

# Updates to ISS Governance QualityScore and Special Data Verification Period Opening November&nbsp;13,&nbsp;2017

November 13, 2017

## What is QualityScore?

Institutional Shareholder Services (ISS) rates corporate governance quality and risk for companies in 30 markets, including constituents of the U.S. Russell 3000, through a product called “QualityScore” that analyzes board structure, compensation, shareholder rights and audit/risk oversight using up to 115 factors. QualityScore is intended to help institutional investors identify and monitor governance risk within their portfolio companies.

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

## What is changing?

ISS recently announced that it is updating its QualityScore methodology, primarily to increase global comparability on core governance practices. In response to investor demand for comparability across markets, ISS is increasing the global factors that are uniform across all markets from six to 21, including seven factors on board composition, six factors on committee composition, one factor on board practices, four factors on audit, two factors on equity risk mitigation and one factor on shareholder rights. Four of the 21 global factors are new factors added to QualityScore to assess board and committee independence based on a global ISS classification.

For U.S. companies, ISS will be updating the pay-for-performance factors to reflect changes to ISS pay-for-performance policy and adding a new factor on the percent of directors that attended less than 75% of board and committee meetings in addition to preserving the existing factor on whether any directors attended less than 75% of the aggregate board and committee meetings without a valid excuse. ISS also indicated that additional methodology changes are forthcoming to reward companies for having a higher number and percent of women on the board.

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

## When is it changing?

ISS will launch these updates on Monday, December 4, 2017.

## What should we do now?

We recommend using the free data verification tool to ensure that ISS has accurate data. As part of the methodology updates, ISS is opening a special data verification period beginning Monday, November 13, 2017. Until Tuesday, November 28, 2017, companies can review their QualityScore data profiles and submit updates or corrections for ISS review before the updated QualityScores are published. You may obtain a log-in for the free data verification site by contacting ISS at [contactus@isscorporatesolutions.com](mailto:contactus@isscorporatesolutions.com) and further instructions for

data verification are available [here](#).

Between November 29, 2017 and the launch of new QualityScores on December 4, 2017, the ISS data verification system will be closed. After the new QualityScores launch, the system will reopen to allow a company to continue to review its QualityScore data free of charge and submit updates or corrections to ISS, except between the time of filing the company's definitive proxy statements and the publication of the related ISS proxy research reports.

## Observations and commentary

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

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

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

This content is provided for general informational purposes only, and your access or use of the content does not create an attorney-client relationship between you or your organization and Cooley LLP, Cooley (UK) LLP, or any other affiliated practice or entity (collectively referred to as "Cooley"). By accessing this content, you agree that the information provided does not constitute legal or other professional advice. This content is not a substitute for obtaining legal advice from a qualified attorney licensed in your jurisdiction, and you should not act or refrain from acting based on this content. This content may be changed without notice. It is not guaranteed to be complete, correct or up to date, and it may not reflect the most current legal developments. Prior results do not guarantee a similar outcome. Do not send any confidential information to Cooley, as we do not have any duty to keep any information you provide to us confidential. When advising companies, our attorney-client relationship is with the company, not with any individual. This content may have been generated with the assistance of artificial intelligence (AI) in accordance with our AI Principles, may be considered Attorney Advertising and is subject to our [legal notices](#).

## Key Contacts

<b>Barbara Mirza</b> Santa Monica	<b><a href="mailto:bmirza@cooley.com">bmirza@cooley.com</a></b> <b>+1 310 883 6465</b>
<b>Thomas Welk</b> San Diego	<b><a href="mailto:twelk@cooley.com">twelk@cooley.com</a></b> <b>+1 858 550 6016</b>

This information is a general description of the law; it is not intended to provide specific legal advice nor is it intended to create an attorney-client relationship with Cooley LLP. Before taking any action on this information you should seek professional counsel.

Copyright © 2023 Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304; Cooley (UK) LLP, 22 Bishopsgate, London, UK EC2N 4BQ. Permission is granted to make and redistribute, without charge, copies of this entire document provided that such copies are complete and unaltered and identify Cooley LLP as the author. All other rights reserved.

