

ISS Governance QuickScore 2.0

Overview and Updates

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Introduction

Institutional Shareholder Services is pleased to announce updates and enhancements to Governance QuickScore, a scoring and screening solution, underpinned by hard data, designed to help institutional investors identify governance risk within portfolio companies. ISS Governance QuickScore 2.0 features additional key factors and enhanced scoring methodology to help institutional investors identify and monitor potential governance risk in their portfolios, and help companies identify possible investor concerns based on signals of governance risk.

With a continued and growing focus on investor stewardship and engagement, alongside the global convergence of governance standards and best practices, governance factors play a more prominent role in investment decisions. As a governance risk and data screening tool, the ISS Governance QuickScore methodology features several key benefits.

Employs robust governance data and attributes. Governance attributes are categorized under four pillars: Board Structure, Shareholder Rights, Compensation/Remuneration, and Audit. QuickScore rests on the analysis of nearly 200 governance factors across the coverage universe which, in turn, is undergirded by a robust data set providing for more than a binary “yes” or “no” response. Furthermore, QuickScore analyzes not only a single practice at a company but also highlights mitigating factors that help tell a fuller story.

Leverages ISS’ global footprint & expertise. ISS Governance QuickScore leverages ISS’ industry leading global footprint, which includes local presence and expertise in 25 global markets. 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 and transparent process, these policies reflect best practices across global capital markets, as well as the views of institutional investors, issuers, and thought-leaders worldwide. The QuickScore 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.)

Combines sophisticated quantitative and qualitative scoring approaches. ISS Governance QuickScore is derived from a scoring methodology that strikes a critical balance between quantitatively-driven analysis based on correlations between governance factors and key financial metrics, the ISS voting policy that aligns the qualitative aspect of governance and ISS voting recommendations, and relevant global governance standards and best practices in each region. QuickScore utilizes this hybrid approach to a scoring model to generate the most comprehensive governance risk assessment available.

Presents at-a-glance governance rankings relative to index and region. ISS Governance QuickScore features company-level decile scores, presented as integers from one through 10, plus underlying pillar scores using the same scale that together provide a quick understanding of the drivers of a company’s governance risk. These scores also 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. The regionalized scoring approach is tailored to local governance dynamics, with attention paid to best practices identified for that region.

ISS Governance QuickScore’s global coverage includes companies in the Russell 3000, the Canadian TSX/S&P Composite Index, and constituents in the MSCI EAFE Index. QuickScore 2.0 also adds constituents of the UK Euro Stoxx, the NZX 15, and the Australia ASX 200 indices. Additional coverage, including deeper coverage in some developed markets and expansion into emerging markets, is planned for subsequent releases.

The market-specific designations and relative scoring groupings are:

- United States – the Russell 3000 Index with the S&P500 Index compared separately in the U.S. coverage
- Japan – all companies in the MSCI EAFE Index
- Canada – the S&P Composite/TSX Index

The remaining QuickScore coverage is grouped by region and includes the companies in these markets:

- Anglo Region – United Kingdom and Ireland
- Australasia – Australia and New Zealand
- Asia Pacific Region – Hong Kong and Singapore

- Western European Region— Belgium, Luxembourg, Netherlands, and France
- Nordic Region – Denmark, Finland, Norway, and Sweden
- Southern European Region – Italy, Spain, Portugal, Cyprus, and Greece
- Germanic Region – Germany, Austria, and Switzerland

Summary of Updates in QuickScore 2.0

QuickScore 2.0 includes the following enhancements and updates:

- Event-driven data updates that revise profiling and scoring for all companies within the coverage universe. These event-driven updates are based on publicly available information, and any changes to a company’s governance structure identified through these public disclosures are integrated into the company’s QuickScore on an ongoing basis.
- New and updated governance factors to: incorporate and weigh additional corporate governance practices, increase data availability and screening, strengthen company profile reports, and better differentiate companies.
- Zero-weight factors that provide insight into companies’ governance structures and practices for informational purposes only and without impacting the company score.
- Modified scoring of questions and pillars to optimize alignment with ISS voting policy, company performance quantitative modeling results, and global governance standards and best practices. Additionally, some factors have moved between pillars and the scores and weights updated accordingly.
- Expanded coverage in the U.K. and Australian markets to encompass UK Euro Stoxx and Australia ASX 200 constituents. Additionally, QuickScore 2.0 introduces a new region called Australasia, which will score Australian and New Zealand companies in their own relative group.

Event-driven data updates will be based on publicly available information, including company regulatory filings and other publicly disclosed materials. Following the release of QuickScore 2.0, changes to a company’s governance structure will be proactively tracked and integrated into a company’s QuickScore on a timely basis. One of the most impactful event-driven updates, based on the frequency of events, will be the independence classification of new directors. [Appendix I](#) provides additional details related to director classifications.

Factor Methodology Updates in QuickScore 2.0

In QuickScore 2.0, ISS has identified a limited number of new corporate governance factors which provide additional information about company governance structures or practices and better differentiate companies at the factor level.

[Appendix II](#) includes a complete listing of all QuickScore factors alongside market or regional applicability. [Appendix III](#) shows factor listings by market and region. Certain factors have been expanded to new markets or regions and these are highlighted in bold text. The factors that are completely new for QuickScore 2.0 are also highlighted in the appendix and detailed below.

Audit pillar

Q302. Has the company filed belatedly its Annual Report for the most recent fiscal year?

This question will evaluate whether the company filed on time its Annual Report 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

Board pillar

Q304. What is the number / proportion of women on the board?

This question will evaluate the number or 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 financial performance. Such findings could have a significant effect on the nomination of women as corporate officers.

This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market applicability: This factor is included for every region.

Q306. Are there executives on the nominating committee?

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: Asia Pacific

Q309. How many directors serve on an excessive number of outside boards?

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 with excessive outside board positions (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. [[hyperlink to relevant policy?](#)]

Market applicability: Asia Pacific

Q310. What was the lowest support rate for directors at the last annual meeting?

QuickScore will consider the director who received the lowest proportion of votes cast in favor at the general meeting if such director has been proposed for nomination. 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.

Market applicability: Japan

Q312. What percentage of directors received shareholder approval rates below the average level?

QuickScore will consider the percentage of directors who received less than average levels of approval upon election.

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. QuickScore will consider directors who received less than 95% shareholder approval. ISS collects meeting results as they are available and this factor will be updated and recalculated accordingly.

Market applicability: U.S.

Q315. What is the average size of outside directors' compensation as a multiple of the median of company peers?

This relative measure expresses the prior year's average outside director's pay (based on total compensation reported for each 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 for the comparator group.

Market applicability: U.S.

Shareholder Rights pillar

Q317. Does the company have provisions or shareholder structures that would hamper a hostile takeover?

Companies with controlling shareholder(s); companies which have takeover defense measures in place; or companies whose governing regulations prohibit anyone from owning more than a certain percentage of voting rights.

Market applicability: Japan

Q318. What is the dilution limit of the general mandate to issue shares?

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

Market applicability: Asia Pacific

Q319. What is the discount limit of the general mandate to issue shares?

QuickScore 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

Q320. What is the dilution limit of the general mandate to issue repurchased shares?

QuickScore 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

Q321. What is the aggregate dilution limit of share issuance and reissuance mandate?

QuickScore 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

Compensation/Remuneration pillar

Q329. 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?

This question has been added due to updates in the ISS Pay for Performance Evaluation.

ISS annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. The key changes are the calculation of the first peer group alignment measure, the relative degree of alignment (RDA), from a 40/60 weighted average of one- and three-year RDA

measures to a single, annualized RDA measure for the three-year measurement period (or shorter period if pay and performance data are not available for all three years).

Note, the previous QuickScore factors, 226 and 227 (three- and one-year RDA), will still be included for informational purposes only and will be zero-weight factors on the scoring model.

For more information, refer to [ISS 2014 policy updates](#).

Market applicability: U.S. and Canada

Q322. Does the company have an equity-based compensation plan?

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

Market applicability: Asia Pacific

Q323. What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Matching plan?

QuickScore 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

Q324. What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Deferral plan?

QuickScore 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

Q325. Are directors who are eligible to receive grants/awards under the plan also involved in the administration of the plan?

QuickScore 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

Q326. Did the company disclose the metrics used to evaluate performance-based compensation in the most recent Yuho Filings?

In Japan, few companies disclose information regarding performance-based compensation. If the target metrics is disclosed, the company's compensation disclosure is considered above average within Japanese companies.

Market applicability: Japan

Q327. Does the company disclose numerical figures related to performance-based compensation?

In Japan, few companies disclose information regarding performance-based compensation. If the target metrics number figure is disclosed, the company's compensation disclosure is considered well above average within Japanese companies.

Market applicability: Japan

Q328. Did the most recent Say-on-Pay proposal receive shareholders' support below the industry-index level?

QuickScore will consider the level of shareholder support on the most recent Say-on-Pay proposal. Companies in this comparison are based on 4-digit GICs groups and the S&P500, S&P400, S&P600, Russell 3000-excluding S&P1500 indices.

Market applicability: U.S.

Q307. Has the company disclosed that it has established a compensation committee in the most recent Yuho Filings?

In Japan, 98 percent of listed companies have adopted a statutory auditors board structure, and companies with that structure are not required to set up compensation committees. However, an increasing number of companies are voluntarily setting up a "compensation committee." While those "compensation committees" do not have authority to determine executive compensation, it may advise the board of its opinion.

Market applicability: Japan

Q308. Has the company disclosed that outside directors constitute the majority of its compensation committee in the most recent Yuho Filings?

Japanese companies which voluntarily set up compensation committee are increasing, and companies should disclose their composition.

Market applicability: Japan

Scoring Updates in QuickScore 2.0

Governance QuickScore 2.0 adopts more of a hybrid approach in the development of the new scoring engine. Each governance factor is assigned a weight, based on the input from ISS' global team of governance experts, understanding the impact of governance practices and ISS voting policy, plus the prevailing governance standards within each region. QuickScore 2.0 continues to draw on quantitative testing and the degree of correlation with performance and risk measures¹ for the U.S. and Japanese scoring models, striving to achieve strong correlation results to the greatest number of performance and risk measures. The Governance QuickScore 2.0 scoring model underwent extensive analysis and testing scenarios to achieve an optimal balance between quantitative and qualitative scoring drivers.

The ISS Governance QuickScore algorithm derives each pillar raw score based on the weights assigned to each governance factor as determined by a combination of ISS voting policy guidelines, quantitative analysis, and global governance standards and best practices.

¹ Performance and risk factors grouped into four measures: Market (Industry Adjusted TSR1Y, Tobin's Q), Profitability (CFROI, Dividend Growth1Y, EBITDA Margin, Free Cash Flow to Sales, Net Profit Margin, ROA, ROE, ROIC, SalesGrowth1Y), Risk (Volatility, Z score), and Valuation (Price to Book Ratio, Price to Cash Flow Ratio, Price to Earnings Ratio)

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. For example, the raw scores for the 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 3. Hypothetical Example of Raw Scoring, Normalization and Decile Scoring Output

Rating Category	Raw Points	Governance QuickScore
Board	23.3	8
Audit	56.9	7
Shareholder Rights	28.3	5
Compensation	19.2	10
Total	127.7	8

Note, the scoring process for markets other than the U.S. and Japan are based on qualitative aspects of governance, underpinned by ISS benchmark voting policy, and have undergone extensive qualitative testing and analysis.

ISS Governance QuickScore Factor Criteria

There are almost 200 factors analyzed under Governance QuickScore, 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 number associated with each question is the ISS question identification number, and it is highlighted for easy reference throughout the Governance QuickScore documentation and product tools.

In Governance QuickScore 2.0, factors that apply to a region for the first time are highlighted below by bolding the market name in the market applicability section. The complete QuickScore 2.0 methodology and market applicability is detailed in [Appendices II and III](#).

Board Structure Pillar

Board Composition

9. How many directors serve on the board?

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: **U.S.**, Canada, W. Europe, Germanic, Anglo, **Nordic**, S. Europe, **Japan**, Asia Pacific, Australasia

10. What is the independent director composition of the Board?

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. The three ISS categories of directors are: 1. Independent - a director with no ties to the company; 2. Affiliated Outsider (non-independent) - an outside or non-executive director who has a material relationship with the company (per ISS classification of directors); 3. Insider (non-independent) - a company employee, or an individual who is compensated like a company executive for his/her role on the board.

QuickScore 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 is specified on ISS' voting policy guidelines, available on the ISS Policy Gateway.

A board lacking a majority of independent members will raise significant concerns.

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

203. What is the independent director composition of the Board if the company is majority controlled?

In a number of markets where companies are more often majority controlled, ISS applies different minimum standards of independent representation on the board. ISS accepts that independence below 50 percent is standard in some markets.

Market Applicability: W. Europe, S. Europe

11. What is the independent director composition of the Board (shareholder elected board members)?

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.

A board lacking a majority of independent members will raise significant concerns.

Market Applicability: Nordic

289. Is there an outside director on the Board?

Reflecting an emerging consensus, regulators including the Tokyo Stock Exchange and the Ministry of Justice have been pushing cautiously for market practices and potential rules calling for the appointment of at least one outside director.

Market Applicability: Japan

282. What is the outsider director composition of the Board?

In Japan, where the appointment of (an) outside director(s) is not mandatory, a meaningful percentage of outside directors on the board is in the best interest of shareholders.

Market Applicability: Japan

13. What proportion of non-executive directors on the board has lengthy tenure?

Limiting director tenure allows new directors to the board to bring fresh perspectives. A tenure of more than nine years is considered to potentially compromise a director's independence and as such QuickScore will consider tenure > 9 years excessive. 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.

Market Applicability: Asia Pacific, U.S.

14. What is the classification of the chairman of the board?

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, or an executive, or former or current CEO of the company.

A combined chair/CEO raises the biggest concern, while a non-independent chair (former CEO or other affiliated outsider) raises a smaller degree of concern.

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

16. Has the company identified a senior (lead) independent director?

A lead independent director provides an important leadership function for a board with a combined CEO/chair structure. An effective lead director's functions may 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 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: U.S., Canada, Anglo, Asia Pacific, W. Europe, S. Europe, Germanic

17. What is the term of mandate proposed for supervisory board members (at the latest general meeting)?

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

205. What percentage of the board consists of immediate family members of majority shareholders, executives, and former executives (within the past five years)?

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.

This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S.

206. What percentage of the board are former or current employees of the company?

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).

This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S.

Composition of Committees

19. What percentage of nominating committee members are independent based on ISS standards?

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.

Nomination committees with less than 100 percent independent membership will raise increasing levels of concern with a moderate concern being raised for independence levels below 75 percent.

QuickScore will consider the percentage of independent members, as defined by ISS' voting policy guidelines; if no information is given; if no committee exists; or if there is no clear nomination process.

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

23. What's the classification of the chairman of 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 involvement in the selection process, but the responsibility for selection of board nominees should be that of independent directors.

QuickScore will consider whether the committee chair is an executive, affiliated non-executive, or independent. Governance QuickScore also will consider whether there is, as disclosed explicitly by the company, a chair as well as a committee.

Market Applicability: W. Europe, Germanic, Australasia, S. Europe, Asia Pacific

207. Does the company maintain a formal nominating committee?

Companies should consider setting up a nomination committee responsible for the future composition of the board of directors.

Market Applicability: Nordic

21. Are there employee representatives 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 involvement in the selection process, but the responsibility for selection of board nominees should be that of independent directors.

Market Applicability: Germanic

208. Are there any board members on the nominating committee?

Nominating committees are composed primarily of shareholder representatives, owing to the very concentrated ownership structure in some Nordic markets. Within this context, having any current board members on the committee constitutes a potential conflict of interest.

Market Applicability: Nordic

210. Is there more than one board member who is dependent on major shareholders on the nominating committee?

Nominating committees are formed primarily of shareholder representatives, owing to the very concentrated ownership structure in some Nordic markets. Within this context, having an excessive number of board members on the committee constitutes a conflict of interest.

Market Applicability: Nordic

211. What is the number of nomination committee members?

Parallel to the U.K. code requirements on remuneration and audit committees, best practice suggests having a minimum of three non-executive board members sitting on the nomination committee to have a meaningful quorum.

Market Applicability: Anglo, **S. Europe**

25. What is the independent status of the compensation committee members?

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.

QuickScore will consider the percentage of independent members, as defined by ISS' voting policy guidelines; if no information is given; if no committee exists; or if there is no clear nomination process.

Compensation committees with less than 100 percent independent membership raises concern of governance risk.

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

27. Are there executives on the compensation committee?

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 or not there are any executives on the compensation committee.

Market Applicability: W. Europe, Germanic, Nordic, S. Europe, Asia Pacific, Australasia

28. What's the classification of the chairman of the compensation committee?

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.

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

29. Is the chairman of the board of directors a member of the compensation committee?

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.

Market Applicability: Anglo

212. What is the number of remuneration committee members?

The U.K. Code recommends that there should be at least three non-executive board members sitting on each remuneration committee, all of whom should be independent.

Answers will consider whether the company has a remuneration committee, the number of members on the compensation committee, whether the composition of the committee has been disclosed, and, if so, the composition of the committee.

Market Applicability: Anglo, **S. Europe**

31. What is the independent status of the audit committee members?

Like other key board committees, audit panels should ideally be composed solely of independent non-executives to reduce the risk of conflict of interest with regard to the company's accounts.

QuickScore will consider the percentage of independent members, as defined by ISS' voting policy guidelines; if no information is given; if no committee exists; or if there is no clear nomination process.

Audit committees with less than 100 percent independent membership raises the concern of governance risk.

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

33. Are there executives on the audit committee?

Like other key board committees, audit panels should ideally be composed solely of 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: W. Europe, Germanic, Australasia, S. Europe, **Asia Pacific**, Nordic

34. What's the classification of the chairman of the audit committee?

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.

QuickScore 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: W. Europe, Germanic, Anglo, S. Europe, Asia Pacific, Australasia

35. Is the chairman of the board of directors a member of the audit committee?

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 question will consider whether the chairman of the board is a member of the audit committee. Answers will consider whether the chairman of the board is a member of the audit committee, whether such committee has been set up and whether the composition of the committee has been disclosed.

Market Applicability: W. Europe, Anglo

213. What is the number of audit committee members?

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 question will consider the number of committee members on the audit committee. Answers will consider the number of 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**

283. Does the company have a three committee system?

The two-tiered board system includes a secondary board of statutory auditors that lacks voting power on the board of directors. Alternatively, a unitary board requires audit, compensation, and nomination committees, each with outside director majorities, with explicit power to oversee these functions.

Market Applicability: Japan

Board Practices

36. Do the executives serve on an excessive number of outside boards?

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.

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

37. Does the CEO serve on an excessive number of outside boards? / How many boards does the CEO sit on (U.S. only)?

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.

QuickScore will consider the public board seats held by the CEO (including the company), or whether no information is given.

Excessive board memberships - more than two outside boards (three total boards) – raises governance risk concern.

Market Applicability: U.S., W. Europe, Germanic, Nordic, S. Europe, Asia Pacific, Australasia

38. How many non-executives serve on an excessive number of outside boards? / Other than the CEO if on the board, how many directors serve on an excessive number of outside boards (U.S. only)?

Directors with an excessive number of board seats may not have sufficient time to devote to the needs of individual boards.

Governance QuickScore will consider the number of outside board seats held by non-executives to determine if they are excessive, as defined by the respective market, or whether no information is given. ISS' benchmark policy defines excessive in the U.S. as more than six public company board seats.

Excessive outside board memberships among non-executives may raise a moderate level of concern.

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

39. Does the chairman of the board serve on an excessive number of outside boards?

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.

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

43. What percentage of all meetings was attended by at least 50 percent of the supervisory board?

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

44. What percentage of the directors attended less than 75 percent of the board meetings?

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.

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

45. Did any directors attend less than 75 percent of the board meetings without a valid excuse?

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.

QuickScore will consider the number of directors who attended less than 75 percent of aggregate board and committee meetings, with consideration given to whether the meetings were missed for a valid excuse (e.g., illness, funeral obligation, service to the nation, etc.).

Market Applicability: U.S., Canada

49. How many directors received withhold / against votes of 50 percent or greater at the last annual meeting?

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.

Governance QuickScore will consider the number of directors with majority opposition at the last annual meeting, or if the information is not disclosed.

Two or more directors receiving majority opposition at the prior annual meeting will raise a moderate level of concern; one director receiving majority opposition would raise a smaller level of concern.

Market Applicability: U.S., Canada

143. Are directors subject to stock ownership guidelines?

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 annual cash retainer received by a non-employee director.

For the Canadian Market, ISS identifies the ownership guideline in three groups: (i) Robust (ownership guideline is six-times the retainer threshold or more); (ii) Standard (ownership guideline is not less than three-times retainer but not more than five-times); and, (iii) Sub-Standard (ownership guideline is less than three-times retainer). For the U.S. Market, ISS also identifies the ownership guideline in three groups: (i) Robust (the ownership guideline is five-times and above the directors' base retainer); (ii) Standard (ownership guideline is equal to three or four times the directors' base retainer); and, (iii) Sub-Standard (ownership guideline is equal to two times and below the directors' base retainer).

QuickScore will evaluate and consider stock ownership guidelines for directors. In cases where 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.” In addition, multiples will generally be based on the cash portion of retainers.

For companies incorporated in Australia and New Zealand, the normal disclosure of director ownership guidelines is equivalent to their annual retainer.

This question has been moved from the Compensation to the Board pillar.

Market Applicability: U.S., Canada, **Australasia**

144. Do all directors with more than one year of service own stock?

Similar to the stock ownership rationale above, all directors should maintain an equity stake in the company.

Governance QuickScore 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.”

This question has been moved from the Compensation to the Board pillar.

Market Applicability: U.S., Canada, Asia Pacific, **Australasia**

243. Did any executive or director pledge company shares?

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.

QuickScore will consider whether company executives or directors have pledged company shares.

This question has been moved from the Compensation to the Board pillar.

Market Applicability: U.S.

244. Does the company have a policy prohibiting hedging of company shares by employees?

Best practice is to incorporate a robust policy that prohibits all types of hedging transactions within companies' insider trading policies. Hedging against losses in company shares breaks the alignment between shareholder and executives that equity grants are intended to build.

QuickScore will consider whether the company has instituted a policy that prohibits hedging of company shares (typically through derivatives).

This question has been moved from the Compensation to the Board pillar.

Market Applicability: U.S.

Board Policies

41. Does the company disclose a policy requiring an annual performance evaluation of 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 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).

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

46. Does the company disclose board/governance guidelines?

New York Stock Exchange listed companies are required to publicly disclose board/corporate governance guidelines. Other exchanges, however, do not yet mandate such disclosure.

Governance QuickScore will consider whether the company publicly discloses board/governance guidelines. When considering answers to this question, Governance QuickScore will look for guidelines disclosed as a single document as opposed to multiple separate documents covering various elements of governance.

Market Applicability: U.S.

215. What is the quorum for director meetings?

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

100. Does the company allow the chairman a second or casting vote at director meetings in the event of a tie?

A casting or second vote is contrary to the tenet of one-person, one-vote.

The ability of the chairman 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**

Related Party Transactions

50. What percent of the directors were involved in material RPTs?

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.

QuickScore 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.)

Market Applicability: U.S., Canada

51. Do the directors with RPTs sit on key board committees?

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.

QuickScore 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

216. Are there material related-party transactions involving the CEO?

The CEO's special role in the company demands particular attention to even the appearance of self-dealing.

QuickScore will consider whether the CEO has engaged in material related-party transactions with the company.

Market Applicability: U.S., Asia Pacific

Compensation/Remuneration Pillar

Pay for Performance

114. Is there a cap on CEO annual bonus?

Best practices suggest companies disclose bonus caps for CEOs that are tied to a fixed and/or disclosed value such as base salary.

QuickScore 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

115. Is there a cap on executives' annual bonus?

Best practices suggest companies disclose bonus caps for executives that are tied to a fixed and/or disclosed value such as base salary.

QuickScore 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

116. What percentage of the annual bonus for CEO is or can be deferred?

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.

QuickScore will consider whether a portion of the annual bonus granted to the CEO is or can be deferred.

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

117. What percentage of the annual bonus for Executives is or can be deferred?

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.

QuickScore will consider whether a portion of the annual bonus granted to executives, other than the CEO, is or can be deferred.

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

226. 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?

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

227. 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?

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

228. What is the size of the CEO's one-year total pay, as a multiple of the median total pay for company peers?

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 from 0 (CEO has no pay) to 25 times median. The median company in 2013 paid its CEO close to one times the median of its peer group.

Multiples of greater than 2.33 will begin to raise a pay-for-performance concern.

Market Applicability: U.S., Canada

229. What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?

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, with a median of approximately -3%. Measures below -30% may raise a moderate level of concern, rising to significant concern for measures below -45%.

Market Applicability: U.S., Canada

232. What is the ratio of the CEO's total compensation to the next highest paid executive?

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.

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

Market Applicability: U.S.

233. What is the performance period for the latest active long-term incentive plan (or the proposed plan) for executives?

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

Non-Performance Based Pay

156. Are any of the NEOs eligible for multiyear guaranteed bonuses?

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

Market Applicability: U.S., Canada

154. Does the company provide loans to executives?

In the applicable markets, ISS recommends that loans be made to employees 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.

QuickScore 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

118. Is part of the bonus granted or to be granted guaranteed?

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

159. Did the company grant a one-off reward to any of its executives?

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).

QuickScore 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

237. What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) to Base Salary?

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.

QuickScore 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. A high (greater than 75 percent) ratio raises governance risk concern.

Market Applicability: U.S.

Use of Equity

129. Do the company's active equity plans prohibit share recycling for options/SARs?

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.

QuickScore 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 directors). The language of this question has been revised from “permit” to “prohibit” and the reference to “three years” has been removed as ISS will consider “active” equity plans.

Market Applicability: U.S.

138. Do the company's active equity plans prohibit option/ SAR repricing?

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.

Governance QuickScore 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 will only consider employee plans (excluding plans for directors). The question has been revised from “permit” to “prohibit,” and to consider cash buyouts separately.

Market Applicability: U.S., Canada

238. Does the company's active equity plans prohibit option/ SAR cash buyouts?

Nasdaq and the New York Stock Exchange Euronext 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.

QuickScore will consider whether cash buyouts 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 will only consider employee plans (excluding plans for directors).

Market Applicability: U.S., Canada

239. Do the company's active equity plans have an evergreen provision?

Best practice dictates that shareholders approve each replenishment of shares available for an equity compensation plan.

Governance QuickScore 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.

240. Do the company's active equity plans have a liberal CIC definition?

While change-in-control agreements have their place in order to insulate executives from loss of employment in conjunction with a change in control, liberal change-in-control provisions may result in award vesting and payout even if an actual change in control does not occur. These provisions may also discourage outside bids that could benefit shareholders.

Governance QuickScore 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.

139. Has the company repriced options or exchanged them for shares, options or cash without shareholder approval?

Per ISS' policy and compensation best practices espoused by investors, repricings should be put to shareholder vote.

QuickScore 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

137. Has the company backdated options within the past two years?

Granting stock options using hindsight to select favorable grant dates that result in an automatic and immediate in-the-money benefit for optionees does not align with a pay for performance philosophy and fosters an environment of entitlement. Corrective actions taken by the board or compensation committee to address backdating include canceling or repricing backdated options, recouping of option gains on backdated grants, the adoption of a grant policy that prohibits backdating, and the creation of a fixed grant schedule or window period for equity grants going forward.

Quickscore will consider instances of options back dating, if any, as well as steps taken, if any, to prevent future occurrences, or if no back dating has occurred, or if no information is disclosed.

Market Applicability: Anglo

127. What is the total proportion of all outstanding equity based plans toward the share capital?

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.

QuickScore 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

128. Is there a maximum level of dilution per year?

In line with the question above, dilution due to long-term incentives can be capped on an annual basis, which is considered good practice.

QuickScore will consider whether the company has capped the level of dilution on a yearly basis.

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

130. Does the company grant equity awards at an excessive rate, according to ISS policy?

High rates of equity granting tend to dilute existing shareholders or demand that the company undertake stock repurchase plans to counteract dilution.

QuickScore will evaluate and consider burn rates, based on ISS' benchmark policy. Burn rate is an analysis of the rate at which stock options are granted, often referred to as share utilization. Burn rates are considered excessive where average annual option grants exceed the higher of 2 percent of outstanding shares over the past three years OR one standard deviation from the 3-year industry mean as calculated by ISS. For more details, see the ISS Policy Gateway.

Market Applicability: U.S.

136. What are the pricing conditions for stock options granted to executives?

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.

Governance QuickScore 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 the Australia and New Zealand Markets, 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

Equity Risk Mitigation

155. Did the company disclose a claw back or malus provision?

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

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 Governance QuickScore 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

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?

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.

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.

QuickScore 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. When evaluating this question for U.S. companies, QuickScore will consider vesting periods stipulated in equity plans for any and all participants.

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

132. What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock?

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.

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.

QuickScore 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 or the proxy statement. When evaluating this question for U.S. companies, QuickScore will consider vesting periods stipulated in equity plans for any and all participants.

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

133. What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?

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

QuickScore 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 or the proxy statement.

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

134. What is the holding period for stock options (for executives)?

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).

QuickScore 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, QuickScore will consider holding periods stipulated for named executive officers.

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

135. What is the holding period for restricted shares (for executives)?

See above.

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

145. What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?

Best practice dictates that executives attain substantive share ownership by a certain time after appointment to better align their interests with those of shareholders.

QuickScore 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., W. Europe, Anglo, S. Europe

142. Is the CEO subject to stock ownership guidelines?

Best practice dictates that executives attain substantive share ownership by a certain time after appointment to better align their interests with those of shareholders. ISS focuses on the stock ownership guideline of the CEO as he holds the highest position in the company. This is answered as a multiple of the CEO's salary. ISS identifies the ownership guideline in three groups: (i) Robust (ownership guideline is beyond the five-times salary threshold); (ii) Standard (ownership guideline is not less than three-times salary up to five-times); and, (iii) Sub-Standard (ownership guideline is less than three-times salary).

Market Applicability: Canada

146. What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives?

Best practice dictates that executives attain substantive share ownership by a certain time after appointment to better align their interests with those of shareholders.

Governance QuickScore 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

140. What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?

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.

QuickScore will consider the total level of holdings of directors and executives as a percentage of shares issued by the company.

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

Non-Executive Pay

104. Does the company provide loans to directors?

ISS recommends that loans be made to employees as part of a broad-based, company-wide plan to encourage ownership rather than being given only to non-executive directors. ISS also calls for loans with interest set at market rates be paid back in full over a reasonable length of time.

QuickScore 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**

109. Do directors participate to equity based plans?

Best practice requires 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.

QuickScore will consider whether non-executive directors will participate to equity based plans.

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

110. Do directors participate to performance related remuneration?

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.

QuickScore will consider whether non-executive directors participate to performance related remuneration schemes.

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

107. What part of the total remuneration received by directors is options-based?

Best practice dictates 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.

QuickScore 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

Communications and Disclosure

112. Does the company disclose details of individual executives' remuneration?

Best practice requires companies to disclose complete and individual information on executives' remuneration, especially for the CEO.

QuickScore 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**

158. Did the company disclose a performance overview for its long-term incentive plans?

As long-term performance plans are usually linked to past performance, best practice recommends that companies disclose an overview of such performance measures over the same period to which the performance plans apply.

QuickScore will consider the level of performance overview based on the performance conditions on which its long term incentive plans are based on.

Market Applicability: **S. Europe**

113. Does the company disclose a performance measure for the short term incentive plan (for executives)?

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 metric at least on a retrospective basis.

QuickScore 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

246. What is the level of disclosure on performance measures for the latest active or proposed long-term incentive plan?

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 QuickScore 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**

121. Does the company disclose a performance measure for matching?

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.

QuickScore 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

122. Does the company disclose a performance measure for stock options plans (for executives)?

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.

QuickScore 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

123. Does the company disclose a performance measure for restricted share plans (for executives)?

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.

QuickScore 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

125. Does the company disclose a performance measure for other long-term plans (for executives)?

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.

QuickScore 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

166. 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?

As the MSOP resolution is not mandatory in all markets, QuickScore 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**

250. What is the level of disclosure on CEO ownership guidelines?

As ownership guidelines in the German region are not common, ISS will only analyze the level of disclosure.

QuickScore will consider the level of disclosure on CEO ownership guidelines.

Market Applicability: Germanic

Termination

148. What's the trigger under the change-in-control agreements?

A single trigger requires only a change in control and no subsequent termination of employment 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.

QuickScore 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

153. Do equity based plans or long-term cash plans vest completely on change in control?

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).

Governance QuickScore 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.

The answer text is designed to provide an appropriate answer for all companies in the ISS Governance QuickScore coverage. Currently, 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, **S. Europe**

150. In the event of termination of the contract of executives, does the equity based remuneration vest?

Accelerated vesting of equity grants or even continued vesting after termination of contracts of executives tends to disconnect pay from performance.

Governance QuickScore will consider the treatment of equity awards upon termination of an executive's contract. This rating item does not capture the provision for the company's CEO. 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**

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

Under ISS' benchmark policy, severance payments upon a change of control 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. For the Canadian Market, 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.

For markets outside the U.S., cash payment as a multiple of salary the CEO receives under employment agreements due to a change-in-control or termination of contract.

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

247. What is the basis for the change-in-control or severance payment for the CEO?

Payments based on salary plus target or actual bonuses are generally considered acceptable.

QuickScore will consider what the basis upon which change-in-control or severance payments for the CEO are calculated.

The answer text is designed to provide an appropriate answer for all companies in the ISS Governance QuickScore coverage. Currently, 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

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

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.

QuickScore 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

248. What is the basis for the change-in-control or severance payment for executives excluding the CEO?

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.

QuickScore 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

152. How long is the notice period for the CEO if the company terminates the contract?

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.

Governance QuickScore will consider the length of the notice period for the CEO if the company terminates the contract.

Market Applicability: Australasia, **S. Europe**

162. Does the company provide excise tax gross-ups for change-in-control payments?

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.

QuickScore 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

163. What is the length of employment agreement with the CEO?

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

300. Has ISS' qualitative review identified a pay-for-performance misalignment?

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

301. Has ISS identified a problematic pay practice or policy that raises concerns?

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

Shareholder Rights

One-Share, One-Vote

54. Does the company have classes of stock with different voting rights?

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.

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

55. Are there any directors on the board who are not up for election by all classes of common shareholders?

Barring some holders of common stock from voting on directors may serve to entrench board members and perpetuate control by certain blocks or groups.

Governance QuickScore will consider whether some directors are not elected by all classes of common stock.

Market Applicability: U.S., Canada

56. Is there a sunset provision on the company's unequal voting structure?

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.

QuickScore 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: Canada

57. What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?

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.

QuickScore will consider the percentage of multiple voting rights relative to total voting rights.

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

58. What is the level of free float of the multiple voting rights or voting certificates?

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.

QuickScore 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

59. What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies?

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.

QuickScore 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

60. Has the company indicated an intent to eliminate the system of depositary receipts?

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

61. Are depositary receipt holders restricted in their voting rights?

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.

QuickScore 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

63. What percentage of the company's share capital is made up of non-voting shares?

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

64. What is the level of free float of voting shares in relation to the non-voting shares?

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.

QuickScore 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

65. Does the company have an absolute voting right ceiling?

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.

QuickScore 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

66. Does the company have a relative voting right ceiling?

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.

QuickScore 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

67. Does the company have an ownership ceiling?

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.

QuickScore 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

68. Does the company have ownership ceilings for specific parties?

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.

QuickScore 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

69. Do shareholders or the State have the priority right?

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).

QuickScore 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

217. Is there a coattail provision attached to the company's unequal voting structure?

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.

QuickScore 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

72. Does the company have targeted stock placement that can be used as a takeover defense?

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**

73. Does the company maintain preemptive rights in the event of a takeover bid?

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

74. Can the company target repurchased shares in the event of a takeover bid?

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

218. Are there ownership factors that affect the takeover defenses?

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.

QuickScore 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

219. Are there priority rights that affect the takeover defenses?

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.

QuickScore 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

77. Are all directors elected annually?

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.

QuickScore will consider whether all directors are elected each year, rather than in staggered terms—often referred to as a classified board. Governance QuickScore 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.

Market Applicability: U.S., Canada, Japan

83. Is the board authorized to issue blank check preferred stock?

Authorization to issue blank check preferred stock gives the company's 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.

Blank check 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 is also suited for use as an entrenchment device, to fund a poison pill for example. Albeit less common today, one powerful takeover defense is the placement of large blocks of corporate securities, or 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.

QuickScore 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

78. Does the company have a poison pill (shareholder rights plan) in effect?

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.

QuickScore will consider whether the company has a shareholder plan in effect, and treats separately whether the poison pill has been approved by shareholders.

Market Applicability: U.S., Canada, Japan

79. What is the trigger threshold for the poison pill?

Poison pill triggers typically range from 10 to 25 percent, with the overwhelming majority of U.S. companies with pills maintaining a 15 percent trigger.

QuickScore will consider the trigger percentage for the pill.

Market Applicability: U.S.

80. Does the poison pill have a sunset provision?

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.

QuickScore 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.

81. Does the poison pill have a TIDE provision?

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 QuickScore 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.

Market Applicability: U.S.

82. Does the poison pill have a qualified offer clause?

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.

Governance QuickScore 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.

91. What is the expiration date of the poison pill?

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 will require, ideally, the board to revisit the decision to institute the rights plan.

QuickScore will consider the number of years until sunset or termination date of the plan.

Market Applicability: U.S.

220. Is the poison pill designed to preserve tax assets (NOL pill)?

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

QuickScore will consider whether the pill is designed to preserve tax assets.

Market Applicability: U.S.

222. When was the poison pill implemented or renewed?

A more recently implemented pill deserves additional scrutiny.

QuickScore 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.

223. Does the company's poison pill include a modified slow-hand or dead-hand provision?

“Dead hand” and “slow hand” provisions that prevent the removal 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.

QuickScore will consider as to whether the implementation of the pill inhibits or prohibits the ability of future boards of directors to redeem the pill. Slow-hand is a provision which delays the removal of the poison pill even if shareholders of the target firm favor the takeover. Slow-hand pills have "delayed redemption" features that limit their duration. A dead-hand provision provides that only the incumbent directors, continuing directors, or designated successors can redeem the poison pill, even after they have been voted out of office (thus precluding redemption).

Market Applicability: U.S.

221. Was the poison pill approved by shareholders?

The board of directors should seek shareholder ratification of a poison pill (or an amendment thereof).

QuickScore 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

290. Does the company have a controlling shareholder?

When there is a controlling shareholder, the minority shareholders may face challenges in matters where their interests diverge from those of the majority shareholder.

QuickScore will consider whether the company has a shareholder or shareholders acting in concert and holding a majority of the voting rights.

Market Applicability: Japan

52. Does the company have a majority vote standard in uncontested elections?

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. One could argue that boards elected under such a majority vote structure are sufficiently accountable to shareholders. The majority voting election standard (in uncontested elections), coupled with a post-election "director resignation policy" has emerged as the current 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.

By adopting both majority voting and a director resignation policy, it is unnecessary to substitute one for the other; the two can co-exist. 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."

In some places, California, for example, there is a guillotine clause, where a director who fails to gain majority support with under a majority vote standard must leave the board within a certain time period, generally 90 days.

QuickScore will consider the voting standards for electing directors to the board.

Market Applicability: U.S., Canada

224. If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections?

The absence of a carve-out for contested elections may serve as a takeover defense, since in a plurality election it is possible that no candidate will receive an absolute majority of votes, which is effectively a result in favor of incumbents.

QuickScore will consider as to whether the majority voting standard – if in place – does not apply in the case of contested elections.

Market Applicability: U.S.

284. Does the removal of a director require a supermajority vote?

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

291. Does the company employ a U.S.-type board structure?

A small percentage of Japanese companies have adopted the U.S.-style board which contrasts from the traditional board with statutory auditors.

Market Applicability: Japan

Voting Issues

89. Does the company require a super-majority vote to approve amendments to the charter and bylaws?

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.

QuickScore 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.

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

90. Does the company require a super-majority vote to approve mergers/business combinations?

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.

QuickScore 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.

285. Does the company have discretion over dividend payments?

According to Japanese corporate law, dividend payments require shareholder approval, unless the company articles state that the board has this authority.

QuickScore will consider whether the company has discretion over dividend payments.

Market Applicability: Japan

286. Are the shareholders allowed to submit dividend proposals?

Investors should not be forbidden from submitting shareholder proposals on dividends, in cases where investors see existing dividend practice as problematic.

QuickScore will consider whether shareholders are allowed to submit proposals on dividends.

Market Applicability: Japan

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)?

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.

QuickScore will consider the percentage of shares needed to cancel the binding nature of board or management nominations.

Market Applicability: W. Europe

53. Did the company have a slate ballot at its last shareholders' meeting?

Bundled, or slate, director elections provide shareholders with a single vote for or withhold for 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 as a single ballot item. Best practice is to provide individual director elections, providing shareholders with the ability to vote on each director separately.

QuickScore will consider whether the company had bundled or individual elections at the last shareholder meeting.

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

262. What is the number of vacancies on the board?

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.

QuickScore 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: Anglo

Voting Formalities

97. What is the percentage of share capital needed to convene a special meeting?

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. Sometimes this right applies only if a shareholder or group of shareholders owns a specified percentage of the outstanding shares (10 percent is a common requirement). The percentage of shareholder votes required to force the company to call the meeting depends on the state statute, as does the company's ability to limit or deny altogether shareholders' right to call a special meeting.

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.

QuickScore will consider whether shareholders can call a special meeting, and, if so, the percentage required.

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

98. Can shareholders act by written consent?

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 only procedural difference is that the consent process ends with delivery of the consents. If enough consents are returned, the subject of the consent is deemed ratified. 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.

QuickScore 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.

99. Has the board adequately addressed a shareholder resolution supported by a majority vote?

Directors should be responsive to the company's owners, particularly in regard to shareholder proposals that receive a majority vote.

QuickScore 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

Market Applicability: U.S.

225. Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call a meeting?

QuickScore 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.

101. Is shareholder quorum for shareholders' meetings at least two persons representing at least 25 percent of the outstanding shares?

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.

QuickScore 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. QuickScore also will consider if the company has a controlling holder who meets or exceeds quorum requirements.

Market Applicability: Canada

287. Does the company hold its shareholder meeting on the June peak date?

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

Market Applicability: Japan

Other Shareholder Rights Issue

263. Are there RPTs with significant shareholders?

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.

QuickScore 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

Audit

External Auditor

1. Non-Audit fees represent what percentage of total fees?

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: U.S., Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, Asia Pacific, Australasia

2. Did the auditor issue an adverse opinion in the past year?

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.

This question will evaluate whether a company received an adverse opinion from its auditor, having received either an Unqualified opinion, Qualified opinion, Adverse opinion, or Going Concern determination.

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

Audit and Accounting Controversies

3. Has the company restated financials for any period within the past two fiscal years?

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. QuickScore 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, as evidenced by the number of U.S. companies that have in recent years been forced to restate their financials as a result of options backdating.

This question will evaluate whether the company has restated its financials for any period within the past two years, or if the information is not disclosed.

Market Applicability: U.S., Canada

4. Has the company made non-timely financial disclosure filings in the past two fiscal years?

Non-timely financial filings could result in penalties for the issuer and could be indicative of internal process or control issues.

QuickScore 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.

Market Applicability: U.S., Canada, Japan

5. Has a securities regulator initiated enforcement action against the company in the past two fiscal years?

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, including a targeted investigation that includes, 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. Evidence of a Wells Notice disclosure, whether or not it resulted in subsequent enforcement actions, will also be evaluated.

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

200. Has a securities regulator initiated enforcement action against a director or officer of the company in the past two fiscal years?

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 of the company was subject to enforcement action by a regulator within the past two years. Evidence of a Wells Notice disclosure, whether or not it resulted in subsequent enforcement actions, will also be evaluated.

Market Applicability: U.S., Canada

201. Is a director or officer of the company currently under investigation by a regulatory body?

Disclosed investigations indicate the potential for controversy that could result in enforcement actions, significant penalties for the issuer, and could adversely impact 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. Evidence of regulatory investigation action against U.S. companies is defined as a relevant disclosure found in one or more of the two preceding form 10-K filings. The definition will vary in other jurisdictions based on local interpretations of what constitutes enforcement action.

Market Applicability: U.S.

8. Has the company disclosed any material weaknesses in its internal controls in the past two fiscal years?

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.

Governance QuickScore will evaluate and consider whether material weaknesses, if any, over the past two fiscal years were: the same over consecutive years; different weaknesses; evidenced in the most recent fiscal year or; the previous year; fully remediated; or if the information is not disclosed.

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

Other Audit issues

6. How many financial experts serve on the audit committee?

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.

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., Canada**, W. Europe, Germanic, Anglo, S. Europe, Asia Pacific, Australasia, Asia Pacific

288. Has the company changed its audit firm without valid reason in the past three fiscal years?

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 three fiscal years.

Market Applicability: Japan

280. Can audit firm be indemnified without shareholder vote?

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.

QuickScore will consider whether audit firms can be indemnified without shareholder votes.

Market Applicability: Japan

281. What is the independent statutory auditor's composition?

As many Japanese boards lack outside (nonexecutive) directors, the independence on the board of statutory auditors is important. QuickScore will measure the proportion of independent statutory auditors.

Market Applicability: Japan

Appendix I. Event-driven Data Updates and Director Classifications

ISS will monitor 8-K filings for new director disclosures. When ISS is unable to classify a director's independence based on a company's event-driven disclosure (e.g., appointment of a new board member), ISS will consider the director "unclassified" until there is sufficient information to determine the independence classification.

In QuickScore, a 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. 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.

ISS has outlined the following guidelines for director classification:

- 1) Disclose whether the board has made any determination regarding the independence of the director in accordance with Item 407(a) of Reg S-K.
- 2) Disclose all transactions between the company and: 1) the director, 2) the director's employer, 3) an immediate family member, or 4) an immediate family member's employer in the last three years that exceed \$10,000. State the percentage that the amount represents of the recipient's revenues.
- 3) Disclose family relationships, as required under Item 401 of Reg S-K.
- 4) Disclose compensatory arrangements, as required under Item 402 of Reg S-K.
- 5) Disclose beneficial stock ownership, as required under Item 403 of Reg S-K.
- 6) Disclose any previous employment with the company, a former parent company, or an acquired company.
- 7) Is the director party to a voting agreement to vote in line with management on proposals being brought to shareholder vote? If so, please provide a brief summary of the agreement.
- 8) Does the director (or an immediate family member) have an interlocking relationship, as defined by the SEC, involving members of the board or its Compensation Committee?
- 9) Is the director a founder of the company, but not currently an employee? If so, what was the extent of the director's operational involvement with the company?

Appendix II. QuickScore 2.0 Factor Methodology and Region Applicability

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
Audit											
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?	◆	◆			◆					
NEW	302 Has the company made late filing of Annual Report for the most recent fiscal year?				◆						
5	Has a securities regulator initiated enforcement action against the company in the past two years?	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
200	Has a securities 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?	◆									
8	Has the company disclosed any material weaknesses in its internal controls in the past two years?	◆	◆	◆		◆					
6	How many financial experts serve on the audit committee?	◆	◆	◆	◆		◆	◆		◆	◆
288	Has the company changed its audit firm due to invalid or questionable reasons in the past two years?				◆	◆					
280	Can audit firm be indemnified without shareholder vote?					◆					
281	What is the independent statutory auditors composition?					◆					
Board											
9	How many directors serve on the board?	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
NEW	304 What is the number / proportion of women on the board?	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
10	What is the independent director composition of the board?	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
203	What is the independent director composition of the board if the company is majority controlled?						◆	◆			
11	What is the independent director composition of the board (shareholder elected board members)?								◆		

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
289	Is there an outside director on the board?					◆					
282	What is the outsider director composition of the board?					◆					
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 an identified senior independent director?	◆	◆	◆	◆		◆	◆		◆	
17	What is the term of mandate proposed for supervisory board members (at the latest general meeting)?						◆	◆	◆		
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?	◆									
19	What percentage of nominating committee members are independent based on ISS standards?	◆	◆	◆	◆		◆	◆		◆	◆
NEW	306 Are there executives on the nominating committee?				◆						
23	What's the classification of the chairman of the nominating committee?				◆		◆	◆		◆	◆
207	Does the company maintain a formal nominating committee?								◆		
208	Are there any board members on the nominating committee?								◆		
210	Is there more than one board member who is dependent on major shareholders on the nominating committee?								◆		
211	What is the number of nomination committee members?			◆				◆			
25	What is the independent status of the compensation committee members?	◆	◆	◆	◆		◆	◆		◆	◆
27	Are there executives on the compensation committee?				◆		◆	◆	◆	◆	◆
28	What's the classification of the chairman of the compensation committee?			◆	◆		◆	◆		◆	◆
29	Is the chairman of the board of directors a member of the compensation committee?			◆							
212	What is the number of remuneration committee members?			◆				◆			

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
31	What is the independent status of the audit committee members?	◆	◆	◆	◆		◆	◆		◆	◆
33	Are there executives on the audit committee?				◆		◆	◆	◆	◆	◆
34	What's the classification of the chairman of the audit committee?			◆	◆		◆	◆		◆	◆
35	Is the chairman of the board of directors a member of the audit committee?			◆			◆				
213	What is the number of audit committee members?			◆				◆			
283	Does the company adopt a three committee system?					◆					
NEW	309 How many directors serve on an excessive number of outside boards?				◆						
36	Do the executives serve on an excessive number of outside boards?						◆	◆	◆	◆	
37	Does the CEO serve on an excessive number of outside boards? / How many boards does the CEO sit on (U.S. only)	◆					◆	◆	◆	◆	◆
38	How many non-executives serve on an excessive number of outside boards?	◆					◆	◆	◆	◆	◆
39	Does the chair serve on an excessive number of outside boards?						◆	◆	◆	◆	◆
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 the board meetings?			◆	◆		◆	◆			◆
45	Did any directors attend less than 75% of the aggregate board and committee meetings without a valid excuse?	◆	◆								
49	How many directors received withhold/ against votes of 50% or greater at the last annual meeting?	◆	◆								
NEW	310 What was the lowest support rate for directors at the last annual meeting?					◆					
NEW	312 What percentage of directors received shareholder approval rates below the industry-index level?	◆									
99	Has the board failed to implement a shareholder resolution supported by a majority vote	◆									
NEW	315 What is the average size of outside directors' compensation as a multiple of the median of company peers?	◆									

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
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	Do all directors with more than one year of service own stock?	◆	◆		◆						◆
243	Did any executive or director pledge company shares?	◆									
244	Does the company have a robust policy prohibiting hedging of company shares by employees?	◆									◆
41	Does the company disclose a policy requiring an annual performance evaluation of the board?		◆	◆			◆	◆	◆	◆	◆
46	Does the company disclose board/governance guidelines?	◆									
215	What is the quorum for director meetings		◆								
100	Does the company allow the chairman a second or casting vote at director meetings in the event of a tie?		◆					◆			
50	What percent of the directors were involved in material RPTs?	◆	◆								
51	Do the directors with RPTs sit on key board committees?	◆	◆								
216	Are there material related-party transactions involving the CEO?	◆			◆						
Shareholder Rights											
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?		◆								
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?						◆				
60	Has the company indicated to eliminate the system of depositary receipts?						◆				

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
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?			◆			◆	◆	◆	◆	
217	Is there a coattail provision attached to the company's unequal voting structure?		◆								
72	Does the company have targeted stock placement that can be used as a takeover defense?						◆	◆			
73	Does the company maintain preemptive rights in the event of a takeover bid?						◆	◆			
74	Can the company target repurchased shares in the event of a takeover bid?						◆	◆	◆		
218	Are there ownership factors that affect the takeover defenses?			◆			◆	◆	◆	◆	
219	Are there priority rights that affect the takeover defenses?			◆			◆	◆	◆	◆	
77	Are all directors elected annually?	◆	◆			◆					
83	Is the board authorized to issue blank check preferred stock?	◆	◆								
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?	◆									
81	Does the poison pill have a TIDE provision?	◆									
82	Does the poison pill have a qualified offer clause?	◆									
91	What is the expiration date of the poison pill?	◆									
220	Is the poison pill designed to preserve tax assets (NOL pill)?	◆									

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
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?	◆									
221	Was the poison pill approved by shareholders?					◆					
290	Does the company have a controlling shareholder?				◆	◆					
224	If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections?	◆									
284	Does the removal of a director require a supermajority vote?					◆					
291	Does the company employ a U.S.-type board structure?					◆					
317	Does the company have provisions or shareholder structures which makes it difficult for the company to be a target of hostile takeover?					◆					
89	Does the company require a supermajority vote to approve amendments to the charter and bylaws?	◆						◆			
90	Does the company require a supermajority vote to approve mergers/business combinations?	◆									
285	Does the company have discretion over dividend payments?					◆					
286	Are the shareholders allowed to submit dividend proposals?					◆					
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)?						◆				
53	Does the company have a slate ballot at its current shareholders' meeting?		◆				◆	◆		◆	
262	What is the number of vacancies on the board?										◆
97	What is the percentage of share capital needed to convene a special meeting?	◆					◆	◆			
98	Can shareholders act by written consent?	◆									
52	Does the company have a majority vote standard in uncontested elections?	◆	◆								
225	Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call the meeting?	◆									

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
101	Is shareholder quorum for shareholders' meetings at least 2 persons representing at least 25% of the outstanding shares?		◆								
287	Does the company hold shareholder meeting on the June peak date?					◆					
263	Are there RPTs with significant shareholders?				◆						◆
NEW	318	What is the dilution limit of the general mandate to issue shares?			◆						
NEW	319	What is the discount limit of the general mandate to issue shares?			◆						
NEW	320	What is the dilution limit of the general mandate to issue repurchased shares?			◆						
NEW	321	What is the aggregate dilution limit of share issuance and reissuance mandate?			◆						
Compensation/Remuneration											
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?			◆			◆	◆		◆	◆
226	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?	◆	◆								
227	What is the degree of alignment between the company's cumulative 1-year pay percentile rank, relative to peers, and its 1-year cumulative TSR rank, relative to peers?	◆	◆								
228	What is the size of the CEO's 1-year total pay, as a multiple of the median total 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?	◆									
233	What is the performance period for the latest active long term incentive plan (or the proposed plan) for executives?			◆			◆	◆			◆

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
NEW	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?	◆	◆							
	156	Are any of the NEOs eligible for multiyear guaranteed bonuses?	◆	◆							
	154	Does the company provide loans to executives?		◆	◆		◆	◆		◆	◆
	118	Is part of the bonus granted or to be granted guaranteed?		◆	◆		◆	◆		◆	◆
	159	Did the company grant a one-off reward to any of its executives?						◆			◆
	237	What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) to Base Salary?	◆								
NEW	322	Does the company have an equity-based compensation plan?				◆					
	129	Do the company's active equity plans prohibit share recycling for options/SARS?	◆								
	138	Do the company's active equity plans prohibit option/ SAR repricing?	◆	◆							
	238	Does 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 a liberal CIC definition?	◆								
	139	Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?	◆	◆							
	137	Has the company backdated options within the past two years?			◆						
	127	What is the total proportion of all outstanding equity based plans toward the share capital?			◆	◆	◆	◆	◆	◆	◆
	128	Is there a maximum level of dilution per year?			◆	◆	◆			◆	
	130	Does the company grant equity awards at an excessive rate, according to ISS policy?	◆								
	136	What are the pricing conditions for stock options granted to executives?			◆	◆	◆	◆	◆	◆	◆
	155	Did the company disclose a claw back or malus provision?	◆	◆	◆		◆	◆	◆	◆	◆

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
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 3 years?	◆	◆	◆	◆		◆	◆	◆	◆	◆
132	What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?	◆	◆	◆	◆		◆	◆	◆	◆	◆
133	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?		◆	◆	◆		◆	◆	◆	◆	◆
NEW	323 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' matching plan?						◆				
NEW	324 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' deferral 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)?	◆		◆			◆	◆		◆	◆
145	What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?	◆		◆			◆	◆			◆
142	Is the CEO subject to stock ownership guidelines?		◆								
146	What proportion of the salary is subject to stock ownership requirements/guidelines for executives (excluding the CEO)?			◆			◆	◆			◆
104	Does the company provide loans to directors?		◆					◆			
109	Do directors participate in equity based plans?		◆				◆	◆	◆	◆	
110	Do non-executive directors participate in performance related remuneration?			◆			◆	◆		◆	◆
107	What part of the total remuneration received by directors is options based?		◆								
NEW	325 Are directors who are eligible to receive grants/awards under the plan involved in the administration of the plan?				◆						
112	Does the company disclose details of individual executives'				◆			◆			

remuneration?											
Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
158	Did the company disclose a performance overview for its long term incentive plans?							◆			
113	Does the company disclose a performance measure for the short term incentive plan (for executives)?	◆	◆	◆	◆		◆	◆	◆	◆	◆
246	What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan	◆									◆
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)?			◆	◆		◆	◆	◆	◆	
NEW	326 Did the company disclose the metrics used to evaluate performance-based compensation in the most recent Yuho Filings?					◆					
NEW	327 Does the company disclose numerical figures related to performance-based compensation?					◆					
166	Has the company voluntarily adopted a management say-on-pay advisory vote resolution for the most recent annual meeting?		◆				◆				
NEW	328 Did the most recent say-on-pay proposal receive shareholders' support below the industry-index level?	◆									
250	What is the level of disclosure on CEO ownership guidelines									◆	
148	What's the trigger under the change-in-control agreements?	◆	◆								
153	Do equity based plans or other long- term plans vest completely upon a change-in-control?	◆	◆					◆			◆
150	In the event of termination of the contract of executives, does the equity based remuneration vest?							◆			◆
161	What is the multiple of the change in control/severance payment for the CEO (upon a change-in-control)?	◆	◆	◆			◆	◆	◆	◆	

Q	Question	US	CDA	Anglo	AP	Japan	W. Europe	S. Europe	Nordic	Germanic	Australasia
247	What is the basis for the change-in-control or severance payment for the CEO?	◆	◆	◆			◆	◆	◆	◆	
160	What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?			◆			◆	◆	◆	◆	
248	What is the basis for the change-in-control or severance payment for executives excluding the CEO			◆			◆	◆	◆	◆	
152	How long is the notice period for the CEO if the company terminates the contract?							◆			◆
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?	◆									
300	Has ISS' qualitative review identified a pay-for-performance misalignment?	◆	◆								
301	Has ISS identified a problematic pay practice or policy that raises concerns?	◆	◆	◆			◆	◆	◆	◆	◆
NEW	307	Has the company disclosed that it has set up a compensation committee in the most recent Yuho Filings?				◆					
NEW	308	Has the company disclosed that outside directors constitute the majority of its compensation committee in the most recent Yuho Filings?				◆					

Appendix III. Region-specific Factor Methodology (newly applicable factors in bold)

U.S.

- 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 securities regulator taken enforcement action against the company in the past two years?
- 200 Has a securities regulator taken 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?
- 8 Has the company disclosed any material weaknesses in its internal controls in the past two years?
- 6 How many financial experts serve on the audit committee?**
- 9 How many directors serve on the board?**
- 304 What is the number / proportion of women on the board?**
- 10 What is the independent director composition of the board?
- 13 What proportion of directors sit on the board for an excessive length of time?**
- 14 What is the classification of the chairman of the board?
- 16 Has the company an identified senior independent director?
- 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?
- 19 What percentage of nominating committee members are independent based on ISS standards?
- 25 What is the independent status of the compensation committee members?
- 31 What is the independent status of the audit committee members?
- 37 Does the CEO serve on an excessive number of outside boards? / How many boards does the CEO sit on? (U.S. only)?
- 38 How many non-executives serve on an excessive number of outside boards?
- 45 Did any directors attend less than 75% of the aggregate board and committee meetings without a valid excuse?
- 49 How many directors received withhold/ against votes of 50% or greater at the last annual meeting?
- 312 What percentage of directors received shareholder approval rates below the industry-index level?**
- 99 Has the board failed to implement a shareholder resolution supported by a majority vote?
- 315 What is the average size of outside directors' compensation as a multiple of the median of company peers?**
- 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 Do all directors with more than one year of service own stock?
- 243 Did any executive or director pledge company shares?
- 244 Does the company have a robust policy prohibiting hedging of company shares by employees?
- 46 Does the company disclose board/governance guidelines?
- 50 What percent of the directors were involved in material RPTs?
- 51 Do the directors with RPTs sit on key board committees?
- 216 Are there material related-party transactions involving the CEO?
- 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?
- 77 Are all directors elected annually?
- 83 Is the board authorized to issue blank check preferred stock?
- 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?
- 81 Does the poison pill have a TIDE provision?

- 82 Does the poison pill have a qualified offer clause?
- 91 What is the expiration date of the poison pill?
- 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?
- 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?
- 52 Does the company have a majority vote standard in uncontested elections?
- 225 Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call the meeting?
- 226 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?
- 227 What is the degree of alignment between the company's cumulative 1-year pay percentile rank, relative to peers, and its 1-year cumulative TSR rank, relative to peers?
- 228 What is the size of the CEO's 1-year cumulative 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?
- 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?**
- 156 Are any of the NEOs eligible for multiyear guaranteed bonuses?
- 237 What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) to Base Salary?
- 129 Do the company's active equity plans prohibit share recycling for options/SARS?
- 138 Do the company's active equity plans prohibit option/ SAR repricing?
- 238 Does 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 a liberal CIC definition?
- 139 Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?
- 130 Does the company grant equity awards at an excessive rate, according to ISS policy?
- 155 Did the company disclose a claw back or malus provision?
- 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 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)?
- 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?
- 113 Does the company disclose a performance measure for the short-term incentive plan (for executives)?
- 246 What is the level of disclosure on performance measures for the latest active or proposed long-term incentive plan?
- 328 Did the most recent say-on-pay proposal receive shareholders' support below the industry-index level?**
- 148 What's the trigger under the change-in-control agreements?
- 153 Do equity based plans or other long-term plans vest completely upon a change-in-control?
- 161 What is the multiple of the change-in-control/severance payment for the CEO (upon a change-in-control)?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 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?
- 300 Has ISS' qualitative review identified a pay-for-performance misalignment?
- 301 Has ISS identified a problematic pay practice or policy that raises concerns?

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 securities regulator taken enforcement action against the company in the past two years?
- 200 Has a securities regulator taken enforcement action against a director or officer of the company in the past two years?
- 8 Has the company disclosed any material weaknesses in its internal controls in the past two years?
- 6 How many financial experts serve on the audit committee?**
- 9 How many directors serve on the board?**
- 304 What is the number / proportion of women on the board?**
- 10 What is the independent director composition of the board?
- 14 What is the classification of the chairman of the board?
- 16 Has the company an identified senior independent director?
- 19 What percentage of nominating committee members are independent based on ISS standards?
- 25 What is the independent status of the compensation committee members?
- 31 What is the independent status of the audit committee members?
- 45 Did any directors attend less than 75% of the aggregate board and committee meetings without a valid excuse?
- 49 How many directors received withhold/ against votes of 50% or greater at the last annual meeting?
- 143 Are directors subject to stock ownership guidelines?
- 144 Do all directors with more than one year of service own stock?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 215 What is the quorum for director meetings?
- 100 Does the company allow the chairman a second or casting vote at director meetings in the event of a tie?
- 50 What percent of the directors were involved in material RPTs?
- 51 Do the directors with RPTs sit on key board committees?
- 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?
- 217 Is there a coattail provision attached to the company's unequal voting structure?
- 77 Are all directors elected annually?
- 83 Is the board authorized to issue blank check preferred stock?
- 78 Does the company have a poison pill (shareholder rights plan) in effect?
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 52 Does the company have a majority vote standard in uncontested elections?
- 101 Is shareholder quorum for shareholders' meetings at least 2 persons representing at least 25% of the outstanding shares?
- 226 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?
- 227 What is the degree of alignment between the company's cumulative 1-year pay percentile rank, relative to peers, and its 1-year cumulative TSR rank, relative to peers?
- 228 What is the size of the CEO's 1-year cumulative 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?
- 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?**
- 156 Are any of the NEOs eligible for multiyear guaranteed bonuses?
- 154 Does the company provide loans to executives?
- 118 Is part of the bonus granted or to be granted guaranteed?
- 138 Do the company's active equity plans prohibit option/ SAR repricing?
- 238 Does the company's active equity plans prohibit option/ SAR cash buyouts?

- 139 Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?
- 155 Did the company disclose a claw back or malus provision?
- 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 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)?
- 142 Is the CEO subject to stock ownership guidelines?
- 104 Does the company provide loans to directors?
- 109 Do directors participate to equity based plans?
- 107 What part of the total remuneration received by directors is options based?
- 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)?
- 166 Has the company voluntarily adopted a management say-on- pay advisory vote resolution for the most recent annual meeting?
- 148 What's the trigger under the change-in-control agreements?
- 153 Do equity based plans or other long-term plans vest completely upon a change in control?
- 161 What is the multiple of the change-in-control/severance payment for the CEO (upon a change-in-control)?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 162 Does the company provide excise tax gross-ups for change-in-control payments?
- 300 Has ISS' qualitative review identified a pay-for-performance misalignment?
- 301 Has ISS identified a problematic pay practice or policy that raises concerns?

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 securities regulator taken 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?
- 6 How many financial experts serve on the audit committee?
- 9 How many directors serve on the board?
- 304 What is the number / proportion of women on the board?**
- 10 What is the independent director composition of the board?
- 14 What is the classification of the chairman of the board?
- 16 Has the company an identified senior independent director?
- 19 What percentage of nominating committee members are independent based on ISS standards?
- 211 What is the number of nomination committee members?
- 25 What is the independent status of the compensation committee members?
- 28 What's the classification of the chairman of the compensation committee?
- 29 Is the chairman of the board of directors a member of the compensation committee?
- 212 What is the number of remuneration committee members?
- 31 What is the independent status of the audit committee members?
- 34 What's the classification of the chairman of the audit committee?
- 35 Is the chairman of the board of directors a member of the audit committee?
- 213 What is the number of audit committee members?
- 44 What percentage of the directors attended less than 75% of the board meetings?
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?

- 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?
- 218 Are there ownership factors that affect the takeover defenses?
- 219 Are there priority rights that affect the takeover defenses?
- 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?
- 233 What is the performance period for the latest active long-term incentive plan (or the proposed plan) for executives?
- 154 Does the company provide loans to executives?
- 118 Is part of the bonus granted or to be granted guaranteed?
- 137 Has the company backdated options within the past two years?
- 127 What is the total proportion of all outstanding equity based plans toward the share capital?
- 128 Is there a maximum level of dilution per year?
- 136 What are the pricing conditions for stock options granted to executives?
- 155 Did the company disclose a claw back or malus provision?
- 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 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)?
- 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)?
- 110 Do non-executive directors participate in performance related remuneration?
- 113 Does the company disclose a performance measure for the short-term incentive plan (for executives)?
- 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)?
- 161 What is the multiple of the change-in-control/severance payment for the CEO (upon a change-in-control)?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 160 What is the multiple of the change-in-control/severance payment for executives excluding the CEO (upon a change-in-control)?
- 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 raises concerns?

Asia Pacific

- 1 Non-Audit fees represent what percentage of total fees?
- 2 Did the auditor issue an adverse opinion in the past year?
- 302 Has the company made late filing of Annual Report for the most recent fiscal year?**
- 5 Has a securities regulator taken enforcement action against the company in the past two years?

- 6 How many financial experts serve on the audit committee?
- 288 Has the company changed its audit firm due to invalid or questionable reasons in the past two years?**
- 9 How many directors serve on the board?
- 304 What is the number / proportion of women on the board?**
- 10 What is the independent director composition of the board?
- 13 What proportion of directors sit on the board for an excessive length of time?
- 14 What is the classification of the chairman of the board?**
- 16 Has the company an identified senior independent director?
- 19 What percentage of nominating committee members are independent based on ISS standards?
- 306 Are there executives on the nominating committee?**
- 23 What's the classification of the chairman of the nominating committee?
- 25 What is the independent status of the compensation committee members?
- 27 Are there executives on the compensation committee?**
- 28 What's the classification of the chairman of the compensation committee?
- 31 What is the independent status of the audit committee members?
- 33 Are there executives on the audit committee?**
- 34 What's the classification of the chairman of the audit committee?
- 309 How many directors serve on an excessive number of outside boards?**
- 44 What percentage of the directors attended less than 75% of the board meetings?
- 144 Do all directors with more than one year of service own stock?
- 216 Are there material related-party transactions involving the CEO?
- 290 Does the company have a controlling shareholder?**
- 263 Are there RPTs with significant shareholders?
- 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?**
- 127 What is the total proportion of all outstanding equity based plans toward the share capital?
- 128 Is there a maximum level of dilution per year?
- 136 What are the pricing conditions for stock options granted to 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
- 325 Do directors eligible to receive grants/awards under the plan are involved in the administration of the plan?**
- 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)?

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 securities regulator taken 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?
- 288 Has the company changed its audit firm due to invalid or questionable reasons in the past two years?
- 280 Can audit firm be indemnified without shareholder vote?

- 281 What is the independent statutory auditors composition?
9 How many directors serve on the board?
304 What is the number / proportion of women on the board?
 10 What is the independent director composition of the board?
 289 Is there an outside director on the board?
 282 What is the outsider director composition of the board?
 283 Does the company adopt a three committee system?
310 What was the lowest support rate for directors at the last annual meeting?
 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?
 221 Was the poison pill approved by shareholders?
 290 Does the company have a controlling shareholder?
 284 Does the removal of a director require a supermajority vote?
 291 Does the company employ a U.S.-type board structure?
317 Does the company have provisions or shareholder structures which make it difficult for the company to be a target of hostile takeover?
 285 Does the company have discretion over dividend payments?
 286 Are the shareholders allowed to submit dividend proposals?
 287 Does the company hold shareholder meeting on the June peak date?
326 Did the company disclose the metrics used to evaluate performance-based compensation in the most recent Yuho Filings?
327 Does the company disclose numerical figures related to performance-based compensation?
307 Has the company disclosed that it has set up a compensation committee in the most recent Yuho Filings?
308 Has the company disclosed that outside directors constitute the majority of its compensation committee in the most recent Yuho Filings?

W. 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 securities regulator taken 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?
304 What is the number / proportion of women on the board?
 10 What is the independent director composition of the board?
 203 What is the independent director composition of the board if the company is majority controlled?
 14 What is the classification of the chairman of the board?
 16 Has the company an identified senior independent director?
 17 What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
 19 What percentage of nominating committee members are independent based on ISS standards?
 23 What's the classification of the chairman of the nominating committee?
 25 What is the independent status of the compensation committee members?
 27 Are there executives on the compensation committee?
 28 What's the classification of the chairman of the compensation committee?
 31 What is the independent status of the audit committee members?
 33 Are there executives on the audit committee?
 34 What's the classification of the chairman of the audit committee?
 35 Is the chairman of the board of directors a member of the audit committee?
 36 Do the executives serve on an excessive number of outside boards?
 37 Does the CEO serve on an excessive number of outside boards? / How many boards does the CEO sit on (U.S. only)?
 38 How many non-executives serve on an excessive number of outside boards?
 39 Does the chair serve on an excessive number of outside boards?
 44 What percentage of the directors attended less than 75 % of the board meetings?

- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 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?
- 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 preemptive rights in the event of a takeover bid?
- 74 Can the company target repurchased shares in the event of a takeover bid?
- 218 Are there ownership factors that affect the takeover defenses?
- 219 Are there priority rights that affect the takeover defenses?
- 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)?
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 97 What is the percentage of share capital needed to convene a special meeting?
- 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?
- 233 What is the performance period for the latest active long-term incentive plan (or the proposed plan) for executives?
- 154 Does the company provide loans to executives?
- 118 Is part of the bonus granted or to be granted guaranteed?
- 127 What is the total proportion of all outstanding equity based plans toward the share capital?
- 128 Is there a maximum level of dilution per year?
- 136 What are the pricing conditions for stock options granted to executives?
- 155 Did the company disclose a claw back or malus provision?
- 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
- 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?**
- 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)?
- 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)?
- 109 Do directors participate in equity based plans?
- 110 Do non-executive directors participate in performance related remuneration?
- 113 Does the company disclose a performance measure for the short-term incentive plan (for executives)?
- 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)?

- 166 Has the company voluntarily adopted a management say-on-pay advisory vote resolution for the most recent annual meeting?
- 161 What is the multiple of the change-in-control/severance payment for the CEO (upon a change-in-control)?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 160 What is the multiple of the change-in-control/severance payment for executives excluding the CEO (upon a change-in-control)?
- 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 raises concerns?

S. 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 securities regulator taken 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?
- 304 What is the number / proportion of women on the board?**
- 10 What is the independent director composition of the board?
- 203 What is the independent director composition of the board if the company is majority controlled?
- 14 What is the classification of the chairman of the board?
- 16 Has the company an identified senior independent director?
- 17 What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
- 19 What percentage of nominating committee members are independent based on ISS standards?
- 23 What's the classification of the chairman of the nominating committee?
- 211 What is the number of nomination committee members?
- 25 What is the independent status of the compensation committee members?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 212 What is the number of remuneration committee members?
- 31 What is the independent status of the audit committee members?
- 33 Are there executives on the audit committee?
- 34 What's the classification of the chairman of the audit committee?
- 213 What is the number of audit committee members?
- 36 Do the executives serve on an excessive number of outside boards?
- 37 Does the CEO serve on an excessive number of outside boards? / How many boards does the CEO sit on (U.S. only)?
- 38 How many non-executives serve on an excessive number of outside boards?
- 39 Does the chair serve on an excessive number of outside boards?
- 44 What percentage of the directors attended less than 75% of the board meetings?
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 100 Does the company allow the chairman a second or casting vote at director meetings in the event of a tie?
- 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?
- 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 preemptive rights in the event of a takeover bid?
- 74 Can the company target repurchased shares in the event of a takeover bid?
- 218 Are there ownership factors that affect the takeover defenses?
- 219 Are there priority rights that affect the takeover defenses?
- 89 Does the company require a super-majority vote to approve amendments to the charter and bylaws?
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 97 What is the percentage of share capital needed to convene a special meeting?
- 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?
- 233 What is the performance period for the latest active long-term incentive plan (or the proposed plan) for executives?
- 154 Does the company provide loans to executives?
- 118 Is part of the bonus granted or to be granted guaranteed?
- 159 Did the company grant a one-off reward to any of its executives?
- 127 What is the total proportion of all outstanding equity based plans toward the share capital?
- 136 What are the pricing conditions for stock options granted to executives?
- 155 Did the company disclose a claw back or malus provision?
- 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 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)?
- 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)?
- 104 Does the company provide loans to directors?
- 109 Do directors participate to equity based plans?
- 110 Do non-executive directors participate to performance related remuneration?
- 112 Does the company disclose details of individual executives' remuneration?
- 158 Did the company disclose a performance overview for its long-term incentive plans?
- 113 Does the company disclose a performance measure for the short-term incentive plan (for executives)?
- 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)?
- 153 Do equity based plans or other long-term plans vest completely upon a change-in-control?
- 150 In the event of termination of the contract of executives, does the equity based remuneration vest?
- 161 What is the multiple of the change-in-control/severance payment for the CEO (upon a change-in-control)?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 160 What is the multiple of the change-in-control/severance payment for executives excluding the CEO (upon a change-in-control)?
- 248 What is the basis for the change-in-control or severance payment for executives excluding the CEO?
- 152 How long is the notice period for the CEO if the company terminates the contract?
- 301 Has ISS identified a problematic pay practice or policy that raises concerns?

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 securities regulator taken enforcement action against the company in the past two years?
- 9 How many directors serve on the board?**
- 304 What is the number / proportion of women on the board?**
- 10 What is the independent director composition of the board?
- 11 What is the independent director composition of the board (shareholder elected board members)?
- 14 What is the classification of the chairman of the board?
- 17 What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
- 207 Does the company maintain a formal nominating committee?
- 208 Are there any board members on the nominating committee?
- 210 Is there more than one board member who is dependent on major shareholders on the nominating committee?
- 27 Are there executives on the compensation committee?

- 33 Are there executives on the audit committee?
- 36 Do the executives serve on an excessive number of outside boards?
- 37 Does the CEO serve on an excessive number of outside boards? / How many boards does the CEO sit on (U.S. only)?
- 38 How many non-executives serve on an excessive number of outside boards?
- 39 Does the chair serve on an excessive number of outside boards?
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 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?
- 69 Do shareholders or the State have the priority right?
- 74 Can the company target repurchased shares in the event of a takeover bid?
- 218 Are there ownership factors that affect the takeover defenses?
- 219 Are there priority rights that affect the takeover defenses?
- 114 Is there a cap on CEO's annual bonus?
- 115 Is there a cap on executives' (excluding the CEO) annual bonus?
- 127 What is the total proportion of all outstanding equity based plans toward the share capital?
- 136 What are the pricing conditions for stock options granted to executives?
- 155 Did the company disclose a claw back or malus provision?
- 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 133 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?
- 109 Do directors participate to equity based plans?
- 113 Does the company disclose a performance measure for the short-term incentive plan (for executives)?
- 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)?
- 161 What is the multiple of the change-in-control/severance payment for the CEO (upon a change-in-control)?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 160 What is the multiple of the change-in-control/severance payment for executives excluding the CEO (upon a change-in-control)?
- 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 raises concerns?

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 securities regulator taken 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?

- 304 What is the number / proportion of women on the board?**
- 10 What is the independent director composition of the board?
- 14 What is the classification of the chairman of the board?
- 16 Has the company an identified senior independent director?
- 19 What percentage of nominating committee members are independent based on ISS standards?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What is the independent status of the compensation committee members?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What is the independent status of the audit committee members?
- 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 an excessive number of outside boards? / How many boards does the CEO sit on (U.S. only)?
- 38 How many non-executives serve on an excessive number of outside boards?
- 39 Does the chair serve on an excessive number of outside boards?
- 43 What percentage of all meetings were attended by at least 50% of the supervisory board?
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 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?
- 69 Do shareholders or the State have the priority right?
- 218 Are there ownership factors that affect the takeover defenses?
- 219 Are there priority rights that affect the takeover defenses?
- 53 Does the company have a slate ballot at its current shareholders' meeting?
- 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?
- 154 Does the company provide loans to executives?
- 118 Is part of the bonus granted or to be granted guaranteed?
- 127 What is the total proportion of all outstanding equity based plans toward the share capital?
- 128 Is there a maximum level of dilution per year?
- 136 What are the pricing conditions for stock options granted to executives?
- 155 Did the company disclose a claw back or malus provision?
- 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 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)?
- 109 Do directors participate in equity based plans?

- 110 Do non-executive directors participate in performance related remuneration?
- 113 Does the company disclose a performance measure for the short-term incentive plan (for executives)?
- 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)?
- 250 What is the level of disclosure on CEO ownership guidelines?
- 161 What is the multiple of the change-in-control/severance payment for the CEO (upon a change-in-control)?
- 247 What is the basis for the change-in-control or severance payment for the CEO?
- 160 What is the multiple of the change-in-control/severance payment for executives excluding the CEO (upon a change-in-control)?
- 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 raises concerns?

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 securities regulator taken 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?
- 304 What is the number / proportion of women on the board?**
- 10 What is the independent director composition of the board?
- 14 What is the classification of the chairman of the board?
- 19 What percentage of nominating committee members are independent based on ISS standards?
- 23 What's the classification of the chairman of the nominating committee?
- 25 What is the independent status of the compensation committee members?
- 27 Are there executives on the compensation committee?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What is the independent status of the audit committee members?
- 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 an excessive number of outside boards? / How many boards does the CEO sit on (U.S. only)?
- 38 How many non-executives serve on an excessive number of outside boards?
- 39 Does the chair serve on an excessive number of outside boards?
- 44 What percentage of the directors attended less than 75% of the board meetings?
- 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 Do all directors with more than one year of service own stock?
- 244 Does the company have a robust policy prohibiting hedging of company shares by employees?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?
- 67 Does the company have an ownership ceiling?
- 68 Does the company have ownership ceilings for specific parties?
- 262 What is the number of vacancies on the board?
- 263 Are there RPTs with significant shareholders?
- 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?
- 233 What is the performance period for the latest active long-term incentive plan (or the proposed plan) for executives?
- 154 Does the company provide loans to executives?

- 118 Is part of the bonus granted or to be granted guaranteed?
- 159 Did the company grant a one-off reward to any of its executives?
- 127 What is the total proportion of all outstanding equity based plans toward the share capital?
- 136 What are the pricing conditions for stock options granted to executives?
- 155 Did the company disclose a claw back or malus provision?
- 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 3 years?
- 132 What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 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)?
- 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)?
- 110 Do non-executive directors participate in performance related remuneration?
- 113 Does the company disclose a performance measure for the short-term incentive plan (for executives)?
- 246 What is the level of disclosure on performance measures for the latest active or proposed long-term incentive plan?
- 153 Do equity based plans or other long-term plans vest completely upon a change-in-control?
- 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?
- 301 Has ISS identified a problematic pay practice or policy that raises concerns?

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