



QualityScore

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4Q 2018 Governance Methodology Update Highlights

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11.29.18

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 percentage of vote support for the CEO at the most recent annual meeting? (Q391)? *All regions except Japan & Russia.*
- › What was the percentage of vote support for the Board Chair at the most recent annual meeting? (Q392). *All regions except Japan & Russia.*

› **Expanding Controversy factors on Director & Say-on Pay Support**

- › What was the lowest percentage of vote support received by management-nominated director at the most recent annual meeting? (Q383); *Launched for AU/NZ in May 2018. Expanding to all regions except Japan and Russia.*
- › What was the percentage of vote support received from shareholders on the most recent say-on-pay/remuneration proposal? (Q385); *Launched for AU 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 regions.

Regional Updates: ADDITIONS

› Board Structure:

- › Has ISS determined that the board had problematic governance practices that reduced shareholder rights? (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 regions

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:

- › Does the company have an equity-based compensation plan? (Q322); *now unscored for Japan*.

› Audit:

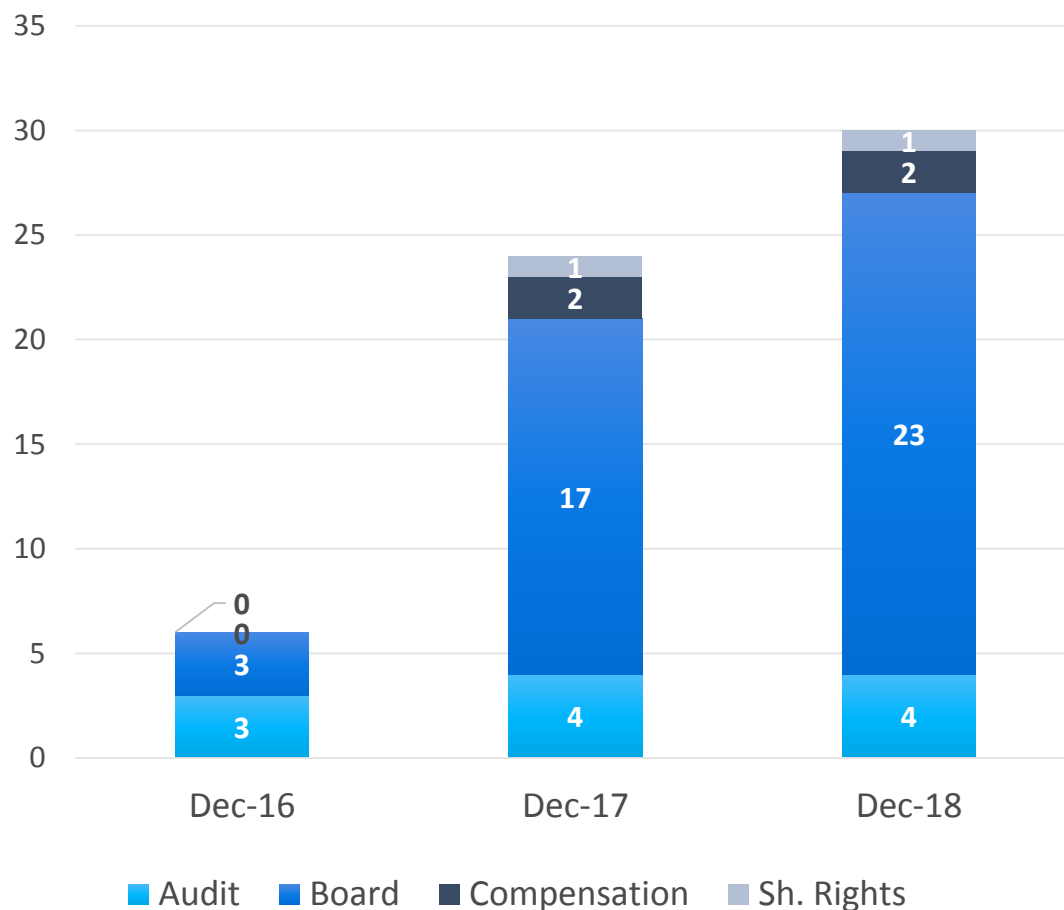
- › How many financial experts serve on the audit committee? (Q6); *This factor is no longer scored for Canada, Nordics, and Portugal*.

Factors noted above are unscored but still appear for the specified country or region.

Expanding from 24 to 30 Global Factors*

- 30 global factors across 29-30 countries
- 35 factors applicable to 25+ countries
- **5 new global factors** added to GQS
- 1 factor on Director vote support (Q383) added in May 2018 now global
- All in **Board Composition**

Global Factors by Count

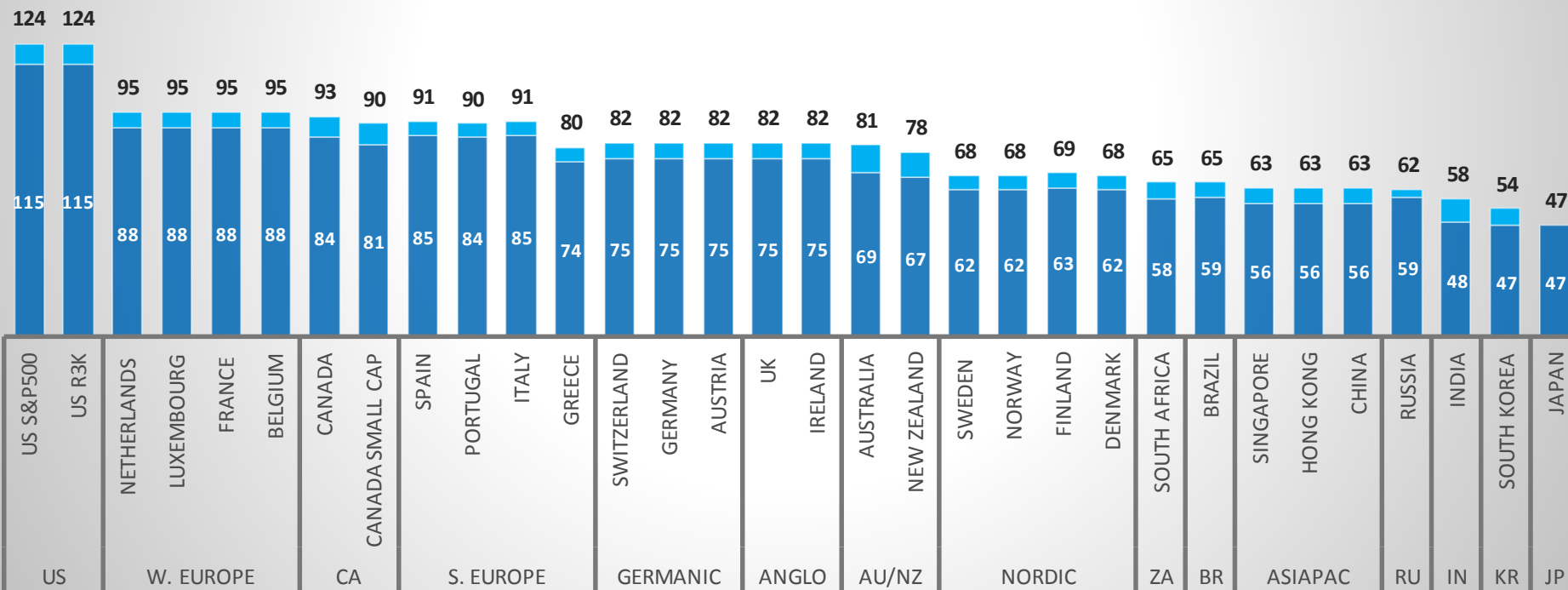


*Factors applicable to all covered countries excluding Japan. Japan has 11 global factors

Average number of factors by country increases from 73 to 80 from December 2017

of QS Factors By Country/Region

■ # Factors Dec 2017 ■ Dec 2018- Net Change



Note: includes non-scored factors in each country/region. # Factors Dec 18 include changes from May 2018.



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