Davis Polk

ISS Launches Corporate Profile Products for Investors that Includes More Focus on Individual Directors, a Board Skills Matrix and QualityScore Analysis

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Recently, ISS announced a new product for investors, called corporate due diligence profiles, that contains a historical review of past ISS recommendations and vote results, measurements of company governance and compensation practices against QualityScore best practices with red flags indicating deviations, as well as charts of each director's tenure against the TSR at the public companies where that director serve.

We understand from ISS that the product was designed to meet investor demands in reviewing companies for possible shareholder engagement and seeking more insight on individual directors. While the overall data is not new, as the report aggregates information primarily from prior ISS reports and QualityScore into new formats, companies will likely want to be aware of they are being perceived by investors.

Companies may be interested in particular in the **50+ page sample report**, which shows:

- Historical vote recommendations by ISS on all annual meeting matters and vote results.
- A simple director skills matrix chart based on company disclosure, which interestingly highlights the director skills disclosed by another board where the director sits that is not disclosed in the company's proxy statement. Companies may want to review how other companies' describe the skills and qualifications of their directors.
- The QualityScore analysis measuring a company's governance and compensation practices against the peer group selected by the company, and the industry peer group. Red flags note deviations from "best practices." Companies may not always be aware of the QualityScore standards. Recent QualityScore updates reflect that for board diversity, as one example, a company must have three women directors serving on its board to qualify for meeting best practices. Two women on a ten-member board would earn a company a red flag. On tenure, a red flag would highlight a company with more than a third of board members who have served over nine years.
- A page devoted to each director, including that director's election history at other companies where the director serves, as well as the TSR of those companies over the length of the director's tenure.

The report is targeted at investors. We understand that companies interested in obtaining their own reports may email contactus@isscorporatesolutions.com.

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.

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