



# QualityScore

## Overview and Updates

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## Overview

QualityScore is a data-driven scoring and screening solution designed to help institutional investors monitor portfolio company governance. At an overall company level, as well as that relating to **Board Structure**, **Compensation**, **Shareholder Rights**, and **Audit & Risk Oversight**, scores provide an indication of relative governance quality supported by factor-level data. That data, in turn, is critical to the research process, while historical scores and data provide greater context and trending analysis to understand a company's approach to governance over time. Originally branded as ISS QuickScore, the solution was renamed as ISS QualityScore in 2016 to better reflect the way investors use these qualitative factors to support their company analysis.

With the continued and growing focus on investor stewardship and engagement, alongside the global convergence of standards and best practices, governance plays an increasingly prominent role in investment decisions. As an extra-financial data screening solution, the ISS Governance QualityScore methodology delivers several key benefits.

**Employs robust governance data and attributes.** Governance attributes are categorized under four pillars: Board Structure, Shareholder Rights & Takeover Defenses, Compensation/Remuneration, and Audit & Risk Oversight. QualityScore rests on the analysis of more than 220 governance factors across the coverage universe which, in turn, is supported by a robust data set. QualityScore analyzes not only adverse practices at a company, but also highlights mitigating factors that help tell a fuller story. The underlying QualityScore dataset is updated on an ongoing basis as company disclosures are filed, providing the most-timely data available in the marketplace.<sup>1</sup>

### Incorporating Company Disclosures

Much of the information included in QualityScore comes from the annual filing of companies' proxies, annual reports, 10-Ks, circulars, meeting notices, and other meeting related materials for the companies' AGMs; and ISS' data and research teams' analyses, interpretations, and proxy voting recommendations to our clients for these shareholder meetings. While companies have the ability most of the year to submit changes to QualityScore answers, this ability is restricted between the dates when the company files its proxy or meeting materials and the publication of ISS proxy analysis for the company's annual meeting. During the blackout period, the company's online QualityScore profile and data is frozen, and does not reflect the latest information being gathered for the proxy analysis. Once the proxy voting recommendations report is published and released to ISS' clients, companies are able once again to review their QualityScore data profiles and provide updates through the [Data Verification](#) tool.

The QualityScore profiles available online are updated once daily, at approximately 5am ET (10 AM UTC). Therefore, when the ISS proxy analysis is released containing the updated QualityScore scores after the daily

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<sup>1</sup> Please see [Appendix I](#) for more discussion of event-driven updates.

update, the online website will not yet reflect these updated scores and information. The updated online score and profile will be viewable the following day after the next daily update.

**Leverages ISS' global footprint and industry leadership.** ISS Governance QualityScore leverages ISS' industry leading global footprint, which includes deep legal and language expertise across key global capital markets, including many of those within the QualityScore universe. Factors used to assess risk-related concerns for a given company in each market are based on the same principles that form the foundation of ISS' global benchmark voting policy. Developed through an extensive, transparent, and inclusive process, these policies reflect best practices across jurisdictions, as well as the views of institutional investors, issuers, and governance practitioners worldwide. The QualityScore factor methodology is aligned with ISS' benchmark proxy voting policy to ensure it is up-to-date and tailored to address appropriate variations in governance practices across global capital markets. (For more on ISS benchmark policies and their formulation, visit [www.issgovernance.com/policy](http://www.issgovernance.com/policy).)

**Presents at-a-glance governance rankings relative to index and region.** ISS Governance QualityScore features company-level decile scores, presented as integers from 1 through 10, plus underlying pillar scores using the same scale that together provide a clear understanding of the drivers of a company's governance risk. A score in the 1<sup>st</sup> decile indicates higher quality and relatively lower governance risk, and, conversely, a score in the 10<sup>th</sup> decile indicates relatively lower quality and higher governance risk. These scores provide an at-a-glance view of each company's governance risk relative to their index and region. The individual factor breakdown takes a regional approach in evaluating and scoring companies, to allow for company-level comparisons within markets where corporate governance practices are similar.

**Global Core Factor Comparability.** In December 2017, ISS QualityScore refined its in-depth regional focus to include more factors that are uniform across all markets. The number of global core factors has increased from 6 to 21, overall, with an average increase of 12 comparable factors across all regions. These additional factors will provide more data to assess and benchmark governance risk, allow for an increased gradation in scoring, and result in more comprehensive governance profiles. The methodology ensures that companies within a given region/country have a core base of factors that are comparable to other companies in the region, to provide greater benchmarking capabilities.

## Coverage

QualityScore global coverage comprises approximately 5,600 publicly traded companies in 30 markets, including constituents of the following major indices: S&P 500, Russell 3000, S&P/TSX Composite, STOXX600, ASX 200, NZX15, Nikkei 400, and local European market indices including the U.K. FTSE All-Share (ex-investment trusts.) QualityScore also includes widely held companies in ISS' coverage universe for Brazil, China, Hong Kong, and India. The term "widely held" refers to companies that ISS designates as such based on their membership in a major index and/or the number of ISS clients holding the securities.

*Table 1: Americas coverage*

QS Region	Country	Coverage
Canada	Canada	S&P/TSX Composite Index
Canada Small Cap	Canada	S&P/TSX Small Cap Index
Latin America	Brazil	Widely held companies in the market
US - R3K	United States	FTSE/Russell 3000 Index
US - S&P500	United States	S&P 500 Index

*Table 2: Asia-Pacific coverage*

QS Region	Country	Coverage
AsiaPac	China	Widely held companies in the market
AsiaPac	Hong Kong	Widely held companies in the market
AsiaPac	Singapore	Straits Times Index (STI)
Australasia	Australia	S&P/ASX 200 Index
Australasia	New Zealand	S&P/NZX15 Index
India	India	Widely held companies in the market
Japan	Japan	JPX-Nikkei 400 and widely held companies in the market
South Korea	South Korea	KOSPI 100 Index

Table 3: EMEA coverage

QS Region	Country	Coverage
-	European (multiple)	STOXX 600 Index
Africa	South Africa	FTSE JSE-40/JSE-MidCap Indices
Anglo	Ireland	ISEQ 20 Index
Anglo	United Kingdom	FTSE All-Share Index (ex-investment trusts)
Germanic	Austria	ATX 20 Index
Germanic	Germany	DAX30/MDAX50/SDAX 50/TecDAX Indices
Germanic	Switzerland	SMI 20/SMIM 30 Index
Nordic	Denmark	OMX Copenhagen 25 Index
Nordic	Finland	OMX Helsinki 25 Index
Nordic	Norway	OBX index
Nordic	Sweden	OMX Stockholm 30 Index
Russia	Russia	RTS 50 Index
Southern Europe	Greece	FTSE ATHEX Large Cap Index 25
Southern Europe	Italy	FTSE-MIB / FTSE-Midcap Index
Southern Europe	Portugal	PSI 20 Index
Southern Europe	Spain	IBEX 35 Index
Western Europe	Belgium	BEL 20 Index
Western Europe	France	Widely held companies within the CAC All tradable
Western Europe	Luxembourg	LuxX Index
Western Europe	Netherlands	AEX25/AMX25 Indices

## Coverage Adjustments

The ISS QualityScore universe undergoes periodic coverage updates to reflect changes in the underlying index constituents. Most ex-US markets are updated annually in January to reflect year-end index rebalancing. Therefore, in most markets, adds and drops changes are held until beginning of the year, except for the US Russell 3000, which takes place in early July after the annual index reconstitution in June. The following markets have a more frequent rebalance schedule, however potential index drops are held until year-end (July for Russell 3000) to minimize volatility in the coverage universe.

Table 4: Coverage Adjustment Schedule

QS Region	Country	Coverage	Rebalance Frequency
Australasia	Australia	S&P/ ASX 200 Index	Quarterly Adds
Canada	Canada	S&P/TSX Composite & S&P/TSX Small Cap Index	Quarterly Adds
W. Europe	France	Widely held companies within the CAC All-tradable	Quarterly Adds
Anglo	Ireland	ISEQ 20 Index	Quarterly Adds
Japan	Japan	JPX-Nikkei 400 + widely held companies	Semi-annual
Africa	South Africa	FTSE JSE-40/JSE-MidCap Indices	Quarterly Adds
Anglo	United Kingdom	FTSE All-Share Index (ex-investment trusts)	Quarterly Adds
USA	United States	S&P 500	Quarterly Adds
USA	United States	Russell 3000 (ex. S&P 500)	Quarterly IPO Adds All other updates: July
All other	All other	Refer to Tables 1,2 and 3	Annual

### Coverage Adjustment Notes:

- › ISS has the right to exclude companies from QualityScore coverage if companies do not meet ISS' requirements for data collection or disclosure. In most cases, Foreign Private Issuers are withheld from coverage.
- › ISS may retain a limited number of publicly traded companies that would have otherwise been dropped from coverage in order to minimize volatility in the QualityScore universe and meet the needs of its clients.
- › While new companies are added to the coverage universe per the above schedule, scores will not be available until all the Governance QualityScore factors can be collected (generally after the company files its next annual proxy or circular).



## Summary of Updates

The ISS QualityScore annual methodology review ensures the approach remains closely aligned with the ISS' benchmark voting policies, which in turn reflect developments in regulatory and market practice. As of December 4, 2017, the QualityScore methodology includes establishing global comparability on a core set of factors, expanding the number of factors per country to allow for more in-depth analysis on Board Structure and Shareholder Rights, and adjusting weights and scoring on key factors and markets.

Highlights of factor-level changes included in this release include:

### **New Factors as of December 4, 2017:**

#### **Board**

- › What percentage of the board is independent based on an ISS global classification? (Q378); *All regions except Japan.*
- › What percentage of the nominating committee is independent based on an ISS global classification? (Q380); *All regions except Japan.*
- › What percentage of the compensation committee is independent based on an ISS global classification? (Q381); *All regions except Japan.*
- › What percentage of the audit committee is independent based on an ISS global classification? (Q382); *All regions except Japan.*

### **Application of Existing Factors to New Markets/Regions (Key Changes – See appendix IV for details):**

#### **Audit**

- › How many financial experts serve on the audit committee? (Q6); *add Latin America and India*

#### **Board**

- › What is the classification of the chairman of the nominating committee? (Q23); *add US, Canada, Nordic, Anglo, Latin America, Africa*
- › Are there executives on the compensation committee? (Q27); *add US, Canada, Anglo, Latin America, S. Korea*
- › Are there executives on the audit committee? (Q33); *add US, Canada, Anglo, Latin America, Africa*
- › Are there executives on the nominating committee? (Q306); *add US, Canada, W. Europe, Germanic, S. Europe, Nordic, Anglo, Australasia, Latin America, S. Korea*
- › Has the company identified a Senior Independent Director or an independent Lead Director? (Q16); *add Nordic, Latin America, S. Africa*

## Shareholder Rights

- › Does the company have a slate ballot at its current shareholders' meeting? (Q53); *add W. Europe, S. Europe, Germanic*
- › Does the company have an ownership ceiling? (Q67); *add Australia, Belgium & Nordic*
- › Does the company have classes of stock with different voting rights? (Q54); *add AsiaPac, S. Korea, India*

## Compensation

- › What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers? (Q228); *add add as scored factors to Anglo, Germanic, Nordic, S. Europe, W. Europe*
- › What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers? (329); *add as scored factors to Anglo, Germanic, Nordic, S. Europe, W. Europe*
- › What is the degree of alignment between the company's TSR and change in CEO pay over the past five years? (Q229); *add as scored factors to Anglo, Germanic, Nordic, S. Europe, W. Europe*
- › Do directors participate in equity based plans? (Q109); *add Germanic, France, Portugal*

## Factors No Longer Applicable by Markets/Regions:

### Board

- › What is the independent director composition of the Board (shareholder elected board members) (Q11); *previously applicable to Nordic, W. Europe, Germanic. Now incorporated in Q10.*
- › Does the company maintain a formal nominating committee? (Q207); *previously applicable to Nordic and Latin America, now incorporated into Q380.*
- › Are there any board members on the nominating committee? (Q208); *previously applicable to Nordic, now incorporated into Q380.*
- › Is there more than one board member who is dependent on major shareholders on the nominating committee? (Q210); *previously applicable to Nordic & Latin America.*
- › Does the company maintain a formal remuneration committee? (Q330); *previously applicable to Latin America, now incorporated into Q381.*
- › What is the number of nominating committee members? (Q211); *previously applicable to Anglo & S. Europe*
- › What is the number of remuneration committee members? (Q212); *previously applicable to Anglo & S. Europe*
- › What is the number of audit committee members? (Q213); *previously applicable to Anglo & S. Europe*
- › Is the Chairman of the board of directors a member of the audit committee? (Q35); *previously applicable to Anglo & Netherlands, now incorporated into Q382.*

- › If the company is controlled, what percentage of the board is independent under ISS' standards? (Q203); *previously applicable to W. Europe, S. Europe. Now incorporated in Q10.*

### Shareholder Rights

- › Does the poison pill have a TIDE provision? (Q81); *previously applicable to U.S. as a non-scored factor.*

### Compensation

- › What is the degree of alignment between the company's cumulative 3-year pay percentile rank, relative to peers, and its 3-year cumulative TSR rank, relative to peers? (Q226); *previously applicable to U.S. and Canada as a non-scored factor.*
- › What is the degree of alignment between the company's cumulative one-year pay percentile rank, relative to peers, and its one-year cumulative TSR rank, relative to peers? (Q227); *previously applicable to U.S. & Canada as a non-scored factor.*

[Appendix II](#) includes a complete listing of all QualityScore factors alongside their market applicability.

[Appendix III](#) shows factor listings by market and region. The rationale and guidelines for all QualityScore factors are detailed below.

[Appendix IV](#) shows the new countries applicable to each factor from the December 2017 methodology update.

## Scoring Methodology

ISS Governance QualityScore is derived from a scoring methodology that is built and tested by ISS' global team of governance experts, and focuses on quantitative and qualitative aspects of governance including the analysis that supports ISS voting policies and voting recommendations, with a focus on the global governance best practices in each region. A score in the 1<sup>st</sup> decile indicates relatively higher quality and relatively lower governance risk, and, conversely, a score in the 10<sup>th</sup> decile indicates relatively lower quality and higher governance risk. The methodology is updated in November 2016 for select adjustments to the factor weights and scoring.

The 1-10 score is a relative measure based on the raw score calculations of the other companies in the relative index or region. This process is conducted at each pillar and at the overall score levels. Each pillar as well as the overall score generates an independent range of scores and the resulting decile rankings. For example, raw scores for S&P 500 U.S. companies are ranked and grouped into deciles, with the first decile (designated with a "1") being indicative of a higher raw score and lower governance risk. See the hypothetical example in the table below.

Table 5: Score Methodology Example

Rating Category	Raw Points	Governance QualityScore
<b>Board</b>	23.3	8
<b>Audit</b>	56.9	7
<b>Shareholder Rights</b>	28.3	5
<b>Compensation</b>	19.2	10
<b>Total</b>	<b>127.7</b>	<b>8</b>

The Audit & Risk Oversight pillar decile scoring differs from the other pillars. While the QualityScore methodology is reviewed on an ongoing basis to strengthen the analysis of governance risk, there are a limited number of prevalent risk factors or controversies in the Audit and Risk Oversight pillar. Consequently, QualityScore does not assign a 1-10 rank for companies where practices are similar or “force rank” to ensure companies are in each of the 1-10 decile scores. In most of the QualityScore regions, the Audit scores are limited to a few relevant deciles only.

## ISS Governance QualityScore Factor Criteria

There are more than 200 factors analyzed under ISS Governance QualityScore, with the specific factors under analysis varying by region. The following section details the questions analyzed and rationale for inclusion in the factor methodology. The parenthetical number associated with each question is the ISS question identification number, and it is highlighted for easy reference throughout the QualityScore documentation and product tools.

The complete QualityScore methodology and market applicability is detailed in [Appendices II and III](#).

## Board Structure Pillar

### Board Composition

#### ▶ How many directors serve on the board? (Q9)

- › In general, the investment community expects that boards should not be so large that they become inefficient and hinder decision-making. Generally, boards should not have fewer than six members or more than 15 members. A board of between nine and 12 board members is considered ideal.
- › This question will consider the total number of directors on the board or whether no information is disclosed.
- › This factor has a zero-weight impact on the scoring model for U.S. companies and is included for informational purposes only.

Market Applicability: All regions

#### ▶ What is the number of women on the board? (Q304)

- › This question will evaluate the number of women on the board. According to some academic and other studies, increasing the number of women on boards of directors correlates with better long-term financial performance. Such findings could have a significant effect on the nomination of women as corporate officers and directors.
- › According to ISS' 2014 policy survey, a majority of all respondents indicate that they consider overall diversity (including but not limited to gender) on the board when evaluating boards.<sup>2</sup>
- › This factor is scored in all regions.

Market applicability: All regions

#### ▶ What is the proportion of women on the board? (Q354)

- › This question will evaluate the proportion of women on the board. According to some academic and other studies, increasing the number of women on boards of directors correlates with better long-term financial performance. Such findings could have a significant effect on the nomination of women as corporate officers and directors.
- › According to ISS' 2014 policy survey, a majority of all respondents indicate that they consider overall diversity (including but not limited to gender) on the board when evaluating boards.
- › This factor is scored in all regions.

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<sup>2</sup> <http://www.issgovernance.com/file/publications/ISS2014-2015PolicySurveyResultsReport.pdf>

Market applicability: All regions

▶ **What percentage of the board is independent according to ISS' local market classification? (Q10)**

- › This factor evaluates board independence, where the definition of independence (according to ISS) is based on differing practices per market. The proportion of independent directors on a board is viewed by many as critical to firm performance. For instance, a working paper which evaluated the linkage between board composition and company productivity found a positive relationship between the percentage of outsiders on so-called monitoring committees (i.e., audit, compensation, and nominating committees) and the factors associated with the benefits of monitoring. These factors included the firm's outstanding debt and free cash flow (Klein). Another study found a significant correlation between board independence and firm performance as measured by Return on Assets (Elgaied & Rachdi 2008). Other researchers found a positive link between enhanced firm value and boards which have audit committees that are composed of a majority of independent finance-trained directors (Chan & Li 2008).
- › Directors with ties to management may be less willing and able to effectively evaluate and scrutinize company strategy and performance. Furthermore, boards without adequate independence from management may have inherent conflicts of interest. QualityScore will consider the percentage of independent directors (as defined by ISS) on a company's board, or whether no information is given. ISS' definition of independence by market is specified on ISS' voting policy guidelines, available on the ISS Policy Gateway. Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. In many markets, a board lacking a majority of independent members will raise significant concerns.
- › In order to distinguish between recommendations for FTSE 350 and ISEQ 20 companies and other companies within the Anglo Region, percentages of independent members will be analysed for the constituents of the above mentioned indices, and numbers of independent members will be analysed for non-constituents.
- › For the Brazilian market, a distinction will be made between constituents of the various listing segments to take into account different best practice recommendations. A minimum of 30% board independence for Novo Mercado and Nivel 2 companies is expected, and a minimum of 1 independent director is expected for companies traded under the other listing segments.
- › For the Canadian market, QualityScore will not penalize a majority owned company where board independence level is below 50 percent; as long as the company qualifies for majority controlled exemption. A majority owned company is defined for the purpose of this policy as a company controlled by a shareholder or group of shareholders who together have an economic ownership interest under a single class common share capital structure that is commensurate with their voting entitlement of 50 percent or more of the outstanding common shares. Such company is deemed to enjoy majority controlled exemption if it meets certain independence and governance criteria as outlined in the Canada Proxy Voting Guidelines.
- › For Controlled Companies: In Western & Southern Europe regions where companies have a controlling shareholder, ISS applies different minimum standards of independent representation on the board. ISS

accepts that independence below 50 percent is standard in some markets. Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings.

- › In markets such as Nordic, W. Europe, and Germanic, it is a common practice to have a proportion of the board elected by shareholders. Best practice suggests that at least half of the shareholder-elected board should be independent of the company, of which at least two members should be independent of major shareholders. In cases where there are employee representatives, ISS' policy calls for at least half the shareholder-elected board members to be independent and for at least one-third of the total board (including employee representatives) to be independent. Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. A board lacking a majority of independent members will raise significant concerns.

Market Applicability: All regions

▶ **What percentage of the board is independent, based on an ISS global classification? (Q378)**

- › This factor evaluates board independence based on a uniform ISS definition across most markets. QualityScore will consider director classifications (as defined by ISS) of “Independent Outsider” and “Independent – NonExecutive Director” as “Independent”. Unclassified board members are excluded from the total number of board members. Shareholder nominees are excluded from both independent and total board member calculations. Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. In many markets, a board lacking a majority of independent members will raise significant concerns.
- › The proportion of independent directors on a board is viewed by many as critical to firm performance. For instance, a working paper which evaluated the linkage between board composition and company productivity found a positive relationship between the percentage of outsiders on so-called monitoring committees (i.e., audit, compensation, and nominating committees) and the factors associated with the benefits of monitoring. These factors included the firm's outstanding debt and free cash flow (Klein). Another study found a significant correlation between board independence and firm performance as measured by Return on Assets (Elgaied & Rachdi 2008). Other researchers found a positive link between enhanced firm value and boards which have audit committees that are composed of a majority of independent finance-trained directors (Chan & Li 2008).
- › Directors with ties to management may be less willing and able to effectively evaluate and scrutinize company strategy and performance. Furthermore, boards without adequate independence from management may have inherent conflicts of interest.
- › In order to distinguish between recommendations for FTSE 350 and ISEQ 20 companies and other companies within the Anglo Region, percentages of independent members will be analysed for the constituents of the above mentioned indices, and numbers of independent members will be analysed for non-constituents. Shareholder nominees are excluded from both calculations.
- › For China, shareholder nominees are included in the calculation.
- › For Russia, new Management nominees and shareholder nominees are excluded from consideration.

Market Applicability: All regions excluding Japan

▶ [What is the number of outside directors on the Board? \(Q289\)](#)

- › Japan government revised the Companies Act, which essentially gives firms little alternative but to appoint outside directors. The legislation, states that large companies must explain the downsides of appointing outside directors to shareholders if they opt not to acquire any. Similarly, the nonbinding corporate governance code, which was drafted by a panel of experts under the Financial Services Agency and the TSE, urges companies listed in the first and second sections of the country's stock exchanges to have at least two outside directors.

Market Applicability: Japan

▶ [What is the outside director composition of the board? \(Q282\)](#)

- › Japanese boards are often dominated by company insiders, and though an outside director may lack independence, a meaningful presence of outside directors on the board could enhance the board's monitoring and oversight abilities.

Market Applicability: Japan

▶ [What is the independent statutory auditor's composition? \(Q281\)](#)

- › The board of statutory auditors in Japan is responsible for monitoring the company's financial reporting and auditing practices as well as the board of directors' compliance. Therefore, the board of statutory auditors should have high level of independence to ensure accurate and reliable financial disclosure and adherence to the law by directors. QualityScore will measure the proportion of independent statutory auditors according to ISS policy.

Market Applicability: Japan

▶ [What proportion of non-executive directors on the board has lengthy tenure? \(Q13\)](#)

- › Limiting director tenure allows new directors to the board to bring fresh perspectives. An excessive tenure is considered to potentially compromise a director's independence and as such QualityScore will consider the non-executive directors where tenure is higher than the recommended local best practice. ISS recognizes that there are divergent views on this subject. While a new director may be more likely to back down from a powerful chief executive, a director who has been with the company for a long time could easily have loyalties to the company over its management. However, directors who have sat on the board in conjunction with the same management team may reasonably be expected to support that management



team's decisions more willingly. In general, ISS believes that a balanced board that is diverse in relevant viewpoints and experience is ideal.

- › Investors recognize that having a small number of long-serving directors may support strong board performance. QualityScore will not deduct credit from this question unless more than one-third of directors exceed the lengthy tenure definition.
- › ISS' definition of lengthy tenure is defined by a combination of local market practices and investor preferences, and is not the same in all regions.
- › For the US, Canada, Hong Kong, and, Singapore, lengthy tenure is defined as nine or more years. For China, the definition is six or more years. For India, the definition is 10 or more years. For Australia and for New Zealand, it is 12 or more years. For Russia it is 7 or more years.
- › This question will consider all directors except executives. Affiliated Directors and Outside Directors, as classified by ISS, are included.

Market Applicability: Asia Pacific, U.S., Canada, Russia, India, Australasia

#### ► What proportion of non-executive directors has been on the board less than 6 years? (Q355)

- › The skills, capabilities, and perspectives needed in the boardroom continually evolve. For instance, over the past several years, many boards have recognized the need for increased technology fluency among their ranks, specifically focusing on the board's ability to oversee cybersecurity risk management and assess its effectiveness. But the gaps aren't limited to cybersecurity; other boards have recognized the need to enhance shareholder engagement skills, financial risk management skills, and more. The skills and capabilities required to perform key board responsibilities will likely continue to evolve over time.
- › In addition, many perceive a risk of "groupthink" in the boardroom, particularly among large blocs of directors who have served together for long periods, which may threaten to impair board effectiveness and even may mask individual director skills and capabilities.
- › This factor, in concert with related board composition factors, is designed to balance board refreshment, board stability, and the importance of some long-tenured directors to a company's success. The factor does not encourage (by awarding additional credit) excessive levels of refreshment.
- › The factor awards increasing credit for increasing proportions of the board represented by directors with less than six years of tenure as of the most recent annual meeting, with no additional credit granted for proportions in excess of one-third.
- › This question will consider all directors except executives. Affiliated Directors and Outside Directors, as classified by ISS, are included.

Market Applicability: U.S.

#### ► Is the board chair independent? (Q14)

- › An independent chairman of the board is broadly considered best practice. As noted in a 2009 policy brief published by Yale University's Millstein Center for Corporate Governance and Performance, the, "independent chair curbs conflicts of interest, promotes oversight of risk, manages the relationship between the board and CEO, serves as a conduit for regular communication with shareowners, and is a logical next step in the development of an independent board."
- › Specifically in Canada, National Policy 58-201 Corporate Governance Guidelines recommends that the chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director." However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.
- › This question will consider the classification of the chairman of the board according to ISS policy, outlining whether he / she is independent, an affiliated outsider, an executive, the Chairman, an insider director other than Chairman/President/CEO, or a former or current President/CEO, of the company.
- › In Japan, a distinction will be made between the chairman of the board (議長 *gicho*) and the chairman of the company (会長 *kaicho*)<sup>3</sup>. This question will consider whether the chairman of the board is an insider or an outside director based on the company's corporate governance report.

Market Applicability: All regions.

#### ▶ Has the company identified a senior (lead) independent director? (Q16)

- › A lead independent director provides an important leadership function for a board with a combined CEO/chair structure. An effective lead director's functions generally include, but are not limited to, the following: presides at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors; serves as liaison between the chairman and the independent directors; approves information sent to the board; approves meeting agendas for the board; approves meeting schedules to assure that there is sufficient time for discussion of all agenda items; has the authority to call meetings of the independent directors; and if requested by major shareholders, ensures that he is available for consultation and direct communication.
- › This question addresses whether there is a lead independent director with clearly delineated and comprehensive duties. For the U.S.: a lead independent director or a presiding director will be considered if one director serves in that capacity for at least one year. A position that rotates among members of the board within the year will not be considered.
- › The presence of a lead independent director will mitigate to some degree concerns raised by a non-independent chair or combined CEO-chair structure. The absence of a lead independent director will raise a

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<sup>3</sup> In Japan, the chairman of the company (*kaicho*) is someone who is at the helm of the company (who is often a former CEO of the company), but does not always chair the board. Even when a company has the chairman of the company as a distinct role separate from the CEO, such a role may be symbolic or honorary position, and the CEO may still chair the board. From the perspective of the separation of CEO and chair, it is more appropriate in Japan to examine the separation of CEO and the chairman of the board (*gicho*).

small additional degree of concern; a non-independent lead director slightly less. In the case where there is an independent chair (and thus no lead independent director), this question will not be applicable.

Market Applicability: All regions excluding Japan.

- ▶ **Has the company appointed a Lead Independent Director or established other ways of effective collaboration between independent directors and management and statutory auditors in compliance with the Japanese Corporate Governance Code 4-8-2? (Q367)**
  - › The lead director serves as an independent chief among all board members and thereby helps ensure board relations run smoothly. Lead directors drive high-performance boards. Lead directors may improve board performance by facilitating board discussions, by helping directors reach consensus, and by keeping board matters on track.
  - › The Japanese Corporate Governance Code recognizes the importance of lead independent directors and believes that its presence could help facilitate oversight and collaboration among different governing bodies. However, the Code also allows companies to achieve similar oversight mechanism through other unspecified means, and companies are not required to disclose whether it has a lead independent director or not. Therefore, this question will examine the compliance with the provisions of the Code 4-8-2.

Market applicability: Japan

- ▶ **What is the term of mandate proposed for supervisory board members (at the latest general meeting)? (Q17)**
  - › Director term lengths can affect the ability of shareholders to issue regular opinions about the composition of the board. In general, a one-year mandate is considered best practices, but ISS recognizes that market practice in some markets is for a three-year term, and will not penalize a company if the director mandate is for three years or less.

Market Applicability: W. Europe, Nordic, S. Europe

- ▶ **What percentage of the board consists of immediate family members of majority shareholders, executives, and former executives (within the past five years)? (Q205)**
  - › This question elaborates on the general issue of board independence and addresses whether members of the board are related (per the SEC definition of family membership) to any current or former officers (five year cooling-off period) or significant shareholders of the company.
  - › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S., Latin America, Russia

▶ **What percentage of the board consists of former or current employees of the company? (Q206)**

- › This question elaborates on the general question of board independence and addresses whether members of the board are former employees of the company. The definition of former employees follows ISS' classification of directors, which applies a cooling-off period of five years for executives other than the CEO. Under current ISS policy, a former CEO will always be considered affiliated (more information is available via the ISS Policy Gateway).
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings.
- › This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S., Latin America, Russia

## Composition of Committees

▶ **What percentage of nominating committee members are independent based on ISS' local market classification? (Q19)**

- › Most nominating committees are responsible for developing a policy on the size and composition of the board and for identifying and approving nominees for vacant positions on the board of directors. The committee should have the benefit of the CEO's involvement in the selection process, but the responsibility for selection of board nominees should be that of independent directors.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. Nomination committees with less than independent membership as recommended by local best practice will raise increasing levels of concern.
- › QualityScore will consider: the percentage of independent members (i.e., as defined by ISS' proxy voting guidelines); if no information is given; if no committee exists; or if there is no clear nomination process.
- › For Japan, QualityScore will additionally consider whether the committee is a formal nominating committee applicable to companies with three-committee structure or a voluntary advisory nominating committee, and will consider the percentage of outside directors on the committee based on the company's corporate governance report.
- › For the Canadian market, QualityScore will not penalize a majority owned company where nominating committee independence level is below 50 percent; as long as the company qualifies for majority controlled exemption. A majority owned company is defined for the purpose of this policy as a company controlled by a shareholder or group of shareholders who together have an economic ownership interest under a single class common share capital structure that is commensurate with their voting entitlement of 50 percent or more of the outstanding common shares. Such company is deemed to enjoy majority controlled exemption if it meets certain independence and governance criteria as outlined in the Canada Proxy Voting Guidelines.

Market Applicability: All regions

▶ [Are there executives on the nominating committee? \(Q306\)](#)

- › This question will consider whether there are any company executives on the nominating committee. Most nominating committees are responsible for developing a policy on the size and composition of the board and for identifying and approving nominees for vacant positions on the board of directors. The committee should have the benefit of the CEO's views in its selection process, but the responsibility for selection of board nominees should be that of independent directors.

Market applicability: All regions except Japan

▶ [Is the chair of the nominating committee independent? \(Q23\)](#)

- › Most nominating committees are responsible for developing a policy on the size and composition of the board and for identifying and approving nominees for vacant positions on the board of directors. The committee should have the benefit of the CEO's involvement in the selection process, but the responsibility for selection of board nominees should be that of independent directors.
- › QualityScore will consider whether the committee chair is an executive, affiliated non-executive, insider, outsider, non-director committee member or independent. Governance QualityScore also will consider whether there is, as disclosed explicitly by the company, a chair as well as a committee.

Market Applicability: All regions

▶ [What percentage of the compensation committee is independent according to ISS' local market classification\)? \(Q25\)](#)

- › The compensation committee makes recommendations and sets guidelines for the compensation of executives of the company. Best practice dictates that the panel should be composed solely of independent directors.
- › QualityScore will consider: the percentage of independent members (as defined by ISS' proxy voting guidelines); if no information is given; if no committee exists; or if there is no clear nomination process.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. Compensation committees with less independent membership as recommended by local best practice raises concern of governance risk.
- › For Japan, QualityScore will additionally consider whether the committee is a formal compensation committee applicable to companies with three-committee structure or a voluntary advisory nominating committee, and will consider the percentage of outside directors on the committee based on the company's corporate governance report.

- › For the Canadian market, QualityScore will not penalize a majority owned company where compensation committee independence level is below 50 percent; as long as the company qualifies for majority controlled exemption. A majority owned company is defined for the purpose of this policy as a company controlled by a shareholder or group of shareholders who together have an economic ownership interest under a single class common share capital structure that is commensurate with their voting entitlement of 50 percent or more of the outstanding common shares. Such company is deemed to enjoy majority controlled exemption if it meets certain independence and governance criteria as outlined in the Canada Proxy Voting Guidelines.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, S. Europe, Asia Pacific, Australasia, Africa, Russia, S. Korea, India, Japan

▶ **Are there executives on the compensation committee? (Q27)**

- › The compensation committee makes recommendations and sets guidelines for the compensation of executives of the company. Best practice dictates that the panel should be composed solely of independent directors. When executives are member of the compensation committee, there is a conflict of interest.
- › This question will consider whether there are any executives on the compensation committee.

Applicability: All regions except Japan

▶ **Is the chair of the compensation committee independent? Q28)**

- › The compensation committee makes recommendations and sets guidelines for the compensation of executives of the company. Best practice dictates that the chair should be an independent director.
- › QualityScore will consider whether the committee chair is an executive, affiliated non-executive, insider, outsider, non-director committee member or independent. Governance QualityScore also will consider whether there is, as disclosed explicitly by the company, a chair as well as a committee.

Market Applicability: All regions

▶ **Is the chair of the board of directors a member of the compensation committee? (Q29)**

- › The compensation committee makes recommendations and sets guidelines for the compensation of executives of the company. Best practice dictates that the panel should be composed solely of independent directors. In particular, the chair of the board may be a member of this committee if he/she was considered independent on appointment as chairman.
- › The UK corporate governance code says: “The board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors. In addition the company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chair. The remuneration committee should make available its terms of

reference, explaining its role and the authority delegated to it by the board. Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the company.”

Market Applicability: Anglo

▶ **Does the company maintain a formal audit committee? (Q331)**

- › While some companies maintain a statutory Audit Committee, under Brazilian Corporate Law, most companies have a Fiscal Council, which is a corporate body independent of management and a company’s external auditors that operates on a permanent or non-permanent basis. The Fiscal Council is generally not equivalent to a U.S. audit committee; its primary responsibility is to monitor management’s activities, review the financial statements, and report its findings to the shareholders.
- › Under the Brazilian Corporate Law, the Fiscal Council may not contain members who are members of the Board of Directors or the executive committee, or who are employees of the company or a controlled entity, or a spouse or relative of any member of management.
- › While some companies maintain a statutory Audit Committee in addition to a Fiscal Council, the former is not a requirement. Under Rule 10A-3(c)(3) of the U.S. Securities Exchange Act, certain non-U.S. issuers are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee.
- › QualityScore will consider whether the company has set up a formal audit committee, and whether all of its members are also members of the board of directors.

Market Applicability: Latin America

▶ **Does the company maintain a formal fiscal council? (Q332)**

- › Under Brazilian Corporate Law, the Fiscal Council is a corporate body independent of management and a company’s external auditors that operates on a permanent or non-permanent basis. The fiscal council is generally not equivalent to a U.S. audit committee; its primary responsibility is to monitor management’s activities, review the financial statements, and report its findings to the shareholders.
- › Under the Brazilian Corporate Law, the fiscal council may not contain members who are members of the Board of Directors or the executive committee, or who are employees of the company or a controlled entity, or a spouse or relative of any member of management.
- › While some companies maintain a statutory audit committee in addition to a fiscal council, the former is not a requirement. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee.

QualityScore will consider whether the company has set up a fiscal council, and whether it operates on a permanent or non-permanent basis.

Market Applicability: Latin America

▶ **What percentage of the audit committee is independent under ISS' local market standards? (Q31)**

- › Like other key board committees, audit panels/committees should include only independent non-executives to reduce the risk of conflict of interest with regard to the company's accounts.
- › QualityScore will consider: the percentage of independent members as defined by ISS' policy guidelines; if no information is given; or if no committee exists.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings.
- › Audit committees with less independent membership as recommended by local best practice raises the concern of governance risk.
- › For the Canadian market, QualityScore will not penalize a majority owned company where audit committee independence level is below 50 percent; as long as the company qualifies for majority controlled exemption. A majority owned company is defined for the purpose of this policy as a company controlled by a shareholder or group of shareholders who together have an economic ownership interest under a single class common share capital structure that is commensurate with their voting entitlement of 50 percent or more of the outstanding common shares. Such company is deemed to enjoy majority controlled exemption if it meets certain independence and governance criteria as outlined in the Canada Proxy Voting Guidelines.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, S. Europe, Asia Pacific, Australasia, Africa, Russia, S. Korea, India, Japan

▶ **Are there executives on the audit committee? (Q33)**

- › Like other key board committees, audit panels/committees should include only independent non-executives to reduce the risk of conflict of interest with regard to the company's accounts.
- › Answers will consider whether the company has an audit committee, the presence of executives on the audit committee, whether the composition of the committee has been disclosed, and if so, the composition of the committee.

Market Applicability: All regions except Japan

▶ **Is the chair of the audit committee independent? (Q34)**



- › Like other key board committees, audit panels should ideally be comprised solely of independent non-executives to ensure no possibility of conflict of interest with regard to the company's accounts.
- › QualityScore will consider whether the committee chair is an executive, affiliated non-executive, or independent.
- › Answers will consider the classification of the chairman of the audit committee, whether or not such committee has been set up, and whether the composition of the committee has been disclosed.

Market Applicability: All regions

▶ [Is the chair of the board of directors a member of the audit committee? \(Q35\)](#)

- › Both the U.K. and the Dutch codes of best practice recommend that the chairman of the board should not be a member of the audit committee. This with the exception of non FTSE 350 or ISEQ 20 companies, where it is accepted that the chairman of the board is a member of the committee, provided he / she is not the chairman of the committee.
- › Answers cover whether: the chairman of the board is a member of the audit committee; whether he / she chairs the committee; if an audit committee has been established; and if the composition of the committee has been disclosed.

Market Applicability: W. Europe, Anglo

▶ [How many members serve on the audit committee? \(Q213\)](#)

- › The U.K. Code recommends that there should be at least three non-executive board members sitting on audit committees, all of whom should be independent. This guideline will be implemented for FTSE 350 and ISEQ 20 companies. For companies which are not constituents of said indices, the best practice standard is set at two members.
- › In Spain, Recommendation 39 provides that: "In addition to the Audit Committee [...], the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration. The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following: [...] b) These Committees should be formed exclusively of external directors and have a minimum of three members." In Portugal, article 423-B.2 of the commercial Company Act provides that "The audit committee shall be composed of the number of members specified in the articles of association, with at least three effective members." In Italy, Principle 4.C.1 provides that: "4.C.1. The establishment and functioning of the committees governed by the Code shall meet the following criteria: a) committees shall be made up of at least three members."
- › This question will consider the number of committee members on the audit committee, whether such committee has been set up and whether the composition of the committee has been disclosed.

Market Applicability: Anglo, S. Europe

▶ **What governance structure has the company adopted? (Q283)**

- › There are three different types of board structures in Japan; (1) Japanese traditional two-tiered board structure with a board of directors and a board of statutory auditors (監査役会 *kansayaku-kai*); (2) a unitary board with three committee structure (also known as U.S. style board) with audit, nomination, and compensation committees adopted by a small fraction of Japanese companies; and (3) a unitary board with audit committee structure, a new type of structure introduced in 2015.
- › Japanese companies can choose among three types of governing structures, and this is a screening question as QualityScore has already scored relevant topics in other questions.

Market Applicability: Japan

▶ **Has the company disclosed information on key committee attendance? (Q340)**

- › Directors who do not attend a sufficient number of board and key committee meetings are not fulfilling their obligation to represent shareholders and provide oversight and direction to management.
- › QualityScore will consider whether or not the company has disclosed information on key committee attendance.

Market Applicability: India

▶ **What percentage of the nominating committee is independent, based on an ISS global classification? (Q380)**

- › This factor evaluates nominating committee independence based on a uniform ISS definition across most markets.
- › Most nominating committees are responsible for developing a policy on the size and composition of the board and for identifying and approving nominees for vacant positions on the board of directors. The committee should have the benefit of the CEO's involvement in the selection process, but the responsibility for selection of board nominees should be that of independent directors.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. Nomination committees with less than independent membership as recommended by local best practice will raise increasing levels of concern.
- › QualityScore will consider: the percentage of independent members (i.e., as defined by ISS' proxy voting guidelines); if no information is given, if no committee exists, or if there is no clear nomination process, then the answer would be deemed as "not disclosed".

Market Applicability: All markets except Japan

▶ **What percentage of the compensation committee is independent under ISS' global classification? (Q381)**

- › The compensation committee makes recommendations and sets guidelines for the compensation of executives of the company. Best practice dictates that the panel should be composed solely of independent directors.
- › QualityScore will consider: the percentage of independent members (as defined by ISS' proxy voting guidelines) if no information is given as to independence or if no committee exists, then the answer would be deemed "not disclosed".
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. Compensation committees with less independent membership as recommended by best practice raises concern of governance risk.

Market Applicability: All markets except Japan

▶ **What percentage of the audit committee is independent under ISS' global classification? (Q382)**

- › Like other key board committees, audit panels/committees should include only independent non-executives to reduce the risk of conflict of interest with regard to the company's accounts.
- › QualityScore will consider: the percentage of independent members as defined by ISS' policy guidelines; if no information is given as to independence or if no committee exists, then the answer would be deemed "not disclosed".
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings.
- › Audit committees with less independent membership as recommended by local best practice raises the concern of governance risk.

Market Applicability: All markets except Japan

## Board Practices

▶ **How many directors serve on an excessive number of outside boards? (Q309)**

- › This question will consider the number of outside board positions that are held by each individual director. Directors with an excessive number of board seats may not have sufficient time to devote to the needs of individual boards. Answers will consider the number of board members who serve on an excessive number

of board positions of publicly traded companies (differentiating between directors who are active CEOs and those that are not active CEOs). Excessiveness of outside board positions is based on market-specific ISS policy, available on the ISS Policy Gateway.

Market Applicability: Asia Pacific

► **Do the executives serve on a significant number of outside boards? (Q36)**

- › An executive role is a position of great responsibility and time demands. Sitting on multiple outside boards may threaten the ability of the executives to attend to the business of his or her primary employer.
- › This factor has a zero-weight impact on the scoring model for Latin American companies and is included for informational purposes only.

Market Applicability: W. Europe, Germanic, Nordic, S. Europe. Latin America, Anglo

► **Does the CEO serve on a significant number of outside boards? (Q37)**

- › The chief executive role is a position of great responsibility and time demands. Sitting on multiple outside boards may threaten the ability of the CEO to attend to the business of his or her primary employer.
- › QualityScore will consider the total number of public board seats held by the CEO (including the company), or whether no information is available. All subsidiaries with their own publicly-traded stock are counted as individual boards.
- › Excessive board memberships - more than two outside boards (three total boards) – raises governance risk concern.
- › This factor has a zero-weight impact on the scoring model for Latin American companies and is included for informational purposes only.

Market Applicability: U.S., W. Europe, Germanic, Nordic, S. Europe, Asia Pacific, Australasia, Canada, Latin America, Anglo

► **How many (non-executive) directors serve on a significant number of outside boards?(Q38)**

- › Directors with an excessive number of board seats may not have sufficient time to devote to the needs of individual boards.
- › QualityScore will consider the total number of board seats (including the company) held by non-executives to determine if they are excessive, as defined by the respective market, or whether no information is available. ISS' benchmark policy defines excessive in the U.S. as more than five public company board seats. For U.S. and Canadian companies, all directors are included except the CEO.
- › This factor has a zero-weight impact on the scoring model for Latin American companies and is included for informational purposes only.

Market Applicability: U.S., W. Europe, Germanic, Nordic, S. Europe, Australasia, Canada, Latin America, Anglo

▶ **Does the chair serve on a significant number of outside boards? (Q39)**

- › As for other non-executives, but even more so for the chairman of the board, holding multiple outside board positions may represent an impediment to the director's ability to devote sufficient time to the needs of each company.
- › This factor has a zero-weight impact on the scoring model for Latin American companies and is included for informational purposes only.

Market Applicability: W. Europe, Germanic, Nordic, S. Europe, Australasia, Latin America, Anglo

▶ **Has the company disclosed the attendance of each director? (Q337)**

- › In China, attendance record of only independent directors is required to be disclosed; however, the best practice is to disclose attendance record of all directors on the board.
- › QualityScore will consider whether or not the company has disclosed information on individual attendance of board and committee meetings.

Market Applicability: Asia Pacific, India

▶ **What percentage of all meetings was attended by at least 50 percent of the supervisory board? (Q43)**

- › Directors who do not attend a sufficient number of board meetings are not fulfilling their obligation to represent shareholders and provide oversight and direction to management. This question was designed to account for the specific disclosure in the Germanic markets.

Market Applicability: Germanic

▶ **What percentage of the directors attended less than 75 percent of the board meetings? (Q44)**

- › Directors who do not attend a sufficient number of board meetings are not fulfilling their obligation to represent shareholders and provide oversight and direction to management.
- › In Australia, ISS looks at director attendance at board and committee meetings for two consecutive years.
- › In South Korea and Japan, this question will only examine the attendance of outside directors, as attendance records of inside directors are not required to be disclosed in these markets.

Market Applicability: All regions

▶ **Did any director attend less than 75 percent of the aggregate board and applicable key committee meetings without a valid excuse? (Q45)**

- › Directors who do not attend a sufficient number of board and key committee meetings are not fulfilling their obligation to represent shareholders and provide oversight and direction to management.
- › QualityScore will consider the number of directors who attended less than 75 percent of the aggregate of their board and committee meetings, with consideration given to whether the meetings were missed for a valid excuse (e.g. medical issue, family emergencies, or missing only 1 meeting.). In Canada, key committees include the Audit, Compensation and Nominating committees. For U.S. companies, this question applies to all board and committee meetings per SEC disclosure requirements.

Market Applicability: U.S., Canada, Anglo

▶ **How many directors received withhold / against votes of 50 percent or greater at the last annual meeting? (Q49)**

- › Significant opposition to a board member typically signifies a lack of accountability, responsiveness, independence, and/or competence on the part of the targeted director, warranting further evaluation.
- › QualityScore will consider the number of directors with majority opposition of votes cast<sup>4</sup> at the last annual meeting. From the date of publication of the ISS proxy research report until the meeting results are available, this question will be pending and the result will indicate “meeting results in progress” for this factor.

Market Applicability: U.S., Canada

▶ **Does the company routinely hold independent director meetings or have other mechanisms to facilitate effective collaboration of independent directors, management and statutory auditors in compliance with the Japanese Corporate Governance Code 4-8-1? (Q366)**

- › Routine sessions independent directors where no management is present is considered an effective means to foster understanding and share information among independent directors, and help enhance their oversight ability.
- › The Japanese Corporate Governance Code (4-8-1) stipulates that in order to actively contribute to the board, “independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint” and that routinely held meetings consisting solely of independent directors could help achieve this objective.

Market applicability: Japan

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<sup>4</sup> For votes cast, ISS uses For/(For + Against). Abstentions are not included.

▶ **What percentage of directors received shareholder approval rates below 80%? (Q312)**

- › QualityScore will consider the percentage of directors who received less than 80 percent of votes cast at the most recent shareholder meeting.
- › Opposition to a board member typically signifies a perceived lack of accountability, responsiveness, independence, and/or competence on the part of the targeted director, warranting further evaluation. QualityScore will consider directors who received less than 80 percent shareholder approval. ISS collects meeting results as they are available and this factor will be updated and recalculated accordingly.
- › This question is seeking to highlight director elections with “outlier” results. In 2016, among Russell 3000 companies, fewer than 4% of all director elections resulted in less than 80% shareholder support.
- › From the date of publication of the ISS proxy research report until the meeting results are available, this question will be pending and the result will indicate “meeting results in progress” for this factor.

Market applicability: U.S.

▶ **Does the company disclose the existence of a formal CEO and key executive officers succession plan? (Q348)**

- › Succession events define periods that have the potential to cause significant disruption and distraction for companies and for their boards, and sometimes can lead to detrimental impacts on shareholders and the value of their holdings. Well-crafted and well-understood succession plans can help minimize disruption in these scenarios; transition events at companies such as Apple demonstrate how properly-planned succession can ease shareholder concerns and protect shareholder value.
- › Estimates of the financial impact of planned CEO succession vary. Acknowledging the difference between having a succession plan and planned succession, there are some data points that accentuate the magnitude of the problem. According to a recent study by Strategy&, “Large companies that underwent forced successions in recent years would have generated, on average, an estimated \$112 billion more in market value in the year before and the year after their turnover if their CEO succession had been the result of planning.”
- › QualityScore will consider whether a company has a board-approved, periodically-evaluated succession plan for the CEO, other senior management, and key executive officers.

Market Applicability: U.S.

▶ **Does the company have a mechanism to appropriately monitor and supervise its CEO succession planning in compliance with the Japanese Corporate Governance Code 4-1-3? (Q368)**

- › When properly planned and thoughtfully executed, CEO succession offers a company far more than just the transitioning of its top leader. It enables organizations to envision new opportunities for growth, and realign and strengthen processes and systems throughout the enterprise. Succession planning is a human capital

risk because of its potential high impact on business performance and continuity. Making long-term and emergency succession plans for the CEO is a fundamental board responsibility, one that should be addressed on a regular basis regardless of CEO's health and tenure.

- › While the Japanese Corporate Governance Code (4-1-3) does not require the establishment of a CEO succession policy and companies need not disclose whether it has a formal CEO succession plan or not, the Code recommends companies to institute a mechanism for monitoring and facilitating CEO succession plan.

Market applicability: Japan

▶ **What was the average outside directors' total compensation as a multiple of the peer median? (Q315)**

- › This relative measure expresses the prior year's average outside director's pay (based on total compensation reported for each non-executive director in the company's proxy statement) as a multiple of the median pay of its ISS-determined comparison group for the same period. The calculation for this measure is: the average outside director's total pay divided by the median average outside director total pay level within the comparator group.

Market applicability: U.S.

▶ **What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding? (Q140)**

- › Best practice dictates that directors maintain a meaningful level of share ownership by a certain time after appointment to better align their interests with those of shareholders.
- › QualityScore will consider the total level of holdings of directors and executives as a percentage of shares issued by the company.
- › This factor has moved from the Compensation pillar in the Equity Risk Mitigation subcategory to the Board pillar in the Board Practices subcategory.
- › This factor has a zero-weight impact on the scoring model for Latin American companies and is included for informational purposes only.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia, Latin America, Africa, Russia

▶ **Do all directors with more than one year of service own stock (who can legally/practically do so)? (Q144)**

- › Similar to the stock ownership rationale above, all directors should maintain an equity stake in the company.
- › QualityScore will consider whether stock is owned by directors with more than one year of service, or if the information is not disclosed (based on beneficial ownership, as reported). In cases where details regarding



ownership are vague or otherwise not definitive with regard to the mandatory nature of the ownership requirement or level of holdings, ISS will deem the information “not disclosed.”

- › For U.S. markets, this question will consider the directors who can practically own shares. Certain directors, such as employees or representatives of significant shareholders or investment firms, may be prohibited by internal policies from personally holding shares (for example, to avoid the appearance or possibility of “front-running”). Such directors are excluded from this calculation.
- › In the U.S. and Canada, deferred share units are also considered for this question.

Market Applicability: U.S., Canada, Asia Pacific, Australasia, S. Korea, India

### ▶ Did any executive or director pledge company shares? (Q243)

- › The prospect that an executive or director may be forced to sell a substantial amount of shares poses significant risks for other shareholders, who may see the value of their shares decline. In addition, a highly leveraged executive may be incentivized to riskier behavior.
- › QualityScore will consider whether company executives or directors have pledged company shares. ISS will consider pledging of shares of an institution or company where a director or an executive has a beneficial ownership.
- › This question covers all pledging, even if not considered problematic. Significant pledging that rises to a level of concern will also be captured under Question 345 as a failure of governance.

Market Applicability: U.S.

## Board Policies

### ▶ Does the company disclose a policy requiring an annual performance evaluation of the board? (Q41)

- › Evaluating board performance is a way of measuring effective contribution and commitment of board members to their role, assessing the way the board operates, whether important issues are properly prepared as well as key competences on the board.
- › The board, committees and each individual director should be regularly assessed regarding his, her, or its effectiveness and contribution. An assessment should consider (a) in the case of the board or a board committee, its mandate or charter, and (b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board. Evaluating board performance is a way of measuring effective contribution and commitment of board members to their role, assessing the way the board operates, whether important issues are properly prepared, and key competences on the board.
- › This question will evaluate whether the company organizes board evaluations, as well as the nature of such evaluation (frequency, individual, outside assessment).

- › In the U.S., a robust policy is when the company discloses an (1) annual board performance evaluation policy that includes (2) individual director assessments and (3) an external evaluator at least every three years. Performance evaluation policies disclosed or detailed in the corporate governance guidelines, nominating/governance committee charters, or the proxy statement are evaluated for this factor.
- › In Japan, companies are recommended to conduct an annual performance evaluation of the board in accordance with the Code 4-11-3 of the Japan Corporate Governance Code. This question in Japan will examine whether a company complies with the Code 4-11-3.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia, Russia, Japan

▶ [Does the company disclose board/governance guidelines? \(Q46\)](#)

- › New York Stock Exchange listed companies are required to publicly disclose board/corporate governance guidelines. Other exchanges, however, do not yet mandate such disclosure.
- › QualityScore will consider whether the company publicly discloses board/governance guidelines. When considering answers to this question, Governance QualityScore will look for guidelines disclosed as a single document as opposed to multiple separate documents covering various elements of governance.

Market Applicability: U.S.

▶ [Does the board have any mechanisms to encourage director refreshment? \(Q349\)](#)

- › Board refreshment has come into investor focus, and many companies have recognized the need to implement mechanisms to encourage board refreshment. While the gold standard is for a rigorous annual evaluation of all directors to ensure a continued match of their skill sets against the needs of the company, ISS is displaying, for information purposes, other structural mechanisms the board may have in place to encourage refreshment.
- › The most popular style of mechanism is a mandatory retirement age. Among S&P 500 companies, more than 70% currently set a mandatory retirement age. However, as the average age of boards has slowly increased, so has the trend in setting the age for mandatory retirement.
- › Term limits have also been implemented by some boards, but to a much smaller extent than mandatory retirement ages. However, there may be increasing interest in term limits, particularly as some boards reach out to younger director candidates to fill critical boardroom skill and capability gaps. There have been a few recent high-profile adoptions, including at General Electric.
- › As other board refreshment mechanisms gain prominence, they may also be included in this factor.
- › While we note that some investors have questioned selective enforcement of refreshment mechanisms at some companies (through the issuance of waivers or the liberalization of mechanisms), in this iteration this factor focuses narrowly on the presence of refreshment-promoting mechanisms.
- › This factor has a zero-weight impact on the scoring model for U.S. companies and is included for informational purposes only.

Market Applicability: U.S.

▶ [What is the quorum for director meetings? \(Q215\)](#)

- › A quorum ensures that directors meetings can only convene with a minimum number of directors present eliminating any director resolutions that may be passed in a meeting where less than half of directors are present.

Market Applicability: Canada

▶ [Does the company allow the chair a second or casting vote at director meetings in the event of a tie? \(Q100\)](#)

- › A casting or second vote is contrary to the tenet of one-person, one-vote.
- › The ability of the chair to have a second or casting vote on tie votes at board meetings is a questionable practice. Granting the chair a second vote on contentious issues that result in a deadlocked board can lead to conflicts of interest and potential inequality among directors.

Market Applicability: Canada, S. Europe

▶ [Are directors subject to stock ownership guidelines? \(Q143\)](#)

- › Best practice dictates that directors maintain a meaningful level of share ownership by a certain time after appointment to better align their interests with those of shareholders. This question is answered as a multiple of the cash portion of the annual retainer received by a non-employee director.
- › For the Canadian Market, ISS classifies ownership guidelines as follows:
  - › (i) Robust: six-times the annual cash retainer or more;
  - › (ii) Standard: three- to five-times retainer; and,
  - › (iii) Sub-Standard: less than three-times retainer.
- › For the U.S. Market, the ISS classification is:
  - › (i) Robust: five-times the cash portion of the directors' base retainer or more;
  - › (ii) Standard: three or four times the cash portion of the directors' base retainer; and,
  - › (iii) Sub-Standard: two times or below the cash portion of the directors' base retainer.
- › The rigor of the stock ownership guidelines is a factor. In cases where the details regarding ownership are vague or otherwise not definitive (e.g., ownership is "encouraged" or "stressed") with regard to the mandatory nature of the ownership requirement or level of holdings, ISS will deem the information "not disclosed." For companies incorporated in Australia and New Zealand, the normal disclosure of director

ownership guidelines is equivalent to their annual retainer. An additional response for Australia is foreseen to indicate and take into account significant holdings by directors.

Market Applicability: U.S., Canada, Australasia

▶ [Does the company have a policy prohibiting hedging of company shares by employees? \(Q244\)](#)

- › Best practice is to incorporate a robust policy that prohibits all types of hedging transactions within companies' insider trading policies or separate anti-hedging policies. Hedging against losses in company shares breaks the alignment between shareholder and executives that equity grants are intended to build.
- › QualityScore will consider whether the company has instituted a policy that prohibits hedging of company shares. To be considered "robust," the policy should prohibit a full range of transactions, including short-selling, options, puts, and calls, as well as derivatives such as swaps, forwards, futures; alternatively, a robust policy would stipulate that no "hedging" of company stock is permitted. Additionally, hedging policies that have a pre-clearance or pre-approval requirement will be considered as "not robust".

Market Applicability: U.S., Canada, Australasia

## Related Party Transactions

▶ [Does the company disclose information on Related Party Transactions? \(Q336\)](#)

- › Related-party transactions can lead to conflicts of interest that may compromise independence, particularly in instances where participation or ties to transactions are not fully disclosed.
- › QualityScore will consider the level of disclosure on conflicts of interest.

Market Applicability: Russia, India

▶ [What percent of the directors were involved in material RPTs? \(Q50\)](#)

- › Related-party transactions (RPTs) can lead to conflicts of interest that may compromise independence, particularly in instances where participation or ties to transactions are not fully disclosed.
- › QualityScore will consider the percentage of directors who are directly or indirectly (through employers and immediate family members) involved in material related-party transactions, or if no information with which to make a determination is given. In the U.S., a material transactional relationship is defined as one that: includes grants to non-profit organizations; exists if the company makes annual payments to, or receives annual payments from, another entity exceeding the greater of \$200,000 or 5 percent of the recipient's gross revenues, in the case of a company which follows NASDAQ listing standards; or the greater of \$1,000,000 or 2 percent of the recipient's gross revenues, in the case of a company which follows NYSE/Amex listing standards. In the case of a company which follows neither of the preceding standards, ISS

will apply the NASDAQ-based materiality test. (The recipient is the party receiving the financial proceeds from the transaction.)

- › A material professional service relationship is defined as one that include, but are not limited to the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; legal services; property management services; realtor services; lobbying services; executive search services; and IT consulting services; exists if the company or an affiliate of the company makes annual payments to, or receives annual payments from, another entity in excess of \$10,000 per year.
- › Note that RPTs of a director appointed between shareholder meetings may not be determinable under ISS standards. In such cases, scoring related to director RPTs will not be affected by such appointments (i.e., the company's QS will continue to reflect the RPT status as of the last annual meeting, until the next annual meeting when final determinations are made). Specifically for Canadian companies, any disclosure under the RPT section will be considered for this question.

Market Applicability: U.S., Canada

#### ▶ Do directors with RPTs sit on key board committees? (Q51)

- › The independence of the nomination, audit, and compensation committees is vital to their effective oversight of these key board functions. The existence of transactional relationships with the company has the potential to undermine this independence.
- › QualityScore will consider whether directors with material related-party transactions (RPTs) sit on key committees, if it is not applicable, or if information with which to make a determination is not given. See above for a definition of material RPTs. Key committees are defined as nomination, audit, and compensation.

Market Applicability: U.S., Canada

#### ▶ Are there material related-party transactions involving the CEO? (Q216)

- › The CEO's special role in the company demands particular attention to avoid even the appearance of self-dealing.
- › QualityScore will consider whether the CEO has engaged in material related-party transactions with the company.

Market Applicability: U.S., Asia Pacific

## Board Controversies

#### ▶ Has the board adequately addressed a shareholder resolution supported by a majority vote? (Q99)

- › Directors should be responsive to the company’s owners, particularly in regard to shareholder proposals that receive a majority of the votes cast.
- › QualityScore will consider whether majority support for shareholder proposals was evidenced, and, if so, whether the board has adequately addressed it.

Factors that will be considered are:

- › Disclosed outreach efforts by the board to shareholders in the wake of the vote;
  - › Rationale provided in the proxy statement for the level of implementation;
  - › The subject matter of the proposal;
  - › The level of support for and opposition to the resolution in past meetings;
  - › Actions taken by the board in response to the majority vote and its engagement with shareholders;
  - › The continuation of the underlying issue as a voting item on the ballot (as either shareholder or management proposals); and
  - › Other factors as appropriate.
- › In general, ISS’ determination of sufficient board response will be based on disclosure in the proxy for the annual meeting after the majority vote was received.

Market Applicability: U.S.

▶ [Has the board adequately responded to low support for a management proposal? \(Q350\)](#)

- › Certain management-sponsored ballot items may not be binding on the company, nevertheless it is still important that companies listen to their shareholders on these votes and respond accordingly. These items include director elections, the advisory vote on executive compensation, and the frequency of say on pay.
- › Low support for director elections is considered less than 50% of the votes cast. ISS will examine whether the company adequately responded to the underlying issues causing the low support for the nominees.
- › For the advisory vote on executive compensation (say-on-pay), less than 70% of the votes cast is considered low support. The company’s disclosure of its shareholder outreach to determine the reasons for the low support, and the actions taken to address the issues, are key in this determination.
- › Adoption of a say on pay frequency that received lower support than the frequency preferred by a majority or plurality of shareholders is examined taking into account the rationale provided by the company for its adoption, ownership structure, and any history of compensation concerns at the company.

Market Applicability: U.S.

▶ [Has ISS' review found that the board of directors has taken unilateral action that materially reduces shareholder rights or the company has had other governance failures? \(Q345\)](#)

- › Investors indicate little tolerance for unilateral boardroom adoption of bylaw amendments that diminish shareholder rights. Factors taken into consideration in the ISS review include the rationale, disclosure, level of impairment, track record, and other governance concerns.
- › Unilateral bylaw/charter amendments that are considered material include, but are not limited to: diminishing shareholder rights to call a special meeting/act by written consent, classifying the board, increasing authorized capital, and lowering quorum requirements, without shareholder approval.
- › Adverse charter and bylaw provisions and class structure adopted by newly public companies are also subject to this scrutiny.
- › Governance failures that are considered material include, but are not limited to: material failures of governance, stewardship, risk oversight or fiduciary responsibilities at the company; failure to replace management as appropriate; or egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.
- › The most common categories of governance failures are excessive pledging of shares and failure to opt-out of state laws requiring a classified board (Indiana and Iowa.)

Market Applicability: U.S.

## Compensation/Remuneration Pillar

### Pay for Performance

#### ▶ Is there a cap on CEO annual bonus? (Q114)

- › Best practices suggest companies disclose bonus caps for CEOs that are tied to a fixed and/or disclosed value such as base salary.
- › QualityScore will consider the type of cap – if any – is applied to the annual bonus granted to the CEO.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia

#### ▶ Is there a cap on executives' annual bonus? (Q115)

- › Best practices suggest companies disclose bonus caps for executives that are tied to a fixed and/or disclosed value such as base salary.
- › QualityScore will consider the type of cap – if any – is applied to the annual bonus granted to executives other than the CEO.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia

► **What percentage of the annual bonus for the CEO is or can be deferred? (Q116)**

- › Deferred compensation is used by companies to reduce long-term risk and better align executive compensation with company performance over the long term. Holdbacks or deferrals on compensation are recommended best practice in many markets, particularly in the wake of the financial crisis and the sharpened focus on tying pay to long-term company performance.
- › QualityScore will consider whether a portion of the annual bonus granted to the CEO is or can be deferred.
- › For Australasia and Anglo it will be taken into account whether or not the CEO is a significant shareholder (representative) or whether or not shareholder guidelines have been met.

Market Applicability: Canada, W. Europe, Germanic, Anglo, S. Europe, Australasia

► **What percentage of the annual bonus for executives is or can be deferred? (Q117)**

- › Deferred compensation is used by companies to reduce long-term risk and better align executive compensation with company performance over the long term. Holdbacks or deferrals on compensation are recommended best practice in many markets, particularly in the wake of the financial crisis and the sharpened focus on tying pay to long-term company performance.
- › QualityScore will consider whether a portion of the annual bonus granted to executives, other than the CEO, is or can be deferred.
- › For Australasia and Anglo it will be taken into account whether or not other executives are significant shareholder(s) (representatives) or whether or not shareholder guidelines have been met.

Market Applicability: W. Europe, Germanic, Anglo, S. Europe, Australasia

► **What is the degree of alignment between the company's cumulative 3-year pay percentile rank, relative to peers, and its 3-year cumulative TSR rank, relative to peers? (Q226)**

- › The primary factors identified in the Pay for Performance section are the quantitative measures that are or have been incorporated in ISS' evaluation of executive compensation for proxy analyses to assess compensation-related risk indicators.
- › This measure addresses the question: Is the pay opportunity delivered to the CEO commensurate with the performance achieved by shareholders, relative to a comparable group of companies, over a three-year period? This relative measure compares the percentile ranks of a company's CEO pay and TSR performance, relative to an industry-and-size derived comparison group, over a three-year period. This measure ranges from -100 (representing high pay for low performance) to 100 (representing low pay for high performance), with a median of approximately 0.
- › This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S., Canada



▶ **What is the degree of alignment between the company's cumulative one-year pay percentile rank, relative to peers, and its one-year cumulative TSR rank, relative to peers? (Q227)**

- › This measure addresses the question: Is the pay opportunity delivered to the CEO commensurate with the performance achieved by shareholders, relative to a comparable group of companies, over a one-year period? This relative measure compares the percentile ranks of a company's CEO pay and TSR performance, relative to an industry-and-size derived comparison group, over a one-year period.
- › This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S., Canada

▶ **What is the size of the CEO's one-year total pay, as a multiple of the median total pay for company peers? (Q228)**

- › This relative measure expresses the prior year's CEO pay as a multiple of the median pay of its ISS-determined comparison group for the same period. Calculating this measure is straightforward: the company's one-year CEO pay is divided by the median pay for the comparison group. This measure ranges generally from 0 (CEO has no pay) to 25 times median. The median company paid its CEO close to one times the median of its peer group.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, S. Europe, Nordic

▶ **What is the degree of alignment between the company's TSR and change in CEO pay over the past five years? (Q229)**

- › This absolute measure compares the trends of the CEO's annual pay and the value of an investment in the company over the prior five-year period. The measure is calculated as the difference between the slopes of weighted linear regressions for pay and for shareholder returns over a five-year period. This difference indicates the degree to which CEO pay has changed more or less rapidly than shareholder returns over that period.
- › This measure ranges from approximately -100% to approximately +100%, negative scores indicating misalignment.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, S. Europe, Nordic

▶ **What is the ratio of the CEO's total compensation to the next highest-paid active executive? (Q232)**

- › Internal pay parity ratios among executives may be an indicator of potential succession-planning challenges within the organization, and may also signal that pay levels for the CEO are excessive.

- › QualityScore will measure the CEO's total compensation as a ratio of the next highest-paid active executive's pay.

Market Applicability: U.S.

▶ [What is the performance period for the latest active long-term incentive plan \(or the proposed plan\) for executives? \(Q233\)](#)

- › Incentive plans whereby long-term incentives are granted based on performance should have a performance period of at least 24 to 36 months in order to comply with the long-term nature of such a plan.

Market Applicability: W. Europe, Anglo, S. Europe, Australasia, Africa

▶ [What is the 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? \(Q329\)](#)

ISS annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period.

Market applicability: U.S. and Canada, W. Europe, Germanic, Anglo, S. Europe, Nordic

## Non-Performance Based Pay

▶ [Are any of the NEOs eligible for multiyear guaranteed bonuses? \(Q156\)](#)

- › Multiyear bonus guarantees are considered problematic under ISS' Problematic Pay Practices policy and sever the pay-for-performance linkage.

Market Applicability: U.S., Canada

▶ [Does the company provide loans to executives? \(Q154\)](#)

- › In the applicable markets, ISS recommends that loans be made to employees only as part of a broad-based, company-wide plan to encourage ownership rather than being given only to executive directors. ISS also calls for loans with interest set at market rates to be paid back in full over a reasonable length of time.
- › QualityScore will consider whether the company has made loans to any of its executives and whether these loans are made in the course of normal business activities. The loans provided to the company's executive officers would aid them in purchasing shares of the company. This is usually given without, or at a very low interest rate.

Market Applicability: Canada, W. Europe, Germanic, Anglo, S. Europe, Australasia, Africa, Russia

▶ [Is part of the bonus granted or to be granted guaranteed? \(Q118\)](#)

- › Guaranteed bonuses to senior executives are a problematic pay practice because it could result in disconnect between pay and performance and undermines the incentivizing nature of such awards.

Market Applicability: Canada, W. Europe, Germanic, Anglo, S. Europe, Australasia, Africa

▶ [Did the company grant a one-off reward to any of its executives? \(Q159\)](#)

- › One-off rewards are discretionary grants for executives granted for a range of reasons such as transactions, new contracts, etc., often outside the scope of the remuneration policy, and not always tied to performance (except if they are conditional to performance conditions).
- › QualityScore will consider whether one-off grants were rewarded, and, if so, whether performance conditions were attached, or if no information is given.

Market Applicability: S. Europe, Australasia, Africa

▶ [What is the ratio of the CEO's non-performance-based compensation \(All Other Compensation\) to Base Salary? \(Q237\)](#)

- › High levels of aggregate perks and other payments, such as payments-in-lieu of perks, are aggregated in the All Other Compensation amount. If these are greater than base salary it may reflect a significant additional compensation stream.
- › QualityScore will consider the ratio of all other compensation – typically incorporating perks and other non-performance-based payments – to base salary, to determine whether significant additional compensation is being delivered through this conduit.

Market Applicability: U.S.

## Use of Equity

▶ [Does the company have an equity-based compensation plan? \(Q322\)](#)

- › QualityScore will consider whether the company has established an equity-based compensation plan.

- › In Japan, restricted shares and other equity-based compensations are generally categorized as performance-based compensation, which is covered under Q375. This question will apply only to stock option plans in Japan as disclosed in corporate governance reports.

Market applicability: Asia Pacific, Latin America, Russia, South Korea, India, Japan

▶ **Does the company have a performance-based pay or other incentives for its executives? (Q375)**

- › Board of directors needs to create incentives that align the interests of executives with those of shareholders to make it in executives' best interest to do what's in the shareholders' best interests.
- › Performance-based pay, though gaining in popularity, is not common in Japan, and fixed salary and annual bonus make up most of executive pay. Presence of a performance-based pay or other incentive plans for executives could not only provide incentives for executives to enhance shareholder value but also could be seen as an indication of positive actions taken by the board.
- › Information regarding presence of performance-based incentives is collected from corporate governance reports.

Market applicability: Japan

▶ **Do the company's active equity plans prohibit share recycling for options/SARs? (Q129)**

- › Companies with liberal share counting provisions receive more utilization for their shares than those without the provision. Liberal use occurs when one or more of the following occur (i) tendered shares in payment of an option are recycled, (ii) shares withheld for taxes are added back in, (iii) actual stock-settled SARs/shares delivered are the only ones counted against the plan reserve.
- › QualityScore will consider whether recycling of stock options or stock appreciation rights is prohibited in the active equity plans, or if it is not applicable to the company. Sourcing of the relevant information will be from plan documents and will only consider employee plans (excluding plans for outside directors).

Market Applicability: U.S.

▶ **Do the company's active equity plans prohibit option/ SAR repricing? (Q138)**

- › This question addresses whether the compensation plan documents expressly prohibit option repricing without prior shareholder approval. Option repricing occurs when companies adjust outstanding stock options to lower the exercise price. Option exchange occurs when the company cancels underwater options and re-grants new options. Option replacements may be accomplished through option swaps, option re-grants or cash. In the Canadian market, extending the term of outstanding options is also considered option repricing.

- › QualityScore will consider whether repricing of stock options or stock appreciation rights is prohibited in the company's active equity plans, or if it is not applicable to the company. Sourcing of the relevant information will be from plan documents and only considers employee equity plans, not outside director only plans.

Market Applicability: U.S., Canada

▶ [Do the company's active equity plans prohibit option/ SAR cash buyouts? \(Q238\)](#)

- › NASDAQ and New York Stock Exchange rules state that repricings are subject to shareholder approval unless the (shareholder approved) plan specifically states otherwise. However, the rules on both exchanges leave the door open for companies to exchange underwater stock options for a cash settlement, without seeking shareholder approval of the exchange.
- › QualityScore will consider whether cash buyouts of stock options or stock appreciation rights are prohibited in the company's active equity plans or if it is not applicable to the company. Sourcing of the relevant information will be from plan documents and will only consider employee plans (excluding plans for outside directors).

Market Applicability: U.S., Canada

▶ [Do the company's active equity plans have an evergreen provision? \(Q239\)](#)

- › Best practice dictates that shareholders approve each replenishment of shares available for an equity compensation plan.
- › Governance QualityScore will consider whether the company's active equity plans have an evergreen provision, by which shares available for the plan are automatically replenished without a shareholder vote.

Market Applicability: U.S.

▶ [Do the company's active equity plans have a liberal definition of change-in-control? \(Q240\)](#)

- › While change-in-control agreements have their place in order to insulate executives from loss of employment in conjunction with a change in control, a liberal definition of change-in-control (e.g., a trigger linked to shareholder approval of a transaction, rather than its consummation, or an unapproved change in less than a substantial proportion of the board, or acquisition of a low percentage of outstanding common stock, such as 15 percent) may result in award vesting and payout even if an actual change in control does not occur. Such a definition may also discourage outside bids that could benefit shareholders.
- › QualityScore will consider whether the company's active equity plans have a liberal change-in-control definition, under which executives may be entitled to receive accelerated vesting of equity grants without the occurrence of an actual change in control.

Market Applicability: U.S.

- ▶ [Has the company repriced options or exchanged them for shares, options or cash without shareholder approval? \(Q139\)](#)
  - › Per ISS' policy and compensation best practices espoused by investors, repricings should be put to shareholder vote.
  - › QualityScore will consider whether shareholder approval was obtained in the event of any repricing or exchanges in the last three years. Despite any provisions in the Plan allowing repricing, this factor addresses actual repricing activity without prior shareholder approval.

Market Applicability: U.S., Canada

- ▶ [What is the total proportion of all outstanding equity based plans toward the share capital? \(Q127\)](#)
  - › Incentive plans where stock options performance shares are granted to executives and employees will lead to a dilution of shareholder interests. Given the incentivizing nature of such instruments, shareholders generally accept such dilution, provided the dilution is limited.
  - › QualityScore will consider the total proportion of all outstanding equity based incentives at company level.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Asia Pacific, Australasia, Latin America, Africa, Russia, South Korea, India

- ▶ [Is there a maximum level of dilution per year? \(Q128\)](#)
  - › In line with the question above, dilution due to long-term incentives can be capped on an annual basis, which is considered good practice.
  - › QualityScore will consider whether the company has capped the level of dilution on a yearly basis.
  - › This factor has a zero-weight impact on the scoring model for companies in the Germanic region and is included for informational purposes only.

Market Applicability: W. Europe, Germanic, Anglo, Asia Pacific

- ▶ [Does the company's equity grant rate exceed the mean +1 standard deviation of its industry/index peers? \(Q130\)](#)
  - › Investors favor equity grants that align the interests of executives and employees with shareholders without creating excessive dilution in share value. QualityScore will evaluate and consider a company's burn rate, which refers to the average annual rate at which stock options and stock awards are granted (sometimes

referred to as share utilization) relative to the rate that is one standard deviation higher than the mean of the company's applicable index and industry. For more details, see the ISS Policy Gateway.

Market Applicability: U.S.

#### ▶ What are the pricing conditions for stock options granted to executives? (Q136)

- › Discounted options represent an immediate financial gain to the beneficiary equal to the market price minus the level of the discount. Investors prefer that options be priced at no less than 100 percent of the shares' fair market value.
- › QualityScore will consider pricing and disclosure of pricing levels, such as whether a discount is given, the value of the discount, whether the price is set at market price or at a premium, and if that premium is disclosed, or if no information is given. For companies in Australia and New Zealand, this is the difference between the strike price (exercise price) and market price on the date of grant.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Asia Pacific, Australasia, Latin America, Africa, South Korea, India

## Equity Risk Mitigation

#### ▶ Does the company disclose a claw back or malus provision? (Q155)

- › The presence of claw back provisions may help ensure that real pay is not given for fictitious performance. Claw backs refer to the ability for the company to recoup bonuses or other incentive compensation in the event of a fraud, restatement of results, errors/omissions or other events as may be determined.
- › For the Canadian market, these could include recoupment of equity awards (unvested or vested) as well as annual incentive bonuses. ISS will consider only publicly disclosed clawback provisions that are already in place.
- › For the U.S. market, ISS defines claw back as the company's ability to recoup performance-based awards (including any cash-based incentive awards, at a minimum) in the event of fraud, restatement of results, errors/omissions or other activities related above. Best practice is to incorporate a company policy which goes beyond the requirement of Section 304 of the Sarbanes-Oxley Act.
- › For Australia and New Zealand markets, this QualityScore item measures whether the company has a provision stating that paid awards, either in cash or stock, may be reclaimed or withdrawn ("clawed back") in certain circumstances, such as financial restatement or executive misconduct. This provision may be found in the company's short-term or long-term incentive plans.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia

► **What are the minimum vesting periods mandated in the equity plan documents for stock options or SARs? (Q131)**

- › A minimum vesting period ensures employee retention and alignment with shareholder interest.
- › Best practice dictates that companies that disclose such information under a plan document or full text of the plan provide more transparency on the vesting requirements of stock options to be granted under a specific equity plan.
- › For US market, this question is applicable for active equity incentive plans that provide for the issuance of options or SARs. Specifically, this question will evaluate all equity plans containing shares available for grant, and there is no limitation to only consider plans from the previous three years. Actual vesting terms of grants found under the award agreements and compensation discussion and analysis section of the proxy statement are not considered. QualityScore considers the minimum vesting requirement, which is specified in a shareholder approved equity plan. In case the company has multiple equity plans that are active, QualityScore will consider the plan with the shortest vesting requirement. Vesting for options and SARs must apply to all participants for credit to be given.
- › For non-US markets: this question is applicable for equity incentive plans that grant options or SARs that were proposed for shareholder approval or amendment within the past three years from the most recently concluded annual general meeting of the company. Actual vesting terms of grants found under the award agreements and compensation discussion and analysis section of the proxy statement are not considered. QualityScore considers the minimum vesting requirement, which is specified in a shareholder approved equity plan. In case the company amended/adopted multiple plans in the past three years, QualityScore will consider the plan with the shortest vesting requirement. Vesting for options and SARs must apply to all executives for credit to be given.
- › For US and Canada companies, credit for this question will only be granted if the minimum vesting restriction applies to at least 95% of all awards. Additional carve-outs, such as for grants for non-executive directors, will result in no credit being received on this question.
- › QualityScore will consider the minimum vesting period in terms of number of months before any options/SARs would vest, or if no information is given. Sourcing of the relevant information will be from plan documents rather than individual grant agreements or the proxy statement. In the case of ratable vesting, the earliest possible vesting will determine the scored minimum vesting period; for example, with three-year ratable vesting with the first vesting on the first anniversary of grant, this factor will be scored as “twelve months.”

Market Applicability: All regions except Japan

► **What are the minimum vesting periods mandated in the equity plan documents for restricted stock? (Q132)**

- › A minimum vesting period ensures employee retention and alignment with shareholder interest.



- › Best practice dictates that companies that disclose such information under the plan document or full text of the plan provide more transparency on the vesting requirements of full value awards to be granted under a specific equity plan.
- › For US market, this question is applicable for active equity incentive plans that provide for the issuance of any type of full-value awards (e.g. restricted stock, performance stock, etc). Specifically, this question will evaluate all equity plans containing shares available for grant, and there is no limitation to only consider plans from the previous three years. Actual vesting terms of established grants under the award agreements and compensation discussion and analysis section of the proxy statement are not considered. Only the minimum vesting requirement which is specified in a shareholder approved equity plan will be counted. In case the company has multiple equity plans that are active, QualityScore will consider the plan with the shortest vesting requirement. Vesting for full-value awards must apply to all participants for credit to be given.
- › For non-US market, this question is applicable for equity incentive plans that grant stock awards that were proposed for shareholder approval or amendment within the past three years from the most recently concluded annual general meeting of the company. Actual vesting terms of established grants under the award agreements and compensation discussion and analysis section of the proxy statement are not considered. Only the minimum vesting requirement which is specified in a shareholder approved equity plan will be counted. In case the company amended/adopted multiple plans in the past three years, ISS will consider the plan with the shortest vesting requirement. Vesting for options and SARs must apply to all executives for credit to be given.
- › For US and Canada companies, credit for this question will only be granted if the minimum vesting restriction applies to at least 95% of all awards. Additional carve-outs, such as for grants for non-executive directors, will result in no credit being received on this question.
- › QualityScore will consider the vesting period in terms of number of months, or, if the company does not grant restricted stock or the question is not applicable. Sourcing of the relevant information will be from plan documents rather than individual agreements or the proxy statement. In the case of ratable vesting, the earliest possible vesting will determine the scored minimum vesting period; for example, with three-year ratable vesting with the first vesting on the first anniversary of grant, this factor will be scored as “twelve months.”

Market Applicability: All regions except Japan

▶ **What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan? (Q133)**

- › A minimum vesting period ensures employee retention and alignment with shareholder interest.
- › QualityScore will consider the vesting period in terms of number of months, or, if the company does not grant other long-term awards or the question is not applicable. Sourcing of the relevant information will be from plan documents or the proxy statement.

Market Applicability: Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Asia Pacific, Australasia, Latin America, Africa, Russia

▶ [What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Matching plan? \(Q323\)](#)

- › QualityScore will consider the vesting period in terms of number of months, or if the company does not match shares or options or the question is not applicable. Sourcing of the relevant information will be from plan documents or the proxy statement. A minimum vesting period ensures employee retention and alignment with shareholder interest.

Market Applicability: W. Europe

▶ [What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' deferral plan? \(Q324\)](#)

- › QualityScore will consider the vesting period in terms of number of months, or if the company does not defer the receipt of shares or options or the question is not applicable. Sourcing of the relevant information will be from plan documents or the proxy statement. A minimum vesting period ensures employee retention and alignment with shareholder interest.

Market Applicability: W. Europe

▶ [What is the holding period for stock options \(for executives\)? \(Q134\)](#)

- › Executives should hold a meaningful portion of the shares acquired after exercise. A meaningful portion would generally be viewed as 50 percent or more of net shares (after paying tax liabilities) held or 25 percent of gross shares.
- › Research points to superior financial performance when officer and director stock ownership falls within a certain range. These are requirements to retain ownership of a portion of shares acquired after the exercising of an option, once specified stock ownership guidelines have been met by the executive and he/she is able to exercise the options. It is generally net of taxes, and may be offered as a percentage of shares acquired. The guidelines can apply to stock awards as well. The holding requirements of the stock can be for a set number of years following the exercise of the option or through the term of the executive's employment or retirement, or a specified length of time following departure from company (hold until after retirement).
- › QualityScore will consider the required post-exercise holding period, if any, based on the number of months or if the period extends to or through retirement, or if no options are granted, or no information is given in the proxy statement. A meaningful portion of net shares held would generally be viewed as 50 percent or

more, and when evaluating this question for U.S. companies, QualityScore will consider holding periods stipulated for named executive officers.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, S. Europe, Asia Pacific, Australasia, Latin America

▶ [What is the holding period for restricted shares \(for executives\)? \(Q135\)](#)

- › See above.

Market Applicability: U.S., W. Europe, Germanic, Anglo, S. Europe, Asia Pacific, Australasia, Latin America

▶ [What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO? \(Q145\)](#)

- › Best practice suggests that executives attain substantive share ownership by a certain time after appointment to better align their interests with those of shareholders.
- › QualityScore will consider the percentage/multiple of salary subject to stock ownership requirements, or if no information is disclosed. CEO stock ownership guidelines require or encourage executives to own a certain amount of stock within a period of time. These guidelines are generally disclosed as a multiple of base salary, number of shares, or a dollar value. This factor relates to the multiple of the CEO's cash fixed remuneration or base salary as a basis for the stock ownership guidelines.
- › For the Australian and New Zealand Markets, this may also be disclosed a multiple of cash fixed remuneration.
- › For the U.S., multiples of less than three times salary raise the level of governance risk concern. For other markets, multiples of less than one time salary or nondisclosure would raise governance risk concern.

Market Applicability: U.S., Canada, W. Europe, Anglo, S. Europe, Nordic, Australasia

▶ [What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives? \(Q146\)](#)

- › Best practice suggests that executives attain substantive share ownership by a certain time after appointment to better align their interests with those of shareholders.
- › Governance QualityScore will consider the percentage/multiple of salary subject to stock ownership requirements, or if no information is disclosed. For the Australia and New Zealand markets, executive stock ownership guidelines require or encourage executives to own a certain amount of stock within a period of time. These guidelines are generally disclosed as a multiple of cash fixed remuneration, base salary, number of shares, or a dollar value. This factor relates to the multiple of the other executives' cash fixed remuneration or base salary as a basis for the stock ownership guidelines.

Market Applicability: W. Europe, Anglo, S. Europe, Australasia

## Non-Executive Pay

### ▶ Does the company provide loans to directors? (Q104)

- › Any loans made to directors should be as part of a broad-based, company-wide plan available to all employees to encourage ownership rather than being given only to non-executive directors. Loans should be set at market interest rates, and require full repayment over a reasonable length of time.
- › QualityScore will consider whether the company has granted loans to its non-executive directors and whether such loans are granted in the course of normal business activities.

Market Applicability: Canada, S. Europe, Russia

### ▶ Do directors participate in equity based plans? (Q109)

- › Best practice suggests non-executive directors not to participate in equity-based plans as this puts them at the same level of executives who should be monitored and remunerated by non-executive directors. Deferred share units (DSUs) received in-lieu of cash compensation are not considered for this question; however, DSUs or any other equity-based compensation given to directors in addition to retainer are included.
- › QualityScore will consider whether non-executive directors will participate in equity based plans.

Market Applicability: Canada, W. Europe, Germanic, Nordic, S. Europe, Russia

### ▶ Do directors participate in performance-related remuneration? (Q110)

- › Best practice requires non-executive directors not to participate in performance based remuneration as this puts them at the same level of executives who should be monitored and remunerated by non-executive directors.
- › QualityScore will consider whether non-executive directors participate in performance related remuneration schemes.

Market Applicability: W. Europe, Germanic, Anglo, S. Europe, Australasia, Latin America, Africa, Russia, India, Asia Pacific

### ▶ What part of the total remuneration received by directors is options-based? (Q107)

- › Best practice suggests that directors should not receive options as remuneration but instead should receive equity as a retainer or in lieu of cash. The underlying rationale is that directors' independence could be

compromised and their interests more aligned with management than with shareholders in situations where director compensation is similar to executive compensation.

- › QualityScore will consider the percentage of options granted relative to the total remuneration received by non-executive directors if such information is disclosed.

Market Applicability: Canada

▶ [Are directors who are eligible to receive grants/awards under the plan also involved in the administration of the plan? \(Q325\)](#)

- › QualityScore will consider whether directors receive grants or awards under a plan which they are responsible themselves for the administration of. Directors receiving grants under a plan that they are responsible for administering presents a clear conflict of interest.

Market applicability: Asia Pacific, Latin America, India

## Communications and Disclosure

▶ [Does the company disclose the remuneration paid to the board in AGM proxy filings? \(Q341\)](#)

- › The best practice is to disclose the aggregate remuneration paid to the board members in the company's proxy filings. Most companies do not disclose such information in the proxy materials.
- › QualityScore will consider whether or not such disclosure was made in the proxy filings.

Market Applicability: South Korea

▶ [Does the company disclose details of individual executives' remuneration? \(Q112\)](#)

- › Best practice suggests companies to disclose complete and individual information on executives' remuneration, especially for the CEO.
- › QualityScore will consider the level of disclosure on remuneration granted to executives, whether information is disclosed per individual and whether information contains breakdowns of the various remuneration components.

Market Applicability: Asia Pacific, S. Europe, Latin America, Russia, India, Japan

▶ [Does the company have a policy on executive remuneration and computation basis for the pay? \(Q376\)](#)

- › Executive remuneration is typically a mixture of salary, bonuses, shares of or call options on the company stock, benefits, and perquisites, ideally configured to take into account government regulations, tax law, the

desires of the organization and the executive, and rewards for performance. Corporate executive remuneration should be aligned with long-term goals and strategies and with long-term shareholder interests. Remuneration should be structured to achieve long-term strategic and value-creation goals.

- › Until recent years little attention had been paid to executive remuneration and executive pay policy in Japan and many still lack a framework for setting and deciding executive pay. This question will consider whether the company has established a policy on executive pay as disclosed in the corporate governance report, but does examine the rigor of such policy.

Market Applicability: Japan

▶ **Does the company disclose performance metrics for the short term incentive plan (for executives)? (Q113)**

- › Poor or missing disclosure of the financial basis for performance metrics make it difficult for investors to judge the quality and/or rigor of these metrics. ISS looks into performance measures used in awarding short-term incentives or annual bonuses to executives. Best practice is to disclose the target performance metrics at least on a retrospective basis.
- › QualityScore will consider the extent of disclosure of specific performance criteria and disclosed hurdle rates for short-term, typically annual, cash incentive plans. By definition, the plan is one-year or less in the U.S. The performance measure(s) can be any type of objective pre-determined goal, often financial in nature, such as earnings per share or earnings before interest, tax, depreciation, and amortization.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Asia Pacific, Australasia, Africa, Russia

▶ **What is the level of disclosure on performance measures for the latest active or proposed long-term incentive plan? (Q246)**

- › Poor or missing disclosure of the financial basis for performance metrics make it difficult for investors to judge the quality and/or rigor of these metrics. ISS will evaluate long-term equity and cash awards granted in the most recent fiscal year based on pre-determined metrics and target goals.
- › Governance QualityScore will evaluate and consider whether performance conditions for the latest proposed long-term incentive plans are disclosed and measured by including, for example, targets compared with peer group performance, etc. This question combines several questions that examined disclosure of performance measures for different long-term pay instruments.

Market Applicability: U.S., Australasia, Russia

▶ [Does the company disclose a performance measure for matching? \(Q121\)](#)

- › Poor or missing disclosure of the financial basis for performance metrics make it difficult for investors to judge the quality and/or rigor of these metrics.
- › QualityScore will consider the level of disclosure on performance measures for matching plans if such incentives have been granted to executives in the past year.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Africa

▶ [Does the company disclose a performance measure for stock options plans \(for executives\)? \(Q122\)](#)

- › Poor or missing disclosure of the financial basis for performance metrics make it difficult for investors to judge the quality and/or rigor of these metrics.
- › QualityScore will consider the level of disclosure on performance measures for stock option plans if such incentives have been granted to executives in the past year.

Market Applicability: Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Asia Pacific, Latin America, Africa, India

▶ [Does the company disclose a performance measure for restricted share plans \(for executives\)? \(Q123\)](#)

- › Poor or missing disclosure of the financial basis for performance metrics make it difficult for investors to judge the quality and/or rigor of these metrics. For the Canadian market, full value awards are part of the executives' long-term incentive. Awards given under long-term incentive plans are either time-based, which are called restricted share units (RSUs); or performance-based, called performance share units (PSUs); or a combination of both. If the company has both plans, the PSU plan supersedes the RSU plan. ISS considers full value awards which are either granted from the company's treasury or purchased in open market.
- › QualityScore will consider the level of disclosure on performance measures for restricted share plans if such incentives have been granted to executives in the past year.

Market Applicability: Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Asia Pacific, Latin America, Africa

▶ [Does the company disclose a performance measure for other long-term plans \(for executives\)? \(Q125\)](#)

- › Poor or missing disclosure of the financial basis for performance metrics make it difficult for investors to judge the quality and/or rigor of these metrics.
- › QualityScore will consider the level of disclosure on performance measures for other long-term plans if such incentives have been granted to executives in the past year.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Asia Pacific, Latin America, Africa

▶ **Does the company employ at least one metric that compares its performance to a benchmark or peer group (relative performance)? (Q353)**

QualityScore will consider whether company pre-established metric, in any short term or long term incentive plan, is set relative (measured on relative terms) to an external group, such as a peer group, an index, or competitors.

Market Applicability: U.S.

▶ **Has the company voluntarily adopted a management say-on-pay advisory vote resolution for the most recent annual meeting or committed to a resolution going forward? (Q166)**

- › As the MSOP resolution is not mandatory in all markets, QualityScore will consider whether the company has adopted a voluntary say-on-pay advisory vote for management at the latest annual general meeting, or whether the company committed to such a resolution going forward.

Market Applicability: Canada, W. Europe, South Africa

▶ **Did the most recent Say-on-Pay proposal receive significant opposition from shareholders? (Q328)**

- › QualityScore will consider the level of shareholder support on the most recent Say-on-Pay proposal at the last annual meeting where the say on pay proposal was up for vote. U.S. company meeting results are compared to 70 percent of votes cast, while Australian company meeting results are compared to 75 percent, which are when ISS' policies initiate a review of the Board's responsiveness to the low shareholder support for the applied markets.
- › From the date of publication of the ISS proxy research report until the meeting results are available, this question will be pending and the result will indicate "meeting results in progress" for this factor.

Market applicability: U.S., Australasia

▶ **What is the level of disclosure on CEO ownership guidelines? (Q250)**

- › As ownership guidelines in the German region are not common, ISS will only analyze the level of disclosure.
- › QualityScore will consider the level of disclosure on CEO ownership guidelines.

Market Applicability: Germanic



## Termination

### ▶ What is the trigger under the change-in-control agreements? (Q148)

- › A single trigger requires only a change in control and no subsequent termination of employment or substantial diminution of duties for the executive to receive his/her exit pay package. A modified single trigger is similar, but provides a specific window period during which time the executive can leave employment for any reason. In both instances, the executive can unilaterally decide whether to continue employment and may not be sufficiently motivated to stay with the company long term given the prospect of unconditional payment. Moreover, if the board of the new company wishes to retain the services of the executive, they may negotiate any contract under circumstances that give the executive considerable leverage in seeking retention payments or additional compensation. A double trigger generally requires an actual termination of employment by the company or by the executive for good reason or a substantial diminution of responsibilities under the executive's new role.
- › QualityScore will evaluate and consider the type of trigger employed in change-in-control agreements, and the year the change-in-control agreement was entered into.

Market Applicability: U.S., Canada

### ▶ Do equity based plans or long-term cash plans vest completely on change in control? (Q153)

- › While change-in-control agreements have their place in order to insulate executives from loss of employment in conjunction with a change in control, accelerated vesting of the CEO or next highest paid officer's all outstanding equity grants tends to disconnect pay from performance and may incentivize executives to pursue transactions not in the best interests of shareholders. Best practice dictates that equity based plans vest in the event of termination of employment combined with a change of control transaction (double-trigger).
- › QualityScore will consider vesting triggers for the CEO's outstanding equity awards. This factor is specifically for the company's CEO. If the company has a new CEO, the provisions for his/her equity remuneration would be captured. QualityScore will consider vesting triggers for all outstanding equity awards of the CEO. If the company disclosed multiple events related to the treatment of equity upon CIC, ISS will consider the specific event applicable to the highest number of outstanding equity awards.
- › The possible answers for this question are: Auto accelerated vesting; Converted/Assumed; Accelerated if not assumed; Vest only upon termination; Full board discretion; Other; Information on change-of-control provisions cannot be determined due to inadequate disclosure; and the company does not issue equity based awards.

Market Applicability: U.S., Canada, Australasia, Latin America

▶ **In the event of termination of the contract of executives, does the equity based remuneration vest? (Q150)**

- › Accelerated vesting of equity grants or even continued vesting after termination of contracts of executives tends to disconnect pay from performance.
- › QualityScore will consider the treatment of equity awards upon termination of an executive's contract. This question addresses executives' contracts only, not the CEO's which is in a separate question. QualityScore will look for provisions on the treatment of equity in the event the executive's contract has been terminated without cause, such as redundancy.

Market Applicability: Australasia, S. Europe

▶ **What is the multiple of salary plus bonus in the severance agreements for the CEO (upon a change-in-control)? (Q161)**

- › Under ISS' benchmark policy, severance payments (in Europe) upon a change of control (all other regions) that are in excess of a one time (Netherlands), two times (Canada and Europe), or three times (U.S.) the base salary and bonus are problematic in all instances and considered excessive for all named executive officers. The 'pay' mentioned in this question includes only base salary and bonus. Long-term cash and/or equity awards are not considered for this question.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Africa, Russia

▶ **What is the basis for the change-in-control or severance payment for the CEO? (Q247)**

- › QualityScore will consider the basis upon which change-in-control or severance payments for the CEO are calculated.
- › The possible answers for this question are: No Information; Salary; Salary + Average Bonus; Salary + Most Recent Bonus; Salary + Maximum Bonus; Salary + Other; Salary + Last/Highest Paid Bonus; and Salary + Target Bonus
- › For markets outside the U.S., termination pay elements may include either (or a combination) of the following: salary, bonus, and benefits.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Africa, Russia

▶ **What is the multiple of salary plus bonus in the severance agreements for executives excluding the CEO (upon a change-in-control)? (Q160)**

- › Under ISS' benchmark policy, payments that are in excess of one time (Netherlands), two times (Canada and Europe), or three times (U.S.) base and bonus multiple are problematic in all instances and considered

excessive for all named executive officers. Multiples equal to or below mentioned base and bonus are considered acceptable, per ISS' policy.

- › QualityScore will consider what multiple of salary plus bonus executives will receive under employment agreements due to a change-in-control event or termination of contract.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Africa, Russia

▶ [What is the basis for the change-in-control or severance payment for executives excluding the CEO? \(Q248\)](#)

- › Payments based on base salary plus target or actual bonuses are acceptable. A payment based on the maximum bonus, or particularly on the "greater of" actual and maximum, is considered excessive.
- › QualityScore will consider what the basis upon which change-in-control or severance payments for executives are calculated.
- › In markets outside the US, termination pay elements may include either (or a combination) of the following: salary, bonus and benefits.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Africa, Russia

▶ [How long is the notice period for the CEO if the company terminates the contract? \(Q152\)](#)

- › When a company terminates the contract of the CEO, it is, in most cases, obliged to continue contractual payment until a certain period. Shareholders accept this provided the notice period is limited to six months.
- › QualityScore will consider the length of the notice period for the CEO if the company terminates the contract.

Market Applicability: Australasia, S. Europe

▶ [Does the company provide excise tax gross-ups for change-in-control payments? \(Q162\)](#)

- › An excise tax is an additional tax imposed by the IRS for change-in-control related severance pay that exceeds three times an executive's average taxable income--including salary, bonus, and the gains on any equity compensation--over the previous five years. While excise tax-gross-ups became somewhat common during the 1990s, recent shareholder opposition to the practice has led many companies to eliminate the provision, based on rationale that executive officers should be responsible for their individual tax liabilities and that common market practice does not justify extraordinary financial burdens to companies and their shareholders. Further, the excise tax gross-up provision leads to such substantial increases in potential termination payments that it may encourage executives to negotiate merger agreements that may not be in the best interests of shareholders. Companies have begun to provide for packages to be reduced to the extent necessary not to trigger the excise tax. In some instances, the company may commit to lower a

severance payment to just below the cap in limited circumstances, but to pay a gross-up if the payment exceeds that level, which does not address the fundamental problems with these features.

- › QualityScore will consider whether gross-ups for change-in-control payments are made, whether the company provided gross-ups, but made a commitment not to provide them upon change-in-control in the future, whether the company implemented gross-up provisions in a contract that was new or materially amended within the past year, and whether the company provides tax gross-ups in one or more contracts, but none were entered into or materially amended last year. The question applies to all executives, not just the CEO.

Market Applicability: U.S., Canada

### ▶ [What is the length of employment agreement with the CEO? \(Q163\)](#)

- › Best practices dictate that companies should not enter into fixed-duration employment contracts with executives, and if they do, only enter into employment contracts under limited circumstances for a short time period (e.g., new executive hires for a three-year contract) for a finite number of executives. The individual agreements should not have an automatic renewal feature and should have a specified termination date. An auto-renew feature indicates that the agreement can be extended in perpetuity, for all intents and purposes, unless either party provides direction to the contrary pursuant to a defined notice period.
- › This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S.

## Controversies

### ▶ [Has ISS' qualitative review identified a pay-for-performance misalignment? \(Q300\)](#)

- › ISS' qualitative analysis of executive compensation identifies pay practices and design features that may strengthen or weaken the linkage between executive pay and company performance. Features and practices to be examined in ISS' qualitative analysis may include (but are not limited to): the rigor of performance conditions on incentive plans, the proportion of performance-based equity pay, whether termination provisions may enable "pay for failure," the presence of retention or other discretionary awards, "realizable" pay relative to granted pay, and other features of the pay design as deemed appropriate to the company's specific circumstances.

Market Applicability: U.S., Canada

▶ [Has ISS identified a problematic pay practice or policy that raises concerns? \(Q301\)](#)

- › ISS' focus is on specific executive compensation practices that run counter to a pay-for-performance philosophy, including, but not limited to: problematic practices related to non-performance-based compensation elements such as excessive perquisites; incentives that may motivate excessive risk taking; and specific problematic practices such as options backdating or repricing options held by top executives and/or directors or repricing any options without shareholder approval.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia, Latin America, Africa, Russia, India

## Shareholder Rights & Takeover Defenses

### One-Share, One-Vote

▶ [Does the company have classes of common stock with different voting rights? \(Q54\)](#)

- › Dual-class capital structures can serve to entrench certain shareholders and management, insulating them from possible takeovers or other external influence or action. The interests of parties with voting control may not be the same as those of shareholders constituting a majority of the company's outstanding capital. Additionally, research suggests that companies with dual-class capital structures or other antitakeover mechanisms often trade at a discount to similar companies without such structures.
- › The question will evaluate whether the company has issued stock types with different voting rights. Convertible securities entitled with various voting right which is equal to the number of converted common shares are excluded.
- › This factor has a zero-weight impact on the scoring model for Australasian companies and is included for informational purposes only.

Market Applicability: All regions except Japan

▶ [Does the company have class shares with full or multiple voting rights? \(Q369\)](#)

- › Issuing shares with multiple voting rights is often claimed by proponents that it allows the founders and management to maintain control over the strategic direction of the company. Such a structure helps them focus on the long-term growth of the company instead of immediate financial return. It is also seen to be a tool to defend against unwanted takeover attempts, as the controlling parties can vote down takeover proposals by exercising their voting power. On the other side, weighted voting right structures are

considered to be problematic, because such governance structures, with superior voting power held by a group of associated persons, increase the risk that the management may pursue projects that are not in the best interests of the company but for their own good. This deteriorated agency problem may imply higher cost of capital on future fund raising.

- › Similarly, class shares with full voting rights violates the principle of one-share-one-vote, and could contribute to board and management entrenchment.

Market Applicability: Japan

▶ **Are there any directors on the board who are not up for election by all classes of common shareholders? (Q55)**

- › Barring some holders of common stock from voting on directors may serve to entrench board members and perpetuate control by certain blocks or groups.
- › QualityScore will consider whether any directors are not elected by all classes of common stock.

Market Applicability: U.S., Canada

▶ **Is there a sunset provision on the company's unequal voting structure? (Q56)**

- › Some companies with unequal voting structures have set the conditions upon which the unequal voting structure will be terminated and an equal voting structure will take place. Such a condition is called a “sunset provision” in this regard.
- › QualityScore will consider whether unequal voting structures include a sunset (termination) provision, or whether the question is not applicable because there is no such structure.

Market Applicability: U.S., Canada

▶ **What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights? (Q57)**

- › This is the first part of a double materiality test where the impact of the multiple voting rights on the total number of voting rights is measured.
- › QualityScore will consider the percentage of multiple voting rights relative to total voting rights.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, Africa

▶ **What is the level of free float of the multiple voting rights or voting certificates? (Q58)**

- › ISS will consider the percentage of free float of the multiple voting rights, or if no information is given. This is the second part of a double materiality test where the level of free float of multiple voting rights is measured.
- › QualityScore will consider the percentage of free float of the multiple voting rights, or if no information is given.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, Africa

▶ [What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies? \(Q59\)](#)

- › Depositary receipts have typically been issued by Dutch companies in order to keep minority shareholders from exerting disproportionate influence at general meetings where attendance is often low. Under this system, the underlying shares are nearly all held by a foundation, which is usually independent of the company (Question 62) that has issued the depositary receipts. These instruments are sold on the market. Holders of such instruments are entitled to the same rights as ordinary shareholders, save for voting rights. In order to vote, the holders need to request a voting proxy from the foundation, or they can exchange their depositary receipts for the underlying shares. Taking these steps can sometimes be restricted either by limitations on the ability to request voting proxies or to exchange depositary receipts for shares.
- › QualityScore will measure the percentage of company shares which are represented by depositary receipts for which the foundation will execute voting rights unless a voting proxy has been requested should this possibility exist.

Market Applicability: W. Europe

▶ [Has the company indicated an intent to eliminate the system of depositary receipts? \(Q60\)](#)

- › Over the past 10 years, Dutch companies have gradually eliminated the system of depositary receipts based on attendance of shareholders at general meetings. In general, if attendance of shareholders in the past three years has reached thresholds of 30 percent or higher, a number of Dutch companies have committed to eliminating the system.
- › This question will consider whether the company has indicated publicly to consider eliminating the system of depositary receipts.

Market Applicability: W. Europe

▶ [Are depositary receipt holders restricted in their voting rights? \(Q61\)](#)

- › Traditionally depositary receipts could be exchanged for shares or holders of such depositary receipts could request a voting proxy, but only to a certain limit (usually between 1 and 2 percent of the share capital). Dutch companies have mostly eliminated these barriers.
- › QualityScore will consider whether holders of depositary receipts can request for voting proxies or exchanging their depositary receipts in shares are limited in their right.

Market Applicability: W. Europe

▶ **What percentage of the company's share capital is made up of non-voting shares? (Q63)**

- › This is the first part of a double materiality test where the impact of the non-voting shares on the total share capital is measured. The issue of preferential non-voting shares where the lack of voting is compensated by a higher or guaranteed dividend is accepted up to a certain level. However, beyond that level, the influence of shareholders on company decisions can be hampered, especially if the level of free float of the voting rights is limited.

This question will measure the proportion of non-voting shares relative to the total share capital of the company.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Africa, Russia

▶ **What is the level of free float of voting shares in relation to the non-voting shares? (Q64)**

- › ISS will measure the level of free float of the voting rights in a system of various share types with at least one of the share types lacking voting rights. This is the second part of a double materiality test where the level of free float of voting rights is measured.
- › QualityScore will measure the level of free float of the voting rights in a system of various share types with at least one of the share types lacking voting rights.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Africa, Russia

▶ **Does the company have an absolute voting right ceiling? (Q65)**

- › The existence of an absolute voting right ceiling, which caps the vote after a certain threshold has been reached, always creates a voting right distortion for the shareholders whose stake lies above the ceiling. The lower the ceiling, the more shareholders see their voting rights reduced and the larger the voting right distortion.
- › QualityScore will consider whether a ceiling expressed as a proportion of all shares outstanding is in place, the percentage of the ceiling, or if no information is disclosed.



Market Applicability: W. Europe, Germanic, Nordic, S. Europe, Latin America

▶ [Does the company have a relative voting right ceiling? \(Q66\)](#)

- › The existence of a relative voting right ceiling, which caps the vote after a certain threshold has been reached, always creates a voting right distortion for the shareholders whose stake lies above the ceiling. The lower the ceiling, the more shareholders see their voting rights reduced and the larger the voting right distortion.
- › QualityScore will consider whether a ceiling expressed as a proportion of all shares represented at the general meeting is in place, the percentage of the ceiling or if no information is disclosed.

Market Applicability: W. Europe, Germanic, Nordic, S. Europe

▶ [Does the company have an ownership ceiling? \(Q67\)](#)

- › A discounted score for the existence of ownership ceilings is meant to reflect the tendency of investors to discount companies featuring ownership ceilings; as such ceilings curb investments and thus limit the voting power shareholders may attain.
- › QualityScore will consider whether an ownership ceiling expressed as a proportion of all shares outstanding is in place, the percentage of the ceiling, or if no information is disclosed.

Market Applicability: Japan, W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia, Latin America, Africa, Russia

▶ [Does the company have ownership ceilings for specific parties? \(Q68\)](#)

- › A discounted score for the existence of ownership ceilings is meant to reflect the tendency of investors to discount companies featuring ownership ceilings, as such ceilings curb investments and thus limit the voting power shareholders may attain, especially if such ceiling applies only to one group of shareholders.
- › QualityScore will consider whether, in the event the company has installed an ownership ceiling, it is applicable to all shareholders or only to a certain category of shareholders (such as foreign investors).

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia, Latin America, Africa, Russia

▶ [Do shareholders or the State have the priority right? \(Q69\)](#)

- › The investor community generally disapproves of special shares that grant disproportionately high voting powers to the State (golden shares) or other specific shareholders (referred to as priority shares).
- › QualityScore will evaluate and consider the existence of priority rights held by the State or specific shareholders and will qualify the nature of such rights into high or low importance.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Latin America, Africa, Russia

▶ [Is there a coattail provision attached to the company's unequal voting structure? \(Q217\)](#)

- › Coattail provisions provide protection for minority shareholders when a majority shareholder exists under a dual capital structure, i.e. during a take-over bid, a similar offer is made to the "subordinate" share with that of the "superior" shares.
- › QualityScore will consider whether the company has an unequal voting structure and whether a coattail provision has been attached to the structure.

Market Applicability: Canada

## Takeover Defenses

▶ [Does the company have targeted stock placement that can be used as a takeover defense? \(Q72\)](#)

- › At their holders' discretion, financial instruments giving potential access to the company's capital may be exercised and may compromise the success of a takeover attempt through the dilution of the percentage of voting rights available on the market. Holders of these instruments may or may not be existing shareholders of the company.
- › This question will measure the impact of targeted stock placement in the event of a takeover bid which the company can use as a defense.

Market Applicability: W. Europe, S. Europe, S. Korea

▶ [Does the company maintain preemptive rights in the event of a takeover bid? \(Q73\)](#)

- › Authorizations given to the management board to increase share capital do not always preserve preemptive rights for existing shareholders, and may even sometimes be allowed during a takeover in certain markets.
- › This question will measure the impact of the possibility of the company to issue shares and restrict preemptive rights which it can use as a defense in the event of a takeover bid.

Market Applicability: W. Europe, S. Europe

▶ [Can the company target repurchased shares in the event of a takeover bid? \(Q74\)](#)

- › Shares are usually repurchased either to minimize the dilution of employee share plans, to fund a share exchange for acquisitions, or to increase earnings per share (by stabilizing the share price). At the same time, a share repurchase could also be used as a takeover defense, which reduces the voting power of the floating capital and increases the relative voting power of the reference or core shareholder(s). This may

happen when the company repurchases its own shares during a takeover and when voting rights of repurchased shares are temporarily or permanently (when repurchased shares are destroyed) cancelled. It could also increase the voting power of friendly parties (existing reference or core shareholders, the “White Knight” defense) when the company resells shares that have been repurchased prior to or even during a takeover.

- › This question will measure the impact of the possibility of the company to repurchase own shares which it can use as a defense in the event of a takeover bid.

Market Applicability: W. Europe, Nordic, S. Europe

#### ▶ Are there ownership factors that affect the takeover defenses? (Q218)

- › Ownership factors, such as ceilings, preclude the success of a takeover attempt while denying shareholders a takeover premium and potentially entrenching the company’s management.
- › QualityScore will consider the existence of ownership ceilings which hamper the success of a takeover bid on the company.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Latin America, Africa, Russia

#### ▶ Are there priority rights that affect the takeover defenses? (Q219)

- › Priority rights afford holders the right to decide on key corporate actions such as takeovers that are normally sanctioned by shareholders collectively. Such rights can be vested in specific share types, such as priority shares. These rights may be linked to a specific company structure where certain shareholders hold rights beyond normal voting rights. If such rights are granted to the state, they are called golden shares.
- › QualityScore will consider the existence of priority rights with which the State or specific shareholders can block takeover bids on the company.

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Latin America, Africa, Russia

#### ▶ Are all directors elected annually? (Q77)

- › Classifying the board makes it more difficult for shareholders to remove ineffective directors, or to change control of a company through a proxy contest involving the election of directors. Because only a minority of the directors is elected each year, a dissident will be unable to win control of the board in a single election and would need two years to gain control of the company unless there are vacancies in the other classes. Studies have shown a negative correlation between the existence of a classified board and a firm's value.

- › QualityScore will consider whether all directors are elected each year, rather than in staggered terms—often referred to as a classified board. QualityScore will also consider whether companies are transitioning to a declassified board, as defined when a company receives shareholder approval for the switch, but annual elections of all members has not yet commenced.
- › QualityScore will also consider whether a company, though currently elected annually, could classify its board without shareholder approval.
- › This factor has a zero-weight impact on the scoring model for Latin American companies and is included for informational purposes only.

Market Applicability: U.S., Canada, Japan, Latin America

### ▶ [Is the board authorized to issue blank check preferred stock? \(Q83\)](#)

- › Authorization to issue blank check preferred stock gives the board the power to issue, at its discretion, preferred stock with voting, conversion, distribution, and other rights to be determined by the board at the time of issue. Although authority to issue preferred shares gives the company flexibility to meet the company's broad finance needs, these placements can dilute existing shareholders' equity and voting positions.
- › Preferred stock can be used for sound corporate purposes such as raising capital or making acquisitions. In these cases, blank check implies flexibility in meeting the company's broad finance needs. By not establishing the terms of preferred stock at the time the class of stock is created, companies maintain the flexibility to tailor their preferred stock offerings to prevailing market conditions. Nevertheless, blank check preferred stock can be used as an entrenchment device, to fund a poison pill for example. Albeit less common today, another powerful takeover defense is the placement of large blocks of blank check preferred stock, with friendly third parties—the so-called “white knight” rescue. Blank check preferred stock would not be as objectionable to shareholders if a company stated in writing that such shares would be “declawed” and not be used to thwart a potential takeover. Declawed blank check preferred stock means that the board cannot authorize shares of preferred stock without shareholder approval that can be used in takeover defense purposes.
- › QualityScore will consider whether the board is authorized to issue blank check preferred stock, and whether the stock, if authorized, is declawed.

Market Applicability: U.S., Canada, South Korea

### ▶ [Does the company have a poison pill \(shareholder rights plan\) in effect? \(Q78\)](#)

- › Institutional investors view poison pills, which can make a hostile acquisition attempt prohibitively expensive, as among the most onerous of takeover defenses that may serve to entrench management and have a detrimental impact on their long-term share value. While recognizing that boards have a fiduciary duty to use all available means to protect shareholders' interests, investors often argue that, as a best

governance principle, boards should seek shareholder ratification of a poison pill (or an amendment thereof) within a reasonable period.

- › QualityScore will consider whether the company has a shareholder plan in effect, and whether the poison pill has been approved by shareholders. For Canadian companies, ISS will also consider if the shareholder rights plan meets the necessary requirements under the guidelines for new generation pills.

Market Applicability: U.S., Canada, Japan

#### ▶ [What is the trigger threshold for the poison pill? \(Q79\)](#)

- › Poison pill triggers typically range from 10 to 25 percent. Best practice is for a pill (other than an NOL pill) to have a trigger no lower than 20%.
- › QualityScore will consider the trigger percentage for the pill.

Market Applicability: U.S.

#### ▶ [Does the poison pill have a sunset provision? \(Q80\)](#)

- › Poison pills with scheduled dates of termination mean that the decision to maintain the poison pill must be periodically revisited and, ideally, resubmitted for shareholder approval.
- › QualityScore will consider whether the plan includes a provision which permits shareholders to reaffirm or redeem a poison pill within a specified time period.

Market Applicability: U.S.

#### ▶ [Does the poison pill have a TIDE provision? \(Q81\)](#)

- › TIDE provisions require the company's independent directors to review the plan every three years to evaluate whether it is still in shareholders' best interest.
- › Governance QualityScore will consider whether the plan includes a Three-Year Independent Director Evaluation (TIDE) provision, a provision where the independent directors of the board meet periodically to review the need to keep the plan in place.
- › This factor has a zero-weight impact in the scoring model for U.S. companies and is included for informational purposes only.

Market Applicability: U.S.

#### ▶ [Does the poison pill have a qualified offer clause? \(Q82\)](#)

- › Well-designed pills provide the company with negotiating power and time to receive the best possible offer for shareholders. Qualified offer clauses empower shareholders to redeem the pill and accept a valid takeover offer.
- › QualityScore will consider whether the plan includes a clause allowing shareholders to redeem the pill in the face of a bona fide takeover offer.

Market Applicability: U.S.

▶ [What is the expiration date of the poison pill? \(Q91\)](#)

- › While long-term pills may tend to serve as a device to entrench management, shorter-term pills are more likely to be in response to particular market or company circumstances, and require, the board to revisit the decision to institute the rights plan.
- › QualityScore will consider the number of years until sunset or termination date of the plan.

Market Applicability: U.S.

▶ [Is the poison pill designed to preserve tax assets \(NOL pill\)? \(Q220\)](#)

- › An NOL Pill is a shareholder rights plan with a low trigger that is meant to preserve the value of net operating loss carry forwards (NOLs), a tax benefit accrued by companies that can potentially reduce their future tax liability. Per IRS rules, these tax-loss assets are forfeited upon a defined change in control; as such, NOL pills are designed to preserve shareholder value
- › QualityScore will consider whether the pill is designed to preserve tax assets.

Market Applicability: U.S.

▶ [When was the poison pill implemented or renewed? \(Q222\)](#)

- › QualityScore will consider how long ago the board most recently took action on the pill, whether to implement it or renew it.

Market Applicability: U.S.

▶ [Does the company's poison pill include a modified slow-hand or dead-hand provision? \(Q223\)](#)

- › “Dead hand” and “slow hand” provisions that prevent the redemption of the poison pill are egregious and unjustifiable violation of shareholders’ rights to accept an attractive takeover offer, even after replacing members of the board.
- › QualityScore will consider as to whether the implementation of the pill inhibits or prohibits the ability of future boards of directors to redeem the pill. A slow-hand provision forces a delay in the redemption of the poison pill even if shareholders of the target firm favor the takeover. A dead-hand provision provides that only the incumbent directors, continuing directors, or their designated successors can redeem the poison pill, even after they have been voted out of office (thus precluding redemption).

Market Applicability: U.S.

▶ [Was the poison pill approved by shareholders? \(Q221\)](#)

- › The board of directors should seek shareholder ratification of a poison pill (or an amendment thereof).
- › QualityScore will consider whether the poison pill was approved by a majority of shareholders. Voting results are considered as a majority of votes cast, abstentions included but excluding broker non-votes.

Market Applicability: Japan

▶ [Does the company have a controlling shareholder? \(Q290\)](#)

- › When there is a controlling shareholder, the minority shareholders may face challenges in matters where their interests diverge from those of the majority shareholder.
- › QualityScore will consider whether the company has a shareholder or shareholders acting in concert and holding a majority of the voting rights.
- › This factor has a zero-weight impact on the scoring model for U.S., Southern European, and Australasian companies and is included for informational purposes only.

Market Applicability: U.S., Asia Pacific, Japan, S. Europe, Australasia, Latin America, Africa, Russia South Korea, India

▶ [If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections? \(Q224\)](#)

- › Best practice calls for a majority vote standard in uncontested director elections, and a plurality vote standard in contested elections. Otherwise, in a contested election, even if a dissident nominee receives more votes than a management nominee, the management nominee would be seated. QualityScore will consider as to whether the majority voting standard – if in place – does not apply in the case of contested elections. Some companies incorporated outside of the U.S. do not have a “contested situation”: all

nominees (whether management or shareholder-nominated) who receive a majority of votes cast are seated on the board. This situation is included in the possible answers.

Market Applicability: U.S.

▶ [Does the removal of a director require a supermajority vote? \(Q284\)](#)

- › Japanese directors can be removed by a simple majority shareholder vote, unless the articles require a supermajority. The supermajority requirement can serve as a form of management entrenchment.

Market Applicability: Japan

▶ [What is the level of tag along rights for minority shareholders? \(Q333\)](#)

- › Tag along rights are granted to minority shareholders when a company reached an agreement with a major shareholder to take over the company at a certain price. The tag along rights will indicate at what level minority shareholder can sell their shares to the acquiring shareholder. In principle minority shareholders should be allowed to receive the same price.
- › Tag along rights are provided by Brazilian law (Lei das S.A., Article 254-A) and assure that the disposal, direct or indirect, of a company's control shall be carried out on conditions that the buyer undertakes to tender a public offer for acquisition of all common shares held by the other shareholders in the company, so that they may be accorded as minimum price 80% of the value paid for the selling controlling shareholder. Some companies have decided voluntarily to extend tag along rights to preferred shareholders, and/or assure to the common shareholders a price above 80%.
- › QualityScore will consider the level of tag along rights in the event of a takeover bid.

Market applicability: Latin America

## Meeting & Voting Related Issues

▶ [Does the company require a super-majority vote to approve amendments to the charter or bylaws? \(Q89\)](#)

- › Supermajority provisions violate the principle that a simple majority of voting shares should be all that is necessary to effect change regarding a company and its corporate governance provisions. Requiring more than this may permit management to entrench itself by blocking amendments that are in the best interests of shareholders.
- › QualityScore will consider whether a super-majority vote is required, or if no information is given. Supermajority is defined as anything above simple majority. ISS generally sees thresholds of two-thirds or 75



percent but anything above simple majority (typically, 66.66 percent or higher) is characterized as supermajority.

- › QualityScore will also consider whether shareholders have the right to amend the bylaws. In the U.S., under SEC Rule 14a-8, shareholders who have held shares valuing at least \$2,000 for one year are permitted to submit shareholder proposals, both precatory and binding, to amend bylaws. However, some states allow companies, in their charters, to restrict shareholders' right to amend the bylaws through binding bylaw amendments or proxy fights.

Market Applicability: U.S., S. Europe, Canada

▶ [Does the company require a super-majority vote to approve mergers/business combinations? \(Q90\)](#)

- › Supermajority provisions violate the principle that a simple majority of voting shares should be all that is necessary to effect a merger. For companies that are controlled, however, supermajority provisions may help ensure that the controlling shareholder cannot unilaterally force a merger despite the opposition of minority shareholders.
- › QualityScore will consider whether a super-majority vote is required, or if no information is given. Supermajority is typically defined as anything above simple majority. ISS generally sees thresholds of two-thirds or 75 percent but anything above simple majority is characterized as supermajority.

Market Applicability: U.S., Canada

▶ [Does the company have discretion over dividend payments? \(Q285\)](#)

- › According to Japanese corporate law, dividend payments require shareholder approval, unless the company articles state that the board has this authority.
- › QualityScore will consider whether the company has discretion over dividend payments.

Market Applicability: Japan, South Korea

▶ [Are the shareholders allowed to submit dividend proposals? \(Q286\)](#)

- › Investors should have the ability to submit shareholder proposals on dividends in cases where investors see existing dividend practice as problematic.
- › QualityScore will consider whether shareholders are allowed to submit proposals on dividends.

Market Applicability: Japan

▶ [Are the names of the nominee directors disclosed? \(Q334\)](#)

- › In order to have a meaningful vote on the nomination of directors, the company needs to disclose crucial information on its candidates.
- › QualityScore will consider whether the names of the nominee directors are disclosed ahead of the general meeting.

Market Applicability: Latin America

▶ [What proportion of shares must be represented at the general meeting to cancel the binding nature of the nomination of supervisory board members \(and or executive board members\)? \(Q84\)](#)

- › According to the Dutch Code of Corporate Governance (December 2008), the general meeting of shareholders of a company not having statutory two-tier status may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.
- › QualityScore will consider the percentage of shares needed to cancel the binding nature of board or management nominations.

Market Applicability: W. Europe

▶ [Did the company have a slate ballot at its last shareholders' meeting? \(Q53\)](#)

- › Bundled, or slate, director elections provide shareholders with only a single vote for or against all of the nominees as a group. A shareholder who wishes to withhold support from a single director does not have the ability to do so when the company bundles director elections. Best practice is to provide a separate ballot item for each director up for election. QualityScore will consider whether the company had bundled or individual elections at the most recent shareholder meeting with election of directors.

Market Applicability: W. Europe, Germanic, Latin America, South Korea

▶ [What is the number of vacancies on the board? \(Q262\)](#)

- › There are vacancies on the board if the current number of directors is less than the maximum number of directors allowed under the company's bylaws. If there are vacancies on the board and the board has not declared "no vacancy" (subject to provisions of the Australian Corporations Act), it is easier for shareholder nominated candidates to be elected to the board.
- › QualityScore will consider the maximum number of board seats provided in the company's constitution minus the current number of directors on the board.

Market Applicability: Australasia, Japan

### ▶ What is the percentage of share capital needed to convene a special meeting? (Q97)

- › Most U.S. state corporation statutes allow shareholders to call a special meeting when they want to take action on certain matters that arise between regularly scheduled annual meetings. Generally, this right applies only if a shareholder or group of shareholders owns a specified percentage of the outstanding shares. In terms of day-to-day governance, shareholders may lose an important right – the ability to remove directors or initiate a shareholder resolution without having to wait for the next scheduled meeting – if they are unable to call a timely special meeting. Shareholders could also be powerless to respond to a beneficial offer if a bidder cannot call a special meeting. Therefore, the inability to call a special meeting and the resulting insulation of management may result in the decline of corporate performance and shareholder returns.
- › QualityScore will consider whether shareholders can call a special meeting, and, if so, the ownership threshold required.

Market Applicability: U.S., W. Europe, Canada

### ▶ Can shareholders act by written consent? (Q98)

- › Consent solicitations can be advantageous to both shareholders and management in that the process does not involve the expense of holding a physical meeting, and it is easier for shareholders who can simply respond to the proposal by mail. A consent solicitation is similar to a proxy solicitation: consents are mailed to shareholders for their vote and signature and delivered to management. The differences are that 1) there is no physical meeting, 2) a consent period (generally 60 days) is set for the delivery of the consents, and 3) as soon as the threshold level of consents are delivered, the proposals are deemed ratified and the consent solicitation ends.. In contrast, a proxy solicitation must end with a meeting because proxy cards merely authorize the indicated "proxy" to cast a vote at a shareholder meeting. A signed consent card is itself the final vote and, as such, does not require a vote by proxy at a shareholder meeting.
- › Limitations on written consent are generally considered contrary to shareholder interests. In terms of day-to-day governance, shareholders may lose an important right – the ability to remove directors or initiate a shareholder resolution without having to wait for the next scheduled meeting – if they are unable to act by

written consent. Beneficial tender offers also may be precluded because of a bidder's inability to take action by written consent.

- › QualityScore will consider whether shareholders can act by written consent, or if the information is not disclosed. Companies that mandate unanimous written consent maintain a practice that increases concern.

Market Applicability: U.S., Canada

▶ [Has the company employed a show of hands at the last general meeting? \(Q357\)](#)

- › Under Australian law, a company may call a vote to be conducted by either a 'show of hands' or by poll.
- › Whereas a poll attributes one vote to each share held, voting on a 'show of hands' attributes one vote to each shareholder, irrespective of the number of shares held.
- › Voting on this basis goes against the principle of one vote one share, which is integral to shareholder democracy.
- › This question evaluates whether the company adheres to the basic corporate governance principle of one share one vote.

Market Applicability: Australasia

▶ [Does the company use cumulative voting for director election? \(Q338\)](#)

- › Under cumulative voting, once the General Assembly fixes the board size, shareholders may focus all of their votes on one or more candidates. The nominees receiving the most votes comprise the new board. Under article 141 of Brazilian Corporate Law, shareholders must request cumulative voting at least 48 hours prior to the meeting date. Shareholders must also have 5 percent of share capital to request cumulative voting (this percentage is based on share capital; smaller companies have higher thresholds).

Market Applicability: Asia Pacific, South Korea

▶ [Does the company have a majority vote standard in uncontested elections? \(Q52\)](#)

- › A majority vote standard requires that, for directors to be elected (or reelected) to serve on the company's board, they must receive support from holders of a majority of shares voted. A plurality standard only requires the most votes, meaning a director nominee in an uncontested election can be elected to the board with, in theory, a single vote.
- › A majority vote standard, in combination with a plurality standard in elections with more nominees than seats, and a director resignation policy to address post-election results, has emerged in the U.S. as a way to make director elections meaningful rather than merely symbolic, and is considered best practice: shareholders have a clear, legally significant vote, and the board retains the ability to address the situation

of "holdover" directors to accommodate both shareholder concerns and the need for stability and continuity of the board.

- › In the U.S., a "majority vote policy" is a term sometimes used to describe a director resignation policy, which is the post-election process to be followed if a director does not receive a majority of votes cast. Such resignation policies are usually found in a company's corporate governance guidelines, and can accompany either a majority or a plurality vote standard. It is not the same as a majority vote standard.
- › While majority voting, by itself, does not address the holdover situation if a director fails to get majority support, the director in question is still not legally "elected." This is true even if the director tenders his/her resignation and the board rejects it; that director was not "elected" to the board. On the other hand, plurality voting lacks teeth: the incumbent director still determines whether to tender his or her resignation. Even if the company has a director resignation policy with the plurality standard, if the board does not accept the resignation, the director who did not garner majority support is still legally considered "elected."
- › For Canada, the adoption of majority voting policy connotes that each director of a listed issuer must be elected by a majority (50% +1 vote) of the votes cast with respect to his or her election other than at contested meetings. If not, the director nominee will provide his or her resignation to the board. The board will then consider the resignation and decide whether to accept the resignation or not.
- › QualityScore will consider the voting standards for electing directors to the board.

Market Applicability: U.S., Canada

▶ **If the company has a majority voting policy in director elections, does a plurality standard apply for contested elections? (Q343)**

- › Best practice calls for a majority vote standard in uncontested director elections, and a plurality vote standard in contested elections. Otherwise, in a contested election, even if a dissident nominee receives more votes than a management nominee, the management nominee would be seated. QualityScore will consider as to whether the majority voting standard – if in place – does not apply in the case of contested elections.

Market Applicability: Canada

▶ **Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call a meeting? (Q225)**

- › QualityScore will consider whether there are material restrictions to the right to call a special meeting of shareholders. Material restrictions include: restrictions that prohibit special meetings more than 90 days away from the prior (or planned future) annual meeting date, restrictions that may be interpreted to preclude director elections or other significant business, and restrictions that effectively raise the ownership threshold required to call the meeting.

Market Applicability: U.S.

- ▶ **Is the quorum for shareholders' meetings at least two persons representing at least 25 percent of the outstanding shares? (Q101)**
- › Shareholder meetings should only convene with a minimum acceptable level of attendance, thereby eliminating any shareholder resolutions that may be passed in a meeting with insufficient shareholder representation.
  - › QualityScore will consider whether quorum requirements are at least two persons representing 25 percent of outstanding shares, or if requirements are less than two persons and/or representing 25 percent of outstanding shares. QualityScore also will consider if the company has a controlling holder who meets or exceeds quorum requirements.

Market Applicability: Canada

- ▶ **Did the company file its proxy materials late in the past year? (Q335)**
- › Relevant proxy materials should be disclosed in a timely manner well in advance of the general meeting to allow for a meaningful shareholder review.
  - › QualityScore will consider whether the timing of the filing of proxy materials meet local best practice. The assessment is based on when a company should be disclosing materials, not the minimum required under the local regulations.

Market Applicability: Asia Pacific, Russia, South Korea, India

- ▶ **How many number of days before the general meeting did the company publish its proxy materials? (Q371)**
- › Company should publish proxy material as early as possible before the meeting date in order to provide for ample time for shareholders to review and evaluate them and make informed voting decisions.

Market Applicability: Japan

- ▶ **Does the company provide proxy materials in English? (Q373)**
- › Access to information is integral to exercise of ownership rights. A significant number of companies in Japan, however, discloses proxy materials in Japanese only, creating hurdles for foreign investors to make an informed voting decision. Making English proxy materials readily available to investors is considered a best practice.

Market Applicability: Japan

▶ [Does the company disclose the policy on cross-shareholding, including voting policy for such shares in compliance with the Japanese Corporate Governance Code 1-4? \(Q370\)](#)

- › Cross-shareholding structures, which tend to lock up control among long-standing business partners or fellow companies in a conglomerate, are common in Japan. In general, selling cross-shareholdings will be good for broader equity market, reducing management entrenchment, offering possible improvements in capital efficiency, putting more shares in the public's hands and supporting merger-and-acquisition activity.
- › New Japanese Corporate Governance Code (1-4) encourages companies to evaluate economic benefits and risks of cross-shareholdings and to establish a policy on managing such equity positions.

Market Applicability: Japan

▶ [Does the company hold its general meeting on a peak date? \(Q287\)](#)

- › Many Japanese companies hold their annual shareholder meeting in the last few days of June, usually with an overwhelming concentration on one or two days. Investors have asked companies not to hold shareholder meetings on this June "peak" date. Similarly in South Korea most companies hold their general meeting on two days in March.

Market Applicability: Japan, South Korea

▶ [Does the company collaborate with intermediaries to accommodate beneficial owners to attend shareholder meetings in compliance with the Japanese Corporate Governance Code 1-2-5? \(Q372\)](#)

- › All shareholders, whether registered in the company's shareholder registry or holding shares through custodian accounts, should have the right to attend general meetings. The Japanese Corporate Governance Code (1-2-5) encourages more active participation by shareholders at general meetings, and discourages companies from restricting beneficial owners' participations.

Market Applicability: Japan

▶ [Does the company participate in an electronic voting platform? \(Q374\)](#)

- › The Tokyo Stock Exchange (TSE) and Broadridge Financial Solutions, Inc. (Broadridge) have established an "Electronic Voting Platform for Foreign and Institutional Investors," and started operation of the platform from companies with 2005 December year-end. Use of the electronic voting platform affords greater voting flexibility for investors as the voting deadlines could be significantly reduced and investors could relatively easily change their voting decisions close to the meeting date. Currently more than 700 companies have already agreed to participate in the platform.

Market Applicability: Japan

▶ [Does the company have an exclusive venue/forum provision? \(Q351\)](#)

- › Exclusive venue provisions restrict shareholder litigation against the company to a limited number of jurisdictions. The most common venue chosen is the state of incorporation, though some companies have chosen other venues, such as the state or county where the company is headquartered. The rationale is to limit potential litigation costs by preventing similar lawsuits in multiple states, and to have the cases heard by judges most familiar with the applicable state law. However, these are restrictions on shareholders' rights, and, in the absence of past harm, it is not always clear the restrictions are justified.

Market Applicability: U.S.

▶ [Does the company have a fee shifting provision? \(Q363\)](#)

- › Fee-shifting provisions provides for the shifting of litigation expenses to an unsuccessful plaintiff who does not obtain a judgment on the merits that substantially achieves the full remedy sought. Broad provisions and scope may dissuade shareholders from pursuing meritorious legal action against the company due to the significant financial hurdles imposed. They also violate the ordinary American practice where each party is responsible for its own litigation costs.
- › For Delaware-incorporated companies, the Delaware General Corporation Law was amended in 2015 to invalidate fee-shifting bylaws as they pertained to matters of Delaware law, but did not extend to matters under federal jurisdiction.

Market Applicability: U.S.

▶ [Does the company have a representative claim limitation or other significant litigation rights limitations? \(Q364\)](#)

- › Representative claims provisions require that a minimum level of support is required for a shareholder to initiate a lawsuit against the company. The aim is to prevent frivolous lawsuits brought by shareholders with small stakes, but the provisions do not distinguish between frivolous and meritorious lawsuits, and prevent small shareholders, unless banded together, from suing the company.
- › Limitations on shareholders' litigation rights continue to proliferate. As other types of limitations emerge, they will be captured in this datapoint as well.

Market Applicability: U.S.

▶ [Does the company provide proxy access to shareholders? \(Q346\)](#)



- › The ability of shareholders to nominate board directors in the company proxy along with management nominees (known as “proxy access” in the U.S.) is increasingly seen as a fundamental shareholder right. Companies can provide shareholders with this right through adoption of bylaw provisions, but they may limit or put restrictions on the right. Restrictions typically include limits on the proportion and duration of ownership required to be a nominator, the number of shareholders that may aggregate holdings to meet those thresholds, and the number of proxy access candidates that may be put forward.
- › This question will consider whether proxy access is provided, whether proxy access is required by regulation, and whether the proxy access bylaw includes problematic provisions that nullify it as a practical right for shareholders.
- › The “required by regulation” covers foreign-incorporated U.S. Domestic Issuers subject to rules allowing shareholder nominations due to their jurisdiction of incorporation. For example, U.K. incorporated companies are subject to rules that allow shareholders owning 5% of shares to nominate directors. These requirements differ from proxy access bylaws adopted voluntarily in the U.S. that generally follow the SEC’s vacated [Rule 14a-11](#) formulation, yet they still provide mechanisms for shareholder access to the ballot
- › Inclusion of problematic provisions, such as: counting different mutual funds under common management as separate shareholders under the aggregation limits; requiring nominating shareholders to pledge to hold their shares past the date of the meeting; providing the board with broad and binding authority to interpret the provision; or combinations of other problematic provisions that are deemed sufficient to nullify the proxy access right will cause no credit to be given for the adoption of a proxy access bylaw.

Market Applicability: U.S.

▶ [What is the ownership threshold for proxy access? \(Q359\)](#)

- › This proxy access provision is the ownership threshold that needs to be met by the proxy access nominating group, as measured as the ownership over the total voting power of a company’s securities entitled to vote in the election of directors. A threshold is needed to be set to ensure shareholders have sufficient investment in the company, but the level should not be too high to prevent shareholders from being able to use the right. Most companies in the U.S. have adopted the vacated SEC Rule 14a-11 formulation of 3% of the voting power as favored by investors.

Market Applicability: U.S.

▶ [What is the ownership duration threshold for proxy access? \(Q360\)](#)

- › This provision is the holding requirement of continuous ownership for each member of the proxy access nominating group. This ensures that the nominators are long-term shareholders. The SEC formulation of a minimum of 3 years of ownership has found acceptance among investors and companies. Longer holding period requirements are considered excessive.

Market Applicability: U.S.

▶ [What is the cap on shareholder nominees to fill board seats from proxy access? \(Q361\)](#)

- › Proxy access is not designed to allow a change of control, thus, a maximum is placed on the number of board seats that can be filled by proxy access nominees each year. Under the SEC formulation, this percentage was set at 25%. Generally, investors have approved a range of 20% to 25% of the board. Many companies have adopted a “greater of 2 persons or 20%” standard.

Market Applicability: U.S.

▶ [What is the aggregation limit on shareholders to form a nominating group for proxy access? \(Q362\)](#)

- › This provision concerns any restriction on the number of shareholders permitted to join together to form the nominating group to achieve the necessary ownership threshold. The vacated SEC rule had no limit on the number of shareholders permitted. However, many investors (not all) have permitted a reasonable, minimal limitation, one that balances the administrative needs of companies vs. the difficulty of achieving the ownership threshold. A limitation of no fewer than 20 shareholders has generally been considered a minimal restriction.

Market Applicability: U.S.

## Other Shareholder Rights Issues

▶ [Are there related-party transactions \(RPTs\) with significant shareholders? \(Q263\)](#)

- › Related-party transactions with a significant shareholder can represent guaranteed business which can help to justify significant investments, but can also “crowd out” transactions with unrelated parties which may be more profitable for the company.
- › QualityScore will consider whether the company has RPTs with its major shareholder. Major shareholder and reportable transactions are generally defined by the relevant stock exchange.

Market Applicability: Asia Pacific, Australasia, Latin America, Russia, South Korea, India

▶ [Can the board materially modify the company's capital structure without shareholder approval? \(Q352\)](#)

- › Companies generally are required to put authorized capital increases or reduction to a shareholder vote, as such changes represent significant potential dilution of shareholder value.

- › Through a specific charter provision, Maryland-incorporated companies have the ability to increase/decrease authorized capital without a shareholder vote.

Market Applicability: U.S.

▶ [Has the company done a private placement in the past year without an accompanying share purchase plan \(SPP\)? \(Q356\)](#)

- › A private placement offers certain individuals or institutional investors the opportunity to purchase shares in a company at a discount to the current market price. By using an SPP, a company provides all existing shareholders with an opportunity to purchase additional shares on the same terms, as that offered under the private placement.
- › Offering shares at a discount to a select group of investors has the potential to dilute wealth, and erode value, of non-participating shareholders. However, where a company uses an SPP, all shareholders are provided with an opportunity to participate, which reduces the potential for dilution.
- › This question therefore gauges the extent to which the company creates safeguards to protect interests of existing shareholders from dilution.

Market Applicability: Australasia

▶ [What is the dilution limit of the general mandate to issue shares? \(Q318\)](#)

- › QualityScore will consider the maximum proportion of shares which can be issued under a general mandate approved at the general meeting.

Market applicability: Asia Pacific, Australasia, South Korea, India

▶ [What is the discount limit of the general mandate to issue shares? \(Q319\)](#)

- › QualityScore will consider the maximum discount limit applied on the market price of shares which can be issued under a general mandate approved at the general meeting.

Market applicability: Asia Pacific, Australasia, India

▶ [What is the dilution limit of the general mandate to issue repurchased shares? \(Q320\)](#)

- › QualityScore will consider the maximum proportion of repurchased shares which can be issued under a general mandate approved at the general meeting.

Market applicability: Asia Pacific

### ▶ What is the aggregate dilution limit of share issuance and reissuance mandate? (Q321)

- › QualityScore will consider the maximum aggregate proportion of shares which can be issued under the general issuance and reissuance mandate approved at the general meeting.

Market applicability: Asia Pacific

## Audit & Risk Oversight

### External Auditor

#### ▶ Non-Audit fees represent what percentage of total fees? (Q1)

- › The practice of auditors providing non-audit services to companies can prove problematic. While large auditors may have effective internal barriers to ensure that there are no conflicts of interest, an auditor's ability to remain objective is questionable when fees paid to the auditor for non-audit services, such as management consulting and special situation audits, exceed the standard annual audit fees. While some compensation for non-audit services is customary, the importance of maintaining the independence of the auditor is paramount, and an important gauge for that is the portion that non-audit fees comprise of total audit fees.
- › This question will evaluate whether non-audit fees constitute a majority of fees paid to the company's external auditor.
- › Audit Fees consist of all fees necessary to perform the audit or review, which include: statutory audits, comfort letters/due diligence, attest services, consents, review of filings, financial statement audit and review. The following are considered as audit-related fees: assurance and related services, employee benefit plan/audits, due diligence related to mergers and acquisitions, audits in connection with acquisitions, internal control reviews, consultation on financial accounting and reporting standards. Other Fees includes tax fees in general, tax services, review of tax laws, tax restructuring, tax planning - excludes fees resulted from one-time capital structure events, initial public offerings (IPOs), bankruptcy emergence, and spinoffs, review of net operating losses, tax assistance for potential transactions sales and use tax examinations, and other fees that cannot be categorized under the three classifications.

Market Applicability: All regions except Japan

▶ [What is the tenure of the external auditor? \(Q347\)](#)

- › Auditor tenure is the length of the auditor-client relationship. Some academic studies found limiting auditor tenure may ensure auditor independence, reduce the audit failure risks and protect audit quality. The Sarbanes-Oxley Act of 2002 requires the periodic rotation of certain key audit firm staff, but some investors seek the rotation of the audit firm itself to ensure auditor independence. This must be balanced against the additional expenses involved and the limited number of audit firms in the US.
- › If multiple external auditors exist, the one identified as the primary is evaluated for U.S. companies, while the one with the longest tenure is evaluated for Anglo companies.
- › This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S., Anglo

▶ [Did the auditor issue an adverse opinion in the past year? \(Q2\)](#)

- › Auditor opinion reports are critical to ensuring a company's financials are presented correctly and free of material misstatements. In the U.S., an "adverse" auditor opinion is when the auditor believes that no part of the company's financial statements should be relied on. A "qualified" auditor opinion is when the auditor believes that in general the financial statements can be relied upon with certain exceptions. An "unqualified" opinion is the best.
- › This question will evaluate whether a company received an adverse opinion from its auditor, having received either an Unqualified opinion, Qualified opinion, Adverse opinion, Emphasis of matter, or Going Concern determination.

Market Applicability: All regions

▶ [Does the company have a policy on evaluating competency and independence of the external auditor in compliance with the Japanese Corporate Governance Code 3-2-1? \(Q365\)](#)

- › An external audit firm performing auditing services should not only have necessary competencies and skills to perform the audit but also maintain high degree of independence. Companies should put in place a formal policies and processes to routinely review the independence and effectiveness of the auditor as recommended under the Japanese Corporate Governance Code (3-2-1).

Market Applicability: Japan

## Audit and Accounting Controversies

▶ [Has the company restated financials for any period within the past two years? \(Q3\)](#)

- › Companies may restate their financials due to misrepresentation or accounting irregularities, for example, or, in other cases, due to clerical errors in the production of financial statements or business combinations or a change in accounting policies. QualityScore will consider the former, focusing on those restatements that pose a material risk to shareholders and/or stakeholders. Restatements can result in significant reputational, legal, and financial risks.
- › When determining if a company has a material restatement, ISS' guidelines are:
  - › Has the company restated financial results for any period during the past 24 months (this refers to when the company restated its financial statements, not the period restated);
  - › Did the restatement cause material changes (whether positive or negative) to the financial statements? Possible exceptions to the rule would be industry-specific issues, such as poor inventory control in a manufacturing/ industrial company or poor asset valuations for financial institutions;
  - › Include announced restatements that are being made to correct material misstatements of previously reported financial information;
  - › Exclude announcements involving stock splits, changes in accounting principles (rule changes), and other restatements that were not made to correct mistakes in the application of accounting standards;
  - › Revisions and restatements linked to a material weakness are considered material.
- › Some examples of restatements that are generally excluded:
  - › Those resulting from mergers and acquisitions;
  - › Discontinued operations;
  - › Stock splits, issuance of stock dividends;
  - › Currency-related issues (for example, converting from Japanese yen to U.S. dollars);
  - › Changes in business segment definitions;
  - › Changes due to transfers of management;
  - › Changes made for presentation purposes;
  - › General accounting changes under generally accepted accounting principles (GAAP); and
  - › Litigation settlements.
- › This question will evaluate whether, in the past two years, the company has restated its financials for any period, or if the information is not disclosed.

Market Applicability: U.S., Canada, South Korea

▶ **Has the company made non-timely financial disclosure filings in the past two years? (Q4)**

- › Non-timely financial filings could result in penalties for the issuer and could be indicative of internal process or control issues.
- › QualityScore will consider whether the company filed non-timely filings in the past two years, or there is no disclosure to indicate it has done so. In the U.S., any "NT" SEC filing is considered evidence of non-timely filings.

Market Applicability: U.S., Canada, Japan, South Korea

▶ **Has the company filed belatedly its Annual Report for the most recent fiscal year? (Q302)**

- › This question will evaluate whether the company filed its Annual Report on time for the most recent fiscal year. Late financial filings could result in penalties for the issuer and adversely impact the company's reputation and shareholder value.

Market applicability: Asia Pacific, India, South Korea

▶ **Has a regulator taken enforcement action against the company in the past two years? (Q5)**

- › Regulatory enforcement actions could result in significant penalties for the issuer and adversely impact the company's reputation and shareholder value. Enforcement action covers a wide breadth of circumstances, for example, freezing of a company's assets, fines, probationary periods of any sort, or any other action taken by any regulatory body under any jurisdiction in which the company operates.
- › This question will evaluate whether a company was subject to enforcement action by a regulator within the past two years. ISS will also analyze if the investigation was resolved with a material penalty.
- › In assessing the materiality of any penalties, QualityScore will consider the nature of the underlying investigation(s), the size of any monetary penalties, both on an absolute basis and relative to certain financial metrics, including but not limited to, revenues, earnings, cash flows, and market value, as well as any non-monetary penalties or requirements. Settlement agreements with regulatory bodies are also considered, even if the company denies the allegations underlying the investigation.

Market Applicability: All regions

▶ **Has a regulator taken enforcement action against a director or officer of the company in the past two years? (Q200)**

- › Enforcement actions could result in significant penalties for the issuer and adversely impact the company's reputation and shareholder value.
- › This question will evaluate whether a director or officer was subject to enforcement action by a regulator within the past two years, including enforcement actions related to employment or board service at other firms. ISS will also analyze if the investigation was resolved with a material penalty. In assessing the materiality of any penalties, QualityScore will consider the nature of the underlying investigation(s), the size of any monetary penalties, as well as any non-monetary penalties or requirements. In the U.S., in general, any penalty against an individual is considered material. Settlement agreements with regulatory bodies are also considered, even if the director or officer denies the allegations underlying the investigation.

Market Applicability: U.S., Canada, Asia Pacific, South Korea, India

► **Is the company, a director or officer of the company currently under investigation by a regulatory body? (Q201)**

- › Disclosed investigations indicate the potential for controversy that could result in enforcement actions, significant penalties for the issuer, and adverse consequences for the company's reputation and shareholder value.
- › This question will evaluate whether the company, or any of its directors or officers, is currently under investigation by a regulatory body. ISS will categorize investigations as either routine or non-routine. FCPA-related investigations and Wells Notices are generally considered to be non-routine investigations, unless the company states that it does not expect the outcome to have a material adverse effect on the company. Non-routine will also include investigations which raise serious ethical concerns or pose potential risk to the broader financial system (LIBOR manipulation, mortgage fraud, high frequency trading, or other serious one-off investigations).
- › The following types will generally be considered "routine", unless there is indication that they involve major fraud or risk:
  - › "Promotion, marketing or sale of products" and "billing/false claims;"
  - › Accounting (unless tied to a restatement); and
  - › Civil investigation demands.

Market Applicability: U.S., Asia Pacific, South Korea, India

► **Has the company disclosed any material weaknesses in its internal controls in the past two fiscal years? (Q8)**

- › Companies with significant material weaknesses potentially have ineffective internal controls, which may lead to inaccurate financial statements, hampering shareholders' ability to make informed investment decisions, and may lead to a weakening in public confidence and shareholder value.
- › QualityScore will evaluate and consider material weaknesses over the past two fiscal years and whether they were evidenced in the most recent year; in the previous year; in consecutive years; if all material weaknesses were fully remediated; or if the information is not disclosed.

Market Applicability: U.S., Canada, Japan, Anglo, Africa

## Other Audit issues

► **How many financial experts serve on the audit committee? (Q6)**

- › Those deemed financial experts must possess accounting and audit skills. Local best practice requirements or rules detailing specific criteria will apply for the relevant jurisdictions. For example, Germany's governance code calls for the chairman of the audit committee to possess specialist knowledge and



experience in the application of accounting principles and internal control processes. The Dutch corporate governance code, meanwhile, is similar but not the same, suggesting that at least one member of the supervisory board shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities. In some markets, best practice also recommends that the financial expert be independent.

- › This question will evaluate whether the company has indicated a member on the audit committee with sufficient financial skills in audit and accounting. A member of the Audit Committee is considered a financial expert if he/she is or was a chief financial Officer, chartered accountant, certified management accountant, fellow chartered accountant (FCA), fellow certified practicing accountant (FCPA), or partner of an accounting firm. In the US and Canada, QualityScore will include the financial expert(s) disclosed by the company.
- › This factor has a zero-weight impact on Canadian companies and is included for informational purposes only. In the U.S., this is now a scored factor for companies with zero, one, or two financial experts sitting on the audit committee.

Market Applicability: All regions excluding Japan

#### ▶ [Has the company changed its audit firm without a valid reason in the past two fiscal years? \(Q288\)](#)

- › Best practice dictates that a company to provide a valid reason for an auditor change.
- › This question will evaluate whether the company gave a valid explanation for changing its audit firm in the past two fiscal years.

Market Applicability: Japan, Asia Pacific, Latin America

#### ▶ [Can the audit firm be indemnified without shareholder vote? \(Q280\)](#)

- › Some companies allow the board to indemnify the audit firm without shareholder vote. Institutional investors typically argue that such indemnification should be subject to a shareholder vote and not left solely to board discretion.
- › QualityScore will consider whether audit firms can be indemnified without shareholder votes.

Market Applicability: Japan

## Appendix I: Event-driven Data Updates

Much of the information included in QualityScore comes from the annual filing of companies' proxies, annual reports, 10-Ks, circulars, meeting notices, and other meeting related materials for the companies' AGMs; and ISS' data and research teams' analyses, interpretations, and proxy voting recommendations to our clients for these shareholder meetings. While companies have the ability most of the year to submit changes to QualityScore answers, this ability is restricted between the dates when the company files its proxy or meeting

materials and the publication of ISS' proxy analysis for the company's annual meeting. During the blackout period, the company's online QualityScore profile and data is frozen, and does not reflect the latest information being gathered for the proxy analysis. Once the proxy voting recommendations report is published and released to ISS' clients, companies are able once again to review their QualityScore data profiles and provide updates through the [Data Verification](#) tool.

Online QualityScore profiles are updated once daily, at approximately 5am ET (10am UTC). Therefore, when the ISS proxy analysis is released containing the updated QualityScore scores, the online website may not yet reflect the updated scores and profile. The online score and profile will be updated the next day.

During the year outside of the annual meeting, ISS reviews new filings to keep QualityScore up to date, incorporating changes to bylaws, adoptions and redemptions of poison pills, and other events. Two categories of such updates are accorded special treatment in QualityScore:

### **Classification of Newly-Appointed Directors**

ISS will monitor 8-K filings for new director disclosures, such as new directors being appointed to the board, or incumbent directors leaving the board. In general, the standard 8-K disclosure is insufficient for ISS to determine if the new director is independent under ISS' classification. However, if the company provides sufficient disclosure, ISS may make a preliminary determination (for QualityScore purposes) of the director's ISS classification. This classification is tentative and subject to change once the full disclosure on the director is available in the proxy.

If ISS is unable to make a preliminary determination of the newly appointed director's classification based on a company's disclosure, ISS will consider the director "unclassified" until there is sufficient information to determine the classification. In such a case, the company's board percentages, including board independence, committee independence calculations, and percentage of directors that are family members or with related party transactions, are frozen at the calculated values based on the last complete disclosures. The complete lists of factors are: 10, 11, 19, 25, 31, 50, 51, 203, 205, 206, and 208. As such, there is no impact on company scores for these factors. When all directors have been classified as either independent or otherwise, the calculation will be updated to reflect these changes.

For ISS to be able to make the preliminary determination of whether a newly appointed director is independent under ISS standards, the following minimum information on the director (perhaps in the form of a short biography) is required:

1. Current position;
2. The company's determination of whether the director is independent under its listing standards;
3. Any previous employment at the company;
4. Any familial relationships with the company's executives or directors;

5. Any transactions (per Item 404a of Regulation S-K) between the director, the director's employer, or the director's immediate family member's current employer, and the company in the last fiscal year.

## Appendix II: QualityScore Factor Methodology and Region Applicability

**X** Indicates the factor is applicable to all countries in a given region

**y** Indicates the factor is **not** applicable to all countries in a given region

**\*** Indicates the factor has zero-weight impact on the scoring model and is for informational purposes only

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
	<b>AUDIT</b>														
3	Has the company restated financials for any period within the past two years?	X	X									X			
4	Has the company made non-timely financial disclosure filings in the past two years?	X	X								X	X			
5	Has a regulator initiated enforcement action against the company in the past two years?	X	X	X	X	X	X	X	X	X	X	X	X	X	X
8	Has the company disclosed any material weaknesses in its internal controls in the past two years?	X	X	X							X			X	
200	Has a regulator initiated enforcement action against a director or officer of the company in the past two years?	X	X							X		X			X
201	Is the company, or any of its directors and officers, currently under investigation by a regulatory body?	X								X		X			X
302	Has the company made late filing of Annual Report for the most recent fiscal year?									X		X			X
1	Non-Audit fees represent what percentage of total fees?	X	X	X	X	X	X	X	X	X		X	X	X	X
2	Did the auditor issue an adverse opinion in the past year?	X	X	X	X	X	X	X	X	X	X	X	X	X	X
347	What is the tenure of the external auditor?	*		*											

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
365	Does the company have a policy on evaluating competency and independence of the external auditor in compliance with the Japanese Corporate Governance Code 3-2-1?	*									X				
6	How many financial experts serve on the audit committee?	X	*	X	X	X	X		X	X		X		X	
280	Can audit firm be indemnified without shareholder vote?										X				
281	What is the independent statutory auditors composition?										X				
288	Has the company changed its audit firm without valid reason in the past three fiscal year?									X	X		X		
	<b>BOARD STRUCTURE</b>														
9	How many directors serve on the board?	*	X	X	X	X	X	X	X	X	X	X	X	X	X
10	What is the independent director composition of the Board according to ISS classification (market nuances)?	X	X	X	X	X	X	X	X	X	X	X	X	X	X
13	What proportion of non-executive directors on the board has lengthy tenure?	X	X						*	X					X
14	What is the classification of the Chairman of the Board?	X	X	X	X	X	X	X	X	X	X	X	X	X	X
16	Has the company identified a Senior Independent Director or an independent Lead Director?	X	X	X	X	X	X	X	X	X			X	X	X
17	What is the term of mandate proposed for supervisory board members (at the latest general meeting)?				X		X	X							

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
205	What percentage of the board consists of immediate family members of majority shareholders, executives and former executives (within the past five years)?	*											*		
206	What percentage of the board are former or current employees of the company?	*											*		
282	What is the outside director composition of the board?										X				
289	What is the number of outside directors on the Board?										*				
304	What is the number of women on the board?	X	X	X	X	X	X	X	X	X	*	X	X	X	X
349	Does the board have any mechanisms to encourage director refreshment?	*													
354	What is the proportion of women on the board?	X	X	X	X	X	X	X	X	X	X	X	X	X	X
355	What proportion of non-executive directors has been on the board less than 6 years?	X													
367	Has the company appointed a Lead Independent Director or established other ways of effective collaboration between independent directors and management and statutory auditors in compliance with the Japanese Corporate Governance Code 4-8-2?										X				
378	What is the independent director composition of the Board according to ISS classification (global)?	X	X	X	X	X	X	X	X	X		X	X	X	X

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
41	Does the company disclose a policy requiring an annual performance evaluation of the board?	X	X	X	X	X	X	X	X		X				
46	Does the company disclose board/governance guidelines?	X													
100	Does the company allow the Chairman a second or casting vote at director meetings in the event of a tie?		X				X								
143	Are directors subject to stock ownership guidelines?	X	X						X						
215	What is the quorum for director meetings		X												
244	Does the company have a robust policy prohibiting hedging of company shares by employees?	X	X						X						
36	Do the executives serve on an excessive number of outside boards?			X	X	X	X	X					*		
37	Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?	X	X	X	X	X	y		X				*		
38	How many (non-executive) directors serve on a significant number of outside boards?	X	X	X	X	X	y	X	X				*		
39	Does the chair serve on a significant number of outside boards?			X	X	X	y	X	X				*		
43	What percentage of all meetings were attended by at least 50% of the supervisory board?					X									
44	What percentage of the directors attended less than 75% of board and/or key committee meetings?	X	X	X	X	X	X	X	X	X	X	X	*	X	X

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
45	Did any directors attend less than 75% of the aggregate board and applicable key committee meetings without a valid excuse?	X	X	X											
49	How many directors received withhold/ against votes of 50% or greater at the last annual meeting?	X	X												
140	What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?			X	X	X	X		X				*	X	
144	What proportion of directors with more than one year of service own stock, (who can legally/practically do so)?	X	X						X	X		X			X
243	Did any executive or director pledge company shares?	X													
309	How many directors serve on an excessive number of outside boards?									X					
312	What percentage of directors received shareholder approval rates below 80%?	X													
315	What was the average outside director's total compensation as a multiple of the peer median?	X													
337	Has the company disclosed the attendance of each director?									X					X
348	Does the company disclose the existence of a formal CEO and key executive officers succession plan?	X													
366	Does the company routinely hold independent director meetings or have other mechanisms to facilitate effective collaboration of independent directors, management and statutory auditors in compliance with the Japanese Corporate Governance Code 4-8-1?										X				



QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
368	Does the company have a mechanism to appropriately monitor and supervise its CEO succession planning in compliance with the Japanese Corporate Governance Code 4-1-3?										X				
19	What is the independent status of the nominating committee members (market nuances)?	X	X	X	X	X	X	X	X	X	X	X	X	X	X
23	What's the classification of the chairman of the nominating committee?	X	X	X	X	X	X	y	X	X	X	X	X	X	X
25	What is the independent status of the compensation committee members (market nuances)?	X	X	X	X	X	y		X	X	X	X		X	X
27	Are there executives on the compensation committee?	X	X	X	X	X	X	X	X	X		X	X	X	X
28	What's the classification of the chairman of the compensation committee?	X	X	X	X	X	X	X	X	X	X	X	X	X	X
31	What is the independent status of the audit committee members (market nuances)?	X	X	X	X	X	X		X	X	X	X		X	X
33	Are there executives on the audit committee?	X	X	X	X	X	X	X	X	X			X	X	X
34	What's the classification of the chairman of the audit committee?	X	X	X	X	X	X	X	X	X	X	X	X	X	X
283	What governance structure has the company adopted?										*				
306	Are there executives on the nominating committee?	X	X	X	X	X	X	y	X	X		X	X	X	X

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
331	Does the company maintain a formal audit committee?												X		
332	Does the company maintain a formal fiscal council?												X		
340	Has the company disclosed information on key committee attendance?														X
380	What is the independent status of the nominating committee members?	X	X	X	X	X	X	y	X	X		X	X	X	X
381	What is the independent status of the compensation committee members?	X	X	X	X	X	X	X	X	X		X	X	X	X
382	What is the independent status of the audit committee members?	X	X	*	X	X	X	*	X	X		X	*	X	X
99	Has the board failed to implement a shareholder resolution supported by a majority vote, or failed to address the issue underlying majority director WHs?	X													
345	Has ISS' review found that the Board of Directors recently took action that materially reduces shareholder rights?	X													
350	Has the board adequately responded to low support for a management proposal?	X													
50	What percent of the directors were involved in material RPTs?	X	X												
51	Do the directors with RPTs sit on key board committees?	X	X												
216	Are there material related-party transactions involving the CEO?	X								X					
336	Does the company disclose information on Related Party Transactions?														X

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
	<b>COMPENSATION/REMUNERATION</b>														
112	Does the company disclose details of individual executives' remuneration?						X			X	X		X		X
113	Does the company disclose a performance measure for the short term incentive plan (for executives)?	X	X	X	X	X	y	X		X				X	
121	Does the company disclose a performance measure for matching ?			X	X	X	X	X						X	
122	Does the company disclose a performance measure for stock options plans (for executives)?		X	X	X	X	X	X		X			X	X	X
123	Does the company disclose a performance measure for restricted share / stock award plans (for executives)?		X	X	X	X	X	X		X			X	X	
125	Does the company disclose a performance measure for other long term plans (for executives)?			X	X	X	X	X		X			X	X	
166	Has the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting?		X		X									X	
246	What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan?	X							X						
250	What is the level of disclosure on CEO ownership guidelines?					X									
328	Did the most recent Say on Pay proposal receive significant opposition from shareholders?	X													
341	Does the company disclose the remuneration paid to the board in AGM proxy filings?											X			

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
353	Does the company employ at least one metric that compares its performance to a benchmark or peer group (relative performance)?	X													
376	Does the company have a policy on executive remuneration and computation basis for the pay?										X				
300	Has ISS' qualitative review identified a pay-for-performance misalignment?	X	X												
301	Has ISS identified a problematic pay practice or policy that raise concerns?	X	X	X	X	X	X	X	X				X	X	X
131	What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?	X	X	X	X	X	X	X	X	X		X	X	X	X
132	What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?	X	X	X	X	X	X	X	X	X		X	X	X	X
133	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?		X	X	X	X	X	X	X	X			X	X	
134	What is the holding/retention period for stock options (for executives)?	X	X	X	X	X	X		X				X		
135	What is the holding/retention period for restricted shares / stock awards (for executives)?	X		X	X	X	X		X				X		
145	What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?	X	X	X	X		X	X	X						

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
146	What proportion of the salary is subject to stock ownership requirements/guidelines for executives (excluding the CEO)?			X	X		X		X						
155	Did the company disclose a claw back or malus provision?	X	X	X	X	X	X	X	X						
323	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Matching plan?				X										
324	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Deferral plan?				X										
104	Does the company provide loans to directors?		X				X								
107	What part of the total remuneration received by directors is options based?		X												
109	Do directors participate in equity based plans?		X		X	X	X	X							
110	Do non-executive directors participate to performance related remuneration?			X	X	X	X		X	X			X	X	X
325	Are directors eligible to receive grants/awards under the plan involved in its administration?									X			X		X
118	Is part of the bonus granted or to be granted guaranteed?		X	X	X	X	X		X					X	
154	Does the company provide loans to executives?		X	X	X	X	X		X					X	

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
156	Are any of the NEOs eligible for multi-year guaranteed bonuses?	X	X												
159	Did the company grant a one-off reward to any of its executives?						X		X					X	
237	What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) to Base Salary?	X													
114	Is there a cap on CEO's annual bonus?			X	X	X	y	X	X						
115	Is there a cap on executives' (excluding the CEO) annual bonus?			X	X	X	y	X	X						
116	What percentage of the annual bonus for CEO is or can be deferred?			X	X	X	X		X						
117	What percentage of the annual bonus for executives (excluding the CEO) is or can be deferred?			X	X	X	X		X						
228	What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?	X	y	X	X	X	X	X							
229	What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?	X	y	X	X	X	X	X							
232	What is the ratio of the CEO's total compensation to the next highest paid executive?	X													
233	What is the performance period for the latest active long term incentive plan (or the proposed plan) for executives?			X	X		X		X					X	

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
329	What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers?	X	y	X	X		X	X							
148	What's the trigger under the change-in-control agreements?	X	X												
150	In the event of termination of the contract of executives, does the equity based remuneration vest?						X		X						
152	How long is the notice period for the CEO if the company terminates the contract?						X		X						
153	Do equity based plans or other long term awards vest completely upon a change in control?	X	X						X				X		
160	What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?			X	X	X	X	X						X	
161	What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?	X	X	X	X	X	y	X						X	
162	Does the company provide excise tax gross-ups for change-in-control payments?	X	X												
163	What is the length of employment agreement with the CEO?	*													
247	What is the basis for the change-in-control or severance payment for the CEO?	X	X	X	X	X	y	X						X	
248	What is the basis for the change-in-control or severance payment for executives excluding the CEO?			X	X	X	y	X						X	

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
127	What is the total proportion of all outstanding equity based plans towards the share capital?			X			X	X					X	X	
128	Is there a maximum level of dilution per year?			X	X	*				X					
129	Do the company's active equity plans prohibit share recycling for options/SARS?	X													
130	Does the company's average 3-year equity grant rate exceed the greater of 2 percent and the average of its industry/index peers?	X													
136	What are the pricing conditions for stock options granted to executives?			X	X	X	X	X	X	X		X	X	X	X
138	Do the company's active equity plans prohibit option/ SAR repricing?	X	X												
139	Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?	X	X												
238	Do the company's active equity plans prohibit option/ SAR cash buyouts?	X	X												
239	Do the company's active equity plans have an evergreen provision?	X													
240	Do the company's active equity plans have liberal CIC vesting provisions?	X													
322	Does the company have an equity-based compensation plan?									X	X	X	X		X



QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
375	Does the company have a performance-based pay or other incentives for its executives?										X				
	<b>SHAREHOLDER RIGHTS</b>														
52	Does the company have a majority vote standard in uncontested elections?	X	X												
53	Does the company have a slate ballot at its current shareholders' meeting?				X	X	X					X	X		
84	What proportion of shares must be represented at the general meeting to cancel the binding nature of the nomination of supervisory board members (and or executive board members)?				X										
89	Does the company require a super-majority vote to approve amendments to the charter and bylaws?	X	X				X								
90	Does the company require a super-majority vote to approve mergers/business combinations?	X	X												
97	What is the percentage of share capital needed to convene a special meeting?	X	X		X										
98	Can shareholders act by written consent?	X	*												
101	Is shareholder quorum for shareholders' meetings at least 2 persons representing at least 25% of the outstanding shares?		X												
225	Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call the meeting?	X													

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
262	What is the number of vacancies on the board?								X		X				
285	Does the company have discretion over dividend payments?										X	X			
286	Are the shareholders allowed to submit dividend proposals?										X				
287	Does the company hold its general meeting on a peak date?										X	X			
334	Are the names of the nominee directors disclosed?														
335	Has the company made late filing of the proxy material in the past year?									X		X			X
338	Does the company use cumulative voting for director election?									X		X			
343	If the company has a plurality vote standard with majority voting and director resignation policy, is there a plurality carve-out in the case of contested elections?		X												
346	Does the company provide proxy access to shareholders?	X													
357	Has the company employed a show of hands at the last general meeting?								X						
359	What is the ownership threshold for proxy access?	X													

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
360	What is the ownership duration threshold for proxy access?	X													
361	What is the cap on shareholder nominees to fill board seats from proxy access?	X													
362	What is the aggregation limit on shareholders to form a nominating group for proxy access?	X													
363	Does the company have a fee shifting provision?	X													
364	Does the company have a representative claim limitation or other significant litigation rights limitations?	X													
370	Does the company disclose the policy on cross-shareholding, including voting policy for such shares in compliance with the Japanese Corporate Governance Code 1-4?										X				
371	How many number of days before the general meeting did the company publish its proxy materials?										X				
372	Does the company collaborate with intermediaries to accommodate beneficial owners to attend shareholder meetings in compliance with the Japanese Corporate Governance Code 1-2-5?										X				
373	Does the company provide proxy materials in English?										X				
374	Does the company participate in an electronic voting platform?										X				
54	Does the company have classes of stock with different voting rights?	X	X	X	X	X	X	X	*	X		*	X	X	*

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
55	Are there any directors on the board who are not up for election by all classes of common shareholders?	X	X												
56	Is there a sunset provision on the company's unequal voting structure?	X	X												
57	What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?			X	X	X		X						X	
58	What is the level of free float of the multiple voting rights or voting certificates?			X	X	X		X						X	
59	What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies?				X										
60	Has the company indicated to eliminate the system of depositary receipts?				X										
61	Are depositary receipt holders restricted in their voting rights?				X										
63	What percentage of the company's share capital is made up of non-voting shares?			X	X	X	X	X						X	
64	What is the level of free float of voting shares in relation to the non-voting shares?			X	X	X	X	X						X	
65	Does the company have an absolute voting right ceiling?				X	X	X	X					X		
66	Does the company have a relative voting right ceiling?				X	X	X	X							

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
67	Does the company have an ownership ceiling?			X	X	X	X	X	X		X		X	X	
68	Does the company have ownership ceilings for specific parties?			X	X	X	X	X	X				X	X	
69	Do shareholders or the State have the priority right?			X	X	X	X	X					X	X	
217	Is there a coattail provision attached to the company's unequal voting structure?		X												
369	Does the company have class shares with full or multiple voting rights?										X				
263	Are there RPTs with significant shareholders?								X	X		X	X		X
318	What is the dilution limit of the general mandate to issue shares?								X	X		X			X
319	What is the discount limit of the general mandate to issue shares?								X	X					X
320	What is the dilution limit of the general mandate to issue repurchased shares?									X					
321	What is the aggregate dilution limit of share issuance and reissuance mandate?									X					
351	Does the company have an exclusive venue/forum provision?	X													

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
352	Can the board materially modify the company's capital structure without shareholder approval?	X													
356	Has the company done a private placement in the past year?								X						
72	Does the company have targeted stock placement that can be used as a takeover defense?				X		X					X			
73	Does the company maintain pre-emptive rights in the event of a takeover bid?				X		X								
74	Can the company target repurchased shares in the event of a takeover bid?				X		X	X							
77	Are all directors elected annually?	X	X								X		X		
78	Does the company have a poison pill (shareholder rights plan) in effect?	X	X								X				
79	What is the trigger threshold for the poison pill?	X													
80	Does the poison pill have a sunset provision?	X													
82	Does the poison pill have a qualified offer clause?	X													
83	Is the board authorized to issue blank check preferred stock?	X	X									X			

QuestionID	Question	US	Canada	Anglo	W. Europe	Germanic	S. Europe	Nordic	Australasia	AsiaPac	Japan	S. Korea	Latin America	Africa	India
91	What is the expiration date of the poison pill?	X													
218	Are there ownership factors that affect the takeover defenses?			X	X	X	X	X					X	X	
219	Are there priority rights that affect the takeover defenses?			X	X	X	X	X					X	X	
220	Is the poison pill designed to preserve tax assets (NOL pill)?	X													
221	Was the poison pill approved by shareholders?										X				
222	When was the poison pill implemented or renewed?	X													
223	Does the company's poison pill include a modified slow-hand or dead-hand provision?	X													
224	If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections?	X													
284	Does the removal of a director require a supermajority vote?										X				
290	Does the company have a controlling shareholder?	*					*		*	X	X	X	X	X	X
333	What is the level of tag along rights for minority shareholders?												X		

## Appendix III: Region-specific Factor Methodology

### United States

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 3 Has the company restated financials for any period within the past two years?
- 4 Has the company made non-timely financial disclosure filings in the past two years?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 8 Has the company disclosed any material weaknesses in its internal controls in the past two years?
- 9 How many directors serve on the board?\*
- 10 What percentage of the board is independent according to ISS' local market classification?
- 13 What proportion of non-executive directors on the board has lengthy tenure?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 37 Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?
- 38 How many (non-executive) directors serve on a significant number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 45 Did any directors attend less than 75% of the aggregate board and applicable key committee meetings without a valid excuse?



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- 46 Does the company disclose board/governance guidelines?
  - 49 How many directors received withhold/ against votes of 50% or greater at the last annual meeting?
  - 50 What percent of the directors were involved in material RPTs?
  - 51 Do the directors with RPTs sit on key board committees?
  - 52 Does the company have a majority vote standard in uncontested elections?
  - 54 Does the company have classes of stock with different voting rights?
  - 55 Are there any directors on the board who are not up for election by all classes of common shareholders?
  - 56 Is there a sunset provision on the company's unequal voting structure?
  - 77 Are all directors elected annually?
  - 78 Does the company have a poison pill (shareholder rights plan) in effect?
  - 79 What is the trigger threshold for the poison pill?
  - 80 Does the poison pill have a sunset provision?
  - 82 Does the poison pill have a qualified offer clause?
  - 83 Is the board authorized to issue blank check preferred stock?
  - 89 Does the company require a super-majority vote to approve amendments to the charter and bylaws?
  - 90 Does the company require a super-majority vote to approve mergers/business combinations?
  - 91 What is the expiration date of the poison pill?
  - 97 What is the percentage of share capital needed to convene a special meeting?
  - 98 Can shareholders act by written consent?
  - 99 Has the board failed to implement a shareholder resolution supported by a majority vote, or failed to address the issue underlying majority director WHs?
  - 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?
  - 129 Do the company's active equity plans prohibit share recycling for options/SARS?
  - 130 Does the company's average 3-year equity grant rate exceed the greater of 2 percent and the average of its industry/index peers?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 134 What is the holding/retention period for stock options (for executives)?

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- 135 What is the holding/retention period for restricted shares / stock awards (for executives)?
- 138 Do the company's active equity plans prohibit option/ SAR repricing?
- 139 Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?
- 143 Are directors subject to stock ownership guidelines?
- 144 What proportion of directors with more than one year of service own stock, (who can legally/practically do so)?
- 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
- 148 What's the trigger under the change-in-control agreements?
- 153 Do equity based plans or other long term awards vest completely upon a change in control?
- 155 Did the company disclose a claw back or malus provision?
- 156 Are any of the NEOs eligible for multi-year guaranteed bonuses?
- 161 What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?
- 162 Does the company provide excise tax gross-ups for change-in-control payments?
- 163 What is the length of employment agreement with the CEO?\*
- 200 Has a regulator initiated enforcement action against a director or officer of the company in the past two years?
- 201 Is the company, or any of its directors and officers, currently under investigation by a regulatory body?
- 205 What percentage of the board consists of immediate family members of majority shareholders, executives and former executives (within the past five years)?\*
- 206 What percentage of the board are former or current employees of the company?\*
- 216 Are there material related-party transactions involving the CEO?
- 220 Is the poison pill designed to preserve tax assets (NOL pill)?
- 222 When was the poison pill implemented or renewed?
- 223 Does the company's poison pill include a modified slow-hand or dead-hand provision?
- 224 If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections?
- 225 Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call the meeting?
- 228 What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?
- 229 What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
- 232 What is the ratio of the CEO's total compensation to the next highest paid executive?
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- 237 What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) to Base Salary?
- 238 Do the company's active equity plans prohibit option/ SAR cash buyouts?
- 239 Do the company's active equity plans have an evergreen provision?
- 240 Do the company's active equity plans have liberal CIC vesting provisions?
- 243 Did any executive or director pledge company shares?
- 244 Does the company have a robust policy prohibiting hedging of company shares by employees?
- 246 What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 290 Does the company have a controlling shareholder?\*
- 300 Has ISS' qualitative review identified a pay-for-performance misalignment?
- 301 Has ISS identified a problematic pay practice or policy that raise concerns?
- 304 What is the number of women on the board?
- 306 Are there executives on the nominating committee?
- 312 What percentage of directors received shareholder approval rates below 80%?
- 315 What was the average outside director's total compensation as a multiple of the peer median?
- 328 Did the most recent Say on Pay proposal receive significant opposition from shareholders?
- 329 What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers?
- 345 Has ISS' review found that the Board of Directors recently took action that materially reduces shareholder rights?
- 346 Does the company provide proxy access to shareholders?
- 347 What is the tenure of the external auditor?\*
- 348 Does the company disclose the existence of a formal CEO and key executive officers succession plan?
- 349 Does the board have any mechanisms to encourage director refreshment?\*
- 350 Has the board adequately responded to low support for a management proposal?
- 351 Does the company have an exclusive venue/forum provision?
- 352 Can the board materially modify the company's capital structure without shareholder approval?
- 353 Does the company employ at least one metric that compares its performance to a benchmark or peer group (relative performance)?
- 354 What is the proportion of women on the board?
- 355 What proportion of non-executive directors has been on the board less than 6 years?
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- 359 What is the ownership threshold for proxy access?
- 360 What is the ownership duration threshold for proxy access?
- 361 What is the cap on shareholder nominees to fill board seats from proxy access?
- 362 What is the aggregation limit on shareholders to form a nominating group for proxy access?
- 363 Does the company have a fee shifting provision?
- 364 Does the company have a representative claim limitation or other significant litigation rights limitations?
- 365 Does the company have a policy on evaluating competency and independence of the external auditor in compliance with the Japanese Corporate Governance Code 3-2-1?\*
  
- 378 What percentage of the board is independent based on an ISS global classification?
- 380 What percentage of the compensation committee is independent based on an ISS global classification?
- 381 What percentage of the compensation committee is independent based on an ISS global classification?
- 382 What percentage of the audit committee is independent based on an ISS global classification?

**Canada**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 3 Has the company restated financials for any period within the past two years?
- 4 Has the company made non-timely financial disclosure filings in the past two years?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?\*
- 8 Has the company disclosed any material weaknesses in its internal controls in the past two years?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 13 What proportion of non-executive directors on the board has lengthy tenure?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 37 Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?
- 38 How many (non-executive) directors serve on a significant number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 45 Did any directors attend less than 75% of the aggregate board and applicable key committee meetings without a valid excuse?
- 49 How many directors received withhold/ against votes of 50% or greater at the last annual meeting?
- 50 What percent of the directors were involved in material RPTs?
- 51 Do the directors with RPTs sit on key board committees?

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- 52 Does the company have a majority vote standard in uncontested elections?
  - 54 Does the company have classes of stock with different voting rights?
  - 55 Are there any directors on the board who are not up for election by all classes of common shareholders?
  - 56 Is there a sunset provision on the company's unequal voting structure?
  - 77 Are all directors elected annually?
  - 78 Does the company have a poison pill (shareholder rights plan) in effect?
  - 83 Is the board authorized to issue blank check preferred stock?
  - 89 Does the company require a super-majority vote to approve amendments to the charter and bylaws?
  - 90 Does the company require a super-majority vote to approve mergers/business combinations?
  - 97 What is the percentage of share capital needed to convene a special meeting?
  - 98 Can shareholders act by written consent?\*
  - 100 Does the company allow the Chairman a second or casting vote at director meetings in the event of a tie?
  - 101 Is shareholder quorum for shareholders' meetings at least 2 persons representing at least 25% of the outstanding shares?
  - 104 Does the company provide loans to directors?
  - 107 What part of the total remuneration received by directors is options based?
  - 109 Do directors participate in equity based plans?
  - 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?
  - 118 Is part of the bonus granted or to be granted guaranteed?
  - 122 Does the company disclose a performance measure for stock options plans (for executives)?
  - 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 134 What is the holding/retention period for stock options (for executives)?
  - 138 Do the company's active equity plans prohibit option/ SAR repricing?
  - 139 Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?
  - 143 Are directors subject to stock ownership guidelines?
  - 144 What proportion of directors with more than one year of service own stock, (who can legally/practically do so)?
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- 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
  - 148 What's the trigger under the change-in-control agreements?
  - 153 Do equity based plans or other long term awards vest completely upon a change in control?
  - 154 Does the company provide loans to executives?
  - 155 Did the company disclose a claw back or malus provision?
  - 156 Are any of the NEOs eligible for multi-year guaranteed bonuses?
  - 161 What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?
  - 162 Does the company provide excise tax gross-ups for change-in-control payments?
  - 166 Has the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting?
  - 200 Has a regulator initiated enforcement action against a director or officer of the company in the past two years?
  - 215 What is the quorum for director meetings
  - 217 Is there a coattail provision attached to the company's unequal voting structure?
  - 228 What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?
  - 229 What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
  - 238 Do the company's active equity plans prohibit option/ SAR cash buyouts?
  - 244 Does the company have a robust policy prohibiting hedging of company shares by employees?
  - 247 What is the basis for the change-in-control or severance payment for the CEO?
  - 300 Has ISS' qualitative review identified a pay-for-performance misalignment?
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?
  - 329 What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers?
  - 343 If the company has a plurality vote standard with majority voting and director resignation policy, is there a plurality carve-out in the case of contested elections?
  - 354 What is the proportion of women on the board?
  - 378 What percentage of the board is independent based on an ISS global classification?
  - 380 What percentage of the compensation committee is independent based on an ISS global classification?
  - 381 What percentage of the compensation committee is independent based on an ISS global classification?
  - 382 What percentage of the audit committee is independent based on an ISS global classification?

**Western Europe**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 17 What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 36 Do the executives serve on an excessive number of outside boards?
- 37 Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?
- 38 How many (non-executive) directors serve on a significant number of outside boards?
- 39 Does the chair serve on a significant number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 54 Does the company have classes of stock with different voting rights?
- 57 What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?
- 58 What is the level of free float of the multiple voting rights or voting certificates?
- 59 What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies?



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- 60 Has the company indicated to eliminate the system of depositary receipts?
  - 61 Are depositary receipt holders restricted in their voting rights?
  - 63 What percentage of the company's share capital is made up of non-voting shares?
  - 64 What is the level of free float of voting shares in relation to the non-voting shares?
  - 65 Does the company have an absolute voting right ceiling?
  - 66 Does the company have a relative voting right ceiling?
  - 67 Does the company have an ownership ceiling?
  - 68 Does the company have ownership ceilings for specific parties?
  - 69 Do shareholders or the State have the priority right?
  - 72 Does the company have targeted stock placement that can be used as a takeover defense?
  - 73 Does the company maintain pre-emptive rights in the event of a takeover bid?
  - 74 Can the company target repurchased shares in the event of a takeover bid?
  - 84 What proportion of shares must be represented at the general meeting to cancel the binding nature of the nomination of supervisory board members (and or executive board members)?
  - 97 What is the percentage of share capital needed to convene a special meeting?
  - 109 Do directors participate in equity based plans?
  - 110 Do non-executive directors participate to performance related remuneration?
  - 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?
  - 114 Is there a cap on CEO's annual bonus?
  - 115 Is there a cap on executives' (excluding the CEO) annual bonus?
  - 116 What percentage of the annual bonus for CEO is or can be deferred?
  - 117 What percentage of the annual bonus for executives (excluding the CEO) is or can be deferred?
  - 118 Is part of the bonus granted or to be granted guaranteed?
  - 121 Does the company disclose a performance measure for matching ?
  - 122 Does the company disclose a performance measure for stock options plans (for executives)?
  - 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
  - 125 Does the company disclose a performance measure for other long term plans (for executives)?
  - 128 Is there a maximum level of dilution per year?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
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- 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
- 134 What is the holding/retention period for stock options (for executives)?
- 135 What is the holding/retention period for restricted shares / stock awards (for executives)?
- 136 What are the pricing conditions for stock options granted to executives?
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
- 146 What proportion of the salary is subject to stock ownership requirements/guidelines for executives (excluding the CEO)?
- 154 Does the company provide loans to executives?
- 155 Did the company disclose a claw back or malus provision?
- 160 What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?
- 161 What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?
- 166 Has the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting?
- 218 Are there ownership factors that affect the takeover defenses?
- 219 Are there priority rights that affect the takeover defenses?
- 228 What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?
- 229 What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
- 233 What is the performance period for the latest active long term incentive plan (or the proposed plan) for executives?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 248 What is the basis for the change-in-control or severance payment for executives excluding the CEO?
- 301 Has ISS identified a problematic pay practice or policy that raise concerns?
- 304 What is the number of women on the board?
- 306 Are there executives on the nominating committee?
- 323 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Matching plan?
- 324 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Deferral plan?
- 329 What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers?
- 354 What is the proportion of women on the board?
- 378 What percentage of the board is independent based on an ISS global classification?
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- 380 What percentage of the compensation committee is independent based on an ISS global classification?
- 381 What percentage of the compensation committee is independent based on an ISS global classification?
- 382 What percentage of the audit committee is independent based on an ISS global classification?

**Germanic**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 36 Do the executives serve on an excessive number of outside boards?
- 37 Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?
- 38 How many (non-executive) directors serve on a significant number of outside boards?
- 39 Does the chair serve on a significant number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 43 What percentage of all meetings were attended by at least 50% of the supervisory board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 54 Does the company have classes of stock with different voting rights?
- 57 What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?
- 58 What is the level of free float of the multiple voting rights or voting certificates?
- 63 What percentage of the company's share capital is made up of non-voting shares?

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- 64 What is the level of free float of voting shares in relation to the non-voting shares?
  - 65 Does the company have an absolute voting right ceiling?
  - 66 Does the company have a relative voting right ceiling?
  - 67 Does the company have an ownership ceiling?
  - 68 Does the company have ownership ceilings for specific parties?
  - 69 Do shareholders or the State have the priority right?
  - 109 Do directors participate in equity based plans?
  - 110 Do non-executive directors participate to performance related remuneration?
  - 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?
  - 114 Is there a cap on CEO's annual bonus?
  - 115 Is there a cap on executives' (excluding the CEO) annual bonus?
  - 116 What percentage of the annual bonus for CEO is or can be deferred?
  - 117 What percentage of the annual bonus for executives (excluding the CEO) is or can be deferred?
  - 118 Is part of the bonus granted or to be granted guaranteed?
  - 121 Does the company disclose a performance measure for matching ?
  - 122 Does the company disclose a performance measure for stock options plans (for executives)?
  - 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
  - 125 Does the company disclose a performance measure for other long term plans (for executives)?
  - 128 Is there a maximum level of dilution per year?\*
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 134 What is the holding/retention period for stock options (for executives)?
  - 135 What is the holding/retention period for restricted shares / stock awards (for executives)?
  - 136 What are the pricing conditions for stock options granted to executives?
  - 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
  - 154 Does the company provide loans to executives?
  - 155 Did the company disclose a claw back or malus provision?

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- 160 What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?
  - 161 What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?
  - 218 Are there ownership factors that affect the takeover defenses?
  - 219 Are there priority rights that affect the takeover defenses?
  - 228 What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?
  - 229 What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
  - 247 What is the basis for the change-in-control or severance payment for the CEO?
  - 248 What is the basis for the change-in-control or severance payment for executives excluding the CEO?
  - 250 What is the level of disclosure on CEO ownership guidelines?
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?
  - 354 What is the proportion of women on the board?
  - 378 What percentage of the board is independent based on an ISS global classification?
  - 380 What percentage of the compensation committee is independent based on an ISS global classification?
  - 381 What percentage of the compensation committee is independent based on an ISS global classification?
  - 382 What percentage of the audit committee is independent based on an ISS global classification?

**Southern Europe**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 17 What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 36 Do the executives serve on an excessive number of outside boards?
- 37 Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?
- 38 How many (non-executive) directors serve on a significant number of outside boards?
- 39 Does the chair serve on a significant number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 54 Does the company have classes of stock with different voting rights?
- 63 What percentage of the company's share capital is made up of non-voting shares?
- 64 What is the level of free float of voting shares in relation to the non-voting shares?
- 65 Does the company have an absolute voting right ceiling?

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- 66 Does the company have a relative voting right ceiling?
  - 67 Does the company have an ownership ceiling?
  - 68 Does the company have ownership ceilings for specific parties?
  - 69 Do shareholders or the State have the priority right?
  - 72 Does the company have targeted stock placement that can be used as a takeover defense?
  - 73 Does the company maintain pre-emptive rights in the event of a takeover bid?
  - 74 Can the company target repurchased shares in the event of a takeover bid?
  - 89 Does the company require a super-majority vote to approve amendments to the charter and bylaws?
  - 100 Does the company allow the Chairman a second or casting vote at director meetings in the event of a tie?
  - 104 Does the company provide loans to directors?
  - 109 Do directors participate in equity based plans?
  - 110 Do non-executive directors participate to performance related remuneration?
  - 112 Does the company disclose details of individual executives' remuneration?
  - 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?
  - 114 Is there a cap on CEO's annual bonus?
  - 115 Is there a cap on executives' (excluding the CEO) annual bonus?
  - 116 What percentage of the annual bonus for CEO is or can be deferred?
  - 117 What percentage of the annual bonus for executives (excluding the CEO) is or can be deferred?
  - 118 Is part of the bonus granted or to be granted guaranteed?
  - 121 Does the company disclose a performance measure for matching ?
  - 122 Does the company disclose a performance measure for stock options plans (for executives)?
  - 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
  - 125 Does the company disclose a performance measure for other long term plans (for executives)?
  - 127 What is the total proportion of all outstanding equity based plans towards the share capital?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 134 What is the holding/retention period for stock options (for executives)?



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- 135 What is the holding/retention period for restricted shares / stock awards (for executives)?
  - 136 What are the pricing conditions for stock options granted to executives?
  - 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
  - 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
  - 146 What proportion of the salary is subject to stock ownership requirements/guidelines for executives (excluding the CEO)?
  - 150 In the event of termination of the contract of executives, does the equity based remuneration vest?
  - 152 How long is the notice period for the CEO if the company terminates the contract?
  - 154 Does the company provide loans to executives?
  - 155 Did the company disclose a claw back or malus provision?
  - 159 Did the company grant a one-off reward to any of its executives?
  - 160 What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?
  - 161 What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?
  - 218 Are there ownership factors that affect the takeover defenses?
  - 219 Are there priority rights that affect the takeover defenses?
  - 228 What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?
  - 229 What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
  - 233 What is the performance period for the latest active long term incentive plan (or the proposed plan) for executives?
  - 247 What is the basis for the change-in-control or severance payment for the CEO?
  - 248 What is the basis for the change-in-control or severance payment for executives excluding the CEO?
  - 290 Does the company have a controlling shareholder?\*
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?
  - 329 What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers?
  - 354 What is the proportion of women on the board?
  - 378 What percentage of the board is independent based on an ISS global classification?
  - 380 What percentage of the compensation committee is independent based on an ISS global classification?
  - 381 What percentage of the compensation committee is independent based on an ISS global classification?
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382 What percentage of the audit committee is independent based on an ISS global classification?

**Nordic**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 17 What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 36 Do the executives serve on an excessive number of outside boards?
- 38 How many (non-executive) directors serve on a significant number of outside boards?
- 39 Does the chair serve on a significant number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 54 Does the company have classes of stock with different voting rights?
- 57 What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?
- 58 What is the level of free float of the multiple voting rights or voting certificates?
- 63 What percentage of the company's share capital is made up of non-voting shares?
- 64 What is the level of free float of voting shares in relation to the non-voting shares?
- 65 Does the company have an absolute voting right ceiling?
- 66 Does the company have a relative voting right ceiling?
- 67 Does the company have an ownership ceiling?
- 68 Does the company have ownership ceilings for specific parties?

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- 69 Do shareholders or the State have the priority right?
  - 74 Can the company target repurchased shares in the event of a takeover bid?
  - 109 Do directors participate in equity based plans?
  - 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?
  - 114 Is there a cap on CEO's annual bonus?
  - 115 Is there a cap on executives' (excluding the CEO) annual bonus?
  - 121 Does the company disclose a performance measure for matching ?
  - 122 Does the company disclose a performance measure for stock options plans (for executives)?
  - 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
  - 125 Does the company disclose a performance measure for other long term plans (for executives)?
  - 127 What is the total proportion of all outstanding equity based plans towards the share capital?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 136 What are the pricing conditions for stock options granted to executives?
  - 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
  - 155 Did the company disclose a claw back or malus provision?
  - 160 What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?
  - 161 What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?
  - 218 Are there ownership factors that affect the takeover defenses?
  - 219 Are there priority rights that affect the takeover defenses?
  - 228 What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?
  - 229 What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
  - 247 What is the basis for the change-in-control or severance payment for the CEO?
  - 248 What is the basis for the change-in-control or severance payment for executives excluding the CEO?
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?

- 329 What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers?
- 354 What is the proportion of women on the board?
- 378 What percentage of the board is independent based on an ISS global classification?
- 380 What percentage of the compensation committee is independent based on an ISS global classification?
- 381 What percentage of the compensation committee is independent based on an ISS global classification?
- 382 What percentage of the audit committee is independent based on an ISS global classification? \*

**Anglo**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 8 Has the company disclosed any material weaknesses in its internal controls in the past two years?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 36 Do the executives serve on an excessive number of outside boards?
- 37 Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?
- 38 How many (non-executive) directors serve on a significant number of outside boards?
- 39 Does the chair serve on a significant number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 45 Did any directors attend less than 75% of the aggregate board and applicable key committee meetings without a valid excuse?
- 54 Does the company have classes of stock with different voting rights?
- 57 What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?
- 58 What is the level of free float of the multiple voting rights or voting certificates?
- 63 What percentage of the company's share capital is made up of non-voting shares?

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- 64 What is the level of free float of voting shares in relation to the non-voting shares?
  - 67 Does the company have an ownership ceiling?
  - 68 Does the company have ownership ceilings for specific parties?
  - 69 Do shareholders or the State have the priority right?
  - 110 Do non-executive directors participate to performance related remuneration?
  - 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?
  - 114 Is there a cap on CEO's annual bonus?
  - 115 Is there a cap on executives' (excluding the CEO) annual bonus?
  - 116 What percentage of the annual bonus for CEO is or can be deferred?
  - 117 What percentage of the annual bonus for executives (excluding the CEO) is or can be deferred?
  - 118 Is part of the bonus granted or to be granted guaranteed?
  - 121 Does the company disclose a performance measure for matching ?
  - 122 Does the company disclose a performance measure for stock options plans (for executives)?
  - 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
  - 125 Does the company disclose a performance measure for other long term plans (for executives)?
  - 127 What is the total proportion of all outstanding equity based plans towards the share capital?
  - 128 Is there a maximum level of dilution per year?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 134 What is the holding/retention period for stock options (for executives)?
  - 135 What is the holding/retention period for restricted shares / stock awards (for executives)?
  - 136 What are the pricing conditions for stock options granted to executives?
  - 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
  - 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
  - 146 What proportion of the salary is subject to stock ownership requirements/guidelines for executives (excluding the CEO)?
  - 154 Does the company provide loans to executives?
  - 155 Did the company disclose a claw back or malus provision?

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- 160 What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?
  - 161 What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?
  - 218 Are there ownership factors that affect the takeover defenses?
  - 219 Are there priority rights that affect the takeover defenses?
  - 228 What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?
  - 229 What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?
  - 233 What is the performance period for the latest active long term incentive plan (or the proposed plan) for executives?
  - 247 What is the basis for the change-in-control or severance payment for the CEO?
  - 248 What is the basis for the change-in-control or severance payment for executives excluding the CEO?
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?
  - 329 What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers?
  - 347 What is the tenure of the external auditor?\*
  - 354 What is the proportion of women on the board?
  - 378 What percentage of the board is independent based on an ISS global classification?
  - 380 What percentage of the compensation committee is independent based on an ISS global classification?
  - 381 What percentage of the compensation committee is independent based on an ISS global classification?
  - 382 What percentage of the audit committee is independent based on an ISS global classification? \*



**Australasia**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 13 What proportion of non-executive directors on the board has lengthy tenure? \*
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 37 Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?
- 38 How many (non-executive) directors serve on a significant number of outside boards?
- 39 Does the chair serve on a significant number of outside boards?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 54 Does the company have classes of stock with different voting rights?\*
- 67 Does the company have an ownership ceiling?
- 68 Does the company have ownership ceilings for specific parties?
- 110 Do non-executive directors participate to performance related remuneration?
- 114 Is there a cap on CEO's annual bonus?
- 115 Is there a cap on executives' (excluding the CEO) annual bonus?

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- 116 What percentage of the annual bonus for CEO is or can be deferred?
  - 117 What percentage of the annual bonus for executives (excluding the CEO) is or can be deferred?
  - 118 Is part of the bonus granted or to be granted guaranteed?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 134 What is the holding/retention period for stock options (for executives)?
  - 135 What is the holding/retention period for restricted shares / stock awards (for executives)?
  - 136 What are the pricing conditions for stock options granted to executives?
  - 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
  - 143 Are directors subject to stock ownership guidelines?
  - 144 What proportion of directors with more than one year of service own stock, (who can legally/practically do so)?
  - 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
  - 146 What proportion of the salary is subject to stock ownership requirements/guidelines for executives (excluding the CEO)?
  - 150 In the event of termination of the contract of executives, does the equity based remuneration vest?
  - 152 How long is the notice period for the CEO if the company terminates the contract?
  - 153 Do equity based plans or other long term awards vest completely upon a change in control?
  - 154 Does the company provide loans to executives?
  - 155 Did the company disclose a claw back or malus provision?
  - 159 Did the company grant a one-off reward to any of its executives?
  - 233 What is the performance period for the latest active long term incentive plan (or the proposed plan) for executives?
  - 244 Does the company have a robust policy prohibiting hedging of company shares by employees?
  - 246 What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan?
  - 262 What is the number of vacancies on the board?
  - 263 Are there RPTs with significant shareholders?
  - 290 Does the company have a controlling shareholder?\*
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 304 What is the number of women on the board?

- 306 Are there executives on the nominating committee?
- 318 What is the dilution limit of the general mandate to issue shares?
- 319 What is the discount limit of the general mandate to issue shares?
- 354 What is the proportion of women on the board?
- 356 Has the company done a private placement in the past year?
- 357 Has the company employed a show of hands at the last general meeting?
- 378 What percentage of the board is independent based on an ISS global classification?
- 380 What percentage of the compensation committee is independent based on an ISS global classification?
- 381 What percentage of the compensation committee is independent based on an ISS global classification?
- 382 What percentage of the audit committee is independent based on an ISS global classification?

**AsiaPac**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 13 What proportion of non-executive directors on the board has lengthy tenure?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 54 Does the company have classes of stock with different voting rights?
- 110 Do non-executive directors participate to performance related remuneration?
- 112 Does the company disclose details of individual executives' remuneration?
- 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?
- 122 Does the company disclose a performance measure for stock options plans (for executives)?
- 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
- 125 Does the company disclose a performance measure for other long term plans (for executives)?
- 128 Is there a maximum level of dilution per year?
- 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
- 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?

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- 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 136 What are the pricing conditions for stock options granted to executives?
  - 144 What proportion of directors with more than one year of service own stock, (who can legally/practically do so)?
  - 200 Has a regulator initiated enforcement action against a director or officer of the company in the past two years?
  - 201 Is the company, or any of its directors and officers, currently under investigation by a regulatory body?
  - 216 Are there material related-party transactions involving the CEO?
  - 263 Are there RPTs with significant shareholders?
  - 288 Has the company changed its audit firm without valid reason in the past three fiscal year?
  - 290 Does the company have a controlling shareholder?
  - 302 Has the company made late filing of Annual Report for the most recent fiscal year?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?
  - 309 How many directors serve on an excessive number of outside boards?
  - 318 What is the dilution limit of the general mandate to issue shares?
  - 319 What is the discount limit of the general mandate to issue shares?
  - 320 What is the dilution limit of the general mandate to issue repurchased shares?
  - 321 What is the aggregate dilution limit of share issuance and reissuance mandate?
  - 322 Does the company have an equity-based compensation plan?
  - 325 Are directors eligible to receive grants/awards under the plan involved in its administration?
  - 335 Has the company made late filing of the proxy material in the past year?
  - 337 Has the company disclosed the attendance of each director?
  - 338 Does the company use cumulative voting for director election?
  - 354 What is the proportion of women on the board?
  - 378 What percentage of the board is independent based on an ISS global classification?
  - 380 What percentage of the compensation committee is independent based on an ISS global classification?
  - 381 What percentage of the compensation committee is independent based on an ISS global classification?
  - 382 What percentage of the audit committee is independent based on an ISS global classification?

**Japan**

- 2 Did the auditor issue an adverse opinion in the past year?
- 4 Has the company made non-timely financial disclosure filings in the past two years?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 8 Has the company disclosed any material weaknesses in its internal controls in the past two years?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 34 What's the classification of the chairman of the audit committee?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 67 Does the company have an ownership ceiling?
- 77 Are all directors elected annually?
- 78 Does the company have a poison pill (shareholder rights plan) in effect?
- 112 Does the company disclose details of individual executives' remuneration?
- 221 Was the poison pill approved by shareholders?
- 262 What is the number of vacancies on the board?
- 280 Can audit firm be indemnified without shareholder vote?
- 281 What is the independent statutory auditors composition?
- 282 What is the outside director composition of the board?
- 283 What governance structure has the company adopted?\*
- 284 Does the removal of a director require a supermajority vote?
- 285 Does the company have discretion over dividend payments?

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- 286 Are the shareholders allowed to submit dividend proposals?
- 287 Does the company hold its general meeting on a peak date?
- 288 Has the company changed its audit firm without valid reason in the past three fiscal year?
- 289 What is the number of outside directors on the Board?\*
- 290 Does the company have a controlling shareholder?
- 304 What is the number of women on the board?\*
- 322 Does the company have an equity-based compensation plan?
- 354 What is the proportion of women on the board?
- 365 Does the company have a policy on evaluating competency and independence of the external auditor in compliance with the Japanese Corporate Governance Code 3-2-1?
- 366 Does the company routinely hold independent director meetings or have other mechanisms to facilitate effective collaboration of independent directors, management and statutory auditors in compliance with the Japanese Corporate Governance Code 4-8-1?
- 367 Has the company appointed a Lead Independent Director or established other ways of effective collaboration between independent directors and management and statutory auditors in compliance with the Japanese Corporate Governance Code 4-8-2?
- 368 Does the company have a mechanism to appropriately monitor and supervise its CEO succession planning in compliance with the Japanese Corporate Governance Code 4-1-3?
- 369 Does the company have class shares with full or multiple voting rights?
- 370 Does the company disclose the policy on cross-shareholding, including voting policy for such shares in compliance with the Japanese Corporate Governance Code 1-4?
- 371 How many number of days before the general meeting did the company publish its proxy materials?
- 372 Does the company collaborate with intermediaries to accommodate beneficial owners to attend shareholder meetings in compliance with the Japanese Corporate Governance Code 1-2-5?
- 373 Does the company provide proxy materials in English?
- 374 Does the company participate in an electronic voting platform?
- 375 Does the company have a performance-based pay or other incentives for its executives?
- 376 Does the company have a policy on executive remuneration and computation basis for the pay?

**Latin America**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 36 Do the executives serve on an excessive number of outside boards?\*
- 37 Does the CEO serve on a significant number of outside boards? / How many boards does the CEO sit on (US only)?\*
- 38 How many (non-executive) directors serve on a significant number of outside boards?\*
- 39 Does the chair serve on a significant number of outside boards?\*
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?\*
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 54 Does the company have classes of stock with different voting rights?
- 65 Does the company have an absolute voting right ceiling?
- 67 Does the company have an ownership ceiling?
- 68 Does the company have ownership ceilings for specific parties?
- 69 Do shareholders or the State have the priority right?
- 77 Are all directors elected annually?
- 110 Do non-executive directors participate to performance related remuneration?
- 112 Does the company disclose details of individual executives' remuneration?



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- 122 Does the company disclose a performance measure for stock options plans (for executives)?
  - 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
  - 125 Does the company disclose a performance measure for other long term plans (for executives)?
  - 127 What is the total proportion of all outstanding equity based plans towards the share capital?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 134 What is the holding/retention period for stock options (for executives)?
  - 135 What is the holding/retention period for restricted shares / stock awards (for executives)?
  - 136 What are the pricing conditions for stock options granted to executives?
  - 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?\*
  - 153 Do equity based plans or other long term awards vest completely upon a change in control?
  - 205 What percentage of the board consists of immediate family members of majority shareholders, executives and former executives (within the past five years)?\*
  - 206 What percentage of the board are former or current employees of the company?\*
  - 218 Are there ownership factors that affect the takeover defenses?
  - 219 Are there priority rights that affect the takeover defenses?
  - 263 Are there RPTs with significant shareholders?
  - 288 Has the company changed its audit firm without valid reason in the past three fiscal year?
  - 290 Does the company have a controlling shareholder?
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?
  - 322 Does the company have an equity-based compensation plan?
  - 325 Are directors eligible to receive grants/awards under the plan involved in its administration?
  - 331 Does the company maintain a formal audit committee?
  - 332 Does the company maintain a formal fiscal council?
  - 333 What is the level of tag along rights for minority shareholders?
  - 354 What is the proportion of women on the board?
  - 378 What percentage of the board is independent based on an ISS global classification?

- 380 What percentage of the compensation committee is independent based on an ISS global classification?
- 381 What percentage of the compensation committee is independent based on an ISS global classification?
- 382 What percentage of the audit committee is independent based on an ISS global classification?\*

**Africa**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 8 Has the company disclosed any material weaknesses in its internal controls in the past two years?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 54 Does the company have classes of stock with different voting rights?
- 57 What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?
- 58 What is the level of free float of the multiple voting rights or voting certificates?
- 63 What percentage of the company's share capital is made up of non-voting shares?
- 64 What is the level of free float of voting shares in relation to the non-voting shares?
- 67 Does the company have an ownership ceiling?
- 68 Does the company have ownership ceilings for specific parties?
- 69 Do shareholders or the State have the priority right?
- 110 Do non-executive directors participate to performance related remuneration?
- 113 Does the company disclose a performance measure for the short term incentive plan (for executives)?

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- 118 Is part of the bonus granted or to be granted guaranteed?
  - 121 Does the company disclose a performance measure for matching ?
  - 122 Does the company disclose a performance measure for stock options plans (for executives)?
  - 123 Does the company disclose a performance measure for restricted share / stock award plans (for executives)?
  - 125 Does the company disclose a performance measure for other long term plans (for executives)?
  - 127 What is the total proportion of all outstanding equity based plans towards the share capital?
  - 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
  - 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
  - 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
  - 136 What are the pricing conditions for stock options granted to executives?
  - 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
  - 154 Does the company provide loans to executives?
  - 159 Did the company grant a one-off reward to any of its executives?
  - 160 What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?
  - 161 What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?
  - 166 Has the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting?
  - 218 Are there ownership factors that affect the takeover defenses?
  - 219 Are there priority rights that affect the takeover defenses?
  - 233 What is the performance period for the latest active long term incentive plan (or the proposed plan) for executives?
  - 247 What is the basis for the change-in-control or severance payment for the CEO?
  - 248 What is the basis for the change-in-control or severance payment for executives excluding the CEO?
  - 290 Does the company have a controlling shareholder?
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?
  - 354 What is the proportion of women on the board?
  - 378 What percentage of the board is independent based on an ISS global classification?
  - 381 What percentage of the compensation committee is independent based on an ISS global classification?
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- 382 What percentage of the audit committee is independent based on an ISS global classification?
- 380 What percentage of the compensation committee is independent based on an ISS global classification?

**South Korea**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 3 Has the company restated financials for any period within the past two years?
- 4 Has the company made non-timely financial disclosure filings in the past two years?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 14 What is the classification of the Chairman of the Board?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 54 Does the company have classes of stock with different voting rights?\*
- 72 Does the company have targeted stock placement that can be used as a takeover defense?
- 83 Is the board authorized to issue blank check preferred stock?
- 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
- 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
- 136 What are the pricing conditions for stock options granted to executives?
- 144 What proportion of directors with more than one year of service own stock, (who can legally/practically do so)?
- 200 Has a regulator initiated enforcement action against a director or officer of the company in the past two years?

- 201 Is the company, or any of its directors and officers, currently under investigation by a regulatory body?
- 263 Are there RPTs with significant shareholders?
- 285 Does the company have discretion over dividend payments?
- 287 Does the company hold its general meeting on a peak date?
- 290 Does the company have a controlling shareholder?
- 302 Has the company made late filing of Annual Report for the most recent fiscal year?
- 304 What is the number of women on the board?
- 306 Are there executives on the nominating committee?
- 318 What is the dilution limit of the general mandate to issue shares?
- 322 Does the company have an equity-based compensation plan?
- 335 Has the company made late filing of the proxy material in the past year?
- 338 Does the company use cumulative voting for director election?
- 341 Does the company disclose the remuneration paid to the board in AGM proxy filings?
- 354 What is the proportion of women on the board?
- 378 What percentage of the board is independent based on an ISS global classification?
- 381 What percentage of the compensation committee is independent based on an ISS global classification?
- 382 What percentage of the audit committee is independent based on an ISS global classification?
- 380 What percentage of the compensation committee is independent based on an ISS global classification?

**India**

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 10 What percentage of the board is independent according to ISS' local market classification?
- 13 What proportion of non-executive directors on the board has lengthy tenure?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What percentage of the nominating committee is independent according to ISS' local market classification?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What percentage of the compensation committee is independent according to ISS' local market classification?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What percentage of the audit committee is independent according to ISS' local market classification?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 54 Does the company have classes of stock with different voting rights?\*
- 110 Do non-executive directors participate to performance related remuneration?
- 112 Does the company disclose details of individual executives' remuneration?
- 122 Does the company disclose a performance measure for stock options plans (for executives)?
- 131 What are the minimum vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans (adopted/amended in the last three years)?
- 132 What are the minimum vesting periods mandated in the plan documents for executives' restricted stock (adopted/amended in the last three years)?
- 136 What are the pricing conditions for stock options granted to executives?
- 144 What proportion of directors with more than one year of service own stock, (who can legally/practically do so)?
- 200 Has a regulator initiated enforcement action against a director or officer of the company in the past two years?



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- 201 Is the company, or any of its directors and officers, currently under investigation by a regulatory body?
  - 263 Are there RPTs with significant shareholders?
  - 290 Does the company have a controlling shareholder?
  - 301 Has ISS identified a problematic pay practice or policy that raise concerns?
  - 302 Has the company made late filing of Annual Report for the most recent fiscal year?
  - 304 What is the number of women on the board?
  - 306 Are there executives on the nominating committee?
  - 318 What is the dilution limit of the general mandate to issue shares?
  - 319 What is the discount limit of the general mandate to issue shares?
  - 322 Does the company have an equity-based compensation plan?
  - 325 Are directors eligible to receive grants/awards under the plan involved in its administration?
  - 335 Has the company made late filing of the proxy material in the past year?
  - 336 Does the company disclose information on Related Party Transactions?
  - 337 Has the company disclosed the attendance of each director?
  - 340 Has the company disclosed information on key committee attendance?
  - 354 What is the proportion of women on the board?
  - 378 What percentage of the board is independent based on an ISS global classification?
  - 381 What percentage of the compensation committee is independent based on an ISS global classification?
  - 382 What percentage of the audit committee is independent based on an ISS global classification?
  - 380 What percentage of the nominating committee is independent based on an ISS global classification?

## Appendix IV: New Countries Per Factor (Dec 2017)

QID	Question	Pillar	New Countries	# New Cos	# Existing Cos
17	What is the term of mandate proposed for supervisory board members (at the latest general meeting)?	Board Structure	(1) Nordic - Sweden (2) S. Europe - Greece (3) S. Europe - Italy (4) S. Europe - Portugal	176	105
41	Does the company disclose a policy requiring an annual performance evaluation of the board?	Board Structure	(1) S. Europe - Greece (2) S. Europe - Portugal	39	130
100	Does the company allow the Chairman a second or casting vote at director meetings in the event of a tie?	Board Structure	(1) S. Europe - Greece (2) S. Europe - Italy (3) S. Europe - Portugal	134	35
143	Are directors subject to stock ownership guidelines?	Board Structure	(1) Australasia - New Zealand	16	203
244	Does the company have a robust policy prohibiting hedging of company shares by employees?	Board Structure	(1) Australasia - New Zealand	16	203
43	What percentage of all meetings were attended by at least 50% of the supervisory board?	Board Structure	(1) Germanic - Switzerland	50	172
140	What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?	Board Structure	(1) Australasia - New Zealand (2) W. Europe - France (3) S. Europe - Greece	194	443
112	Does the company disclose details of individual executives' remuneration?	Remuneration	(1) S. Europe - Italy (2) S. Europe - Spain (3) S. Europe - Portugal	146	23
121	Does the company disclose a performance measure for matching ?	Remuneration	(1) S. Europe - Greece (2) S. Europe - Spain (3) Germanic - Germany (4) Germanic - Austria (5) S. Europe - Portugal	246	145
166	Has the company voluntarily adopted a management 'say on pay' advisory vote resolution for the most recent annual meeting?	Remuneration	(1) W. Europe - Belgium (2) W. Europe - Netherlands (3) W. Europe - France	253	19
301	Has ISS identified a problematic pay practice or policy that raise concerns?	Remuneration	(1) Australasia - New Zealand (2) Nordic - Denmark (3) Nordic - Finland (4) Germanic - Austria	87	466
133	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?	Remuneration	(1) Australasia - New Zealand (2) S. Europe - Greece	16	349
134	What is the holding/retention period for stock options (for executives)?	Remuneration	(1) Australasia - New Zealand (2) S. Europe - Greece	16	349

QID	Question	Pillar	New Countries	# New Cos	# Existing Cos
155	Did the company disclose a claw back or malus provision?	Remuneration	(1) W. Europe - Luxembourg (2) W. Europe - France (3) S. Europe - Greece	197	221
323	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Matching plan?	Remuneration	(1) W. Europe - Luxembourg (2) W. Europe - France	197	75
324	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Deferral plan?	Remuneration	(1) W. Europe - Luxembourg (2) W. Europe - France	197	75
104	Does the company provide loans to directors?	Remuneration	(1) S. Europe - Greece (2) S. Europe - Italy	118	51
109	Do directors participate in equity based plans?	Remuneration	(1) W. Europe - France (2) Germanic - Germany (3) Germanic - Austria (4) S. Europe - Portugal	366	297
110	Do non-executive directors participate to performance related remuneration?	Remuneration	(1) W. Europe - Belgium (2) W. Europe - Netherlands (3) S. Europe - Greece (4) S. Europe - Italy (5) Germanic - Germany (6) Germanic - Austria	365	298
159	Did the company grant a one-off reward to any of its executives?	Remuneration	(1) S. Europe - Greece (2) S. Europe - Italy	118	51
228	What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?	Remuneration	(Regions) Anglo, Germanic, Nordic, S. Europe, W. Europe	1000	3091
229	What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?	Remuneration	(Regions) Anglo, Germanic, Nordic, S. Europe, W. Europe	887	2512
329	What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers?	Remuneration	(Regions) Anglo, Germanic, Nordic, S. Europe, W. Europe	984	2849
150	In the event of termination of the contract of executives, does the equity based remuneration vest?	Remuneration	(1) Australasia - New Zealand (2) S. Europe - Greece (3) S. Europe - Italy (4) S. Europe - Portugal	150	238
128	Is there a maximum level of dilution per year?	Remuneration	(1) W. Europe - Luxembourg (2) W. Europe - France	197	75

QID	Question	Pillar	New Countries	# New Cos	# Existing Cos
53	Does the company have a slate ballot at its current shareholders' meeting?	Shareholder Rights	(1) W. Europe - Luxembourg (2) W. Europe - Netherlands (3) W. Europe - France (4) S. Europe - Italy (5) S. Europe - Spain (6) Germanic - Germany (7) Germanic - Austria	555	108
84	What proportion of shares must be represented at the general meeting to cancel the binding nature of the nomination of supervisory board members (and or executive board members)?	Shareholder Rights	(1) W. Europe - Belgium (2) W. Europe - Luxembourg (3) W. Europe - France	216	56
89	Does the company require a super-majority vote to approve amendments to the charter and bylaws?	Shareholder Rights	(1) S. Europe - Greece (2) S. Europe - Italy (3) S. Europe - Portugal	134	35
97	What is the percentage of share capital needed to convene a special meeting?	Shareholder Rights	(1) W. Europe - Netherlands (2) W. Europe - France	234	38
262	What is the number of vacancies on the board?	Shareholder Rights	(1) Australasia - New Zealand	16	203
357	Has the company employed a show of hands at the last general meeting?	Shareholder Rights	(1) Australasia - New Zealand	16	203
57	What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?	Shareholder Rights	(1) W. Europe - Belgium (2) Germanic - Germany (3) Germanic - Austria	191	303
58	What is the level of free float of the multiple voting rights or voting certificates?	Shareholder Rights	(1) W. Europe - Belgium (2) Germanic - Germany (3) Germanic - Austria	191	303
59	What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies?	Shareholder Rights	(1) W. Europe - Belgium (2) W. Europe - Luxembourg (3) W. Europe - France	216	56
63	What percentage of the company's share capital is made up of non-voting shares?	Shareholder Rights	(1) W. Europe - Netherlands (2) W. Europe - France (3) Nordic - Finland (4) Nordic - Norway (5) Nordic - Sweden	321	63
64	What is the level of free float of voting shares in relation to the non-voting shares?	Shareholder Rights	(1) W. Europe - Netherlands (2) W. Europe - France (3) Nordic - Finland (4) Nordic - Norway (5) Nordic - Sweden	321	63

QID	Question	Pillar	New Countries	# New Cos	# Existing Cos
65	Does the company have an absolute voting right ceiling?	Shareholder Rights	(1) W. Europe - Belgium	19	253
66	Does the company have a relative voting right ceiling?	Shareholder Rights	(1) W. Europe - Belgium (2) Nordic - Denmark (3) Nordic - Norway (4) Nordic - Sweden (5) S. Europe - Italy	202	351
67	Does the company have an ownership ceiling?	Shareholder Rights	(1) Australasia - Australia (2) W. Europe - Belgium (3) Nordic - Denmark (4) Nordic - Norway (5) Nordic - Sweden	310	293
68	Does the company have ownership ceilings for specific parties?	Shareholder Rights	(1) Australasia - Australia (2) W. Europe - Belgium (3) Nordic - Denmark (4) Nordic - Norway (5) Nordic - Sweden	310	293
263	Are there RPTs with significant shareholders?	Shareholder Rights	(1) Australasia - Australia	203	16
318	What is the dilution limit of the general mandate to issue shares?	Shareholder Rights	(1) Australasia - New Zealand	16	203
319	What is the discount limit of the general mandate to issue shares?	Shareholder Rights	(1) Australasia - New Zealand (2) AsiaPac - Singapore	39	308
320	What is the dilution limit of the general mandate to issue repurchased shares?	Shareholder Rights	(1) AsiaPac - Singapore	23	105
321	What is the aggregate dilution limit of share issuance and reissuance mandate?	Shareholder Rights	(1) AsiaPac - Singapore	23	105
356	Has the company done a private placement in the past year?	Shareholder Rights	(1) Australasia - New Zealand	16	203
74	Can the company target repurchased shares in the event of a takeover bid?	Shareholder Rights	(1) Nordic - Denmark (2) Nordic - Finland (3) Nordic - Sweden	91	21
219	Are there priority rights that affect the takeover defenses?	Shareholder Rights	(1) Nordic - Denmark (2) Nordic - Norway (3) Nordic - Sweden	88	24
290	Does the company have a controlling shareholder?	Shareholder Rights	(1) S. Europe - Greece (2) S. Europe - Italy	118	51

## Addendum

- › November 24, 2014: Updated text on page 7 for question 99, which was noted inconsistently in the document and in the appendices. The factor is, “Has the board adequately addressed a shareholder resolution supported by a majority vote? (Q99).”
- › November 24, 2014: Updated the text for question 130, based on ISS 2015 policy updates. The factor is, “Does the company’s equity grant rate exceed the mean plus one standard deviation of its industry/index peers? (Q130).”
- › November 24, 2014: Additional note is provided for question 41 regarding the performance evaluation of the board for U.S. companies.
- › November 24, 2014: The factors considered under the Pay for Performance subcategory are scored based on the ISS 2015 Policy Updates. Note is added to questions 228, 229 and 329.
- › November 24, 2014: Additional information on the scoring in the Audit & Risk Oversight pillar is included on page 8.
- › November 24, 2014: Removed Canada from the Market Applicability section in the factor description of question 201.
- › November 24, 2014: Removed the reference to “Vote Results” in Appendix I, as the “in progress” consideration of vote result collection is noted in the factor description in the document for questions 49, 312 and 328.
- › November 24, 2014: Added explanation under Majority Vote Standard, question 52, how a “Majority Vote Policy” in the U.S. is not equivalent to a majority vote standard. Clarified application in Canada.
- › November 24, 2014: Removed question 21 from the text, “Are there employee representatives on the nominating committee?” as it is no longer analyzed in QuickScore 3.0.
- › November 24, 2014: Corrected text on question 288 from three fiscal years to two fiscal years, added Asia-Pacific region.
- › May 26, 2015: Removed question 342 for South Korea regarding the availability of proxy material in English.
- › October 30, 2015: Removed information on coverage in the 1<sup>st</sup> paragraph of the overview on page 4. This information is taken up on page 5.
- › October 30, 2015: Updated text on coverage in the 1<sup>st</sup> paragraph regarding the coverage of QuickScore on page 5.
- › October 30, 2015: Updated text on “Summary of Updates in QuickScore 3.0” on page 6 to reflect the updated methodology.
- › October 30, 2015: Removed tables on page 5 and 6 and replaced with text of the new factor on proxy access on page 6.
- › October 30, 2015: Updated text on “Other notable QuickScore 3.0 updates” on page 6 and 7 to reflect the updated methodology.

- › October 30, 2015: Added a paragraph outlining the difference in standards between FTSE 350 companies in UK and ISEQ 20 companies in Ireland and the remaining companies in the Anglo region in terms of independence on page 10.
- › October 30, 2015: Added a paragraph outlining the difference in standards between constituents of the different listing segments in Brazil in terms of independence on page 10.
- › October 30, 2015: Added W. Europe to the market applicability section in the factor description of question 11 on page 10.
- › October 30, 2015: Added further explanation in the first paragraph of the factor description on Q212 outlining the difference in standards between FTSE 350 companies in UK and ISEQ 20 companies in Ireland and the remaining companies in the Anglo region, on page 16.
- › October 30, 2015: Added further explanation in the first paragraph of the factor description on Q213 outlining the difference in standards between FTSE 350 companies in UK and ISEQ 20 companies in Ireland and the remaining companies in the Anglo region, on page 18.
- › October 30, 2015: Removed reference to previous threshold in the second paragraph of the factor description on Q312 on page 22.
- › October 30, 2015: Added a sentence in the last paragraph of the factor description on Q143 for Australia taking into account significant share ownership of directors, on page 25.
- › October 30, 2015: Removed date reference in the last paragraph of the factor description on Q228 on page 29.
- › October 30, 2015: Removed date reference in the last paragraph of the factor description on Q229 on page 30.
- › October 30, 2015: Removed date reference in the last paragraph of the factor description on Q329 on page 31.
- › October 30, 2015: Removed question 158 from the text, “Did the company disclose a performance overview for its long-term incentive plans?” as it is no longer analyzed in QuickScore 3.0.
- › October 30, 2015: Removed S. Europe from the market applicability section in the factor description of question 153 on page 44.
- › October 30, 2015: Added Canada to the market applicability section in the factor description of question 77 on page 53.
- › October 30, 2015: Moved factor description of question 52 to page 60.
- › October 30, 2015: Added Canada to the market applicability section in the factor description of question 89 on page 57.
- › October 30, 2015: Added Canada to the market applicability section in the factor description of question 90 on page 58.
- › October 30, 2015: Removed S. Europe from the market applicability section in the factor description of question 53 on page 59.
- › October 30, 2015: Added Canada to the market applicability section in the factor description of question 97 on page 60.
- › October 30, 2015: Added Canada to the market applicability section in the factor description of question 98 on page 60.

- › October 30, 2015: Moved factor description of question 225 to page 61.
- › October 30, 2015: Added new factor description on question 346 on proxy access on page 62.
- › October 30, 2015: Removed sentence on the US in the factor description on Q13 on page 13.
- › October 30, 2015: Updated information on the US in the factor description on Q45 on page 24.
- › October 30, 2015: Removed sentence in the last paragraph on the US in the factor description on Q228 on page 33.
- › October 30, 2015: Removed sentence in the last paragraph on the US in the factor description on Q229 on page 33.
- › October 30, 2015: Removed last two paragraphs on the US in the factor description on Q329 on page 34.
- › February 2016: Amended coverage table entry for Ireland.
- › April 2016: Amended coverage table entries for Brazil, China, Hong Kong, India, Japan, Singapore and South Korea.
- › September 2016: Amended the US-specific section of Q131 and Q132 on pages 34 and 35.
- › November 2016: Revised document to reflect ISS QualityScore branding.
- › November 2016: Amended the number of global markets under the Overview Section on page 4.
- › November 2016: Added decile clarification under the Overview Section on page 4.
- › November 2016: Amended Asia-Pacific coverage table on page 5.
- › November 2016: Replaced Summary of Updates with renewed section on page 7.
- › November 2016: Removed section on Other notable 3.0 Updates.
- › November 2016: Amended number of QuickScore factors on page 10.
- › November 2016: Amended question text and explanation on Q304 on page 12.
- › November 2016: Added question and explanation on new Q354 on page 12.
- › November 2016: Amended question text and added explanation on Canada (majority exemption) for Q10 on page 13.
- › November 2016: Updated explanation on Q289 on page 14.
- › November 2016: Amended explanation on Q282 on page 14.
- › November 2016: Inserted and updated explanation on Q281 on page 15.
- › November 2016: Replaced 9 year tenure by tenure as recommended by local practice on Q13 on page 15.
- › November 2016: Added new Q355 and explanation on page 15.
- › November 2016: Amended explanation on Q14 and updated market applicability to all regions on page 16.
- › November 2016: Added new Q367 and explanation on page 17.
- › November 2016: Added explanation on Canada (majority exemption) for Q19 and updated market applicability to include Japan on page 18.
- › November 2016: Amended explanation on Q23 and updated market applicability to include South Korea and Japan on page 19.



- › November 2016: Added explanation on Canada (majority exemption) for Q25 and updated market applicability to include Japan on page 21.
- › November 2016: Amended explanation on Q28 and updated market applicability to include Japan on page 21.
- › November 2016: Added explanation on Canada (majority exemption) for Q31 and updated market applicability to include Japan on page 24.
- › November 2016: Amended market applicability on Q34 to include Japan on page 24.
- › November 2016: Updated question text and explanation on Q283 on page 25.
- › November 2016: Updated question text and market applicability to include Anglo on Q36 on page 26.
- › November 2016: Updated question text and market applicability to include Anglo on Q37 on page 27.
- › November 2016: Updated question text, explanations and market applicability to include Anglo on Q38 on page 27.
- › November 2016: Updated question text and market applicability to include Anglo on Q39 on page 27.
- › November 2016: Updated market applicability on Q44 to exclude Anglo and include Japan on page 28.
- › November 2016: Updated market applicability on Q45 to include Anglo on page 28.
- › November 2016: Added new Q366 and explanation on page 29.
- › November 2016: Added new Q348 and explanation on page 30.
- › November 2016: Added new Q368 and explanation on page 30.
- › November 2016: Amended question text and explanation on Q144 on page 31.
- › November 2016: Amended explanation on Q243 on pages 31 and 32.
- › November 2016: Amended market applicability on Q41 to include Japan on page 32.
- › November 2016: Added new Q349 and explanation on page 33.
- › November 2016: Added new Q350 and explanation on page 37.
- › November 2016: Updated question text and explanation on Q345 on page 37.
- › November 2016: Added explanation on AustralAsia and Anglo on Q116 on page 38.
- › November 2016: Added explanation on AustralAsia and Anglo on Q117 on page 39.
- › November 2016: Updated explanation on Q228 and amend market applicability to include W.Europe, Germanic, Anglo, S.Europe and Nordic on page 40.
- › November 2016: Updated explanation on Q229 and amend market applicability to include W.Europe, Germanic, Anglo, S.Europe and Nordic on page 40.
- › November 2016: Updated explanation on Q329 and amend market applicability to include W.Europe, Germanic, Anglo, S.Europe and Nordic on page 41.
- › November 2016: Amended market applicability on Q322 to include Japan on page 42.
- › November 2016: Added new Q375 and explanation on page 42.
- › November 2016: Updated question text and explanations on Q131 on page 46.
- › November 2016: Updated question text and explanations on Q132 on page 47.
- › November 2016: Updated market applicability on Q325 to include India on page 51.
- › November 2016: Updated market applicability on Q112 to include Japan on pages 51 and 52.

- › November 2016: Added new Q376 and explanation on page 52.
- › November 2016: Amended market applicability on Q246 to exclude India on page 53.
- › November 2016: Amended market applicability on Q122 to include India on page 53.
- › November 2016: Removed Q326 and Q327 on page 54.
- › November 2016: Added new Q353 and explanation on page 54.
- › November 2016: Amended market applicability on Q166 to include Africa on page 54.
- › November 2016: Amended question text and explanation on Q328 on pages 54 and 55.
- › November 2016: Amended market applicability on Q301 to include India on page 59.
- › November 2016: Removed Q307 and Q308.
- › November 2016: Added new Q369 on page 60.
- › November 2016: Amended market applicability on Q77 to exclude AsiaPac on page 66.
- › November 2016: Amended market applicability on Q83 to include South Korea on page 66.
- › November 2016: Removed Q317.
- › November 2016: Amended market applicability on Q285 to include South Korea on page 71.
- › November 2016: Amended market applicability on Q262 to include Japan on page 72.
- › November 2016: Added new Q371 and explanation on page 76.
- › November 2016: Added new Q373 and explanation on page 76.
- › November 2016: Added new Q370 and explanation on page 76.
- › November 2016: Added new Q372 and explanation on page 77.
- › November 2016: Added new Q374 and explanation on page 77.
- › November 2016: Added new Q351 and explanation on page 77.
- › November 2016: Added new Q363 and explanation on page 78.
- › November 2016: Added new Q364 and explanation on page 78.
- › November 2016: Amended explanation on Q346 on page 78.
- › November 2016: Added new Q359 and explanation on page 79.
- › November 2016: Added new Q360 and explanation on page 79.
- › November 2016: Added new Q361 and explanation on page 79.
- › November 2016: Added new Q362 and explanation on page 80.
- › November 2016: Added new Q352 and explanation on page 80.
- › November 2016: Amended market applicability on Q319 to include India on page 81.
- › November 2016: Added new Q347 and explanation on page 82.
- › November 2016: Added new Q365 and explanation on page 82.
- › November 2016: Amended market applicability on Q3 to include South Korea on page 83.
- › November 2016: Amended market applicability on Q4 to include South Korea on pages 84.
- › November 2016: Amended market applicability on Q302 to include South Korea on page 84.
- › November 2016: Amended market applicability on Q200 to include India on pages 84 to 85.
- › November 2016: Amended market applicability on Q201 to include India and South Korea on page 85.

- › November 2016: Removed Q281 (moved to board section).
- › **February 2017:** Updated coverage table on pages 5 to 6.
- › February 2017: Updated Updates of summary on page 7.
- › February 2017: Updated market applicability on Q354 on page 14.
- › February 2017: Updated policy on Q13 on page 16.
- › February 2017: Updated market applicability on Q16 on page 18.
- › February 2017: Updated markets applicability on Q328 on page 56.
- › February 2017: Added new question and explanation on Q357 on page 75.
- › February 2017: Added new question and explanation on Q356 on pages 82 to 83.
- › **November 2017:** Added Incorporating Company Disclosures section on page 4.
- › November 2017: Added Coverage Adjustments section on page 8.
- › November 2017: Updated Summary of Updates section on page 7.
- › November 2017: Updated Appendix III: Region-specific Factor Methodology on page 114
- › November 2017: Added Appendix IV: New Countries Per Factor (Dec 2017) on page 157
- › November 2017: Updated Q10 question text and definition.
- › November 2017: Updated Q19 question text and definition.
- › November 2017: Updated Q25 question text.
- › November 2017: Updated Q31 question text.
- › November 2017: Q288 changed from past three years to past two fiscal years.
- › November 2017: Added new factor “What percentage of the board is independent based on an ISS global classification? (Q378)”; *All regions except Japan.*
- › November 2017: Added new factor “What percentage of the nominating committee is independent based on an ISS global classification? (Q380)”; *All regions except Japan.*
- › November 2017: Added new factor “What percentage of the compensation committee is independent based on an ISS global classification? (Q381)”; *All regions except Japan.*
- › November 2017: Added new factor “What percentage of the audit committee is independent based on an ISS global classification? (Q382)”; *All regions except Japan.*
- › November 2017: Added Latin America and India to “How many financial experts serve on the audit committee? (Q6)”
- › November 2017: Added US, Canada, Nordic, Anglo, Latin America, Africa to “What is the classification of the chairman of the nominating committee? (Q23)”
- › November 2017: Added US, Canada, Anglo, Latin America, S. Korea to “Are there executives on the compensation committee? (Q27)”
- › November 2017: Added US, Canada, Anglo, Latin America, Africa to “Are there executives on the audit committee? (Q33)”
- › November 2017: Added US, Canada, W. Europe, Germanic, S. Europe, Nordic, Anglo, Australasia, Latin America, S. Korea to “Are there executives on the nominating committee? (Q306)”
- › November 2017: Added Nordic, Latin America, S. Africa to “Has the company identified a Senior Independent Director or an independent Lead Director? (Q16)”

- › November 2017: Added W. Europe, S. Europe, Germanic to “Does the company have a slate ballot at its current shareholders' meeting? (Q53)”
- › November 2017: Added Australia, Belgium & Nordic to “Does the company have an ownership ceiling? (Q67)”;
- › November 2017: Does the company have classes of stock with different voting rights? (Q54); add AsiaPac, S. Korea, India
- › November 2017: What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers? (Q228); add add as scored factors to Anglo, Germanic, Nordic, S. Europe, W. Europe
- › November 2017: What is the degree of alignment between the company's annualized 3-year pay percentile rank, relative to peers, and its 3-year annualized TSR rank, relative to peers? (329); add as scored factors to Anglo, Germanic, Nordic, S. Europe, W. Europe
- › November 2017: What is the degree of alignment between the company's TSR and change in CEO pay over the past five years? (Q229); add as scored factors to Anglo, Germanic, Nordic, S. Europe, W. Europe
- › November 2017: Do directors participate in equity based plans? (Q109); add Germanic, France, Portugal
- › November 2017: Removed factor “What is the independent director composition of the Board (shareholder elected board members) (Q11)”;
- › November 2017: Removed factor “Does the company maintain a formal nominating committee? (Q207)”;
- › November 2017: Removed factor “Are there any board members on the nominating committee? (Q208)”;
- › November 2017: Removed factor “Is there more than one board member who is dependent on major shareholders on the nominating committee? (Q210)”;
- › November 2017: Removed factor “Does the company maintain a formal remuneration committee? (Q330)”;
- › November 2017: What is the number of nominating committee members? (Q211);
- › November 2017: Removed factor “What is the number of remuneration committee members? (Q212)”;
- › November 2017: Removed factor “What is the number of audit committee members? (Q213)”;
- › November 2017: Removed factor “Is the Chairman of the board of directors a member of the audit committee? (Q35)”;
- › November 2017: Removed factor “If the company is controlled, what percentage of the board is independent under ISS' standards? (Q203)”;
- › November 2017: Removed factor “Does the poison pill have a TIDE provision? (Q81)”;
- › November 2017: Removed factor “What is the degree of alignment between the company's cumulative 3-year pay percentile rank, relative to peers, and its 3-year cumulative TSR rank, relative to peers? (Q226)”;
- › November 2017: Removed factor “What is the degree of alignment between the company's cumulative one-year pay percentile rank, relative to peers, and its one-year cumulative TSR rank, relative to peers? (Q227)”;



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