

RISKMETRICS GROUP ADOPTS NEW MEASURE OF GOVERNANCE RELATED RISK

RiskMetrics Group has announced that as of March 17, 2010, it will replace its former Corporate Governance Quotient or "CGQ" rating with a new system of governance ratings called Governance Risk Indicators or "GRIDs".

RiskMetrics has adopted its new GRId system to assess governance-related risk. This method includes measuring companies' risk in four key areas related to corporate governance: audit, board, compensation/remuneration, and shareholder rights. The new GRId methodology incorporates a set of 60 to 80 questions addressing a company's practices with respect to these four areas and subsections related to these four areas. The questions are tailored to particular markets and geared toward best practices within those markets. GRId results will be evaluated to indicate for a particular company the level of concern (low, medium, high) across the four key categories.

The answers to the questions, based on public filings, will be measured against a best practice standard and is based on the same principles underlying RiskMetrics benchmark voting policy which, RiskMetrics believes, will ensure relevant and timely evaluations. The effect is that GRId results for a particular company (unlike those under the CGQ system) will not depend on the practices of all other companies or those companies in a similar industry. GRId results will be dependent solely on company policies and the results achieved measured against the maximum possible levels for that key area of evaluation.

GRId results will be calculated following the filing of a company's proxy materials and will be available prior to the shareholders' meeting. In an effort at transparency, RiskMetrics has released a lengthy technical document describing the information to be considered in the methodology. In addition, beginning March 17, a data verification site should be available to corporate issuers. RiskMetrics will also email each company its results for review.

While the system of methodology has changed, RiskMetrics basis for determining best practices does not appear to have significantly changed. Many of the GRId factors appear similar to those from the CGQ system. However, notably, RiskMetrics certified director education will no longer be included as a variable for consideration.

Recommended Actions:

- Companies should become familiar with the new GRId system and evaluate the implications for its business.
- It is important that companies take advantage of the data verification site to ensure the accuracy of the included information.
- Companies should be prepared to respond if data changes are required.
- Directors must continue to evaluate the company's corporate governance as an exercise of fiduciary duty and not from a "one system fits all" or "check the box" mentality.

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