



ISS Governance

QuickScore 3.0

Overview and Updates

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OVERVIEW

Institutional Shareholder Services is pleased to announce updates 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 3.0 includes coverage expansion to an additional 100 companies in Europe and approximately 400 companies in emerging markets.¹ With broader coverage and updates to the data and scoring methodology based on client feedback and market trends, QuickScore data and reports 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 & Takeover Defenses, Compensation/Remuneration, and Audit & Risk Oversight. QuickScore rests on the analysis of over 200 governance factors across the coverage universe which, in turn, is supported by a robust data set. QuickScore analyzes not only a single practice at a company but also highlights mitigating factors that help tell a fuller story. The underlying QuickScore dataset is updated on an ongoing basis as company disclosure is available, providing the most up-to-date data available in the marketplace.²

Leverages ISS' global footprint and industry leadership. ISS Governance QuickScore leverages ISS' industry leading global footprint, which includes a 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, transparent, and inclusive process, these policies reflect best practices across global capital markets, as well as the views of institutional investors, issuers, and governance practitioners 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.)

Presents at-a-glance governance rankings relative to index and region. ISS Governance QuickScore features company-level decile scores, presented as integers from 1 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

¹ ISS Governance QuickScore includes Brazil, Russia and South Africa in November 2014. QuickScore will also add China, India and South Korea in February 2015.

² Please see [Appendix I](#) for more discussion of event-driven updates.

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 S&P/TSX Composite Index, MSCI EAFE, ASX200, NZX15, Euro Stoxx600, and MSCI EM in Brazil, India, South Africa, and South Korea. In Russia and China, QuickScore aligns with the ISS widely held coverage universe³. ISS continues to enhance the coverage universe and plans for additional emerging market coverage and deeper Asia Pacific market coverage in subsequent releases.

SUMMARY OF UPDATES IN QUICKSCORE 3.0

QuickScore 3.0 includes the following key updates:

- › Coverage expansion to introduce emerging markets and to further expand coverage of European companies in the Stoxx600.
- › New governance factors to analyze emerging market companies. While many of the governance issues previously tracked under QuickScore 2.0 are analyzed for emerging market companies, QuickScore's regional approach to analyzing and scoring companies necessitate the addition of new factors.
- › Enhanced methodology for existing markets. QuickScore 3.0 includes a new factor to track board accountability under a new Controversies subcategory in the Board pillar. Existing factors were also reviewed to ensure the QuickScore methodology is in line with investor considerations and expectations. For example, the factor pertaining to women on the board is now a scored factor for US companies.
- › A complete review of the methodology and pillars based on internal reviews and market feedback. Consequently, the Audit and Risk Oversight pillar incorporates an in-depth review of investigations and enforcement actions including reviewing the type of regulatory investigation and the materiality of penalties or resolutions to such cases.

Factor Methodology Updates in QuickScore 3.0

ISS Governance QuickScore 3.0 has identified new corporate governance factors to analyze emerging market companies and to provide additional information about company governance structures or practices. This section highlights the new factors that are included in QuickScore 3.0 for the analysis of emerging market companies. The rationale and detail of these issues are highlighted in the detailed discussion of each factor later in this document. [Appendix II](#) includes a complete listing of all QuickScore factors alongside their emerging market applicability.

³ The term "widely held" refers to companies that ISS designates as such based on their membership in a major index and/or the number of ISS clients holding the securities." Source: page 5
http://www.issgovernance.com/file/2014_Policies/EuropeanSummaryGuidelines.pdf

New Factors to the Board Pillar

Question	Brazil	China	India	Russia	South Africa	South Korea
Does the company maintain a formal remuneration committee? (Q330)	X					
Does the company maintain a formal audit committee? (Q331)	X					
Does the company maintain a formal fiscal council? (Q332)	X					
Has the company disclosed information on key committee attendance? (Q340)			X			
Has the company disclosed the attendance of each director? (Q337)		X				
Does the company disclose information on Related Party Transactions? (Q336)			X	X		

New Factors to the Shareholder Rights Pillar

Question	Brazil	China	India	Russia	South Africa	South Korea
What is the level of tag along rights for minority shareholders? (Q333)	X					
Are the names of the nominee directors disclosed? (Q334)				X		
Does the company use cumulative voting for director election? (Q338)		X				X
Did the company file its proxy materials late in the past year? (Q335)		X	X	X		X
Does the company provide proxy materials in English? (Q342)						X

New Factors to the Compensation Pillar

Question	Brazil	China	India	Russia	South Africa	South Korea
Does the company disclose the remuneration paid to the board in AGM proxy filings? (Q341)						X

QuickScore also added factors to the analysis and scoring of existing regions. The summary of those newly applicable factors is summarized below.

[Appendix II](#) includes a complete listing of all QuickScore factors alongside market or regional applicability.

Newly Analyzed Factors in Developed Market Regions

Question	Australasia	Asia Pacific	Canada	US
What proportion of non-executive directors on the board has lengthy tenure? (Q13)			x	
Is the company, a director or officer of the company currently under investigation by a regulatory body? (Q201)		x		
Does the CEO serve on an excessive number of outside boards? (Q37)			x	
How many non-executives serve on an excessive number of outside boards? (Q38)			x	
Does the company disclose a policy requiring an annual performance evaluation of the board? (Q41)				x
Does the company have a robust policy prohibiting hedging of company shares by employees? (Q244)			x	
Has ISS' review found that the board of directors recently took action that materially reduces shareholder rights? (Q345)				x
Does the company have classes of common stock with different voting rights? (Q54)	x			
Is there a sunset provision on the company's unequal voting structure? (Q56)				x
Does the company have a controlling shareholder? (Q290)	x			x
If the company has a majority voting policy in director elections, does the plurality standard apply for contested elections? (Q343)			x	
What is the dilution limit of the general mandate to issue shares? (Q318)	x			
What is the discount limit of the general mandate to issue shares? (Q319)	x			
What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO? (Q145)			x	
Do non-executive directors participate in performance related remuneration? (Q110)		x		

[Appendix III](#) shows factor listings by market and region. The factors that are new to a region are highlighted. The rationale and guidelines for all QuickScore factors are further detailed below.

Other Notable QuickScore 3.0 Updates

As part of the annual review process of QuickScore methodology, there are other notable changes that may or may not materially impact company scores but better align QuickScore with both ISS voting policy and the market view of corporate governance. The detailed changes for specific factors are further explained in the Factor Criteria section.

- › China will be scored in the Asia Pacific region with Hong Kong and Singapore companies. The additional emerging markets will be scored in new relative groups: Latin America, Russia, Africa, South Korea, and India. There are 16 relative scoring groups in QuickScore 3.0.⁴
- › The Audit pillar has been renamed the Audit & Risk Oversight pillar and the Shareholder Rights pillar is renamed Shareholder Rights & Takeover Defenses.
- › There is a new Controversies subcategory in the board pillar which includes a new factor related to board accountability, plus the current factor, “Has the board adequately addressed a shareholder resolution supported by a majority vote? (Q99).” This latter factor was moved from the Shareholder Rights & Takeover Defenses pillar.
- › Two subcategories in Shareholder Rights & Takeover Defenses were merged to combine into the Meeting and Voting Related Issues subcategory in the Shareholder Rights pillar.
- › The Board Policies subcategory in the Board pillar now includes factors 244 and 143, hedging and stock ownership policies respectively, shifting from the Board Practices subcategory.
- › In the Anglo region, QuickScore will discontinue analyzing the factor for backdated options (Q137). This factor was removed because the practice of granting stock options has diminished to a negligible rate in this region and the controversial practice of backdating options is no longer prevalent.
- › In Canada, companies’ stock ownership guidelines will be analyzed under factor 145 (What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO) rather than question 143 (Is the CEO subject to stock ownership guidelines). Factor 143 has been removed.
- › Updates to zero-weight factors. In the U.S., gender diversity on the board (Q304) and financial experts on the audit committee (Q6) are now scored factors. The following factors have zero weight on the companies’ QuickScore and are provided for informational purposes:
 - › Newly added factors to Australia, Q54 and Q290, are zero-weight factors and for informational purposes only. The U.S. and Southern European regions are also zero-weighting Q290.
 - › The board percentages representing family members and current employees (Q205 and Q206) are zero-weight factors for the regions added: Latin America and Russia.
 - › The factors pertaining to an excessive number of outside boards are zero-weight factors for Latin America (Q36-39). The factor on the level of stock ownership of officers and directors is also zero weight in Latin America.
 - › The factor on dilution, Q128, is a zero-weight factor in the Germanic region.
 - › The U.S. region is now zero-weighting Q81 on the TIDE provision and the factor is for informational purposes only. Other factors pertaining to poison pills are still scored.

Scoring Updates in QuickScore 3.0

Governance QuickScore 3.0 was adapted to reflect the changes in the factor methodology and teams across ISS analyzed the scoring assessments under 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.

ISS Governance QuickScore is derived from a scoring methodology that focuses on the qualitative aspect of governance including the analysis that supports ISS voting policy and ISS voting recommendations, with a focus on the global governance best practices in each region.

⁴ Companies in the MSCI EM index in South Korea and India plus ISS’ core coverage in China will be rolled into the QuickScore coverage in February 2015.

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. Each pillar (and the overall score) generates an independent range of scores and the resulting decile rankings. For example, raw scores for 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

In Governance QuickScore 3.0, there are some modifications in the Audit & Risk Oversight pillar decile scoring. While the QuickScore methodology is reviewed on an ongoing basis to strengthen the analysis of governance risk, there are a limited number of prevalent risk factors or controversies in the Audit and Risk Oversight pillar. Consequently, QuickScore does not assign a 1-10 rank for companies where practices are similar or “force rank” to ensure companies are in each of the 1-10 decile scores. In most of the QuickScore regions, the Audit scores are limited to a few relevant deciles only.

ISS GOVERNANCE QUICKSCORE FACTOR CRITERIA

There are more than 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 parenthetical 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 3.0, 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

▶ How many directors serve on the board? (Q9)

- › 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: all regions

▶ How many women are on the board, and what proportion (Japan) do they represent? (Q304)

- › 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 long-term financial performance. Such findings could have a significant effect on the nomination of women as corporate officers and directors.
- › According to ISS' 2014 policy survey, a majority of all respondents indicate that they consider overall diversity (including but not limited to gender) on the board when evaluating boards.⁵
- › This factor is scored in all regions including the U.S.

Market applicability: All regions

▶ What percentage of the board is independent under ISS' standards? (Q10)

- › 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).

⁵ <http://www.issgovernance.com/file/publications/ISS2014-2015PolicySurveyResultsReport.pdf>

- › 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. 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. Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. In many markets, a board lacking a majority of independent members will raise significant concerns.

Market Applicability: all regions

▶ **If the company is controlled, what percentage of the board is independent under ISS' standards? (Q203)**

- › In a number of markets where companies have a controlling shareholder, ISS applies different minimum standards of independent representation on the board. ISS accepts that independence below 50 percent is standard in some markets.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings.

Market Applicability: W. Europe, S. Europe

▶ **What percentage of the directors elected by shareholders are independent? (Q11)**

- › 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. Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. A board lacking a majority of independent members will raise significant concerns.

Market Applicability: Nordic

▶ **Is there an outside director on the board? (Q289)**

- › 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. Until 2013, a minority of companies had one director, but the proportion has increased sharply, and in 2014, only 29 percent of listed company boards lacked a single outside director.

Market Applicability: Japan

▶ **What percentage of the board is composed of outside directors? (Q282)**

- › 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

▶ What proportion of non-executive directors on the board has lengthy tenure? (Q13)

- › 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 the non-executive directors where tenure > 9 years. 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.
- › This question will consider all directors except executives. Affiliated Directors and Outside Directors, as classified by ISS, are included.

Market Applicability: Asia Pacific, U.S., **Canada, Russia, India**

▶ Is the board chair independent? (Q14)

- › 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, an executive, or a former or current CEO of the company.

Market Applicability: All regions, except Japan

▶ Has the company identified a senior (lead) independent director? (Q16)

- › A lead independent director provides an important leadership function for a board with a combined CEO/chair structure. An effective lead director's functions generally 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, **Russia, India**

▶ What is the term of mandate proposed for supervisory board members (at the latest general meeting)? (Q17)

- › 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

▶ What percentage of the board consists of immediate family members of majority shareholders, executives, and former executives (within the past five years)? (Q205)

- › 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.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S., **Latin America, Russia**

▶ What percentage of the board consists of former or current employees of the company? (Q206)

- › 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).

- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings.
- › This factor has a zero-weight impact on the scoring model and is included for informational purposes only.

Market Applicability: U.S., **Latin America, Russia**

Composition of Committees

▶ What percentage of nominating committee members are independent based on ISS' standards? (Q19)

- › 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.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. 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 (i.e., as defined by ISS' proxy voting 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, **Africa, Russia, S. Korea, India**

▶ Are there executives on the nominating committee? (Q306)

- › 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, **Africa, Russia, India**

▶ Is the chair of the nominating committee independent? (Q23)

- › 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, **Russia, India**

▶ Does the company maintain a formal nominating committee? (Q207)

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

Market Applicability: Nordic, **Latin America**

▶ Are there any board members on the nominating committee? (Q208)

- › In some Nordic markets, nominating committees are composed primarily of shareholder representatives, not on the board, owing to the very concentrated ownership structure. Within this context, having any current board members on the committee constitutes a potential conflict of interest.

Market Applicability: Nordic

▶ Is there more than one board member who is dependent on major shareholders on the nominating committee? (Q210)

- › Nominating committees are formed primarily of shareholder representatives, not on the board, 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

▶ What is the number of nomination committee members? (Q211)

- › 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

▶ Does the company maintain a formal remuneration committee? (Q330)

- › The remuneration committee makes recommendations and sets guidelines for the compensation of executives of the company. Companies should consider setting up a remuneration committee assisting the board of directors in setting remuneration for key management as well as the board,
- ›
- › Quickscore will consider whether the company has set up a formal remuneration committee.

Market Applicability: **Latin America**

▶ What percentage of the compensation committee is independent under ISS' standards? (Q25)

- › 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' proxy voting guidelines); if no information is given; if no committee exists; or if there is no clear nomination process.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings. 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, **Africa, Russia, S. Korea, India**

▶ Are there executives on the compensation committee? (Q27)

- › 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 there are any executives on the compensation committee.

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

▶ Is the chair of the compensation committee independent? (Q28)

- › The compensation committee makes recommendations and sets guidelines for the compensation of executives of the company. Best practice dictates that the chair should be an independent director.

Market Applicability: W. Europe, Germanic, Anglo, S. Europe, Asia Pacific, Australasia, **Africa, Russia, S. Korea, India**

► Is the chair of the board of directors a member of the compensation committee? (Q29)

- › 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. In particular, the chair of the board may be a member of this committee if he/she was considered independent on appointment as chairman.
- › The UK corporate governance code says: “The board should establish a remuneration committee of at least three, or in the case of smaller companies two, independent non-executive directors. In addition the company chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as chair. The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board. Where remuneration consultants are appointed, they should be identified in the annual report and a statement made as to whether they have any other connection with the company.”

Market Applicability: Anglo

► What is the number of remuneration committee members? (Q212)

- › 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.
- › In Spain, Recommendation 49 provides that: “The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.” In Italy, Principle 6.P.3 provides that: “6.P.3. The Board of Directors shall establish among its members a remuneration committee, made up of independent directors. Alternatively, the committee may be made up of non-executive directors, the majority of which to be independent; in this case, the chairman of the committee is selected among the independent directors.”
- › 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

► Does the company maintain a formal audit committee? (Q331)

- › While some companies maintain a statutory Audit Committee, under Brazilian Corporate Law, most companies have a Fiscal Council, which is a corporate body independent of management and a company’s external auditors that operates on a permanent or non-permanent basis. The Fiscal Council is generally not equivalent to a U.S. audit committee; its primary responsibility is to monitor management’s activities, review the financial statements, and report its findings to the shareholders.
- › Under the Brazilian Corporate Law, the Fiscal Council may not contain members who are members of the Board of Directors or the executive committee, or who are employees of the company or a controlled entity, or a spouse or relative of any member of management.
- › While some companies maintain a statutory Audit Committee in addition to a Fiscal Council, the former is not a requirement. Under Rule 10A-3(c)(3) of the U.S. Securities Exchange Act, certain non-U.S. issuers are exempt from the audit committee requirements of Section 303A of the NYSE Listed

Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee.

- › Quickscore will consider whether the company has set up a formal audit committee, and whether all of its members are also members of the board of directors.

Market Applicability: **Latin America**

▶ Does the company maintain a formal fiscal council? (Q332)

- › Under Brazilian Corporate Law, the Fiscal Council is a corporate body independent of management and a company's external auditors that operates on a permanent or non-permanent basis. The fiscal council is generally not equivalent to a U.S. audit committee; its primary responsibility is to monitor management's activities, review the financial statements, and report its findings to the shareholders.
- › Under the Brazilian Corporate Law, the fiscal council may not contain members who are members of the Board of Directors or the executive committee, or who are employees of the company or a controlled entity, or a spouse or relative of any member of management.
- › While some companies maintain a statutory audit committee in addition to a fiscal council, the former is not a requirement. Under Rule 10A-3(c)(3) of the Exchange Act, non-U.S. issuers are exempt from the audit committee requirements of Section 303A of the NYSE Listed Company Manual if they establish, according to their local law or regulations, another body that acts as an audit committee.
- › Quickscore will consider whether the company has set up a fiscal council, and whether it operates on a permanent or non-permanent basis.

Market Applicability: **Latin America**

▶ What percentage of the audit committee is independent under ISS' standards? (Q31)

- › Like other key board committees, audit panels/committees should include only 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' policy guidelines; if no information is given; if no committee exists; or if there is no clear nomination process.
- › Please see [Appendix I](#) concerning scoring this question when new directors are appointed to the board between shareholder meetings.
- › 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, **Africa, Russia, S. Korea, India**

▶ Are there executives on the audit committee? (Q33)

- › Like other key board committees, audit panels/committees should include only 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, **India**

▶ **Is the chair of the audit committee independent? (Q34)**

- › 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, **India**

▶ **Is the chair of the board of directors a member of the audit committee? (Q35)**

- › 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.
- › Answers cover whether: the chairman of the board is a member of the audit committee; if an audit committee has been established; and if the composition of the committee has been disclosed.

Market Applicability: W. Europe, Anglo

▶ **How many members serve on the audit committee? (Q213)**

- › 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.
- › In Spain, Recommendation 39 provides that: "In addition to the Audit Committee [...], the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration. The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following: [...] b) These Committees should be formed exclusively of external directors and have a minimum of three members." In Portugal, article 423-B.2 of the commercial Company Act provides that "The audit committee shall be composed of the number of members specified in the articles of association, with at least three effective members." In Italy, Principle 4.C.1 provides that: "4.C.1. The establishment and functioning of the committees governed by the Code shall meet the following criteria: a) committees shall be made up of at least three members."
- › This question will consider the number of committee 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

▶ **Does the company have a three committee system? (Q283)**

- › 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

▶ Has the company disclosed information on key committee attendance? (Q340)

- › 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 whether or not the company has disclosed information on key committee attendance.

Market Applicability: **India**

Board Practices

▶ How many directors serve on an excessive number of outside boards? (Q309)

- › 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 who serve on an excessive number of board positions of publicly traded companies (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, available on the ISS Policy Gateway.

Market Applicability: Asia Pacific

▶ Do the executives serve on an excessive number of outside boards? (Q36)

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

Market Applicability: W. Europe, Germanic, Nordic, S. Europe. **Latin America**

▶ Does the CEO serve on an excessive number of outside boards? (Q37)

- › 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 total number of public board seats held by the CEO (including the company), or whether no information is available. All subsidiaries with their own publicly-traded stock are counted as individual boards.
- › Excessive board memberships - more than two outside boards (three total boards) – raises governance risk concern.
- › This factor has a zero-weight impact on the scoring model for Latin American companies and is included for informational purposes only.

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

▶ How many non-executives serve on an excessive number of outside boards? (Q38)

- › Directors with an excessive number of board seats may not have sufficient time to devote to the needs of individual boards.
- › QuickScore will consider the total number of board seats (including the company) held by non-executives to determine if they are excessive, as defined by the respective market, or whether no information is available. ISS' benchmark policy defines excessive in the U.S. as more than six public company board seats. For U.S. companies, all directors are included except the CEO.
- › This factor has a zero-weight impact on the scoring model for Latin American companies and is included for informational purposes only.

Market Applicability: U.S., W. Europe, Germanic, Nordic, S. Europe, Australasia, **Canada, Latin America**

▶ Does the chair of the board serve on an excessive number of outside boards? (Q39)

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

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

▶ Has the company disclosed the attendance of each director? (Q337)

- › In China, attendance record of only independent directors is required to be disclosed; however, the best practice is to disclose attendance record of all directors on the board.
- › Quickscore will consider whether or not the company has disclosed information on individual attendance of board and committee meetings.

Market Applicability: Asia Pacific

▶ What percentage of all meetings was attended by at least 50 percent of the supervisory board? (Q43)

- › 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

▶ What percentage of the directors attended less than 75 percent of the board meetings? (Q44)

- › 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.
- › In Australia, ISS looks at director attendance at board and committee meetings for two consecutive years.

Market Applicability: W. Europe, Anglo, S. Europe, Asia Pacific, Australasia, **Africa, S. Korea, India**

▶ Did any director attend less than 75 percent of the aggregate board and applicable key committee meetings without a valid excuse? (Q45)

- › 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 the aggregate of their board and committee meetings, with consideration given to whether the meetings were missed for a valid excuse (e.g. medical issue, family emergencies, or missing only 1 meeting.). In Canada, key committees include the Audit, Compensation and Nominating committees. For U.S. companies, this question is not exclusive of key committees only.

Market Applicability: U.S., Canada

▶ How many directors received withhold / against votes of 50 percent or greater at the last annual meeting? (Q49)

- › 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.
- › QuickScore will consider the number of directors with majority opposition of votes cast⁶ at the last annual meeting. From the date of publication of the ISS proxy research report until the meeting results are available, this question will be pending and the result will indicate “meeting results in progress” for this factor.

Market Applicability: U.S., Canada

⁶ For votes cast, ISS uses For/(For + Against). Abstentions are not included.

▶ What was the lowest support rate for directors at the last annual meeting? (Q310)

- › 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

▶ What percentage of directors received shareholder approval rates below 80%? (Q312)

- › QuickScore will consider the percentage of directors who received less than 80% of votes cast at the most recent shareholder meeting.
- › 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 80% shareholder approval. (Note, this percentage threshold is a shift from the previous 95% level). ISS collects meeting results as they are available and this factor will be updated and recalculated accordingly.
- › From the date of publication of the ISS proxy research report until the meeting results are available, this question will be pending and the result will indicate “meeting results in progress” for this factor.

Market applicability: U.S.

▶ What was the average outside directors' total compensation as a multiple of the peer median? (Q315)

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

Market applicability: U.S.

▶ What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding? (Q140)

- › 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.
- › This factor has moved from the Compensation pillar in the Equity Risk Mitigation subcategory to the Board pillar in the Board Practices subcategory.

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

Market Applicability: W. Europe, Germanic, Anglo, Nordic, S. Europe, Australasia, **Latin America, Africa, Russia**

▶ Do all directors with more than one year of service own stock? (Q144)

- › Similar to the stock ownership rationale above, all directors should maintain an equity stake in the company.
- › 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.”
- › In the U.S. and Canada, deferred share units are also considered for this question.

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

▶ Did any executive or director pledge company shares? (Q243)

- › 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. ISS will consider pledging of shares of an institution or company where a director or an executive has a beneficial ownership.

Market Applicability: U.S.

Board Policies

▶ Does the company disclose a policy requiring an annual performance evaluation of the board? (Q41)

- › 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).

- › In the U.S., a robust policy is when the company discloses an (1) annual board performance evaluation policy that includes (2) individual director assessments and (3) an external evaluator at least every three years. Performance evaluation policies disclosed or detailed in the corporate governance guidelines, nominating/governance committee charters, or the proxy statement are evaluated for this factor.

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

▶ Does the company disclose board/governance guidelines? (Q46)

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

▶ What is the quorum for director meetings? (Q215)

- › 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

▶ Does the company allow the chair a second or casting vote at director meetings in the event of a tie? (Q100)

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

▶ Are directors subject to stock ownership guidelines? (Q143)

- › 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 classifies ownership guidelines as follows:
 - › (i) Robust: six-times the retainer threshold or more;
 - › (ii) Standard: three- to five-times retainer; and,

- › (iii) Sub-Standard: less than three-times retainer.

- › For the U.S. Market, the ISS classification is:
 - › (i) Robust: five-times and above the directors' base retainer;
 - › (ii) Standard: three or four times the directors' base retainer; and,
 - › (iii) Sub-Standard: two times and below the directors' base retainer.

- › The rigor of the stock ownership guidelines is a factor. In cases where the 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." For companies incorporated in Australia and New Zealand, the normal disclosure of director ownership guidelines is equivalent to their annual retainer.

Market Applicability: U.S., Canada, Australasia

▶ Does the company have a policy prohibiting hedging of company shares by employees? (Q244)

- › Best practice is to incorporate a robust policy that prohibits all types of hedging transactions within companies' insider trading policies or separate anti-hedging 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. To be considered "robust," the policy should prohibit a full range of transactions, including short-selling, options, puts, and calls, as well as derivatives such as swaps, forwards, futures; alternatively, a robust policy would stipulate that no "hedging" of company stock is permitted. Additionally, hedging policies that have a pre-clearance or pre-approval requirement will be considered as "not robust."

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

Related Party Transactions

▶ Does the company disclose information on Related Party Transactions? (Q336)

- › 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 level of disclosure on conflicts of interest.

Market Applicability: **Russia, India**

▶ What percent of the directors were involved in material RPTs? (Q50)

- › Related-party transactions (RPTs) 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.)
- › A material professional service relationship is defined as one that: include, but are not limited to the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; legal services; property management services; realtor services; lobbying services; executive search services; and IT consulting services; exists if the company or an affiliate of the company makes annual payments to, or receives annual payments from, another entity in excess of \$10,000 per year.
- › Note that RPTs of a director appointed between shareholder meetings may not be determinable under ISS standards. In such cases, scoring related to director RPTs will not be affected by such appointments (i.e., the company's QS will continue to reflect the RPT status as of the last annual meeting, until the next annual meeting when final determinations are made). Specifically for Canadian companies, any disclosure under the RPT section will be considered for this question.

Market Applicability: U.S., Canada

▶ Do directors with RPTs sit on key board committees? (Q51)

- › 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

▶ Are there material related-party transactions involving the CEO? (Q216)

- › The CEO's special role in the company demands particular attention to avoid 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

Board Controversies

▶ Has the board adequately addressed a shareholder resolution supported by a majority vote? (Q99)

- › Directors should be responsive to the company's owners, particularly in regard to shareholder proposals that receive a majority of the votes cast.
- › 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.
- › In general, ISS' determination of sufficient board response will be based on disclosure in the proxy for the annual meeting after the majority vote was received.

Market Applicability: U.S.

▶ Has ISS' review found that the board of directors recently took action that materially reduces shareholder rights? (Q345)

- › Based on the ISS policy survey, investors indicate little tolerance for unilateral boardroom adoption of bylaw amendments that diminish shareholder rights. Other factors, such as directors' track record, level of board independence, other governance concerns, the type of bylaw/charter amendment, the vote standard for amendments by shareholders are relevant in evaluating board accountability.
- › Unilateral bylaw/charter amendments that are considered material include, but are not limited to: diminishing shareholder rights to call a special meeting/act by written consent, classifying the board, increasing authorized capital, and lowering quorum requirements, without shareholder approval.

Market Applicability: U.S.

COMPENSATION/REMUNERATION PILLAR

Pay for Performance

▶ Is there a cap on CEO annual bonus? (Q114)

- › 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

▶ Is there a cap on executives' annual bonus? (Q115)

- › 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

▶ What percentage of the annual bonus for the CEO is or can be deferred? (Q116)

- › 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

▶ What percentage of the annual bonus for executives is or can be deferred? (Q117)

- › 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

► 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? (Q226)

- › 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

► 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? (Q227)

- › 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

► What is the size of the CEO's one-year total pay, as a multiple of the median total pay for company peers? (Q228)

- › 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.
- › Note, QuickScore 3.0 will score all companies based on the 2015 policy revisions and threshold adjustments, at the time of the November 24, 2014 product update.

Market Applicability: U.S., Canada

► What is the degree of alignment between the company's TSR and change in CEO pay over the past five years? (Q229)

- › 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%.
- › Note, QuickScore 3.0 will score all companies based on the 2015 policy revisions and threshold adjustments, at the time of the November 24, 2014 product update.

Market Applicability: U.S., Canada

▶ What is the ratio of the CEO's total compensation to the next highest-paid active executive? (Q232)

- › 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 active executive's pay.

Market Applicability: U.S.

▶ What is the performance period for the latest active long-term incentive plan (or the proposed plan) for executives? (Q233)

- › 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, **Africa**

▶ 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? (Q329)

- › ISS annually conducts a pay-for-performance analysis to identify strong or satisfactory alignment between pay and performance over a sustained period. In 2014, ISS updated the pay for performance consideration. The key change was 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, QuickScore 3.0 will score all companies based on the 2015 policy revisions and threshold adjustments, at the time of the November 24, 2014 product update.

Market applicability: U.S. and Canada

Non-Performance Based Pay

▶ Are any of the NEOs eligible for multiyear guaranteed bonuses? (Q156)

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

Market Applicability: U.S., Canada

▶ Does the company provide loans to executives? (Q154)

- › In the applicable markets, ISS recommends that loans be made to employees only 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, **Africa, Russia**

▶ Is part of the bonus granted or to be granted guaranteed? (Q118)

- › 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, **Africa**

▶ Did the company grant a one-off reward to any of its executives? (Q159)

- › 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, **Africa**

▶ What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) to Base Salary? (Q237)

- › 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.

Market Applicability: U.S.

Use of Equity

▶ Does the company have an equity-based compensation plan? (Q322)

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

Market applicability: Asia Pacific, **Latin America, Russia, South Korea, India**

▶ Do the company's active equity plans prohibit share recycling for options/SARs? (Q129)

- › 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 outside directors).

Market Applicability: U.S.

▶ Do the company's active equity plans prohibit option/ SAR repricing? (Q138)

- › 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.
- › 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 only considers employee equity plans, not outside director only plans.

Market Applicability: U.S., Canada

▶ Do the company's active equity plans prohibit option/ SAR cash buyouts? (Q238)

- › NASDAQ and New York Stock Exchange rules 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 are 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 outside directors).

Market Applicability: U.S., Canada

▶ Do the company's active equity plans have an evergreen provision? (Q239)

- › 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.

▶ Do the company's active equity plans have a liberal definition of change-in-control? (Q240)

- › While change-in-control agreements have their place in order to insulate executives from loss of employment in conjunction with a change in control, a liberal definition of change-in-control (e.g., a trigger linked to shareholder approval of a transaction, rather than its consummation, or an unapproved change in less than a substantial proportion of the board, or acquisition of a low percentage of outstanding common stock, such as 15 percent) may result in award vesting and payout even if an actual change in control does not occur. Such a definition may also discourage outside bids that could benefit shareholders.
- › 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.

▶ Has the company repriced options or exchanged them for shares, options or cash without shareholder approval? (Q139)

- › 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

▶ **What is the total proportion of all outstanding equity based plans toward the share capital? (Q127)**

- › 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, **Latin America, Africa, Russia, South Korea, India**

▶ **Is there a maximum level of dilution per year? (Q128)**

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

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

▶ **Does the company's equity grant rate exceed the mean +1 standard deviation of its industry/index peers? (Q130)**

- › Investors favor equity grants that align the interests of executives and employees with shareholders without creating excessive dilution in share value. QuickScore will evaluate and consider a company's burn rate, which refers to the average annual rate at which stock options and stock awards are granted (sometimes referred to as share utilization) relative to the rate that is one standard deviation higher than the mean of the company's applicable index and industry. For more details, see the ISS Policy Gateway.

Market Applicability: U.S.

▶ **What are the pricing conditions for stock options granted to executives? (Q136)**

- › 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.
- › 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 companies in Australia and New Zealand, 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, **Latin America, Africa, South Korea, India**

Equity Risk Mitigation

▶ Does the company disclose a claw back or malus provision? (Q155)

- › 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. ISS will consider only publicly disclosed clawback provisions that are already in place.
- › 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 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

▶ 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? (Q131)

- › 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. Actual vesting terms of grants found under the award agreements and compensation discussion and analysis section of the proxy statement are not considered. QuickScore considers the minimum vesting requirement, which is specified in a

shareholder approved equity plan. In case the company amended/adopted multiple plans in the past three years, QuickScore will consider the plan with the shortest vesting requirement.

- › 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: all regions, except Japan

▶ **What are the minimum vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock? (Q132)**

- › 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. Actual vesting terms of established grants under the award agreements and compensation discussion and analysis section of the proxy statement are not considered. Only the minimum vesting requirement which is specified in a shareholder approved equity plan will be counted. In case the company amended/adopted multiple plans in the past three years, ISS will consider the plan with the shortest vesting requirement.
- › 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 rather than individual 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, **Latin America, Africa, Russia, India**

▶ **What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan? (Q133)**

- › 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 other long-term awards 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, **Latin America, Africa, Russia**

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

- › 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

▶ What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' deferral plan? (Q324)

- › 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

▶ What is the holding period for stock options (for executives)? (Q134)

- › 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, **Latin America**

▶ What is the holding period for restricted shares (for executives)? (Q135)

- › See above.

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

▶ **What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO? (Q145)**

- › Best practice suggests 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., **Canada**, W. Europe, Anglo, S. Europe, **Australasia**

▶ **What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives? (Q146)**

- › Best practice suggests 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

Non-Executive Pay

▶ **Does the company provide loans to directors? (Q104)**

- › Any loans made to directors should be as part of a broad-based, company-wide plan available to all employees to encourage ownership rather than being given only to non-executive directors. Loans should be set at market interest rates, and require full repayment 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, **Russia**

▶ Do directors participate in equity based plans? (Q109)

- › Best practice suggests 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 in equity based plans.

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

▶ Do directors participate in performance-related remuneration? (Q110)

- › 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 in performance related remuneration schemes.

Market Applicability: W. Europe, Germanic, Anglo, S. Europe, Australasia, **Latin America, Africa, Russia, India**

▶ What part of the total remuneration received by directors is options-based? (Q107)

- › Best practice suggests 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

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

- › 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, **Latin America**

Communications and Disclosure

▶ Does the company disclose the remuneration paid to the board in AGM proxy filings? (Q341)

- › The best practice is to disclose the aggregate remuneration paid to the board members in the company's proxy filings. Most companies do not disclose such information in the proxy materials.
- › QuickScore will consider whether or not such disclosure was made in the proxy filings.

Market Applicability: **South Korea**

▶ Does the company disclose details of individual executives' remuneration? (Q112)

- › Best practice suggests 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, **Latin America, Russia, India**

▶ Did the company disclose a performance overview for its long-term incentive plans? (Q158)

- › 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

▶ Does the company disclose performance metrics for the short term incentive plan (for executives)? (Q113)

- › 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 metrics 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, **Africa, Russia**

▶ What is the level of disclosure on performance measures for the latest active or proposed long-term incentive plan? (Q246)

- › 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, Russia, India**

▶ Does the company disclose a performance measure for matching? (Q121)

- › 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, Africa

▶ Does the company disclose a performance measure for stock options plans (for executives)? (Q122)

- › 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, **Latin America, Africa**

▶ Does the company disclose a performance measure for restricted share plans (for executives)? (Q123)

- › 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, **Latin America, Africa**

▶ **Does the company disclose a performance measure for other long-term plans (for executives)? (Q125)**

- › 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, **Latin America, Africa**

▶ **Did the company disclose the metrics used to evaluate performance-based compensation in the most recent Yuho Filings? (Q326)**

- › 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

▶ **Does the company disclose numerical figures related to performance-based compensation? (Q327)**

- › 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

▶ **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? (Q166)**

- › 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

▶ **Did the most recent Say-on-Pay proposal receive shareholders' support below 70%? (Q328)**

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- › QuickScore will consider the level of shareholder support on the most recent Say-on-Pay proposal at the last annual meeting where the say on pay proposal was up for vote. Company meeting results are compared to 70% of votes cast, which is a shift from the previous comparison to the industry/index average. The 70% threshold is in line with when ISS' policies initiate a review of the Board's responsiveness to the low shareholder support.
- › From the date of publication of the ISS proxy research report until the meeting results are available, this question will be pending and the result will indicate "meeting results in progress" for this factor.

Market applicability: U.S.

▶ What is the level of disclosure on CEO ownership guidelines? (Q250)

- › 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

▶ What is the trigger under the change-in-control agreements? (Q148)

- › A single trigger requires only a change in control and no subsequent termination of employment or substantial diminution of duties 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

▶ Do equity based plans or long-term cash plans vest completely on change in control? (Q153)

- › 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).

- › 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. QuickScore will consider vesting triggers for all outstanding equity awards of the CEO. If the company disclosed multiple events related to the treatment of equity upon CIC, ISS will consider the specific event applicable to the highest number of outstanding equity awards.
- › 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, **Latin America**

▶ **In the event of termination of the contract of executives, does the equity based remuneration vest? (Q150)**

- › Accelerated vesting of equity grants or even continued vesting after termination of contracts of executives tends to disconnect pay from performance.
- › QuickScore will consider the treatment of equity awards upon termination of an executive's contract. This question addresses executives' contracts only, not the CEO's which is in a separate question. QuickScore will 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

▶ **What is the multiple of salary plus bonus in the severance agreements for the CEO (upon a change-in-control)? (Q161)**

- › Under ISS' benchmark policy, severance payments (in Europe) upon a change of control (all other regions) 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. 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.

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

▶ **What is the basis for the change-in-control or severance payment for the CEO? (Q247)**

- › QuickScore will consider the basis upon which change-in-control or severance payments for the CEO are calculated.
- › 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, **Africa, Russia**

▶ **What is the multiple of salary plus bonus in the severance agreements for executives excluding the CEO (upon a change-in-control)? (Q160)**

- › 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, **Africa, Russia**

▶ **What is the basis for the change-in-control or severance payment for executives excluding the CEO? (Q248)**

- › 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, **Africa, Russia**

▶ **How long is the notice period for the CEO if the company terminates the contract? (Q152)**

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

Market Applicability: Australasia, S. Europe

▶ **Does the company provide excise tax gross-ups for change-in-control payments? (Q162)**

- › 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

▶ What is the length of employment agreement with the CEO? (Q163)

- › 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

▶ Has ISS' qualitative review identified a pay-for-performance misalignment? (Q300)

- › 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

▶ Has ISS identified a problematic pay practice or policy that raises concerns? (Q301)

- › 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, **Asia Pacific**, Nordic, S. Europe, **Australasia**, **Latin America**, **Africa**, **Russia**, **India**

Other Issues

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

- › In Japan, 98 percent of listed companies have adopted a statutory auditor 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

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

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

Market applicability: Japan

SHAREHOLDER RIGHTS & TAKEOVER DEFENSES

One-Share, One-Vote

▶ Does the company have classes of common stock with different voting rights? (Q54)

- › 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. Convertible securities entitled with various voting right which is equal to the number of converted common shares are excluded.
- › This factor has a zero-weight impact on the scoring model for Australasian companies and is included for informational purposes only.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, Nordic, S. Europe, **Australasia, Latin America, Africa, Russia**

▶ **Are there any directors on the board who are not up for election by all classes of common shareholders? (Q55)**

- › Barring some holders of common stock from voting on directors may serve to entrench board members and perpetuate control by certain blocks or groups.
- › QuickScore will consider whether any directors are not elected by all classes of common stock.

Market Applicability: U.S., Canada

▶ **Is there a sunset provision on the company's unequal voting structure? (Q56)**

- › 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: **U.S.**, Canada

▶ **What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights? (Q57)**

- › 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, **Africa**

▶ **What is the level of free float of the multiple voting rights or voting certificates? (Q58)**

- › 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, **Africa**

▶ **What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies? (Q59)**

- › 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

▶ **Has the company indicated an intent to eliminate the system of depositary receipts? (Q60)**

- › 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

▶ **Are depositary receipt holders restricted in their voting rights? (Q61)**

- › 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

► What percentage of the company's share capital is made up of non-voting shares? (Q63)

- › 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, **Latin America, Africa, Russia**

► What is the level of free float of voting shares in relation to the non-voting shares? (Q64)

- › 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, **Latin America, Africa, Russia**

► Does the company have an absolute voting right ceiling? (Q65)

- › 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, **Latin America**

► Does the company have a relative voting right ceiling? (Q66)

- › 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

▶ Does the company have an ownership ceiling? (Q67)

- › 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, **Latin America, Africa, Russia**

▶ Does the company have ownership ceilings for specific parties? (Q68)

- › 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, **Latin America, Africa, Russia**

▶ Do shareholders or the State have the priority right? (Q69)

- › 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, **Latin America, Africa, Russia**

▶ Is there a coattail provision attached to the company's unequal voting structure? (Q217)

- › 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

▶ Does the company have targeted stock placement that can be used as a takeover defense? (Q72)

- › 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, **S. Korea**

▶ Does the company maintain preemptive rights in the event of a takeover bid? (Q73)

- › 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

▶ Can the company target repurchased shares in the event of a takeover bid? (Q74)

- › 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

▶ Are there ownership factors that affect the takeover defenses? (Q218)

- › 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, **Latin America, Africa, Russia**

▶ Are there priority rights that affect the takeover defenses? (Q219)

- › 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, **Latin America, Africa, Russia**

▶ Are all directors elected annually? (Q77)

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

Market Applicability: U.S., Canada, Japan, **Asia Pacific, Latin America**

▶ Is the board authorized to issue blank check preferred stock? (Q83)

- › Authorization to issue blank check preferred stock gives the 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.
- › 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 can be used as an entrenchment device, to fund

a poison pill for example. Albeit less common today, another powerful takeover defense is the placement of large blocks of 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

▶ Does the company have a poison pill (shareholder rights plan) in effect? (Q78)

- › 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. For Canadian companies, ISS will also consider if the shareholder rights plan meets the necessary requirements under the guidelines for new generation pills.

Market Applicability: U.S., Canada, Japan

▶ What is the trigger threshold for the poison pill? (Q79)

- › Poison pill triggers typically range from 10 to 25 percent. Best practice is for a pill (other than an NOL pill) to have a trigger no lower than 20%.
- › QuickScore will consider the trigger percentage for the pill.

Market Applicability: U.S.

▶ Does the poison pill have a sunset provision? (Q80)

- › 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.

▶ Does the poison pill have a TIDE provision? (Q81)

- › 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.
- › 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.

▶ Does the poison pill have a qualified offer clause? (Q82)

- › 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.
- › 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.

▶ What is the expiration date of the poison pill? (Q91)

- › 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 require, 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.

▶ Is the poison pill designed to preserve tax assets (NOL pill)? (Q220)

- › 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.

▶ When was the poison pill implemented or renewed? (Q222)

- › 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.

▶ Does the company's poison pill include a modified slow-hand or dead-hand provision? (Q223)

- › “Dead hand” and “slow hand” provisions that prevent the redemption 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. A slow-hand provision forces a delay in the redemption of the poison pill even if shareholders of the target firm favor the takeover.. A dead-hand provision provides that only the incumbent directors, continuing directors, or their designated successors can redeem the poison pill, even after they have been voted out of office (thus precluding redemption).

Market Applicability: U.S.

▶ Was the poison pill approved by shareholders? (Q221)

- › 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

▶ Does the company have a controlling shareholder? (Q290)

- › 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.
- › This factor has a zero-weight impact on the scoring model for U.S., Southern European, and Australasian companies and is included for informational purposes only.

Market Applicability: **U.S., Asia Pacific, Japan, S. Europe, Australasia, Latin America, Africa, Russia South Korea, India**

▶ If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections? (Q224)

- › Best practice calls for a majority vote standard in uncontested director elections, and a plurality vote standard in contested elections. Otherwise, in a contested election, even if a dissident nominee receives more votes than a management nominee, the management nominee would be seated. QuickScore will consider as to whether the majority voting standard – if in place – does not apply in the case of contested elections. Some companies incorporated outside of the U.S. do not have a

“contested situation”: all nominees (whether management or shareholder-nominated) who receive a majority of votes cast are seated on the board. This situation is included in the possible answers.

Market Applicability: U.S.

▶ Does the removal of a director require a supermajority vote? (Q284)

- › 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

▶ Does the company employ a U.S.-type board structure? (Q291)

- › 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

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

- › 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

▶ What is the level of tag along rights for minority shareholders? (Q333)

- › Tag along rights are granted to minority shareholders when a company reached an agreement with a major shareholder to take over the company at a certain price. The tag along rights will indicate at what level minority shareholder can sell their shares to the acquiring shareholder. In principle minority shareholders should be allowed to receive the same price.
- › Tag along rights are provided by Brazilian law (Lei das S.A., Article 254-A) and assure that the disposal, direct or indirect, of a company’s control shall be carried out on conditions that the buyer undertakes to tender a public offer for acquisition of all common shares held by the other shareholders in the company, so that they may be accorded as minimum price 80% of the value paid for the selling controlling shareholder. Some companies have decided voluntarily to extend tag along rights to preferred shareholders, and/or assure to the common shareholders a price above 80%.
- › QuickScore will consider the level of tag along rights in the event of a takeover bid.

Market applicability: **Latin America**

Meeting & Voting Related Issues

▶ Does the company have a majority vote standard in uncontested elections? (Q52)

- › 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, and is considered 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.
- › In the U.S., a "majority vote policy" is a term sometimes used to describe a director resignation policy, which is the post-election process to be followed if a director does not receive a majority of votes cast. Such resignation policies are usually found in a company's corporate governance guidelines, and can accompany either a majority or a plurality vote standard. It is not the same as a majority vote standard.
- › 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."
- › For Canada, the adoption of majority voting policy connotes that each director of a listed issuer must be elected by a majority (50% +1 vote) of the votes cast with respect to his or her election other than at contested meetings. If not, the director nominee will provide his or her resignation to the board. The board will then consider the resignation and decide whether to accept the resignation or not.
- › QuickScore will consider the voting standards for electing directors to the board.
- › This factor was moved from the Takeover Defenses subcategory to the Meeting & Voting Related Issues subcategory in the Shareholder Rights pillar.

Market Applicability: U.S., Canada

▶ Does the company require a super-majority vote to approve amendments to the charter and bylaws? (Q89)

- › 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**

▶ Does the company require a super-majority vote to approve mergers/business combinations? (Q90)

- › 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.

▶ Does the company have discretion over dividend payments? (Q285)

- › 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

▶ Are the shareholders allowed to submit dividend proposals? (Q286)

- › Investors should have the ability to submit 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

▶ Are the names of the nominee directors disclosed? (Q334)

- › In order to have a meaningful vote on the nomination of directors, the company needs to disclose crucial information on its candidates.
- › QuickScore will consider whether the names of the nominee directors are disclosed ahead of the general meeting.

Market Applicability: **Latin America**

▶ 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)? (Q84)

- › 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

▶ Did the company have a slate ballot at its last shareholders' meeting? (Q53)

- › Bundled, or slate, director elections provide shareholders with only a single vote for or against 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. Best practice is to provide a separate ballot item for each director up for election. QuickScore will consider whether the company had bundled or individual elections at the most recent shareholder meeting with election of directors.

Market Applicability: Canada, W. Europe, Germanic, S. Europe, **Latin America, South Korea**

▶ What is the number of vacancies on the board? (Q262)

- › 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: Australasia

▶ What is the percentage of share capital needed to convene a special meeting? (Q97)

- › 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. Generally, this right applies only if a shareholder or group of shareholders owns a specified percentage of the outstanding shares. 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 ownership threshold required.

Market Applicability: U.S., W. Europe

▶ Can shareholders act by written consent? (Q98)

- › 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 differences are that 1) there is no physical meeting, 2) a consent period (generally 60 days) is set for the delivery of the consents, and 3) as soon as the threshold level of consents are delivered, the proposals are deemed ratified and the consent solicitation ends. 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.

▶ Does the company use cumulative voting for director election? (Q338)

- › Under cumulative voting, once the General Assembly fixes the board size, shareholders may focus all of their votes on one or more candidates. The nominees receiving the most votes comprise the new board. Under article 141 of Brazilian Corporate Law, shareholders must request cumulative voting at least 48 hours prior to the meeting date. Shareholders must also have 5 percent of share capital to request cumulative voting (this percentage is based on share capital; smaller companies have higher thresholds).

Market Applicability: **Latin America**

▶ Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call a meeting? (Q225)

- › 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.

- ▶ **If the company has a majority voting policy in director elections, does the plurality standard apply for contested elections? (Q343)**
 - › Best practice calls for a majority vote standard in uncontested director elections, and a plurality vote standard in contested elections. Otherwise, in a contested election, even if a dissident nominee receives more votes than a management nominee, the management nominee would be seated. QuickScore will consider as to whether the majority voting standard – if in place – does not apply in the case of contested elections.

Market Applicability: **Canada**

- ▶ **Is the quorum for shareholders' meetings at least two persons representing at least 25 percent of the outstanding shares? (Q101)**
 - › 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

- ▶ **Did the company file its proxy materials late in the past year? (Q335)**
 - › Relevant proxy materials should be disclosed in a timely manner well in advance of the general meeting to allow for a meaningful shareholder review.
 - › QuickScore will consider whether the timing of the filing of proxy materials meet local best practice. The assessment is based on when a company should be disclosing materials, not the minimum required under the local regulations.

Market Applicability: **Russia, South Korea, India**

- ▶ **Does the company provide proxy materials in English? (Q342)**
 - › Lack of availability of proxy materials in English inhibits the ability of oversea shareholders to actively and effectively participate in shareholder meetings and make an informed vote.

- › QuickScore will consider whether or not the company filed its proxy material in English.

Market Applicability: **South Korea**

▶ Does the company hold its general meeting on a peak date? (Q287)

- › 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. Similarly in South Korea most companies hold their general meeting on two days in March.

Market Applicability: Japan, **South Korea**

Other Shareholder Rights Issues

▶ Are there related-party transactions (RPTs) with significant shareholders? (Q263)

- › 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, **Latin America, Russia, South Korea, India**

▶ What is the dilution limit of the general mandate to issue shares? (Q318)

- › 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, **Australasia, South Korea, India**

▶ What is the discount limit of the general mandate to issue shares? (Q319)

- › 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

▶ What is the dilution limit of the general mandate to issue repurchased shares? (Q320)

- › 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

▶ What is the aggregate dilution limit of share issuance and reissuance mandate? (Q321)

- › 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

AUDIT & RISK OVERSIGHT

External Auditor

▶ Non-Audit fees represent what percentage of total fees? (Q1)

- › 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: all regions, except Japan

▶ Did the auditor issue an adverse opinion in the past year? (Q2)

- › 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. An “unqualified” opinion is the best.

- › 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: all regions

Audit and Accounting Controversies

▶ Has the company restated financials for any period within the past two years? (Q3)

- › 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.
- › When determining if a company has a material restatement, ISS’ guidelines are:
 - › Has the company restated financial results for any period during the past 24 months (this refers to when the company restated its financial statements, not the period restated);
 - › Did the restatement cause material changes (whether positive or negative) to the financial statements? Possible exceptions to the rule would be industry-specific issues, such as poor inventory control in a manufacturing/ industrial company or poor asset valuations for financial institutions;
 - › Include announced restatements that are being made to correct material misstatements of previously reported financial information;
 - › Exclude announcements involving stock splits, changes in accounting principles (rule changes), and other restatements that were not made to correct mistakes in the application of accounting standards;
 - › Revisions and restatements linked to a material weakness are considered material.
- › Some examples of restatements that are generally excluded:
 - › Those resulting from mergers and acquisitions;
 - › Discontinued operations;
 - › Stock splits, issuance of stock dividends;
 - › Currency-related issues (for example, converting from Japanese yen to U.S. dollars);
 - › Changes in business segment definitions;
 - › Changes due to transfers of management;
 - › Changes made for presentation purposes;
 - › General accounting changes under generally accepted accounting principles (GAAP); and
 - › Litigation settlements.
- › This question will evaluate whether, in the past two years, the company has restated its financials for any period, or if the information is not disclosed.

Market Applicability: U.S., Canada

▶ **Has the company made non-timely financial disclosure filings in the past two years? (Q4)**

- › 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. In the U.S., any “NT” SEC filing is considered evidence of non-timely filings.

Market Applicability: U.S., Canada, Japan

▶ **Has the company filed belatedly its Annual Report for the most recent fiscal year? (Q302)**

- › This question will evaluate whether the company filed its Annual Report on time 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, **India**

▶ **Has a regulator taken enforcement action against the company in the past two years? (Q5)**

- › 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. ISS will also analyze if the investigation was resolved with a material penalty).
- › In assessing the materiality of any penalties, QuickScore will consider the nature of the underlying investigation(s), the size of any monetary penalties, both on an absolute basis and relative to certain financial metrics, including but not limited to, revenues, earnings, cash flows, and market value, as well as any non-monetary penalties or requirements. Settlement agreements with regulatory bodies are also considered, even if the company denies the allegations underlying the investigation.

Market Applicability: all regions

▶ **Has a regulator taken enforcement action against a director or officer of the company in the past two years? (Q200)**

- › 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 was subject to enforcement action by a regulator within the past two years, including enforcement actions related to employment or board service at other firms. ISS will also analyze if the investigation was resolved with a material penalty. In assessing the materiality of any penalties, QuickScore will consider the nature of the underlying investigation(s), the size of any monetary penalties, as well as any non-monetary penalties or

requirements. Settlement agreements with regulatory bodies are also considered, even if the director or officer denies the allegations underlying the investigation.

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

► **Is the company, a director or officer of the company currently under investigation by a regulatory body? (Q201)**

- › 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. ISS will categorize investigations as either routine or non-routine. FCPA-related investigations and Wells Notices will be considered non-routine investigations. Non-routine will also include investigations which raise serious ethical concerns or pose potential risk to the broader financial system (LIBOR manipulation, mortgage fraud, high frequency trading, or other serious one-off investigations).
- › The following types will generally be considered "routine", unless there is indication that they involve major fraud or risk:
 - › "Promotion, marketing or sale of products" and "billing/false claims;"
 - › Accounting & tax practices; and
 - › Civil investigation demands.

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

► **Has the company disclosed any material weaknesses in its internal controls in the past two fiscal years? (Q8)**

- › 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.
- › QuickScore will evaluate and consider material weaknesses over the past two fiscal years and whether they were evidenced in the most recent year; in the previous year; in consecutive years; if all material weaknesses were fully remediated; or if the information is not disclosed.

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

Other Audit issues

► **How many financial experts serve on the audit committee? (Q6)**

- › 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. In the US and Canada, QuickScore will include the financial expert(s) disclosed by the company.
- › This factor has a zero-weight impact on Canadian companies and is included for informational purposes only. In the U.S., this is now a scored factor for companies with zero, one, or two financial experts sitting on the audit committee.

Market Applicability: U.S., Canada, W. Europe, Germanic, Anglo, S. Europe, Asia Pacific, Australasia, Africa, Russia, South Korea

▶ Has the company changed its audit firm without a valid reason in the past two fiscal years? (Q288)

- › 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, Asia Pacific, Latin America

▶ Can the audit firm be indemnified without shareholder vote? (Q280)

- › 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

▶ What is the independent statutory auditor's composition? (Q281)

- › 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

Much of the information included in QuickScore comes from the company's circular/proxy filing for its annual shareholder meeting, and the ISS Research teams' interpretation and proxy voting recommendations to our clients for that meeting. While companies have the ability most of the year to update information for QuickScore, this ability is restricted during the time ISS is gathering the information from the proxy and preparing its proxy analysis. Once the proxy voting recommendations report is released to institutional clients, companies are able to once again review their QuickScore data profiles and update/correct information.

For companies given the opportunity to review a draft of the proxy analysis in advance of publication for factual accuracy, (for example the S&P500 in the US, the S&P/TSX Composite in Canada) the draft includes the updated QuickScore information.

During the year outside of the annual meeting, ISS reviews new filings to keep QuickScore up to date, incorporating changes to bylaws, adoptions and redemptions of poison pills, and other events. Two categories of such updates are accorded special treatment in QuickScore:

Classification of Newly-Appointed Directors

ISS will monitor 8-K filings for new director disclosures, such as new directors being appointed to the board, or incumbent directors leaving the board. In general, the standard 8-K disclosure is insufficient for ISS to determine if the new director is independent under ISS' classification. However, if the company provides sufficient disclosure, ISS may make a preliminary determination (for QuickScore purposes) of the director's ISS classification. This classification is tentative and subject to change once the full disclosure on the director is available in the proxy.

If ISS is unable to make a preliminary determination of the newly appointed director's classification based on a company's disclosure, ISS will consider the director "unclassified" until there is sufficient information to determine the classification. In such a case, the 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. The complete lists of factors are: 10, 11, 19, 25, 31, 50, 51, 203, 205, 206, and 208. 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.

For ISS to be able to make the preliminary determination of whether a newly appointed director is independent under ISS standards, the following minimum information on the director (perhaps in the form of a short biography) is required:

1. Current position;
2. The company's determination of whether the director is independent under its listing standards;
3. Any previous employment at the company;
4. Any familial relationships with the company's executives or directors;
5. Any transactions (per Item 404a of Regulation S-K) between the director, the director's employer, or the director's immediate family member's current employer, and the company in the last fiscal year.

APPENDIX II: QUICKSCORE 3.0 FACTOR METHODOLOGY AND REGION APPLICABILITY

(*Indicate the factor has zero-weight impact on the scoring model and is for informational purposes only)

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
Audit & Risk Oversight																
1	Non-Audit fees represent what percentage of total fees?	X	X	X	X		X	X	X	X	X	X	X	X	X	X
2	Did the auditor issue an adverse opinion in the past year?	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
3	Has the company restated financials for any period within the past two years?	X	X													
4	Has the company made non-timely financial disclosure filings in the past two years?	X	X		X	X										
302	Has the company filed belatedly its Annual Report for the most recent fiscal year?				X											X
5	Has a regulator taken enforcement action against the company in the past two years?	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
200	Has a regulator taken enforcement action against a director or officer of the company in the past two years?	X	X		X										X	
201	Is the company, a director or officer of the company currently under investigation by a regulatory body?	X			X											

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
8	Has the company disclosed any material weaknesses in its internal controls in the past two fiscal years?	X	X	X		X							X			
6	How many financial experts serve on the audit committee?	X	*	X	X		X	X		X	X		X	X	X	
288	Has the company changed its audit firm without a valid reason in the past three fiscal years?				X	X						X				
280	Can the audit firm be indemnified without shareholder vote?					X										
281	What is the independent statutory auditor's composition?					X										
Board																
9	How many directors serve on the board?	*	X	X	X	X	X	X	X	X	X	X	X	X	X	X
304	How many women are on the board, and what proportion (Japan) do they represent?	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
10	What percentage of the board is independent under ISS' standards?	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
203	If the company is controlled, what percentage of the board is independent under ISS' standards?						X	X								
11	What percentage of the directors elected by shareholders are independent?								X							

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
289	Is there an outside director on the Board?					X										
282	What percentage of the board is composed of outside directors?					X										
13	What proportion of non-executive directors on the board has lengthy tenure?	X	X		X									X		X
14	Is the board chair independent?	X	X	X	X		X	X	X	X	X	X	X	X	X	X
16	Has the company identified a senior (lead) independent director?	X	X	X	X		X	X		X				X		X
17	What is the term of mandate proposed for supervisory board members (at the latest general meeting)?						X	X	X							
205	What percentage of the board consists of immediate family members of majority shareholders, executives and former executives (within the past five years)?	*										X		X		
206	What percentage of the board consists of former or current employees of the company?	*										X		X		
19	What percentage of nominating committee members are independent based on ISS' standards?	X	X	X	X		X	X		X	X		X	X	X	X
306	Are there executives on the nominating committee?				X								X	X		X

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
23	Is the chair of the nominating committee independent?				X		X	X		X	X			X		X
207	Does the company maintain a formal nominating committee?								X			X				
208	Are there any board members on the nominating committee?								X							
210	Is there more than one board member who is dependent on major shareholders on the nominating committee?								X							
211	What is the number of nominating committee members?			X				X								
330	Does the company maintain a formal remuneration committee?											X				
25	What percentage of the compensation committee is independent under ISS' standards?	X	X	X	X		X	X		X	X		X	X	X	X
27	Are there executives on the compensation committee?				X		X	X	X	X	X		X			X
28	Is the chair of the compensation committee independent?			X	X		X	X		X	X		X	X		X
29	Is the chair of the board of directors a member of the compensation committee?			X												
212	What is the number of remuneration committee members?			X				X								

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
331	Does the company maintain a formal audit committee?											X				
332	Does the company maintain a formal fiscal council?											X				
31	What percentage of the audit committee is independent under ISS' standards?	X	X	X	X		X	X		X	X		X	X	X	X
33	Are there executives on the audit committee?				X		X	X	X	X	X					X
34	Is the chair of the audit committee independent?			X	X		X	X		X	X		X	X		X
35	Is the chair of the board of directors a member of the audit committee?			X			X									
213	How many members serve on the audit committee?			X				X								
283	Does the company have a three committee system?					X										
340	Has the company disclosed information on key committee attendance?															X
309	How many directors serve on an excessive number of outside boards?				X											
36	Do the executives serve on an excessive number of outside boards?						X	X	X	X		*				

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
37	Does the CEO serve on an excessive number of outside boards?	X	X				X	X	X	X	X	*				
38	How many non-executives serve on an excessive number of outside boards?	X	X				X	X	X	X	X	*				
39	Does the chair of the board serve on an excessive number of outside boards?						X	X	X	X	X	*				
337	Has the company disclosed the attendance of each director?				X											
43	What percentage of all meetings was attended by at least 50% of the supervisory board?									X						
44	What percentage of the directors attended less than 75% of board and/or key committee meetings?			X	X		X	X			X		X		X	X
45	Did any directors attend less than 75% of the aggregate board and applicable key committee meetings without a valid excuse?	X	X													
49	How many directors received withhold/ against votes of 50% or greater at the last annual meeting?	X	X													
310	What was the lowest support rate for directors at the last annual meeting?					X										
312	What percentage of directors received shareholder approval rates below 80%?	X														

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
315	What was the average outside director's total compensation as a multiple of the peer median?	X														
140	What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?			X			X	X		X	X	*	X	X		
144	Do all directors with more than one year of service own stock?	X	X		X						X				X	X
243	Did any executive or director pledge company shares?	X														
41	Does the company disclose a policy requiring an annual performance evaluation of the board?	X	X	X			X	X	X	X	X			X		
46	Does the company disclose board/governance guidelines?	X														
215	What is the quorum for director meetings		X													
100	Does the company allow the chair a second or casting vote at director meetings in the event of a tie?		X					X								
143	Are directors subject to stock ownership guidelines?	X	X								X					
244	Does the company have a policy prohibiting hedging of company shares by employees?	X	X								X					
336	Does the company disclose information on Related Party													X		X

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
	Transactions?															
50	What percent of the directors were involved in material RPTs?	X	X													
51	Do the directors with RPTs sit on key board committees?	X	X													
216	Are there material related-party transactions involving the CEO?	X			X											
99	Has the board adequately addressed a shareholder resolution supported by a majority vote?	X														
345	Has ISS' review found that the board of directors recently took action that materially reduces shareholder rights?	X														
Shareholder Rights and Takeover Defenses																
54	Does the company have classes of stock with different voting rights?	X	X	X			X	X	X	X	X	*	X	X		
55	Are there any directors on the board who are not up for election by all classes of common shareholders?	X	X													
56	Is there a sunset provision on the company's unequal voting structure?	X	X													

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
57	What is the proportion of multiple voting rights (or voting certificates) relative to the total number of voting rights?			X			X		X	X			X			
58	What is the level of free float of the multiple voting rights or voting certificates?			X			X		X	X			X			
59	What percentage of the company's shares is represented by depositary receipts where a foundation votes unexercised proxies?						X									
60	Has the company indicated to eliminate the system of depositary receipts?						X									
61	Are depositary receipt holders restricted in their voting rights?						X									
63	What percentage of the company's share capital is made up of non-voting shares?			X			X	X	X	X			X	X		
64	What is the level of free float of voting shares in relation to the non-voting shares?			X			X	X	X	X			X	X		
65	Does the company have an absolute voting right ceiling?						X	X	X	X		X				
66	Does the company have a relative voting right ceiling?						X	X	X	X						

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
67	Does the company have an ownership ceiling?			X		X	X	X	X	X	X	X	X	X		
68	Does the company have ownership ceilings for specific parties?			X			X	X	X	X	X	X	X	X		
69	Do shareholders or the State have the priority right?			X			X	X	X	X		X	X	X		
217	Is there a coattail provision attached to the company's unequal voting structure?		X													
72	Does the company have targeted stock placement that can be used as a takeover defense?						X	X							X	
73	Does the company maintain pre-emptive rights in the event of a takeover bid?						X	X								
74	Can the company target repurchased shares in the event of a takeover bid?						X	X	X							
218	Are there ownership factors that affect the takeover defenses?			X			X	X	X	X		X	X	X		
219	Are there priority rights that affect the takeover defenses?			X			X	X	X	X		X	X	X		
77	Are all directors elected annually?	X			X	X						*				

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
83	Is the board authorized to issue blank check preferred stock?	X	X													
78	Does the company have a poison pill (shareholder rights plan) in effect?	X	X			X										
79	What is the trigger threshold for the poison pill?	X														
80	Does the poison pill have a sunset provision?	X														
81	Does the poison pill have a TIDE provision?	*														
82	Does the poison pill have a qualified offer clause?	X														
91	What is the expiration date of the poison pill?	X														
220	Is the poison pill designed to preserve tax assets (NOL pill)?	X														
222	When was the poison pill implemented or renewed?	X														
223	Does the company's poison pill include a modified slow-hand or dead-hand provision?	X														

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
221	Was the poison pill approved by shareholders?					X										
290	Does the company have a controlling shareholder?	*			X	X		*			*	X	X	X	X	X
224	If the company has a majority voting standard, is there a plurality carve-out in the case of contested elections?	X														
284	Does the removal of a director require a supermajority vote?					X										
291	Does the company employ a U.S.-type board structure?					X										
317	Does the company have provisions or shareholder structures that would hamper a hostile takeover?					X										
333	What is the level of tag along rights for minority shareholders?											X				
89	Does the company require a super-majority vote to approve amendments to the charter and bylaws?	X						X								
90	Does the company require a super-majority vote to approve mergers/business combinations?	X														

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
285	Does the company have discretion over dividend payments?					X										
286	Are the shareholders allowed to submit dividend proposals?					X										
334	Are the names of the nominee directors disclosed?													X		
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)?						X									
53	Did the company have a slate ballot at its last shareholders' meeting?						X	X		X		X				X
262	What is the number of vacancies on the board?										X					
97	What is the percentage of share capital needed to convene a special meeting?	X					X									
98	Can shareholders act by written consent?	X														
338	Does the company use cumulative voting for director election?				X											X

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
52	Does the company have a majority vote standard in uncontested elections?	X	X													
343	If the company has a majority voting policy in director elections, does the plurality standard apply for contested elections?		X													
225	Are there material restrictions as to timing or topics to be discussed, or ownership levels required to call the meeting?	X														
101	Is shareholder quorum for shareholders' meetings at least 2 persons representing at least 25% of the outstanding shares?		X													
335	Did the company file its proxy materials late in the past year?				X									X	X	X
342	Does the company provide proxy materials in English?														X	
287	Does the company hold its general meeting on a peak date?					X									X	
263	Are there RPTs with significant shareholders?				X						X	X		X	X	X
318	What is the dilution limit of the general mandate to issue shares?				X						X				X	X

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
319	What is the discount limit of the general mandate to issue shares?				X						X					
320	What is the dilution limit of the general mandate to issue repurchased shares?				X											
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?			X			X	X	X	X	X					
115	Is there a cap on executives' annual bonus?			X			X	X	X	X	X					
116	What percentage of the annual bonus for CEO is or can be deferred?			X			X	X		X	X					
117	What percentage of the annual bonus for executives is or can be deferred?			X			X	X		X	X					
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 1-year pay percentile rank, relative to peers, and its 1-year TSR rank, relative to peers?	*	*													

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
228	What is the size of the CEO's 1-year pay, as a multiple of the median pay for company peers?	X	X													
229	What is the degree of alignment between the company's TSR and change in CEO pay over the past five years?	X	X													
232	What is the ratio of the CEO's total compensation to the next highest paid executive?	X														
233	What is the performance period for the latest active long term incentive plan (or the proposed plan) for executives?			X			X	X			X		X			
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?	X	X													
156	Are any of the NEOs eligible for multi-year guaranteed bonuses?	X	X													
154	Does the company provide loans to executives?		X	X			X	X		X	X		X	X		
118	Is part of the bonus granted or to be granted guaranteed?		X	X			X	X		X	X		X			
159	Did the company grant a one-off reward to any of its executives?							X			X		X			
237	What is the ratio of the CEO's non-performance-based compensation (All Other Compensation) to Base Salary?	X														

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
322	Does the company have an equity-based compensation plan?				X							X		X	X	X
129	Do the company's active equity plans prohibit share recycling for options/SARS?	X														
138	Do the company's active equity plans prohibit option/ SAR repricing?	X	X													
238	Does the company's active equity plans prohibit option/ SAR cash buyouts?	X	X													
239	Do the company's active equity plans have an evergreen provision?	X														
240	Do the company's active equity plans have a liberal definition of change-in-control?	X														
139	Has the company repriced options or exchanged them for shares, options or cash without shareholder approval in the last three years?	X	X													
127	What is the total proportion of all outstanding equity based plans towards the share capital?			X	X		X	X	X	X	X	X	X	X	X	X
128	Is there a maximum level of dilution per year?			X	X		X			*						
130	Does the company's equity grant rate exceed the mean +1 standard deviation of its industry/index peers?	X														

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
136	What are the pricing conditions for stock options granted to executives?			X	X		X	X	X	X	X	X	X		X	X
155	Did the company disclose a claw back or malus provision?	X	X	X			X	X	X	X	X					
131	What are the vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?	X	X	X	X		X	X	X	X	X	X	X	X	X	X
132	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?	X	X	X	X		X	X	X	X	X	X	X	X		X
133	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' other long-term plan?		X	X	X		X	X	X	X	X	X	X	X		
323	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Matching plan?						X									
324	What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' deferral plan?						X									
134	What is the holding/retention period for stock options (for executives)?	X	X	X			X	X		X	X	X				

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
135	What is the holding/retention period for restricted shares / stock awards (for executives)?	X		X			X	X		X	X	X				
145	What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?	X	X	X			X	X			X					
146	What proportion of the salary is subject to stock ownership requirements/guidelines for the other executives?			X			X	X			X					
104	Does the company provide loans to directors?		X					X						X		
109	Do directors participate in equity based plans?		X				X	X	X	X				X		
110	Do non-executive directors participate to performance related remuneration?			X	X		X	X		X	X	X	X	X		X
107	What part of the total remuneration received by directors is options-based?		X													
325	Are directors who are eligible to receive grants/awards under the plan also involved in the administration of the plan?				X							X				
341	Does the company disclose the remuneration paid to the board in AGM proxy filings?														X	
112	Does the company disclose details of individual executives' remuneration?				X			X				X		X		X

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
158	Did the company disclose a performance overview for its long term incentive plans?							X								
113	Does the company disclose performance metrics for the short term incentive plan (for executives)?	X	X	X	X		X	X	X	X	X		X	X		
246	What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan?	X			X						X			X		X
121	Does the company disclose a performance measure for matching?			X			X	X	X	X			X			
122	Does the company disclose a performance measure for stock options plans (for executives)?		X	X	X		X	X	X	X		X	X			
123	Does the company disclose a performance measure for restricted share plans (for executives)?		X	X	X		X	X	X	X		X	X			
125	Does the company disclose a performance measure for other long term plans (for executives)?			X	X		X	X	X	X		X	X			
326	Did the company disclose the metrics used to evaluate performance-based compensation in the most recent Yuho Filings?					X										
327	Does the company disclose numerical figures related to performance-based compensation?					X										

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
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?		X				X									
328	Did the most recent Say on Pay proposal receive shareholders' support below 70%?	X														
250	What is the level of disclosure on CEO ownership guidelines?									X						
148	What is the trigger under the change-in-control agreements?	X	X													
153	Do equity based plans or other long term awards vest completely upon a change in control?	X	X					X			X	X				
150	In the event of termination of the contract of executives, does the equity based remuneration vest?							X			X					
161	What is the multiple of pay in the severance agreements for the CEO (upon a change-in-control)?	X	X	X			X	X	X	X			X	X		
247	What is the basis for the change-in-control or severance payment for the CEO?	X	X	X			X	X	X	X			X	X		
160	What is the multiple of the change in control/severance payment for executives excluding the CEO (upon a change-in-control)?			X			X	X	X	X			X	X		

QuickScore 3.0		US	Canada	Anglo	AsiaPac	Japan	W.Europe	S.Europe	Nordic	Germanic	Australasia	Latin America	Africa	Russia	South Korea	India
248	What is the basis for the change-in-control or severance payment for executives excluding the CEO?			X			X	X	X	X			X	X		
152	How long is the notice period for the CEO if the company terminates the contract?							X			X					
162	Does the company provide excise tax gross-ups for change-in-control payments?	X	X													
163	What is the length of employment agreement with the CEO?	*														
300	Has ISS' qualitative review identified a pay-for-performance misalignment?	X	X													
301	Has ISS identified a problematic pay practice or policy that raises concerns?	X	X	X	X		X	X	X	X	X	X	X	X		X
307	Has the company disclosed that it has set up a compensation committee in the most recent Yuho Filings?					X										
308	Has the company disclosed that outside directors constitute the majority of its compensation committee in the most recent Yuho Filings?					X										

APPENDIX III: REGION-SPECIFIC FACTOR METHODOLOGY

(Newly applicable factors in bold)

United States

- 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 regulator initiated enforcement action against the company in the past two years?
- 200 Has a regulator initiated enforcement action against a director or officer of the company in the past two years?
- 201 Is the company, a director or officer of the company currently under investigation by a regulatory body?
- 8 Has the company disclosed any material weaknesses in its internal controls in the past two fiscal 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 non-executive directors on the board has lengthy tenure?
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead 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 is the independent status of the nominating committee members?
- 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?
- 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 applicable key 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 80%?
- 315 What was the average outside director's total compensation as a multiple of the peer median?
- 144 Do all directors with more than one year of service own stock?
- 243 Did any executive or director pledge company shares?
- 41 Does the company disclose a policy requiring an annual performance evaluation of the board?**
- 46 Does the company disclose board/governance guidelines?
- 143 Are directors subject to stock ownership guidelines?
- 244 Does the company have a robust policy prohibiting hedging of company shares by employees?
- 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?
- 99 Has the board adequately addressed a shareholder resolution supported by a majority vote?
- 345 Has ISS' review found that the board of directors recently took action that materially reduces 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?**
- 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?
- 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?
- 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 1-year pay percentile rank, relative to peers, and its 1-year TSR rank, relative to peers?*
- 228 What is the size of the CEO's 1-year 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 multi-year 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 definition of change-in-control?
- 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's equity grant rate exceed the mean +1 standard deviation of its industry/index peers?
- 155 Did the company disclose a claw back or malus provision?
- 131 What are the 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 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 70%?
- 148 What's the trigger under the change-in-control agreements?
- 153 Do equity based plans or other long term awards vest completely upon a change in control?
- 161 What is the multiple of pay in the severance agreements 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 regulator initiated enforcement action against the company in the past two years?
- 200 Has a regulator initiated 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 fiscal 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 non-executive directors on the board has lengthy tenure?**
- 14 What is the classification of the Chairman of the Board?
- 16 Has the company identified a Senior Independent Director or an independent Lead Director?
- 19 What is the independent status of the nominating committee members?
- 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?**
- 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 applicable key committee meetings without a valid excuse?
- 49 How many directors received withhold/ against votes of 50% or greater at the last annual meeting?
- 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 chair a second or casting vote at director meetings in the event of a tie?
- 143 Are directors subject to stock ownership guidelines?
- 244 Does the company have a robust policy prohibiting hedging of company shares by employees?**
- 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?
- 83 Is the board authorized to issue blank check preferred stock?
- 78 Does the company have a poison pill (shareholder rights plan) in effect?
- 52 Does the company have a majority vote standard in uncontested elections?
- 343 If the company has a majority voting policy in director elections, does the plurality standard apply for contested 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 1-year pay percentile rank, relative to peers, and its 1-year TSR rank, relative to peers?*
- 228 What is the size of the CEO's 1-year 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 multi-year 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 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 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)?
- 145 What proportion of the salary is subject to stock ownership requirements/guidelines for the CEO?**
- 104 Does the company provide loans to directors?
- 109 Do directors participate in 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 awards vest completely upon a change in control?
- 161 What is the multiple of pay in the severance agreements 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 regulator initiated 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 fiscal 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 identified a Senior Independent Director or an independent Lead Director?
- 19 What is the independent status of the nominating committee members?
- 211 What is the number of nominating 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 How many members serve on the audit committee?
- 44 What percentage of the directors attended less than 75% of board and/or key committee 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?
- 127 What is the total proportion of all outstanding equity based plans towards 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 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 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 to 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 pay in the severance agreements 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?
- 4 Has the company made non-timely financial disclosure filings in the past two years?
- 302 Has the company made late filing of Annual Report for the most recent fiscal year?
- 5 Has a regulator initiated enforcement action against the company in the past two years?**
- 200 Has a regulator initiated enforcement action against a director or officer of the company in the past two years?
- 201 Is the company, a director or officer of the company currently under investigation by a regulatory body?
- 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?
- 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)?
- 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 identified a Senior Independent Director or an independent Lead Director?
- 206 What percentage of the board are former or current employees of the company?
- 19 What is the independent status of the nominating committee members?
- 306 Are there executives on the nominating committee?
- 23 What's the classification of the chairman of the nominating committee?
- 330 Does the company maintain a formal remuneration 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?
- 337 Has the company disclosed the attendance of each director?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 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 80%?
- 144 Do all directors with more than one year of service own stock?
- 46 Does the company disclose board/governance guidelines?
- 216 Are there material related-party transactions involving the CEO?
- 345 Has ISS' review found that the board of directors recently took action that materially reduces shareholder rights?
- 77 Are all directors elected annually?
- 80 Does the poison pill have a sunset provision?
- 290 Does the company have a controlling shareholder?
- 333 What is the level of tag along rights for minority shareholders?
- 338 Does the company use cumulative voting for director election?
- 335 Did the company file its proxy materials late in the past year?
- 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?
- 239 Do the company's active equity plans have an evergreen provision?
- 127 What is the total proportion of all outstanding equity based plans towards 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 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 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?
- 324 What are the vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' Deferral plan?
- 110 Do non-executive directors participate to performance related remuneration?**
- 325 Are directors who are eligible to receive grants/awards under the plan also involved in the administration of the plan?
- 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)?
- 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)?
- 301 Has ISS identified a problematic pay practice or policy that raises concerns?

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 regulator initiated 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 fiscal 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 have 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 that would hamper a 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 its general meeting on a 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?

Western 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 regulator initiated 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 identified a Senior Independent Director or an independent Lead Director?
- 17 What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
- 19 What is the independent status of the nominating committee members?
- 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?
- 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 board and/or key committee 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 pre-emptive 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 Did the company have a slate ballot at its last 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 towards 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 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 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 to 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 pay in the severance agreements 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?

Southern 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 regulator initiated 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 identified a Senior Independent Director or an independent Lead Director?
- 17 What is the term of mandate proposed for supervisory board members (at the latest general meeting)?
- 19 What is the independent status of the nominating committee members?
- 23 What's the classification of the chairman of the nominating committee?
- 211 What is the number of nominating 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 How many members serve 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?
- 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 board and/or key committee 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 chair 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 pre-emptive 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?
- 290 Does the company have a controlling shareholder?
- 89 Does the company require a super-majority vote to approve amendments to the charter and bylaws?
- 53 Did the company have a slate ballot at its last 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?
- 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 towards 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 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 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 in 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 awards 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 pay in the severance agreements 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 regulator initiated 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?
- 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?
- 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 towards 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 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 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 in 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 pay in the severance agreements 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 regulator initiated 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 identified a Senior Independent Director or an independent Lead Director?
- 19 What is the independent status of the nominating committee members?
- 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?
- 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 Did the company have a slate ballot at its last 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 towards 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 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 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 to 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 pay in the severance agreements 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 regulator initiated 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 is the independent status of the nominating committee members?
- 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?
- 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 board and/or key committee meetings?
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 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?
- 143 Are directors subject to stock ownership guidelines?
- 244 Does the company have a robust policy prohibiting hedging of company shares by employees?
- 54 Does the company have classes of stock with different voting rights?***
- 67 Does the company have an ownership ceiling?
- 68 Does the company have ownership ceilings for specific parties?
- 290 Does the company have a controlling shareholder?***
- 262 What is the number of vacancies on the board?
- 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?**
- 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 towards 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 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 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 to 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 awards 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?

Latin America

- 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 regulator initiated enforcement action against the company in the past two years?
- 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?
- 14 What is the classification of the Chairman of the Board?
- 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?
- 207 Does the company maintain a formal nominating committee?
- 330 Does the company maintain a formal remuneration committee?
- 331 Does the company maintain a formal audit committee?
- 332 Does the company maintain a formal fiscal council?
- 36 Do the executives serve on an excessive number of outside boards?*
- 37 Does the CEO serve on an excessive number of outside boards?*
- 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?*
- 54 Does the company have classes of stock with different voting rights?
- 65 Does the company have an absolute 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?
- 77 Are all directors elected annually?*
- 290 Does the company have a controlling shareholder?
- 333 What is the level of tag along rights for minority shareholders?
- 53 Did the company have a slate ballot at its last shareholders' meeting?
- 263 Are there RPTs with significant shareholders?
- 322 Does the company have an equity-based compensation plan?
- 127 What is the total proportion of all outstanding equity based plans towards the share capital?
- 136 What are the pricing conditions for stock options granted to executives?
- 131 What are the 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 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)?
- 110 Do non-executive directors participate to performance related remuneration?
- 325 Are directors who are eligible to receive grants/awards under the plan also involved in the administration of the plan?
- 112 Does the company disclose details of individual executives' remuneration?
- 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 awards vest completely upon a change in control?
- 301 Has ISS identified a problematic pay practice or policy that raise concerns?

Africa

- 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 regulator initiated 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 fiscal 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 is the independent status of the nominating committee members?
- 306 Are there executives on 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?
- 34 What's the classification of the chairman of the audit committee?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 140 What is the aggregate level of stock ownership of the officers and directors, as a percentage of shares outstanding?
- 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?
- 290 Does the company have a controlling shareholder?
- 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 towards the share capital?
- 136 What are the pricing conditions for stock options granted to executives?
- 131 What are the 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 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?
- 110 Do non-executive directors participate to 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 pay in the severance agreements 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?

Russia

- 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 regulator initiated 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?
- 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 identified a Senior Independent Director or an independent Lead 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 is the independent status of the nominating committee members?
- 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?
- 28 What's the classification of the chairman of the compensation committee?
- 31 What is the independent status of the audit committee members?
- 34 What's the classification of the chairman of the audit committee?
- 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?
- 336 Does the company disclose information on Related Party Transactions?
- 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?
- 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?
- 290 Does the company have a controlling shareholder?
- 334 Are the names of the nominee directors disclosed?
- 335 Did the company file its proxy materials late in the past year?
- 263 Are there RPTs with significant shareholders?
- 154 Does the company provide loans to executives?
- 322 Does the company have an equity-based compensation plan?
- 127 What is the total proportion of all outstanding equity based plans towards the share capital?
- 131 What are the 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 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?
- 104 Does the company provide loans to directors?
- 109 Do directors participate in equity based plans?
- 110 Do non-executive directors participate to performance related remuneration?
- 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)?
- 246 What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan?
- 161 What is the multiple of pay in the severance agreements 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?

South Korea

- 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 regulator initiated enforcement action against the company in the past two years?
- 200 Has a regulator initiated enforcement action against a director or officer of 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 is the independent status of the nominating committee members?
- 25 What is the independent status of the compensation committee members?
- 31 What is the independent status of the audit committee members?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 144 Do all directors with more than one year of service own stock?
- 72 Does the company have targeted stock placement that can be used as a takeover defense?
- 290 Does the company have a controlling shareholder?
- 53 Did the company have a slate ballot at its last shareholders' meeting?
- 338 Does the company use cumulative voting for director election?
- 335 Did the company file its proxy materials late in the past year?
- 342 Does the company provide proxy materials in English?
- 287 Does the company hold its general meeting on a peak date?
- 263 Are there RPTs with significant shareholders?
- 318 What is the dilution limit of the general mandate to issue shares?
- 322 Does the company have an equity-based compensation plan?
- 127 What is the total proportion of all outstanding equity based plans towards the share capital?
- 136 What are the pricing conditions for stock options granted to executives?
- 131 What are the vesting periods mandated in the plan documents for executives' stock options or SARS in the equity plans adopted/amended in the last 3 years?
- 341 Does the company disclose the remuneration paid to the board in AGM proxy filings?

India

- 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 regulator initiated 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?
- 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 identified a Senior Independent Director or an independent Lead Director?
- 19 What is the independent status of the nominating committee members?
- 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?
- 340 Has the company disclosed information on key committee attendance?
- 44 What percentage of the directors attended less than 75% of board and/or key committee meetings?
- 144 Do all directors with more than one year of service own stock?
- 336 Does the company disclose information on Related Party Transactions?
- 290 Does the company have a controlling shareholder?
- 335 Did the company file its proxy materials late in the past year?
- 263 Are there RPTs with significant shareholders?
- 318 What is the dilution limit of the general mandate to issue shares?
- 322 Does the company have an equity-based compensation plan?
- 127 What is the total proportion of all outstanding equity based plans towards the share capital?
- 136 What are the pricing conditions for stock options granted to executives?
- 131 What are the 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 vesting periods mandated in the plan documents, adopted/amended in the last three years, for executives' restricted stock / stock awards?
- 110 Do non-executive directors participate to performance related remuneration?
- 112 Does the company disclose details of individual executives' remuneration?
- 246 What is the level of disclosure on performance measures for the latest active or proposed long term incentive plan?
- 301 Has ISS identified a problematic pay practice or policy that raises concerns?

ADDENDUM

November 24: Updated text on page 7 for question 99, which was noted inconsistently in the document and in the appendices. The factor is, “Has the board adequately addressed a shareholder resolution supported by a majority vote? (Q99).”

November 24: Updated the text for question 130, based on ISS 2015 policy updates. The factor is, “Does the company’s equity grant rate exceed the mean plus one standard deviation of its industry/index peers? (Q130).”

November 24: Additional note is provided for question 41 regarding the performance evaluation of the board for U.S. companies.

November 24: The factors considered under the Pay for Performance subcategory are scored based on the ISS 2015 Policy Updates. Note is added to questions 228, 229 and 329.

November 24: Additional information on the scoring in the Audit & Risk Oversight pillar is included on page 8.

November 24: Removed Canada from the Market Applicability section in the factor description of question 201.

November 24: Removed the reference to “Vote Results” in Appendix I, as the “in progress” consideration of vote result collection is noted in the factor description in the document for questions 49, 312 and 328.

November 24: Added explanation under Majority Vote Standard, question 52, how a “Majority Vote Policy” in the U.S. is not equivalent to a majority vote standard. Clarified application in Canada.

November 24: Removed question 21 from the text, “Are there employee representatives on the nominating committee?” as it is no longer analyzed in QuickScore 3.0.

November 24: Corrected text on question 288 from three fiscal years to two fiscal years, added Asia-Pacific region.

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