

## DIRECTOR OF RESEARCH PERSPECTIVES – March 2010 “Corporate Governance Ratings – IR Opportunities and Threats”

### SPOTLIGHT ON CORPORATE GOVERNANCE LANDSCAPE

The positive impact for companies of good corporate governance is intuitive and there is substantial academic research bolstering proponents of good governance. A Harvard University study found that “companies with strong shareholder rights provisions tended to exhibit higher profitability and sales growth...,” while a study prepared by the Georgia State University determined that investors were willing to pay higher prices for firms with good corporate governance. Rating firms often tie corporate governance to cost of capital and risk:

Leading corporate governance rating firms and proxy advisors include the aforementioned RiskMetrics, The Corporate Library, GovernanceMetrics International (GMI) and Audit Integrity. Ratings vary in nature from, for example, A to F for The Corporate Library ratings and 0 to 100 (0 is very aggressive) for the Audit Integrity Accounting and Governance Risk (AGR®) ratings. Information across all these services is typically derived from public filings with proprietary blends of researched data and analysis. Corporate governance scores/ratings are widely available, even to individual investors. To cite some examples, Yahoo Finance offers CGQ ratings and will upgrade to the GRId ratings shortly after launch, while Audit Integrity’s website permits you to fill in a ticker and get a free AGR rating summary.

#### Potential Tactics to Effectively Address Corporate Governance Ratings and Evaluations:

- Determine whether your company is covered by these rating services and research and monitor your score.
- Contact rating services if you notice incorrect facts or out-dated information which negatively impacts your score
- Publicize good corporate governance scores or positive commentary on your corporate governance practices/policies.
- Develop thoughtful and persuasive responses to investor or media queries about your corporate governance practices.
- Consider initiating a corporate governance audit.

#### For additional insights and perspectives, we recommend the following websites:

##### **RiskMetrics** □ **Governance Risk Indicators™ (GRId)**

Web site: [www.riskmetrics.com](http://www.riskmetrics.com)

GRId FAQs, Whitepaper, Proxy Report, Samples, and more: [www.riskmetrics.com/grid-info](http://www.riskmetrics.com/grid-info)

##### **GovernanceMetrics International (GMI)**

Web site: [www.gmiratings.com](http://www.gmiratings.com)

GMI News & Noteworthy: [www.gmiratings.com/noteworthy.aspx](http://www.gmiratings.com/noteworthy.aspx)

##### **Audit Integrity** □ **Audit Integrity Accounting and Governance Risk (AGR®)**

Web site: [www.auditintegrity.com](http://www.auditintegrity.com)

Research, Whitepapers & Academic Studies: [www.auditintegrity.com/publications.html#b302](http://www.auditintegrity.com/publications.html#b302)

##### **The Corporate Library**

Web site: [www.thecorporatelibrary.com](http://www.thecorporatelibrary.com)

Global Corporate Governance Standards Directory: [www.thecorporatelibrary.com/info.php?id=117](http://www.thecorporatelibrary.com/info.php?id=117)

Corporate Governance & Executive Comp Resources: [www.thecorporatelibrary.com/info.php?id=60](http://www.thecorporatelibrary.com/info.php?id=60)

To read the complete article visit

<http://www.grayling.com/Assets/UnitedKingdom/CorporateGovernanceRatings.pdf?1270553094>