CalPERS RELEASES 2004 CORPORATE GOVERNANCE FOCUS LIST

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) today announced four U.S. companies to its 2004 “Focus List” for poor financial and corporate governance performance.

The companies are Emerson Electric Company of St. Louis, Missouri; Maytag Corporation in Newton, Iowa; Royal Dutch Shell Petroleum in The Netherlands, and The Walt Disney Company in Burbank, California.

“Corporate governance reforms are needed for these companies to restore long-term profitability and investor confidence,” said Sean Harrigan, President of CalPERS.

CalPERS Focus List is selected from the pension fund's investments in more than 1,800 U.S. corporations, and is based on the companies' long-term stock performance, corporate governance practices, and an economic value-added (EVA®) evaluation.

EVA® measures a company's net operating profit after tax, minus its cost of capital. By using EVA® and stock performance, CalPERS has pinpointed companies where poor market performance is due to underlying financial performance problems as opposed to industry or extraneous factors alone.

Maytag’s stock lost more than 40 percent over the last 5 years for the period ended March 31, 2004, and its debt levels have drastically increased. The Company's board refused to implement two shareowner proposals that have passed by a majority vote during the past six years.

CalPERS wants Maytag to declassify its board by the 2005 annual meeting, seek shareowner approval of its poison pill, and adopt formal equity ownership requirements for its directors.

“Maytag is a model of an entrenched board,” said Rob Feckner, Chair of CalPERS Investment Committee. “They have turned their back on shareowners for six years. We believe it is time for Maytag to strengthen its governance.”
Royal Dutch Shell of The Hague, Netherlands, is on the list because its stock has underperformed its peers for the last five years and because it restated its oil reserves twice since the beginning of the year.

CalPERS is concerned that the Dutch board, one part of Shell's complex dual corporate structure, has failed to respond effectively to shareowner demands.

“The boards of Royal Dutch and Shell appear to be caught in a tug of war preventing either of them to adequately hold management accountable,” said Feckner.

CalPERS is seeking the establishment of a board-level committee comprised of independent directors from Royal Dutch and Shell Transport to undertake a rigorous re-examination of the group's management, including management succession, nomination of independent directors, and composition of the Board.

Disney made the list because of its continuing issues with corporate governance.

Last month, CalPERS and other institutional investors met with members of the Disney board to discuss the company's performance problems, following a resounding lack of confidence at the Company's annual meeting earlier this year.

Disney agreed to allow the pension funds to suggest nominees for the Company's board and said it would consider an advisory panel to serve as a liaison between the board and investors. CalPERS has been in discussions with Disney about tying more of the Company's long-term compensation to performance-based measures.

Emerson Electric was placed on the list because of its board structure and the excessive retirement package of its Chairman.

CalPERS is dissatisfied with the Company's classified board and the generous retirement package granted to former CEO and current Chairman Charles Knight.

The pension fund wants Emerson to reduce the employee representation on the Board, declassify the board by the 2005 annual meeting, and renegotiate the terms of Mr. Knight's contract.

Companies targeted may have reason to thank the pension fund for its shareholder activism.

In March, CalPERS completed its latest economic analysis of the impact on stock price of companies named to its Focus List. The study found companies put on the list between 1992 and 2001 had an additional (excess) return to shareholders of about 12 percent on average over the three months after release of the List. The period 95-184 days after publication was associated with additional positive cumulative excess return of 5.37 percent. The latest update of this analysis with an additional 18 months of data showed
the cumulative excess return for a 1 year period after the publication of the Focus List was on average 46 percent.

“Our activism creates significant value for our members and all shareholders,” said Harrigan. “We have been successful in changing corporate behavior and the lessons made public and learned by one corporation can influence the behavior and performance of others.”

CalPERS is the nation's largest public pension fund with assets totaling approximately $160 billion. The System provides retirement and health benefits to 1.4 million State and local public employees and their families.