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LARGE-CAP FIRMS EMBRACE ENTERPRISE RISK MANAGEMENT, BUT DISCLOSURE REMAINS POOR

*Firms Cite Lack of Integration, Overcoming Silos
As Biggest Challenges to Effective ERM Programs*

New York, March 18, 2009 - GovernanceMetrics International (GMI), the corporate governance research and ratings firm, sees enterprise risk management fast becoming a top-line governance concern in today's turbulent markets.

A new study of 149 large corporations by GMI in collaboration with the Risk Consulting Practice of [Marsh Inc.](#), the world's leading insurance broker and risk advisor, found corporate governance to be the primary driver for three of four businesses that are implementing ERM programs. The Marsh-GMI study examined how public companies in various parts of the world are handling their approach to identify, prioritize, and manage risk, as well as communicating about these initiatives.

While the vast majority (80%) of large corporations surveyed have a formal ERM program, more than half (54%) have yet to adopt any external standard for implementing this process.

Notably, 75% of the survey participants do not regularly communicate about their ERM initiatives to investors. Of these firms, 73% have no current plans to change their practices in this area. Meanwhile, businesses that communicate externally about their ERM programs typically do so in their annual report and investor presentations. According to GMI CEO Howard Sherman, "This is an area we would expect investors to clamor for more disclosure. It will be a challenge for companies that are just starting to explore ERM but an opportunity for those who want to promote best-in-class standards." According to Sherman, one of the reasons for working on the survey with Marsh was to help develop new ERM metrics for the GMI rating model.

Of all the firms surveyed, nearly half (46%) cite a lack of integration and overcoming corporate silos as the biggest challenges to their ERM programs. According to the study, this may stem partly from a combination of insufficient or ineffective communication between a company's risk function and the rest of its business, as well as a lack of influence by the risk function or a lack of risk expertise at the board level.

In addition to the survey data, the report examines Tyco International's risk management efforts and understanding of its risk profile as well as a correlation with its credit and governance ratings.

Please [contact GMI](#) for a courtesy copy of the new study, titled *The Importance of ERM During Economic Upheaval*.

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