

ISS Introduces “QualityScore” Corporate Governance Tool Ahead of 2017 Proxy Season

In what has become a seemingly biannual occurrence, Institutional Shareholder Services (“ISS”) has rebranded and reintroduced its global corporate governance scoring tool for institutional investors. Now known as “ISS QualityScore,” this tool was previously called “ISS QuickScore.” As you may know, QuickScore succeeded ISS’s Governance Risk Indicators (“GRID”) which was preceded by its Corporate Governance Quotient (“CGQ”) tool. In the United States, the tool is used to review the practices at companies in the Russell 3000 (including the companies in the Standard & Poors’ 500).

As before, the rebranded methodology evaluates companies’ corporate governance policies and practices in four broad categories or “pillars” – board structure, compensation/remuneration, shareholder rights, and audit and risk oversight – assigning a score from 1 to 10 in each category as well as an overall score. A lower score is considered “higher quality/lower risk” in the ISS’ lense. While these scores will continue to be disclosed in ISS’ reports summarizing their analysis and voting recommendations of matters being submitted for shareholder action at annual meetings of shareholders, they are not part of that analysis.

New Evaluation Factors

In the case of U.S. companies, ISS has added more than a dozen new evaluation factors to the methodology. In the area of board structure, these include, among others, the number of women serving on the board of directors, the presence of a board “refreshment” mechanism, and the adequacy of the board’s response to low support for a management proposal (such as the election of a director and the Say-on-Pay proposal). In the area of compensation/remuneration, this includes a factor that looks at whether a company has included a relative performance measure in either its short-term or long-term incentive compensation arrangements.

Data Verification Period Open until November 11th

ISS has indicated that it intends to begin publishing scores using this new methodology on November 21, 2016. Ahead of this date, ISS is providing free data verification through Friday, November 11th at 8:00 p.m. (EST). This will enable companies to confirm how ISS has scored them in each of the four categories, identify any errors, and determine whether to correct these areas or make any substantive changes to its relevant policies and practices to improve its profile. Any corrections or updates should be submitted to ISS ahead of the November 11th 8:00 p.m. deadline.

Data Verification Procedure

To verify data, existing ISS clients can sign into the data verification tab in their ISS log-in or can email ISS at: qualityscore@issgovernance. If your company does not already have a login for the ISS Governance Analytics platform, you may request one via the email address provided [here](#).

Further Information

Detailed information regarding ISS QualityScore is included in a lengthy technical document, which is available on the [ISS web site](#).

Need Assistance?

Please contact your Compensia engagement manager with any questions on ISS QualityScore or the information in this Thoughtful Pay Alert.

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