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Free Web Link Offers Corporate-Governance Scores

By JANE J. KIM

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May 10, 2005

Individual investors now have access to free corporate-governance ratings from Institutional Shareholder Services Inc. on [Yahoo Inc.](#)'s personal-finance Web site.

ISS's ratings evaluate the strengths, deficiencies and risks of a company's corporate-governance practices. The ratings, which cover more than 7,500 publicly traded companies world-wide, including about 5,500 U.S. companies, were launched in 2002 and previously available only to institutional clients. ISS is a Rockville, Md., company that provides proxy vote recommendations to more than 1,200 institutional and corporate clients.

The scores should give investors more information to help evaluate their investments since, according to ISS, companies with strong corporate-governance practices are less risky. Companies with strong corporate-governance practices share similar practices, says Randall Hancock, general manager of ISS's Global Research business. Many companies, for example, tend to have a higher percentage of independent directors on their boards and have set up governance committees.

Each company in ISS's database has two scores based on a scale of 1 to 100; the higher the number, the better the corporate-governance practices. The first score compares the company's governance practices to other companies in their comparable market index, while the second score compares the company's practices to other companies in its sector group.

For example, while Yahoo's corporate-governance score, as of May 1 is higher than 42.9% of companies in the Standard & Poor's 500-stock index,

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Here are three places where small investors can find information on companies' corporate-governance practices.

- **Institutional Shareholder Services Inc.**

<http://finance.yahoo.com>

After entering the company's stock symbol, search for corporate-governance ratings under "Company Profile." Cost: Free

- **Standard & Poor's Corp.**

www.governance.standardandpoors.com

A limited number of corporate-governance scores are available for companies that agree to make their scores public.

Cost: Users have to register, but there is no cost to view the scores and reports.

- **The Corporate Library LLC**

www.thecorporatelibrary.com

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it is better than 94.5% of companies in the software and services sector.

ISS provides two sets of data for its institutional clients. The first set -- its "top-level" scores, which are the same scores that will be made available to individual clients -- rate a company's governance practices against a broader index or sector. The data are updated monthly. The ratings of each company are based on 61 variables and consider factors such as the compensation and composition of the executives and board of directors, and the independence and integrity of a company's audit process.

The second set of scores, which ISS will sell only to institutional clients, provides more detail on the company's corporate-governance practices and how well a company is doing in areas such as board issues, audit, takeover defenses and compensation. The price institutional clients pay for corporate-governance scores depends on the number of users, level of detail, and customization of data, and ranges from relatively modest amounts to more than six figures annually per client.

Companies with some of the highest corporate-governance ratings are in the utility, real-estate and banking industries, while household and personal products, food, beverage and tobacco, and media companies were among the lowest-scoring ones, according to ISS.

ISS is offering the data free on Yahoo's Web site in the hope of increasing awareness of its ratings systems among smaller investors. Yahoo says it expects the ratings data to attract more advertising on the site.

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