



ISS Releases Governance QuickScore 2.0 and Invites Corporate Issuers to Verify Data

February 4, 2014

Late last month, Institutional Shareholder Services Inc. (“ISS”) released its [Governance QuickScore 2.0](#), enhancing and updating the data-driven, governance risk scoring system and analytical tool it introduced last year in lieu of its Governance Risk Indicators (“GRId”) scoring methodology. On February 18, 2014, when QuickScore 2.0 will officially launch, scores will be made available to institutional QuickScore subscribers and companies and will be included in ISS’s proxy research reports.¹ Corporate issuers are invited to verify and/or provide feedback on the data used to calculate their scores, via ISS’s complimentary data verification website, until Friday, February 7, 2014, at 8:00 p.m. EST.²

Like the original version, QuickScore 2.0, which is intended to help institutional investors identify and evaluate governance risk within portfolio companies, “uses a quantitatively-driven methodology that looks for correlations between governance factors and key financial metrics, with a secondary policy-based overlay that aligns the qualitative aspect of governance with ISS policy.”³ Under the QuickScore system, companies are evaluated and ranked on four independent grounds, or “pillars” – board structure, executive compensation/remuneration, shareholder rights, and audit practices – and are also given an overall governance score, all in relation to other companies in the same geographic region. Possible scores range from one to ten, with higher scores indicating relatively higher governance risk.

QuickScore 2.0 contains several notable changes from the original version.

1. Zero-weight Factors: QuickScore 2.0 identifies factors that provide insight into companies’ governance structures and practices for informational purposes only; these factors do not affect scores.

¹ In early March 2014, scores will also become available on Yahoo! Finance and Bloomberg.

² ISS’s data verification site can be found at <https://ga.isscorporateservices.com/login.php>. A complete data verification guide is available at http://www.isscorporateservices.com/sites/default/files/images/QuickScore_DV_HelpGuide.pdf. After the February 18 launch date, the data verification site will remain open so that corporate issuers may continue to update and verify their data profile. ISS has indicated that it will respond to all data update requests.

³ ISS Governance QuickScore Methodology, available at <http://www.issgovernance.com/quickscore/methodology>.

2. New Corporate Governance Factors: QuickScore 2.0 includes several new corporate governance factors, each of which is applicable to companies in specified geographic regions. The new factors applicable to companies in U.S. markets are:

- Number / proportion of women on the board (a zero-weight factor);
- Percentage of directors who received less than average levels of shareholder approval (*i.e.*, less than 95% shareholder approval);
- Average outside director's compensation as a multiple of the median pay of its ISS-determined group of company peers, for the same time period;
- Degree of alignment between the company's annualized three-year pay percentile rank, relative to peers, and its three-year annualized TSR rank, relative to peers (added as a result of recent changes to ISS's policy on calculating pay for performance); and
- Level of shareholder support on the most recent Say-on-Pay proposal.

3. Modified Scoring: According to ISS, QuickScore 2.0 utilizes a modified scoring system for questions and pillars in order to "achieve an optimal balance between quantitative and qualitative scoring drivers" and to enhance alignment of scores "with ISS voting policy, company performance quantitative modeling results, and global governance standards and best practices."⁴

4. Event-driven Data Updates: Under QuickScore 2.0, companies' profiles and scores will be updated on an ongoing basis in response to public disclosures, including those in companies' periodic filings. ISS anticipates that one of the most significant event-driven updates will be the independence classification of new directors.

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If you have any questions or would like additional information, please do not hesitate to contact [Yafit Cohn](mailto:yafit.cohn@stblaw.com) at (212) 455-3815 or yafit.cohn@stblaw.com, or any other member of the Firm's Public Company Advisory Practice.

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⁴ ISS Governance QuickScore 2.0: Overview and Updates (January 2014), at 4, 8-9.

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