



Financial Research
& Analysis

Corporate Governance Quotient

Corporate governance ratings to evaluate risk

The ability to evaluate a company's corporate governance structure and practice is increasingly important in equity research and investment decision-making. Corporate governance ratings can provide a strong, practical addition to the institutional investor's arsenal of comparative tools to help evaluate portfolio companies and identify hidden risk.

RiskMetrics Group offers investment managers and research directors a suite of governance ratings tools and custom data feed solutions to meet their research and modeling needs. These services assist analysts, portfolio managers, research directors and others in evaluating the impact that a company's corporate governance structure and practices might have on a portfolio's performance.

First introduced in 2002, our corporate governance ratings measure the strengths, deficiencies and overall quality of a company's corporate governance practices and board of directors. Corporate Governance Quotient (CGQ®) is a reliable tool for 1) identifying portfolio risk related to governance and 2) leveraging governance to drive increased shareholder value.

CGQ Has the Largest Coverage Universe

Knowing institutional investors' needs for coverage and consistency, RiskMetrics Group has the most extensive research scope in the industry. Not only does our proxy research cover 38,000 companies across 115 countries, CGQ includes ratings on 8,000 companies in over 30 markets.

- + **U.S. coverage** of the S&P 500, S&P 400, S&P 600 and Russell 3000 indices, plus 2,300 additional companies
- + **Canadian coverage** based on the S&P/TSX Canadian Composite Index
- + **UK coverage** based on the FTSE All Share Index
- + **All other regions** track the MSCI/EAFE Index and FTSE All World Developed Index

RiskMetrics Group Addresses a Broad Spectrum of Risk



Client Benefits:

- + Research and analyze a company's corporate governance strengths, weaknesses and overall quality
- + Identify the worst corporate offenders and either avoid or buy, based on your investment philosophy
- + Develop a corporate governance composite score within a broader quantitative model to get a more complete picture at the company, peer group and industry levels
- + Create customized ratings and portfolio level benchmarks to take advantage of the valuation gap between well-managed versus poorly-managed companies
- + Use the underlying data when engaging in discussions with management
- + Incorporate corporate governance into due diligence for mergers and acquisitions

Using CGQ® Ratings and Data

CGQ ratings and data are delivered in a variety of formats to suit your needs, including research, screening and search tools, and customizable data feeds. These offerings can be used independently or in combination to accomplish a range of equity research objectives, whatever your investment philosophy.

Research

- + CGQ Profiles provide high-level snapshots of scores, sub-scores and rating factors for individual companies
- + Subscores and specific rating factors can highlight areas of potential concern
- + Supplement other equity research and company analyses

Screening and Search Tools

- + Hone in on those corporate governance criteria of greatest interest to you
- + Create investable universes and company watchlists
- + Leverage scores and subscores to flag companies for additional research
- + Create lists of companies who might warrant further engagement on corporate governance topics
- + Combine corporate governance screening with environmental and social screening

Data

- + Easily incorporate scores, subscores and underlying ratings data into your quantitative models
- + Adjust weightings to focus on those criteria that best align with your investment philosophy
- + Leverage data to develop portfolio level scores
- + Complete CGQ database including scores, subscores and all underlying criteria available through RiskMetrics FTP or FactSet
- + Customize data feeds to your own requirements based on specific ratings criteria as well as index, industry or country-level information

Categories for Evaluating Companies

1. Board of directors
2. Audit
3. Charter and bylaw provisions
4. Anti-takeover provisions
5. Executive and director compensation
6. Progressive practices
7. Ownership
8. Director education

"Our research found a very strong relationship between governance and firm value, using CGQ data."

- Dr. Reena Aggerwal, Stallkamp Faculty Fellow and Professor of Finance, McDonough School of Business, Georgetown; Visiting Professor of Finance, Sloan School of Management, MIT
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For more information on this and other solutions from RiskMetrics Group, please email marketing@riskmetrics.com, visit www.riskmetrics.com, or call:

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Corporate Governance Quotient can help you uncover governance-related risk and support investment decisions.

About RiskMetrics Group:

RiskMetrics Group (NYSE: RMG) is a leading provider of risk management and corporate governance products and services to financial market participants. By bringing transparency, expertise and access to the financial markets, RiskMetrics Group helps investors better understand and manage the risks inherent in their financial portfolios. Our solutions address a broad spectrum of risk across our clients' financial assets. Headquartered in New York with 19 global offices, RiskMetrics Group serves some of the most prestigious institutions and corporations worldwide. For more information, please visit: www.riskmetrics.com.



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