



Updates to ISS Governance QualityScore and Special Data Verification Period Open

November 15, 2018

What is QualityScore?

Institutional Shareholder Services (ISS) rates corporate governance quality and risk for companies in 30 markets, including constituents of the US Russell 3000, through a product called "QualityScore" that analyzes board structure, compensation, shareholder rights and audit/risk oversight using up to 120 factors. QualityScore is intended to help institutional investors identify and monitor governance risk within their portfolio companies.

ISS publishes each company's QualityScore on the company's Yahoo Finance profile page and in the proxy research reports that ISS issues for the company's annual meetings. QualityScore does not impact the ISS vote recommendations for proxy proposals or director elections; however, there is overlap between QualityScore factors and ISS vote recommendation policies.

What is changing?

ISS recently announced that it is updating its QualityScore methodology. In response to increasing investor attention on diversity, ISS has created a new diversity subcategory within the board structure category and added four new factors in most regions. In addition, ISS added two new factors related to the level of shareholder support for the election of the board chair and CEO director in most regions. ISS has also broadened the application of certain existing factors in the board structure, compensation and audit categories to new markets.

For US companies, ISS will be adding eight new factors, including the number of women serving in board leadership roles, the number of women named executive officers, the standard deviation of director age, the standard deviation of director tenure, the lowest percentage of support received by a management-nominated director at the last election and the percentage of support received on the most recent say-on-pay proposal. The standard deviation of director tenure is a zero-weighted factor for the first year of its introduction and is for informational purposes only. The other new factors will impact a company's QualityScore once these updates are launched.

Additional details on the new and updated factors are available in the revised [QualityScore Technical Document](#).

When is it changing?

ISS will launch these updates on **Thursday, November 29, 2018**.

What should we do now?

We recommend using the free data verification tool to ensure that ISS has accurate data for your company. As part of the methodology updates, ISS has opened a special data verification period. Until **Friday, November 16, 2018 at 8 pm ET**,

companies can review their QualityScore data profiles and submit updates or corrections for ISS review before the updated QualityScores are published. You may obtain a log-in for the free data verification site by contacting [ISS](#) and further instructions for data verification are available [here](#).

Between November 17, 2018 and the launch of new QualityScores on November 29, 2018, the ISS data verification system will be closed. After the new QualityScores launch, the system will reopen to allow a company to continue to review its QualityScore data free of charge and submit updates or corrections to ISS, except between the time of filing the company's definitive proxy statement and the publication of the related ISS proxy research report.

Observations and commentary

We regularly work with clients to review and analyze their QualityScores. We are available to assist with the data verification process, including the process necessary to correct ISS mistakes.

We generally do not recommend making changes to corporate governance practices solely to increase QualityScores, but companies and board members are often interested in using QualityScore as a framework for evaluating corporate governance practices. We are available to assist with that process and facilitate a thoughtful company-specific discussion that includes considering the viewpoints of each company's actual institutional shareholders.

If you have questions about this alert, the ISS QualityScore methodology or any ISS guidelines, please contact one of the Cooley attorneys listed below.

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