

ISS Announces GRId 2.0 and Publishes 2012 Pay-for-Performance Whitepaper

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Institutional Investor Services (ISS) recently announced that it will be launching GRId 2.0 on February 20, 2012. GRId, or Governance Risk Indicators, is ISS's rating system for publicly-traded companies' corporate governance practices which ISS wants us to believe is designed to measure publicly-traded companies' governance-related risk. GRId purports to be based upon ISS's proxy voting policy guidelines.

Certain features of GRId will stay the same. ISS will continue to evaluate in the four categories of Audit, Board, Compensation and Shareholder Rights in metrics of "Low Concern," "Medium Concern" and "High Concern." However, ISS uses GRId 2.0 as an opportunity to change its scoring methodology. ISS is adding new questions on its pay-for-performance methodology based on its newly-published whitepaper, related-party transactions, board relationships and takeover defenses. Companies should expect to receive a numerical GRId score for each of the categories in addition to a level of concern.

ISS's Pay-for-Performance Whitepaper outlines ISS's latest approach effective February 1, 2012, to evaluating pay-for-performance. This is the primary method ISS uses in deciding whether to recommend for or against a company's say-on-pay vote and for or against a proposal related to an equity compensation plan. The latest approach is based upon the alignment between CEO pay and one and three year total shareholder return ("TSR") within a subject company's peer group (as designated by ISS, not the company) and between CEO pay and five year TSR of the subject company.

If you have any questions about how GRId 2.0 will affect your company's corporate governance rating or about ISS's Pay-for-Performance methodology, please contact us.

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