H&R Block Announces Enhancements to Corporate Governance Policies

June 17, 2008 4:41 PM ET

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--  Company Adopts "Say on Pay" provision to give shareholders an
    annual, non-binding vote on the Company's pay and performance
    compensation policies

--  "Shareholder rights plan" allowed to expire

--  Separation of Chairman and CEO positions to be placed in
    Articles of Incorporation

--  Meeting between Board of Directors and significant
    shareholders to be held on an annual basis

--  Director equity awards to be withheld and distributed six
    months following conclusion of board service

--  Maximum limit of four board seats (including the Company)
    established for independent directors

--  Term limits established for directors

--  Board size reduced from maximum of 15 to maximum of 12

--  Board compensation restructured
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KANSAS CITY, Mo.--(BUSINESS WIRE)--June 17, 2008--H&R Block, Inc. (NYSE: HRB) today announced that its board of directors has approved a series of changes in the Company's corporate governance policies. Taken as a whole, the changes are intended to improve the Company's responsiveness to shareowners. Most of these changes are effective immediately through amendments to corporate governance guidelines or by-laws.

The Company has amended its by-laws to provide for an annual, non-binding vote of shareholders on the Company's pay and performance policies beginning with the 2008 Annual Meeting. The so-called "Say on Pay" proposal will allow shareholders to cast an advisory vote each year on the Company's overall pay policies. "Say on Pay" has only been adopted by a handful of American companies, but it represents a widespread practice in several European countries, including the United Kingdom. Annual advisory votes will allow H&R Block shareholders to indicate general approval or disapproval of policies linking pay and performance, and the overall compensation decisions made by the board. While the annual shareholder vote concerning compensation decisions will be purely advisory, it will nonetheless provide direct feedback from shareholders to the board that is not available today on the Company's decisions balancing pay and performance.

Richard C. Breeden, H&R Block Chairman, commented: "These changes are intended to give our shareowners a greater voice in decision making at H&R Block without weakening the role of the board in setting overall policies, or management in making operational decisions. By giving our shareholders a 'Say on Pay' vote each year, the board subjected itself to the discipline of direct shareholder input on compensation policies for directors and management. We hope this will reinforce H&R Block's historic efforts to link pay and performance for executives."

The Company also announced other changes in its current governance practices:

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--  The Company's "Shareholder Rights Plan," or "poison pill," has
    been allowed to expire. The rights plan expired in March,
    2008, without renewal by the board.

--  A term limit of 12 years of service has been established for
    members of the board of directors. The Company believes it is
    important to have a periodic infusion of fresh thinking by
    adding new board members. Adopting a term limit will avoid any
    implication of performance issues when a director goes off the
    board due to the term limits, and will promote an adequate
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level of board turnover to help keep the board active and alert to marketplace concerns.

- Independent directors will be required to tender their resignation to the board, which may then accept or reject such resignation, upon a material change in their employment or career. This provision is intended to give the board the option of either accepting or rejecting a resignation tendered by an independent director to protect the Company in the event of any conflicts or other issues created by the director's changed situation.

- Employee directors (the board does not currently include any employee directors) must resign their board seats immediately upon cessation of employment with the Company.

- Independent directors may not hold more than four directorships of publicly traded companies (including H&R Block) at any one time, and the Company's CEO may not hold more than one board seat in addition to the Company, and then only upon prior board approval. The Company believes that directors who hold a larger number of directorships will not be able to devote the necessary attention and focus to the work of the H&R Block board.

- The overall size of the Company's board has been reduced to a minimum of 7 members and a maximum of 12, down from a prior range of 9 to 15 directors. The Company believes that a smaller board will be both less costly and more effective due to the unwieldy nature of larger boards.

- The board will meet not less than annually with significant shareowners to allow the board to hear concerns on a first-hand basis. The first such meeting is expected to be held in October of this year, which will allow direct input from larger shareholders on issues such as the company's strategy and direction, levels of cash returned to shareholders, cost reduction efforts or any other matter of concern.

The board also approved changes in the Company's amount and structure of board compensation. The aggregate director compensation is currently approximately $120,000 per year, of which roughly $75,000, or 63%, is paid in cash. The board approved decreasing the annual cash retainer from $50,000 to $40,000, and capping the maximum number of meetings for which meeting fees will be paid. The board also eliminated differential meeting fees under which committee chairs received higher meeting fees than other directors. The board approved an increase in the annual retainer of the audit committee chair from $7,500 to $15,000, and established annual retainers of $10,000 for the chairs of the nominating, compensation and finance committees.

At the same time that it voted to reduce current cash compensation, the board also voted to seek shareholder approval for modifications of the director incentive program. Prior policy was to grant each independent director 8,000 stock options each year, irrespective of the value of such options. This program has been terminated, and option grants to independent directors scheduled to be made on June 30 will not occur. In their place, the board approved submitting to shareholders for a vote at the September Annual Meeting amendments that will allow the Company to award deferred stock units in each fiscal year. These deferred stock units would be granted annually, but will be withheld from directors until six months after the date that they leave the Company's board.

If the proposed amendments are approved by shareholders, the Company will issue each independent director an annual award of $100,000 in deferred share units, which would raise aggregate director compensation to approximately $165,000 per year. The new compensation level for fiscal year 2009 provides for total director compensation approximately equal to the median total compensation for independent directors of a group of 40 companies selected by the Compensation Committee as being similar in size or other characteristics to H&R Block. However under the revised program the mix of compensation for outside directors would be approximately 60% deferred equity and 40% cash, compared to the 63% cash and 37% immediate equity at present.

Following its 2007 Annual Meeting, when shareholders approved a resolution seeking separation of the positions of Chairman and CEO (then held by a single individual), the board elected a non-executive Chairman, and the Company amended its corporate governance policies to provide for a non-executive chairman at all times. However, these corporate governance guidelines could be amended in the future without shareholder consent. Therefore, at the 2008 Annual Meeting the Company will seek shareholder approval to place the provisions separating the Chairman and CEO positions in the Company's Articles of Incorporation. If approved, this would effectively require advance shareholder consent to eliminate the position of independent, non-executive Chairman. As it does today, the board of directors will continue to select the non-executive Chairman from among those independent directors who have never served as an employee of the Company.

"Limiting the number of board seats a director can hold, establishing a term limit for board service and requiring directors to tender their resignation in the event of certain material changes in their own careers are steps intended to promote a board that is independent, vibrant and active," said Breeden. "By allowing our shareholder rights plan to expire and de-staggering our board, we have also previously taken steps to improve the responsiveness of the board to shareholders. Overall we hope to enhance the accountability of the board, while improving the level of dialogue between directors and shareowners on a regular basis. We believe our shareowners will be well-served by these changes."

About H&R Block

H&R Block Inc. (NYSE: HRB) is the world's preeminent tax services provider, having served more than 400 million clients since 1955 and generating annual revenues of $4 billion in fiscal year 2007. H&R Block provides income tax return preparation and related services and products via a nationwide network of approximately 13,000 company-owned and franchised offices and through TaxCut(R) online and software solutions. The company also provides business services through RSM McGladrey and certain consumer financial services. For more information visit our Online Press Center at www.hrblock.com.

CONTACT: H&R Block, Inc.
Media Relations:
Nancy Mays, 816-854-4537
nmays@hrblock.com
or
Investor Relations:
Derek Drysdale, 816-854-4513
derek.drysdale@hrblock.com

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