

ISS Technical Document for QuickScore 2.0

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ISS released its technical [document](#) on QuickScore 2.0. The changes from the prior version include data updates on an ongoing basis using a company's public disclosures of changes to its governance structure, new and updated governance factors, providing information on certain practices that have no impact on scoring, and modifications to their scoring practices.

There are still four pillars: board, audit, shareholder rights and compensation. The scoring is still 1 to 10 with 1 being the "best." The U.S. market has 89 questions, with new ones such as:

- The number or proportion of women on the board (the question has zero-weight impact on the scoring model and is used for informational purposes only);
- The percentage of directors who received shareholder approval rates below the average level, which means 95% (emphasis added) approval for this purpose;
- The average size of outside directors' compensation as a multiple of the median of company peers;
- Whether the most recent say-on-pay proposal received shareholders' support below the industry-index level (based on the four-digit GICs groups and the S&P 500, S&P 400, S&P 600, Russell 3000 excluding S&P 1500); and
- 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.

The scoring is based on a "hybrid" approach with each factor assigned a weight, none of which are transparent. It is unclear, for example, on a simple question evaluating the independent director composition on the board, as to how the answer would factor into the scoring for the "board" pillar. Some questions provide only slightly more information, such as the one considering the classification of the chairman, which indicate that a combined/CEO chair "raises the biggest concern," while a non-independent chair (former CEO or other affiliated outsider) "raises a smaller degree of concern."

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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