through such steps as better director selection, more disciplined board evaluation processes and greater time commitment from directors.
  - Specific policy priorities include strengthening shareholder rights, improving accounting standards, promoting board independence and tighter enforcement of existing regulations.

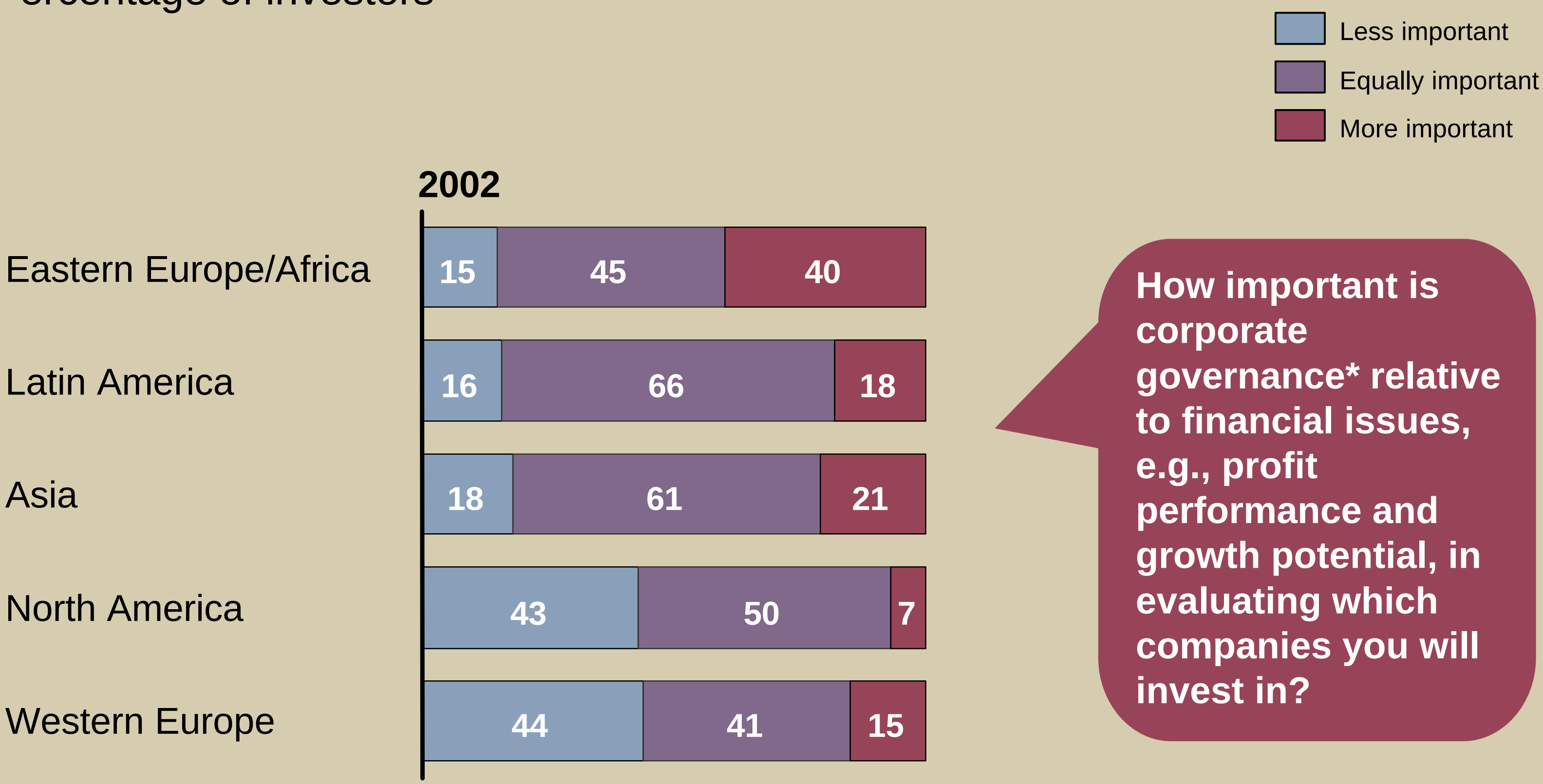
Notes to Editors

McKinsey & Company's Global Investor Opinion Survey was undertaken between April and May 2002, in cooperation with the Global Corporate Governance Forum. The survey is based on responses from over 200 institutional investors, collectively responsible for some USD 2 trillion of assets under management (their organizations manage an estimated USD 9 trillion AuM). For further information, contact Mark Watson (tel: 1 212 446 8021) or Paul Coombes (+44 20 7961 5493). This survey and others can be downloaded from **www.mckinsey.com/governance.**

Exhibit 1

Governance remains important compared to financials, particularly in emerging markets

Percentage of investors



* Defined as effective boards of directors; broad disclosure, and strong rights and equal treatment for shareholders

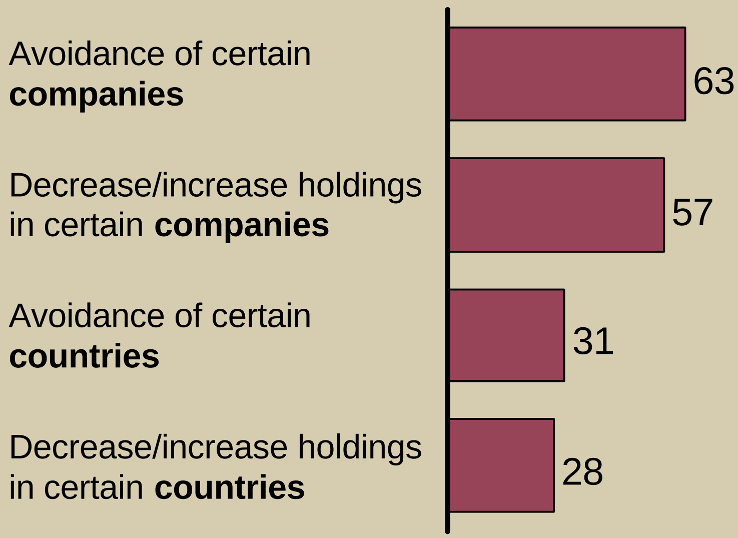
Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Exhibit 2

Corporate governance is now an established investment criterion

How does corporate governance affect your investment decision?

Percentage of investors selecting this option; multiple responses possible



"Our investment group would never approve an investment in a company with bad governance"

U.S. investment manager, USD 20 billion private equity fund

"Good governance" is a qualitative cut-off criterion"

– Analyst, USD 62 bn European Asset Manager

"I simply would not buy a company with poor corporate governance"

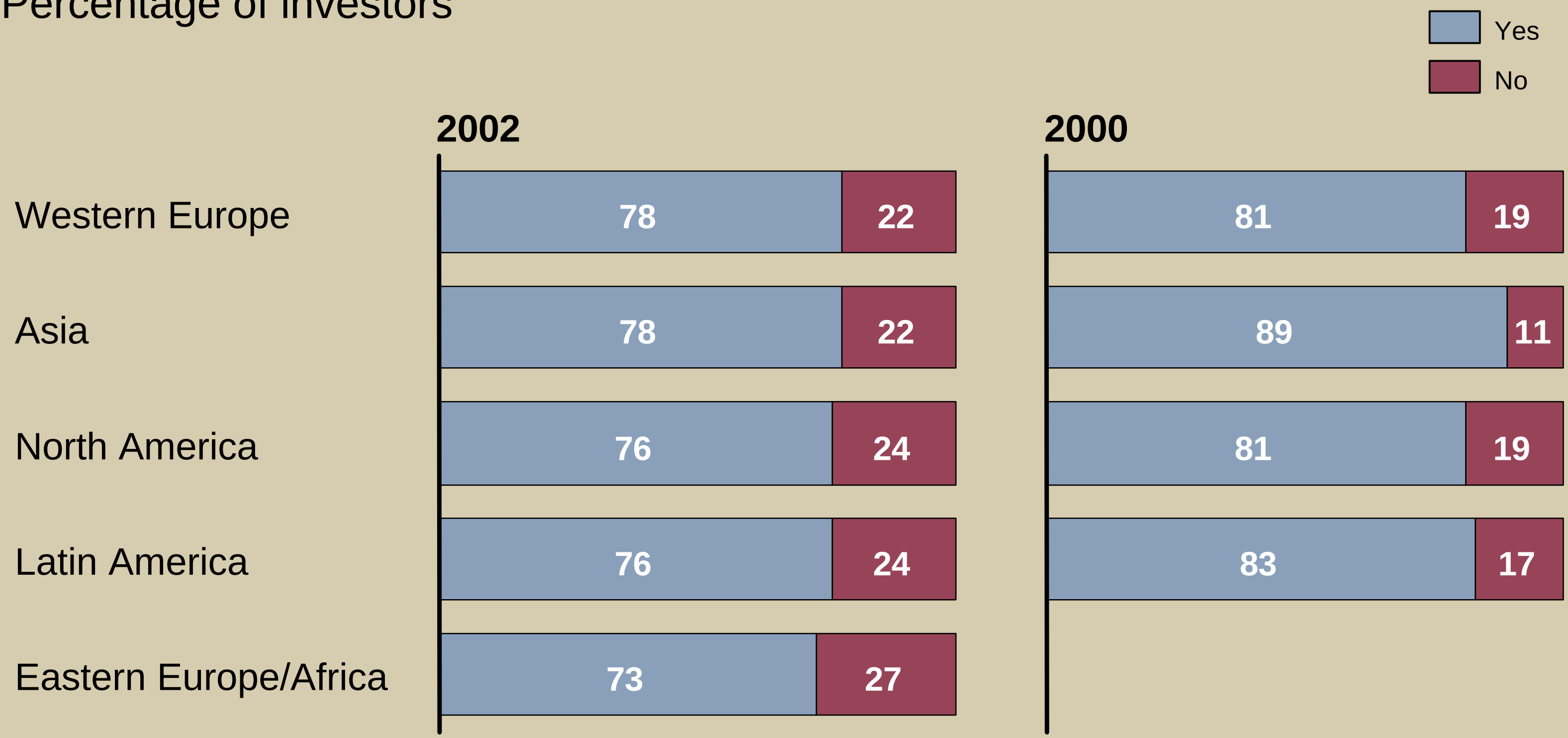
– CFO, USD 3 bn European Private Bank

Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Exhibit 3

A significant majority of investors say they are willing to pay a premium for a well-governed company*

Percentage of investors



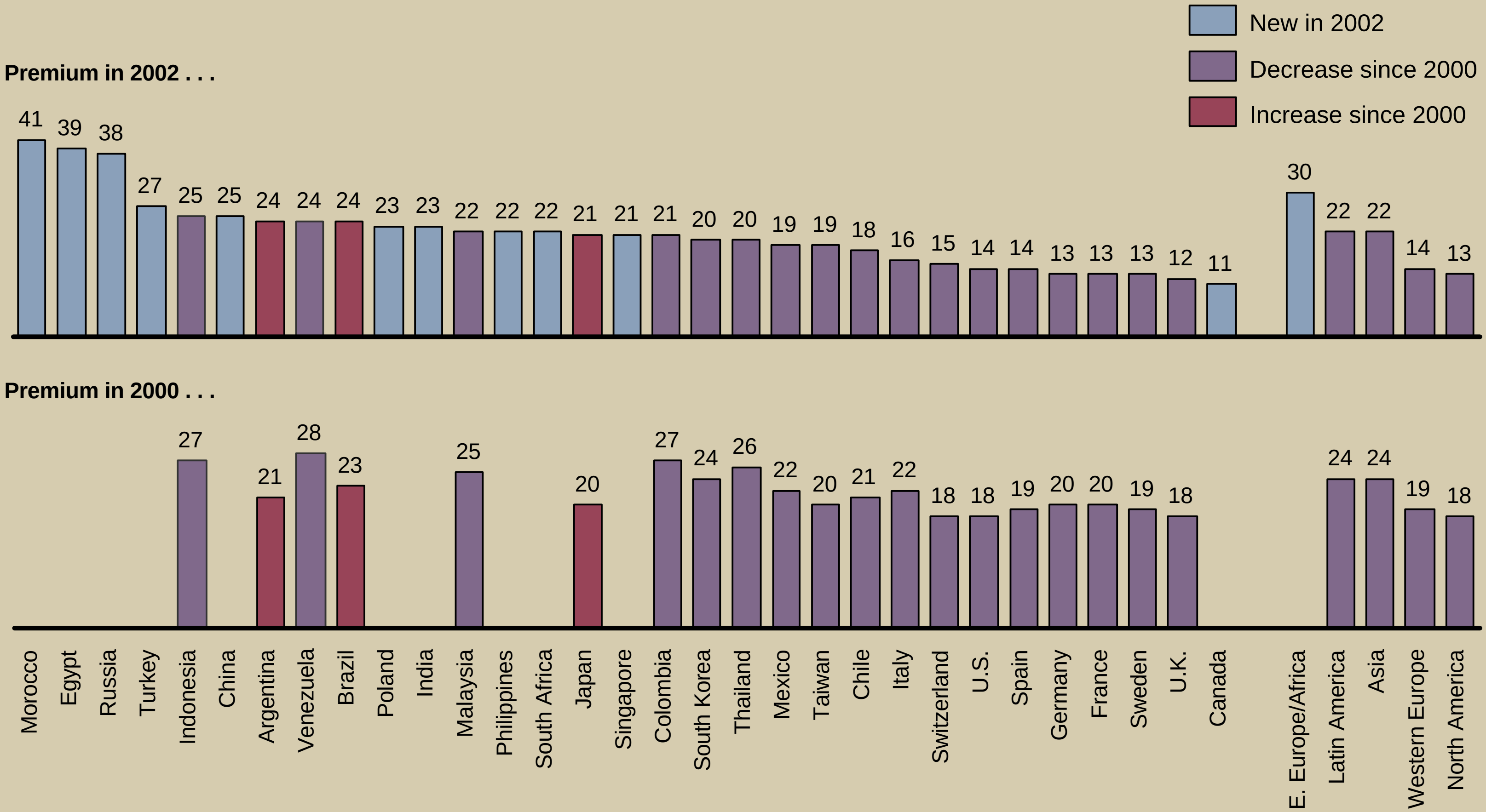
* Refer to Exhibit 11 for full survey question

Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Exhibit 4

The premium investors would pay for a well-governed company varies by country and region*

Average premiums of those investors willing to pay premium



* Refer to Exhibit 11 for full survey question

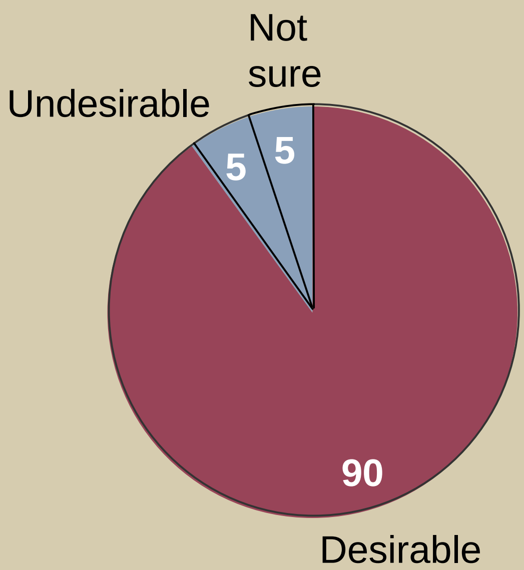
Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Exhibit 5

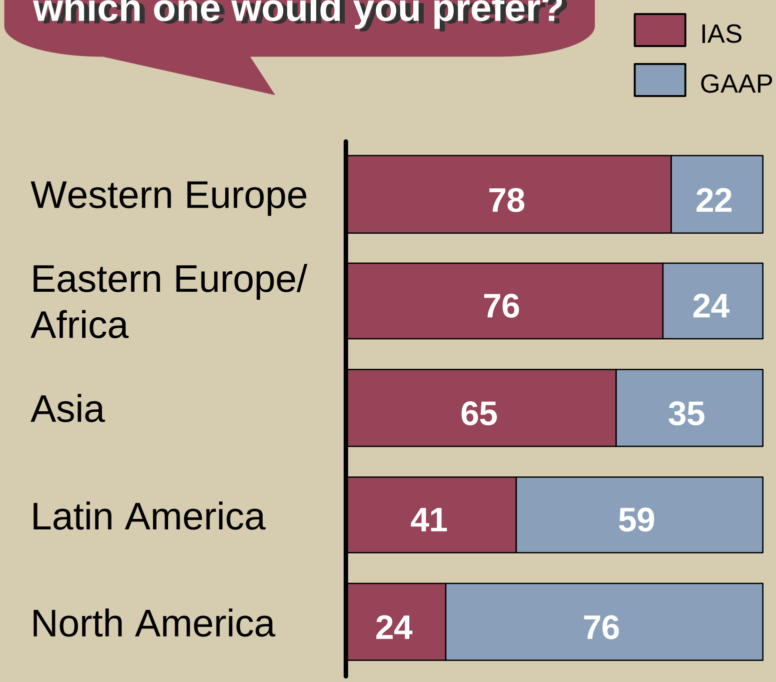
Investors support a single global accounting standard, but differ on which current standard should prevail

Percentage of investors

To what extent is a single global accounting standard desirable?



If an existing standard were to be chosen as a global one, which one would you prefer?



Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

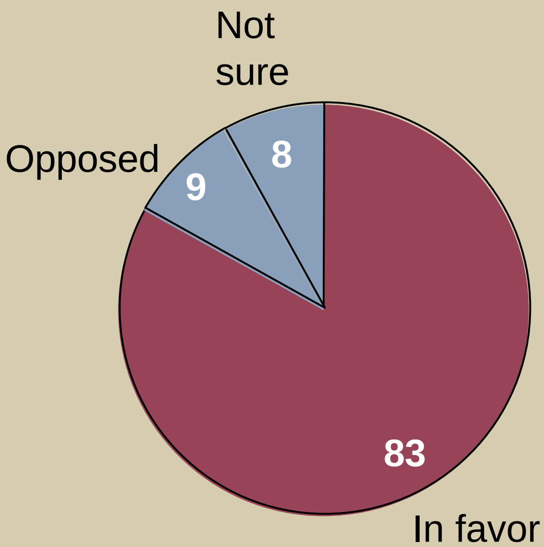
Exhibit 6

Almost all investors support expensing stock options

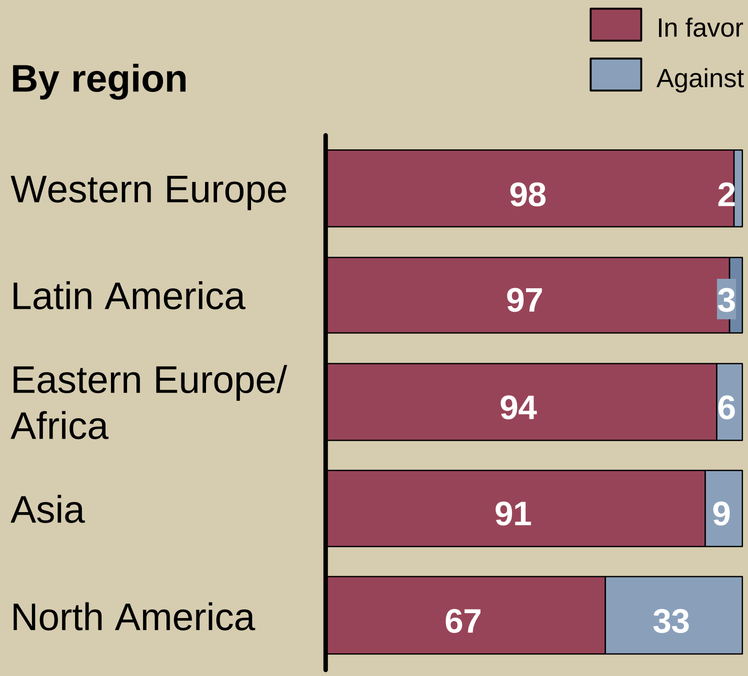
Percentage of investors

Are you in favor of stock options granted to the management/ directors being included in the profit-and-loss statement?

Overall



By region



Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Exhibit 7

Investors identify clear issues at all levels that impact on their investment decisions

Percentage of investors who think that factor is very important for investment decision; top ten factors listed

Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

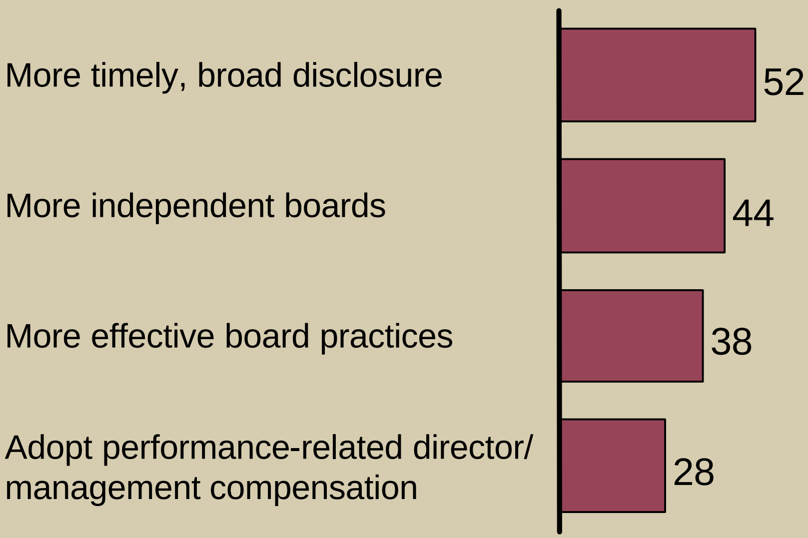
Exhibit 8

Investors identify governance priorities for companies

Percentage of investors listing change; top four listed

What are the top reform priorities for companies?

Percentage of investors selecting this option; multiple responses possible



"Honesty in accounts"

Analyst,
USD 50 billion
US-based Private Equity Fund

"Stronger representation by involved independent directors"

– Senior Vice President,
USD 450 bn
European Financial Institution

"Alignment of employee rewards with those of shareholders – not necessarily stock options though"

Investment Management,
USD 55 bn
European Fund Manager

Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

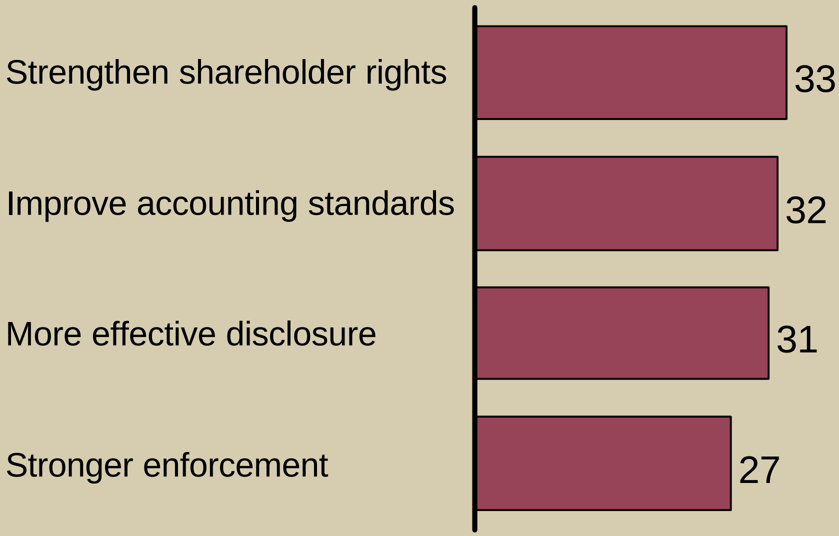
Exhibit 9

Investors identify governance priorities for policymakers

Percentage of investors listing change; top four listed

What are the top reform priorities for policymakers?

Percentage of investors selecting this option; multiple responses possible



"We want plain English financial statements"
– Associate, USD 50 billion US-based Private Equity Fund

"Disclosure of any kind of potential conflict of interest"
– Portfolio Manager, USD 10 bn Latin American Mutual Fund

"Enforcement of fiduciary duties"
– Senior Counsel, USD 50 bn US Money Manager

Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Exhibit 10

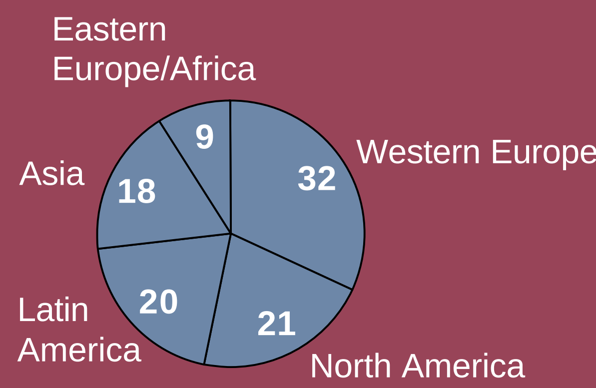
Research details

Percentage of respondents

Key facts

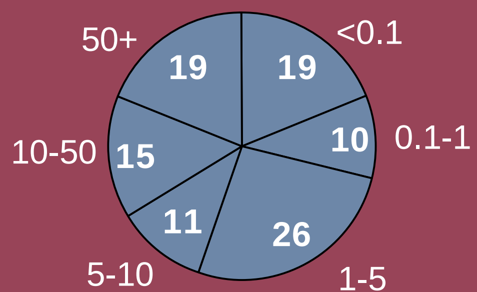
- Global Investment Opinion Survey, 2002
  - –201 responses from professional* investors from institutions with an estimated USD 9 trillion assets under management (approximately USD 2 trillion AuM directly under their control)
  - –Covers 31 countries in Asia, Europe, Latin America, Middle East, Africa, and North America
  - –Undertaken in April/May 2002 in cooperation with the Global Corporate Governance Forum, using a questionnaire-based survey

Origin of investor

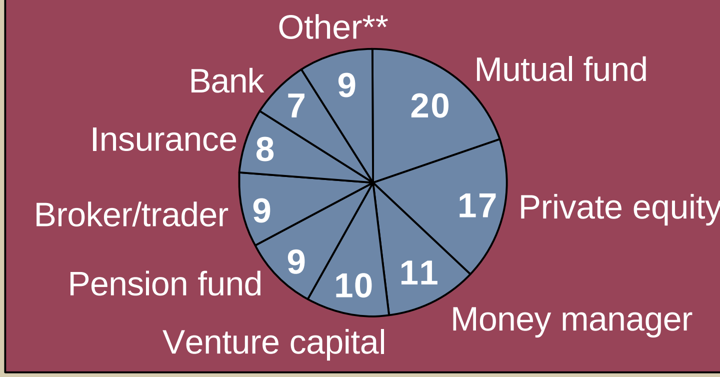


Assets under management

USD billions



Type of investor



* Addressed to key investment decision-maker, e.g., CEO, CFO, Fund Manager

** Includes investment bank with asset management activities, family offices, holding companies

Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Exhibit 11

Question for willingness to pay a premium for a well-governed company

Suppose you are considering investing in the following companies, A and B, in the same country. Past performance has been virtually identical and future market potential appears to be similar for both companies. However, they differ in board governance practices. B has put in place "good" board governance practices

Company A, "Poor" governance	Company B, "Good" governance
• Minority of outside directors	• Majority of outside directors
• Outside directors have financial ties with management	• Outside directors are truly independent; no ties with management
• Directors own little or no stock	• Directors have significant shareholdings
• Directors compensated only with cash	• Material proportion of directors' pay is stock-related
• No formal director evaluation process	• Formal director evaluation in place
• Very unresponsive to investor requests for information on governance issues	• Very responsive to investor requests for information on governance issues

Questions:

- In those countries for which you are the key investment decision-maker, would you be willing to pay more for company B's stock compared to A's?
- If yes, what percentage premium do you estimate you would be willing to pay for B's stock?

Notes: Practices used to define "good" governance are some of those championed by the investment community

Source: McKinsey Global Investor Opinion Survey on Corporate Governance, 2002

Further information on McKinsey's governance work

For further information on McKinsey's Corporate Governance Practice, contact Paul Coombes (tel: +44 207 961 5493) or Mark Watson (tel: +1 212 446 8021), or e-mail corporate_governance_practice@mckinsey.com

McKinsey's latest governance research can be downloaded from www.mckinsey.com/governance