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Companies' ISS QuickScores Revealed, See How the Dow 30 Fared

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ISS QuickScores are now publicly available on companies’ Yahoo Finance pages, under the Business Summary link. The Corporate Governance section reports, as of March 1, 2013, a company’s overall score, which gives the decile rank relative to index or region, ranging from ?1? (low governance risk) to ?10? (higher governance risk). Each of the pillar scores for Audit, Board, Shareholder Rights and Compensation, based on specific company disclosure, is also shown. There is no underlying detail on how the scores were compiled. While we do not yet know whether these metrics will influence investors, companies should be aware that this information is currently easily accessible.

ISS has not yet, and may not, publish any indication on the relative distribution of the scores. Our own analysis of the Dow 30 suggests that these large companies may tend to skew toward the lower risk end of the range, and may not be representative. The overall average score was “3,” with only four of the 30 companies receiving scores of “6? or higher. Twelve companies, or 40%, including 3M, Boeing, Chevron, Cisco, Home Depot, Intel, Pfizer and Wal-Mart, were given the “lowest risk” score of “1.”

This trend was also evident in at least two of the pillars. Besides the Audit category in which every company but one obtained the score of ?1,? in the Shareholder Rights pillar all but two companies scored below “6.? Shareholder Rights examines companies’ takeover defenses such as the availability of poison pills, annual board elections, supermajority requirements, the right of shareholders to call special meetings and act by written consent.

The most challenging pillar for this group appears, perhaps surprisingly, to be in the Board category. Two companies received “10”s, which were likely related to specific director issues that they faced, but overall slightly more than 40% of the companies scored “6” and above. Only McDonald?s achieved a ?1,? though 13 companies received ?2?s, including AT&T, DuPont, Exxon, Johnson & Johnson, J.P. Morgan, Merck, United Technologies and Verizon. As for the compensation pillar, almost 75% of companies received scores between ?1? to ?5.? As much of the underlying data could be using 2012 proxy information, we will look to update it in the future to assess the variable nature of the ISS product.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Ning Chiu
+1 212 450 4908
ning.chiu@davispolk.com