



CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors, & the Markets

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Center for Audit Quality Joins Investor and Business Communities in Embracing The Aspen Principles

*~~Principles focused on increasing executive compensation accountability
and advancing long-term value creation~~*

Washington, D.C. -- The Center for Audit Quality (CAQ) announced today it has signed onto the historic Aspen Principles, a ground-breaking set of guidelines focused on business practices, investment practices and the long-term competitiveness of U.S. business. The Center joins an influential group of CEOs, business organizations, institutional investors, labor unions, corporate lawyers, accountants and consultants in supporting these important principles, formally titled “Long-term Value Creation: Guiding Principles for Corporations and Investors.”

Prompted by concerns about the short-term pressures on publicly traded companies and rising public sentiment against executive compensation, the signing of the four-page document by 12 members of The Aspen Institute Corporate Values Strategy Group culminates a two-year process. The Aspen Institute Business and Society Program spearheaded the lengthy initiative in collaboration with the Council of Institutional Investors and the Business Roundtable.

“The Center for Audit Quality, with the public company auditing profession, is committed to protecting investors and ensuring the continued vibrancy of U.S. capital markets. The Aspen Principles play a fundamental role in achieving these goals,” said Cynthia Fornelli, CAQ executive director. “The Center is proud to join the ranks of these influential organizations in supporting these important principles.”

Key provisions of The Aspen Principles call for:

- Companies to stop providing quarterly earnings guidance to analysts and to not respond to analyst estimates.
- Corporate boards to communicate with “long-term oriented investors” on senior executive compensation.
- Requiring senior executives to hold stock they are given for at least some period beyond their tenure with the company, thus tying them to the long-term growth of the company.
- Banning senior executives from hedging the risk of long-term oriented stock option compensation.

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- Providing for “clawbacks,” which involve recouping senior executive compensation awarded based on the achievement of performance targets subsequently slashed or wiped out by corporate financial restatements.

The following companies, organizations, groups and individuals have already signed on to The Aspen Principles, while others are expected to do so in coming weeks:

- AFL-CIO
- Apache Corporation
- Business Roundtable
- Council of Institutional Investors
- PepsiCo, Inc.
- Pfizer, Inc.
- Xerox
- New York State Common Retirement Fund
- Office Depot
- TIAA-CREF
- William H. Donaldson, Donaldson Enterprises, Inc.
- Patrick W. Gross, The Lovell Group
- Ira M. Millstein, Weil, Gotshal & Manges LLP and Senior Associate Dean, Corporate Governance, Yale School of Management
- John F. Olson, Gibson, Dunn & Crutcher LLP
- Henry B. Schacht, Warburg Pincus

The Center for Audit Quality is an autonomous, nonpartisan, nonprofit group affiliated with the AICPA and based in Washington, D.C. The Center’s mission is to foster confidence in the audit process and to aid investors and the capital markets by advancing constructive suggestions for change rooted in the profession’s core values of integrity, objectivity, honesty and trust.

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