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RADFORD ALERT

RiskMetrics Group Launches New Governance Rating Indicators (GRId)

New Ratings Published as Part of RiskMetrics Group's Research Reports

There is an important new development in RiskMetrics Group's evaluation of public companies' governance and compensation arrangements, which was rolled-out on March 17, 2010. We urge you to consider the implications of RiskMetrics' new Governance Risk Indicators "GRId" and discuss it with key internal and outside advisors, including legal counsel and your compensation consultant.

As you know, RiskMetrics currently publishes "Corporate Governance Quotient" (CGQ) scores for all Russell 3000 companies. These CGQ scores are widely referenced by institutional investors and other parties to evaluate the robustness and shareholder friendliness of a company's overall governance profile relative to other companies both in a broad index and compared to a more focused industry group. Among the many ways such scores are accessed and used by the public, the scores are published in research reports RiskMetrics provides to its institutional clients for each covered company, listed on company Yahoo! Finance profile screens, and according to RiskMetrics, have been referenced by insurers to help set rates for D&O policies.

As the successor to CGQ, GRId has been designed both to apply much more broadly and to drill into considerably more detail on key areas of concern than the methodology it replaces. GRId will initially cover 6,400 US companies, and will probe deeply into a host of issues that are touched upon only glancingly if at all by CGQ, such as the terms of executive employment contracts, executive severance multiples, vesting of executive equity grants, retention/holding guidelines, and clawback provisions, among others. Overall, the GRId methodology will evaluate four areas of shareholder concern (Audit, Board, Remuneration, and Shareholder Rights) on an absolute basis rather than on the relative scale used by CGQ, and for each category will indicate either a low, medium, or high level of concern.

While it is difficult to predict the impact of the new approach on companies, we believe that given RiskMetrics' influence in the investor community, this new attempt to comprehensively evaluate and report governance-related risk merits serious attention. We also note that the GRId scoring methodology is clearly intended to track more closely with the policies RiskMetrics uses to issue proxy voting recommendations. As such, we expect that companies identified as presenting a "high" level of concern in one or more areas will increasingly be the target of adverse RiskMetrics vote recommendations on proxy proposals related to those broad categories (e.g. Audit Committee withholds based on Audit issues, Compensation Committee withholds based on remuneration, etc.).

We recommend that companies visit www.riskmetrics.com/grid-info for more information about GRId, including an FAQ and a sample of how GRId will appear in RiskMetrics' proxy research reports. In addition, *upon request* RiskMetrics will allow companies a courtesy review of data RiskMetrics has collected for input into GRId calculation, to which you may offer updates and corrections.

About Radford

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