

ISS to Launch Updated Governance QuickScore 2.0 in February

On January 8, 2014, Institutional Shareholder Services (“ISS”), the prominent corporate governance advisory services firm, announced that it will soon launch Governance QuickScore 2.0, an updated version of its corporate governance risk assessment tool for Russell 3000 companies in the United States and certain companies in other countries. QuickScore 2.0 will reflect a revised methodology for evaluating four key risk-related areas, and be automatically updated for changes to a company’s corporate governance structure based on publicly-disclosed information. Companies should consider verifying the information that ISS uses in conducting its QuickScore analysis during the data verification period described below. This Thoughtful Pay Alert summarizes what we currently know about the pending changes to QuickScore.

Background

In February 2013, ISS overhauled its data-driven, corporate governance risk assessment scoring system and analytical tool, Governance Risk Indicators (“GRId”), which was renamed “Governance QuickScore.” This tool is intended to help institutional shareholders evaluate the corporate governance risk profiles of the publicly-traded companies in their investment portfolios.

Currently, QuickScore covers approximately 4,100 companies in 25 markets. In the United States, ISS evaluates the companies in the Russell 3000. QuickScore provides an overall company score, as well as individual scores in the following four discrete areas:

- Board of Directors’ structure;
- Executive compensation;
- Shareholder rights; and
- Audit-related practices.

Numerical scores indicate a company’s rank relative to its region, with a score of 1 indicating relatively lower governance risk, and, conversely, a score of 10 indicating relatively higher governance risk.

While currently a company’s QuickScore results do not directly factor into ISS’ voting recommendations on proposals being submitted for shareholder action at its Annual Meeting of Shareholders (such as the election of directors or the shareholder advisory vote on executive compensation), it may help identify potential areas of concern that could arise in ISS’ review of the company’s proxy materials, such as the ISS “pay-for-performance” analysis.

What Technology and Life Sciences Companies Should Know About the Pending Launch of QuickScore 2.0

ISS intends to recalculate company scores in conjunction with its release of QuickScore 2.0 on February 18, 2014.

- Until January 27, 2014, companies can view their governance data currently used in QuickScore 1.0.
- Companies will have access to the free data verification site on ISS Governance Analytics to preview and verify their data and provide feedback. The data review and verification site will open on Monday, January 27, at 9 a.m. (EST) and will be available for two weeks through Friday, February 7, at 8 p.m. (EST).
- Requests for data changes may be made through ISS’ Governance Analytics platform. All requests will be fully reviewed and responded to by ISS.

Technology and life sciences companies should consider verifying their QuickScore 2.0 information during the data verification period.

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Update Highlights

ISS has announced that it intends to launch an updated version of QuickScore, entitled “QuickScore 2.0,” on February 18, 2014. There are at least two notable changes to this tool:

- **New and Revised Governance Factors** – QuickScore 2.0 will add seven new governance factors (which are as yet unspecified) to its methodology for U.S. companies. In addition, ISS is modifying the weightings assigned to certain existing governance factors to better align with company performance, quantitative modeling results and its voting policies. Overall, companies will continue to be scored relative to other companies in the Russell 3000 Index.
- **Event-Driven Data Updates** – QuickScore 2.0 will automatically include event-driven data updates (such as the adoption of a compensation recovery (“clawback”) policy disclosed in a current report on Form 8-K) in its analysis. To accomplish this, ISS will monitor select regulatory filings and other publicly-available disclosures for changes to companies’ corporate governance-related information and will automatically update relevant QuickScore 2.0 factors and scores.

Data Validation Period

ISS will provide a data validation period during which companies may verify that it has collected accurate and up-to-date data for the governance factors included in QuickScore 2.0. This period will open at 9 a.m. (EST) on January 27th and will close at 8 p.m. (EST) on February 7th.

Following the launch of QuickScore 2.0 on February 18th, companies will be able to verify their corporate governance data on an ongoing basis, as is currently permitted.

Technical Explanation of Update Available January 27th

Consistent with its recent practice, ISS plans to publish a technical document (which will be posted to its website) that outlines the key changes to the methodology and the new governance factors. ISS has indicated that this document will be available on January 27, 2014 to correspond with the beginning of the data validation period.

Next Steps

If your company already has a log-in for ISS Governance Analytics (user name and password), you do not need to request a new login and can proceed directly to the Governance Analytics website to view, and after January 27th, verify your corporate governance information. If your company does not have long-in information, North American companies can request a user name and password through the ISS Corporate Services U.S. support desk via electronic mail (support@isscorporateservices.com) or by calling 301 556-0570.

For More Information

Information about the current version of ISS Governance QuickScore is available at the [following link](#) »

Need Assistance?

Compensia has significant experience in helping companies understand and address ISS’ corporate governance and executive compensation policies. If you have any questions on the topics covered in this Thoughtful Pay Alert or would like assistance in assessing how the policies are likely to affect your executive compensation program, please feel free to contact us. ■

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About Compensia

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