HUNTON & WILLIAMS

Client Alert

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Last Week for Public Companies to Verify Data for ISS QuickScore 2.0

Institutional Shareholder Services ("ISS") recently announced the launch of an updated version of its quantitative governance and risk scoring system, Governance QuickScore 2.0, for the 2014 proxy season. **US public companies have until 8 p.m., Eastern Standard Time, on Friday, February 7, 2014, to verify their data and provide feedback before QuickScore 2.0 is launched.** More details on data verification are available at ISS's website at https://ga.isscorporateservices.com/login.php.

QuickScore 2.0 has been expanded to include several new factors that affect scoring, including the following:

- *Director Tenure*: Considers the proportion of non-executive directors on the board with a tenure of more than nine years.

- *Shareholder Support in Director Elections*: Considers the number of directors who received "less than average levels of approval." In the technical document, ISS indicates that QuickScore 2.0 "will consider directors who received less than 95% shareholder approval" (based on the percentage of votes cast), apparently relative to shareholder approval at the company's applicable industry-index level.

- *Director Compensation*: Compares the outside directors' compensation as disclosed in the prior year's proxy statement to the median pay of directors' compensation at a peer group determined by ISS.

- *Say-on-Pay Support*: Compares the shareholder support for the company's last say-on-pay proposal to shareholder support within the company's applicable industry index.

- *Elimination of One-Year RDA*: Incorporates the relative degree of alignment ("RDA") between compensation and total shareholder return over a three-year period. Previously, ISS used a blended analysis of three-year and one-year periods.

QuickScore 2.0 has also added data that will provide information to shareholders but not affect scoring. This includes information on (i) the board's gender diversity, (ii) the number of financial experts on the company's audit committee, and (iii) the size of the company's board of directors. With respect to board size, ISS considers a board size between nine and twelve to be "ideal."

Issuers continue to criticize methodologies that try to reduce corporate governance to a "one-size-fits-all" approach or that try to quantify corporate governance issues without analyzing them in context. Nevertheless, companies should ensure that the data relied upon by ISS is accurate. More information on QuickScore 2.0, including the technical document providing more detail on the factors being considered, is available at http://issgovernance.com/quickscore.

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