

ISS ESG GOVERNANCE QUALITYSCORE

Governance QualityScore is a data-driven scoring and screening solution designed to enable quality reviews of corporate governance across four key areas: Board Structure, Compensation, Shareholder Rights, and Audit & Risk Oversight. There are over 240 factors analyzed under Governance QualityScore, covering topics such as board composition, board policies, related-party transactions, shareholder voting rights, executive compensation practices, information security risk management and audit and accounting controversies. Each factor is assigned a weight, based on an assessment of the impact of governance practices, ISS' benchmark voting policies, and prevailing governance standards within each region. While specific factors under analysis vary by region, core governance factors are applied globally, enabling investors to benchmark core governance practices and risks for companies across markets and regions. ISS ESG's annual methodology review ensures that the methodology remains in step with the ISS benchmark policies as they adapt to reflect developments in regulatory and market practice.

Outputs

Governance QualityScore uses a numeric, decile-based score that indicates a company's governance risk relative to its index or region. A score in the 1st decile (QS:1) indicates relatively higher quality governance practices and relatively lower governance risk, and, conversely, a score in the 10th decile (QS:10) indicates relatively lower quality governance practices and relatively higher governance risk. Companies receive an overall Governance QualityScore and are also assessed across four categories: Board Structure, Compensation/ Remuneration, Shareholder Rights, and Audit & Risk Oversight. In addition to decile scores, ISS ESG also provides factor-level data, summaries of key risks as well as red flags, which identify companies or behaviors in need of further analysis.

Research Process

ISS ESG's Governance QualityScore is updated year-round to reflect new annual filings as well as event-driven data updates for capturing changes to a company's governance structure on an ongoing basis. The research process can be broken down as follows:

- **Data collection:** Relevant information is drawn from the annual filing of companies' proxies, annual reports, 10-Ks (for U.S. companies), circulars, meeting notices, and other publicly disclosed materials related to a company's annual general meeting (AGM).
- **Generation of assessments:** Collected data are augmented by proprietary analytics and information stemming from ISS analyses, interpretations, and proxy voting policies to generate assessments.
- **Quality assurance:** A global Data Quality Analysis team actively monitors data quality.
- **Data verification:** Issuers are invited to review and verify their data through ongoing data verification tools, except between the dates when the company files its proxy or meeting materials and the publication of ISS' proxy analysis for the company's annual meeting.
- **Final report:** Report and granular data are delivered through client platforms and feeds.

**We empower investors and companies to build
for long-term and sustainable growth by providing
high-quality data, analytics, and insight.**

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