



QualityScore

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4Q 2018 Governance Methodology Release Highlights

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11.12.18

4Q 2018 Release Highlights

- › **New Board Diversity Subcategory - 4 new + 5 existing factors**
 - › How many women serve in leadership roles on the board? (Q386)
 - › How many women are named executive officers at the company? (Q387); *US, Canada, Anglo*, and Australia*.*
 - › What is the standard deviation of director age? (Q388)
 - › What is the standard deviation of director tenure (in years)? (Q389)*
 - › Existing factors: Lengthy Tenure (Q13), # and % of Women on Board (Q304, Q354), Director Refreshment (Q349), Tenure <6 yrs. (Q355)
- › **Two new Board Controversy factors on Board Chair & CEO Support**
 - › What was the most recent percentage vote support for the CEO? (Q391)
 - › What was the most recent percentage vote support for the Board Chair? (Q392)
- › **Expanding Controversy factors on Director & Say-on Pay Support**
 - › What was the lowest percentage of vote support received by management-nominated director at their most recent election? (Q383); *Launched for AU/NZ in May 2018. Expanding to all regions except Japan.*
 - › What was the percentage of vote support received from shareholders on the most recent say-on-pay/remuneration proposal? (Q385); *Launched for AU/NZ in May 2018. Expanding to U.S., Canada, Anglo, W. Europe, and S. Africa*

New factors applicable to all markets except Japan, unless otherwise noted

*Denotes the factor is unscored for all or specified market.

Regional Updates: ADDITIONS

› Board Structure:

- › Has ISS' review found that the board of directors has taken unilateral action that materially reduces shareholder rights or the company has had other governance failures? (Q345); *add Hong Kong, Singapore, and China.*
- › How many directors serve on an excessive number of outside boards? (Q309); *add India and S. Korea.*

› Compensation:

- › Did the company grant a one-off reward to any of its executives? (Q159); *add Germanics.*
- › Does the company disclose a performance measure for restricted share or stock award plans for executives? (Q123); *add India.*

› Audit:

- › Has the company disclosed any material weaknesses in its internal controls in the past two years? (Q8); *add India.*
- › Has the company changed its audit firm without valid reason in the past two fiscal years? (Q288); *add India.*

Denotes existing QualityScore factors being added to new markets

Regional Updates: No Longer Scored

› Board Structure:

- › Are there executives on the compensation committee? (Q27); now unscored for *Portugal*.
- › What is the classification of the chair of the compensation committee? (Q28); now unscored for *Portugal*.
- › What percentage of the compensation committee is independent based on an ISS global classification? (Q381); now unscored for *Portugal*.

› Compensation:

- › Has the company voluntarily adopted a management say-on-pay advisory vote resolution for the most recent annual meeting? (Q166); *now unscored for S. Africa*
- › Does the company have an equity-based compensation plan? (Q322); *now unscored for Japan*.

› Audit:

- › How many financial experts serve on the audit committee? (Q6); *This factor is no longer scored for Canada, Nordics, and Portugal*.

Factors noted above are unscored but still appear for the specified market.

4Q 2018 Release Timeline

Friday,
November 2

- QS Scores & Profiles frozen (7am ET/ 11am UTC)
- No Scores on Proxy Research & Alerts

Monday,
November 5

- Issuer Data Verification opens: 7am ET / 12pm UTC

Friday,
November 16

- Issuer Data Verification closes: 8pm ET / 1am UTC (Nov 17)

November 16 to
November 28

- DV Freeze Period:
Friday, Nov 16 – Wednesday, Nov 28

Thursday,
November 29

- New Scores go live: 7am ET / 12pm UTC
- Data & Profiles resume updates

An updated version of the Governance QualityScore technical document will be available on the [ISS website](#) and on the [QualityScore Data Verification](#) landing page prior to the release.