



ISS Due Diligence Package:

**Governance
Research & Voting
and ISS ESG**

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Introduction

This Institutional Shareholder Services (“ISS”) Due Diligence Package is designed to assist clients and prospective clients in fulfilling obligations they may hold in conducting due diligence regarding the use of third-party service providers.

The ISS Due Diligence Package was originally developed to assist investment advisers with their due diligence of ISS as an independent third-party proxy advisory firm. The document is reviewed and revised on a periodic basis to incorporate changes in ISS’ business activities as well as developments in the legal or regulatory requirements that may apply to ISS and/or its clients.

This Due Diligence Package contains information related to ISS generally and also discusses specific items related to its Governance Research & Voting and ISS ESG business units, respectively. ISS has followed a question and answer format as many clients have found that layout useful.

In addition to this Due Diligence Package, other materials that may be helpful to clients and prospective clients are publicly available on ISS’ website including:

- > Form ADV, Part 2A
- > Form ADV, Part 2B
- > ISS’ Code of Ethics
- > ISS’ General Code of Conduct
- > Conflict Mitigation Policies
- > Best Practices Principles and Stewardship Code compliance statements

Questions?

For any questions directly related to this Due Diligence Package, please contact ISS’ Compliance department at ISSCompliance@issgovernance.com.

For further questions on the subject matter, clients can reach out to their dedicated Client Success Consultant. Other parties may contact the ISS Help Center, available through ISS’ website, to connect with ISS on questions about research, methodologies, and many other topics.

Organizational Overview

Q. What are ISS' primary businesses?

A. ISS was founded in 1985 with the goal of promoting good corporate governance and helping institutional investors in making informed proxy voting decisions. Since that time, ISS has expanded its governance solutions offerings to include proxy voting execution services, governance scores and governance data and modelling tools to support investment decision-making and engagement within portfolio companies.

ISS has also significantly expanded its business through the years to offer clients a comprehensive suite of services, including a diversified range of data and analytics that together form an integrated set of services around environmental, social and governance ("ESG") risk and performance.

In 2019, ISS completed the acquisition of Strategic Insight and added to its group family of solutions a range of market intelligence data platforms, global research and analytic services and publications.

ISS offers a comprehensive suite of solutions through five key business units:

- › **ISS Governance Solutions** is comprised of several businesses, including Governance Research & Voting which provides objective governance research and recommendations and end-to-end proxy voting; Global Proxy Distribution services; and turnkey securities class action claims management.
- › **ISS ESG** provides ESG research, ratings, index services, screening, data, analytics and advisory services along with fund services, and financial quality valuation solutions.
- › **ISS Market Intelligence** offers research, data, insight, and workflow solutions to global asset managers, insurance companies and distributors.
- › **ISS Media** runs digital media brands for the investment management and retirement industries, as well as a conference business in the retirement segment.
- › **ISS Corporate Solutions ("ICS")** offers solutions to help companies design and manage their governance, executive compensation, economic value added ("EVA"), and sustainability programs.

Q. What is ISS' ownership structure?

A. In February 2021, Deutsche Börse AG ("DB") acquired a majority share of approximately 82% in the holding company which owns ISS, with the remaining stake in the firm owned by a combination of Genstar Capital and ISS management. Under this ownership structure, ISS continues to operate with the same editorial independence that was in place prior to the acquisition. DB has committed to principles of non-interference, protecting the independence and integrity of ISS' research, recommendations, ratings and other analytical offerings (collectively referred to as "Research Offerings"). To that end, a number of non-interference policies have been adopted and are publicly available on the "Due Diligence Materials" section of ISS' public website ([link](#)). The ISS executive leadership team which was in place prior to the DB acquisition and led by President & CEO Gary Retelny, continues to lead the business.

Q. Does ISS maintain a Corporate Social Responsibility policy?

A. As a global company active in the financial markets, ISS is focused on building long term growth and increasing the value of the services provided to clients by placing quality and sustainability at the core of its organization, products and business solutions.

ISS takes seriously its responsibility to its stakeholders, including employees, clients and the communities and environment in which we work and live.

ISS advances corporate responsibility not just with its products and services, but with organizational programs and policies. ISS is committed to positively impacting the environment and society through its solutions and leading by example.

Additional information on ISS' corporate responsibility program can be found on ISS' website [here](#).

Q. What are ISS' policies and procedures for identifying, disclosing and managing actual and potential conflicts of interest?

A. ISS has identified three primary potential conflicts of interest relative to the Research Offerings:

- > Corporate issuers who are clients of ICS
- > Corporate issuers who are clients of ISS
- > ISS' ownership structure

Issuers that are clients of ICS

ICS, which is a wholly-owned subsidiary of Institutional Shareholder Services Inc., provides corporate issuers (and firms that support corporate issuers) with data, tools, and advisory services to enable them to manage their corporate governance, executive compensation, and sustainability programs to align with company goals, reduce risk, and manage the needs of a diverse shareholder base. Some of the products and services offered by ICS are closely related to some of the matters which will ultimately be covered by ISS during the production of its Research Offerings.

A critical component of ISS' approach to managing this potential conflict of interest arising from ICS' business is the firewall it maintains between its business for institutional investors and the services offered by ICS to corporations. This firewall includes the physical, functional, and technological separation between ICS and ISS, with a particular focus on the separation of ICS from the ISS business units which provide its Research Offerings. A key goal of the firewall is to keep the relevant teams providing ISS' Research Offerings from learning the identity of ICS' clients, thereby helping to ensure objectivity and independence.

The firewall mitigates potential conflicts via several layers of separation:

- > ICS is a separate legal entity from ISS.
- > ICS is physically separated from ISS and its day-to-day operations are separately managed.
- > ISS' Research teams responsible for its Research Offerings work independently from ICS.
- > ICS and ISS staff members are prohibited from discussing a range of matters, including the identity of ICS clients.

- › ISS employees' salaries, bonuses and other forms of compensation are not linked to any specific ICS activity or sale.

ICS explicitly informs its corporate issuer clients that ICS operates independently from ISS and that ISS will not give preferential treatment to and is under no obligation to i) support any proxy proposal of a corporate issuer nor ii) provide a favorable rating, assessment and/or any other favorable result to a corporate issuer, whether or not that corporate issuer has purchased products or services from ICS.

Issuers that are clients of ISS

Within ISS' institutional client base, there are a subset of clients who are themselves corporate issuers (or have a parent or affiliated company that is a corporate issuer) or that act as the primary shareholder proponent seeking to have a specific proposal acted on by shareholders. These clients, in their capacity as institutional investors, may buy any number of ISS' Research Offerings. The products and services offered to these clients are the same as the products and services available to all of ISS' clients, and the nature of ISS' relationships with these clients is not directly related to the subjects covered in ISS' Research Offerings.

ISS' ownership by Deutsche Börse AG

Institutional Shareholder Services Inc. is owned by ISS Holdco Inc., a holding company. As of February 25, 2021, DB owned an approximate 82% stake in ISS HoldCo Inc., with the remainder owned by a combination of limited partnerships controlled by Genstar Capital and ISS management. DB is an international exchange organization and innovative market infrastructure provider which offers its customers a wide range of products, services, and technologies covering the entire value chain of the financial markets.

ISS understands that perceived or potential conflicts of interest could arise in connection with its ownership structure. As such, ISS has established policies on non-interference and potential conflicts of interest related to DB, Genstar Capital, and the board of directors of ISS Holdco Inc. to protect the integrity and independence of the Research Offerings produced by ISS. These policies are publicly available on the ISS website.

Q. Does ISS maintain any significant relationships?

A. ISS has developed a policy regarding significant relationships, a copy of which can be found on the ISS website. Similar to the primary potential conflicts of interest discussed above, ISS has concluded that there are three primary sources of relationships that may be deemed significant. These sources are: a client relationship between a corporate issuer and ICS; a client relationship between ISS and a client that is (or is affiliated with) a corporate issuer or acts as the primary shareholder proponent seeking to have a specific proposal acted on by shareholders; and the relationship between ISS and its majority owner, DB.

The ISS policy regarding these potentially significant relationships discusses ISS' assessment of their significance as well as related disclosure procedures.

Q. Is ISS subject to regulatory oversight?

A. Yes. ISS has been a registered investment adviser with the SEC under the Investment Advisers Act of 1940 since 1997. ISS' Form ADV Part 2A and 2B are publicly available on its website. Additional information about ISS is available on the SEC's website at www.adviserinfo.sec.gov.

In addition, certain wholly-owned subsidiaries of ISS are registered with regulators in Europe, Australia, and India.

Q. Does ISS have a Code of Ethics?

A. ISS has two primary compliance-based documents that apply to its employee base: its General Code of Conduct and its Code of Ethics.

The General Code of Conduct is a broad principles-based document that applies to all employees within the ISS group of companies. Topics include: Doing the Right Thing, Protecting the Company's Interests, Safeguarding and Maintaining Information, Treating Others with Dignity and Respect, and Promoting a Safe and Healthy Working Environment. The General Code of Conduct also outlines the manner in which employees can report concerns and how violations are addressed. The section titled "Protecting the Company's Interests" establishes specific policies related to fraud, conflicts of interest, gifts and entertainment, political contributions, anti-money laundering, sanctions, anti-bribery and corruption, anti-boycott laws, and antitrust and trade laws.

The Code of Ethics sets forth standards of business conduct and requires compliance with applicable securities laws as required by Rule 204A-1 under the Investment Adviser Act of 1940. The Code of Ethics applies only to those employees of ISS and its direct and indirect wholly-owned subsidiaries worldwide who provide or support ISS' investment advisory business (i.e. the Governance Solutions and ISS ESG businesses) as well as those employees who work in "general and administrative" departments (e.g. Data, Operations, Development, Legal, Finance, Human Resources, Information Technology, etc.).¹

Q. What is ISS' approach to information security?

A. ISS understands that secure management of financial and other client confidential information is one of its most important responsibilities. ISS implements a sophisticated set of controls designed to reduce protect the security of confidential information..

To complement these controls, ISS operates under a detailed, rigorous information security program designed to protect the security and confidentiality of clients' information. ISS maintains physical, electronic and procedural safeguards designed to protect against unauthorized access to client confidential information. The ISS information security program is subject to period external review, oversight and examination through ISS' SSAE 18 audit program.

ISS has a control framework modelled against ISO 27001, the international standard addressing information security controls, as the foundation for developing its Information Security Management System ("ISMS").

¹ ICS does not function as an investment adviser; however, as ICS' business activities present a potential conflict of interest for ISS, ISS' Compliance department has made the determination that ICS employees are also bound by the Code of Ethics.

The goal of ISS' approach to information security is to help ensure adequate protection of client and ISS information assets in accordance with internal policy controls, business requirements, and relevant laws and regulations. The information and controls contained in the ISMS support the commitment to and are intended to exemplify clear management direction for information security at ISS.

The Information Security Office, with cross-functional support and directed globally by ISS' Chief Information Security Officer, is responsible for information security, physical security, business continuity, disaster recovery and cybersecurity. These core focus areas are leveraged to maintain the ISS control framework. The ISMS is supported by technical expertise of IT infrastructure teams who work closely with the Information Security Office. ISS also engages third-party expertise to help ensure a current view of worldwide security issues and industry best practices is maintained.

ISS' Information Security Whitepaper, which can be found [here](#), includes additional information regarding ISS' ISMS as well as ISS' approach to cybersecurity and business continuity.

Q. Will ISS allow clients to conduct due diligence visits?

A. Yes. ISS welcomes clients to conduct due diligence of our business and services. Please contact your Client Success Consultant to schedule a due diligence meeting with ISS.

Information Related to Governance Research & Voting

Q. What policies does ISS offer in providing governance research and voting recommendations?

A. ISS offers and implements a variety of voting policies and research options, providing choice and different options reflecting both regional and market differences, and the differing views and requirements of institutional investors.

ISS provides global coverage with research and voting recommendations based on ISS' benchmark policies. These policies are market and/or regional-specific, based on generally accepted principles of good corporate governance, and take into account national and international corporate governance codes and practices, and investor and other stakeholder views. The policies are reviewed and updated regularly and ISS gathers broad input each year from institutional investors, corporate issuers, and other market constituents through policy surveys, issue-specific roundtables, and an open comment period. Specific benchmark policies have been developed for different regions and markets, either via stand-alone market policies, or regional policies with national approaches or exceptions on particular issues where market practices, regulation or investor expectations may vary.

Institutional investors may also choose to evaluate governance and other voting issues from the perspective of sustainability, socially-responsible investing, public funds, labor unions (Taft-Hartley), climate or faith-based investing. ISS offers speciality policy guideline options that reflect such perspectives.

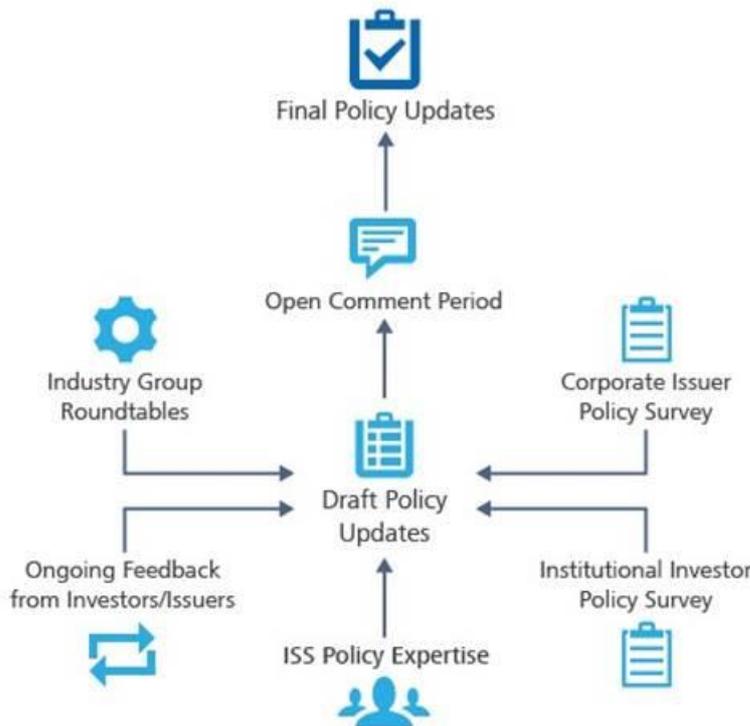
Further, many institutional investors apply their own unique set of corporate governance and responsible investment guidelines in implementing their voting activities. For these clients, ISS prepares voting recommendations based on the client's custom policy and may also assist clients in developing such custom policies. These customized voting policies reflect each investor's specific corporate governance philosophies and approaches. As a result, the vote recommendations issued under these policies may well differ from those issued under either the ISS benchmark or speciality policies.

Regardless of which policy (or policies) a client chooses to use, ISS provides information, analysis and voting recommendations, not voting decisions. As a general matter, the ultimate voting decision for each resolution at a company meeting remains the responsibility of the client. Many clients who subscribe to ISS' research reports and vote recommendations use this research as an input into their own deliberations, but may ultimately decide to vote differently, in line with their own investment and governance views and company engagement activities in any particular situation.

Q. How does ISS develop its proxy voting policies?

A. ISS conducts an annual policy review process with respect to the update of its benchmark and speciality policies, designed to ensure that the voting policies reflect current investor and market views, accepted good governance practices, and to help address regulatory changes, practical implementation matters and emerging governance/voting issues. All of ISS' benchmark and speciality proxy voting policies are reviewed annually, taking into account evolving perspectives, best

practices, and related legal and market-specific developments. The annual review and development process generally starts mid-year each year and typically ends in November when policy updates for the next year are released publicly, with transparency to clients, companies, and the market generally.



ISS' [Global Voting Principles](#) provide for key tenets of accountability, stewardship, independence, and transparency, which underlie ISS' approach to developing its benchmark voting recommendations. The principles guide ISS' work to assist institutional investors in meeting their requirements with respect to voting, by promoting long-term shareholder value creation and risk mitigation at their portfolio firms through the incorporation of responsible global corporate governance practices. The principles and ISS' approach are designed to respect shareholder rights and

provide appropriate transparency, taking into account relevant laws, customs, and best practice codes of markets and regions, as well as the right and responsibility of shareholders to make informed voting decisions.

ISS' benchmark policy development and research approach is based on structured voting guidelines that reflect policy and internal expertise, along with market and investor feedback to consistently provide informed, independent research through a shareholder lens. ISS' market and regional benchmark voting policies, which cover the globe including US, Canada, UK, Europe, Japan and many others, are formulated through a robust process that uses both ISS' own expertise and that incorporates the input of the broader governance community. ISS strives to ensure its policies and methodologies are clear, balanced and well-reasoned.

In evolving the policies each year, ISS seeks feedback from a diverse range of market participants through multiple channels, including:

- › Ongoing dialogue with and feedback from investor clients, and other participants in the capital markets, including companies, regulatory agencies and the academic community.
- › Roundtable and other similar sessions with clients and relevant industry groups.
- › An annual policy survey open to all interested parties, and designed to elicit a variety of inputs from institutional investors, companies and others to test policy development ideas and obtain feedback.

ISS uses this input to consider draft policy updates on key emerging and new issues each year. The process is overseen, and all final policy changes approved by the ISS Global Policy Board. Before finalizing policy changes, ISS also publishes proposed, key updates for an open review and public comment period. Comments received during the open comment period are considered and are also posted to ISS' Policy Gateway at www.issgovernance.com/policy, in order to provide a high level of transparency into the market's feedback. Final policy guidelines for most markets are published in Q4 each year to apply to meetings held on or after February 1st of the following year.

Additional information regarding policy development and application can be found [here](#). In particular, the full text of ISS' benchmark and specialty proxy voting guidelines are made available on our public website.

Q. What credentials does ISS have to support its capacity and competency to analyze proxy voting issues?

A. ISS has more than 35 years of experience and is a leader in corporate governance and proxy voting topics and services. The Governance Research & Voting Research team consists of approximately 300 research analysts located across Europe, North America, and Asia-Pacific. The minimum education standard for research analysts is a bachelor's degree from an accredited college or university and many also have advanced degrees in areas such as finance, business, economics, political or social sciences, and law, or professional certifications such as a CFA or CPA. The average tenure of research analysts is over five years and many senior analysts and managers have ten years or more of experience at ISS or in relevant roles externally. ISS' Governance & Voting Research team also includes analysts with extensive experience in investment management, investment banking, mergers & acquisitions, executive compensation matters, corporate actions, corporate responsibility and regulatory compliance.

Q. How do you ensure proxy voting recommendations are based on the most current and accurate information about issuers?

A. The research team carefully reviews proxy materials, as well as other relevant public filings. For example, for U.S. companies, an important part of the research process involves checking the filings on EDGAR (8-Ks, 13-Ds, etc.) since the last shareholder meeting. Where there are significant developments or events, the EDGAR search will be supplemented with a search of news sources, such as Bloomberg News, the Wall Street Journal, or the Financial Times. In addition, ISS may engage with issuers through e-mail exchanges, phone calls, and in-person meetings where relevant and helpful for the research process; however, ISS always make it clear to issuers that ISS' proxy research reports are based on public information, so anything that companies want ISS to consider must be included in the proxy materials or another public filing.

ISS' research approach takes into account the specific situations of the companies covered, with an effort to ensure the relevant nuances of each company are understood and its corporate governance practice is viewed against the context of best practices, industry norms and its history. Issuer explanations on any deviations from, for example, "comply-or-explain" corporate governance codes are taken into account.

In certain markets, as a courtesy and at the sole discretion of ISS, ISS provides draft copies of reports to the subject company prior to publication for fact-checking purposes. All companies, even those that are not eligible to receive a draft, are entitled to a copy of the final ISS research report (free of

charge) after it is published. If a company identifies any material factual error in the report or releases new information that might be relevant to a previously issued ISS report, ISS can issue a Proxy Alert to correct errors or update for new, material information.

After a research report has been published, the research team will review any new filings that are made between the publication of the report and the shareholder meeting, for information that may be material to the report and ISS clients' decisions. For the US, this includes actively searching the EDGAR platform for new filings after the research report publication date. Functionality within ISS' ProxyExchange platform is available to alert clients to the availability of any new, potentially noteworthy information.

Q. What information is used in ISS' research other than an issuer's public disclosures?

A. Most information used in ISS' proxy research reports is sourced directly from the subject company's filed proxy materials and other information made publicly available by the company (such as on the company's website and in press releases). ISS also uses a variety of third-party data from a small number of vendors to facilitate and enhance its research reports. Most third-party data used in ISS research is sourced from FactSet, S&P, and Bloomberg, although ISS also uses a small number of other vendors on a regional or specialized basis. Key types of third party data used include company entity information (to determine which regional ISS voting policy applies to the subject company), stock price data (to determine total shareholder return), and company accounting and demographic data (including revenue, market capitalization, assets, and industry, all used in the formulation of ISS compensation peer groups used in pay for performance assessments).

Vendors of this data and the types of data ISS employs, includes:

FactSet

- > Company entity data
- > Entity structure data
- > Security identifiers
- > Company type (public, private, investment fund, etc.)
- > Company status (active/inactive)
- > Company location (incorporation and primary operations)
- > Security classification and attributes
- > Institutional ownership data

S&P (Including XpressFeed and CapitalIQ)

- > Security identifiers
- > Company accounting data
- > Stock price data
- > Common shares outstanding
- > Dividend payments (amounts, ex dates, types)
- > Company first trading date
- > Index data
- > General Industry Classification System (GICS)

Bloomberg

- > Company performance data
- > Company accounting data
- > Sell side analyst data
- > Individual biographical data

In addition, ISS also uses third parties for certain specialist data sets, including index constituent data, and regional (Japanese) director data.

Q. How does ISS construct pay for performance-related peer groups for issuers?

A. ISS' peer group construction methodology incorporates information from companies' self-selected pay benchmarking peer groups. Information regarding selected peers, as well as the industry groups that those peers are selected from, are used to influence ISS' peer group construction process. Please click [here](#) for a detailed explanation of ISS' peer group construction methodology.

Q. What controls does ISS have in place to minimize and deal with errors?

A. ISS' quality controls are designed to ensure high levels of accuracy, quality and timeliness in the research and voting process. ISS has dedicated employees who provide periodic reviews and assessments on internal controls and the processes and procedures across different business units.

In addition to internal controls, ISS further uses the reviews conducted by an outside auditor during the SSAE 18 process (previously SSAE 16) to help affirm the control environment. ISS' most recent SSAE 18 audit report includes a comprehensive accounting of all control objectives and the activities that are executed in order to support each assertion. The processes of the ISS Research, Data and Operations teams are subject to the SSAE 18 review.

ISS has in place robust systems and controls designed to ensure the quality of its research reports and vote recommendations. These include:

- > Comprehensive information procurement processes for company-published information and meeting documentation;
- > Robust data consistency and quality checks;
- > Research reports and voting recommendations are prepared by appropriately trained analysts;
- > Research reports and vote recommendations are reviewed by at least one separate second person with relevant expertise;
- > In some markets, ISS may, at its discretion, also provide companies with an opportunity to review a draft analysis to further check factual accuracy; and
- > In instances where new material information becomes available after an ISS report has been published and before investor voting deadlines, or where any factual inaccuracy that warrants correction is drawn to our attention, an updated report is promptly issued to clients.

Q. What technology does ISS offer to facilitate proxy voting?

A. ProxyExchange is a proprietary platform offered by ISS for efficient vote execution and reporting. The platform is designed for efficiency, transparency and flexibility to enable clients to streamline the proxy voting process. Clients are able to access ISS research, perform proxy voting actions, and generate reports of key voting activity, all from this single integrated platform.

ProxyExchange also offers clients a unique level of transparency into the life cycle of ballots, meetings and accounts. ProxyExchange presents customizable features that address the workflow needs of a range of clients and allows for highly flexible implementation of clients' voting decisions, comprehensive reporting and alerting capabilities. Clients can audit, review and modify their voting activities at any stage in the voting process.

Clients can also use the ProxyExchange platform to run exception reports to ensure that votes are cast in accordance with their designated proxy voting policies. A number of report templates are available on the ProxyExchange system. In addition to reports that highlight exceptions, other reports are available to show statistics on the meetings at which votes were cast, types of agenda items covered, number of ballots cast, and other information that can be useful for monitoring and reporting to the client's oversight committees, clients and/or their board. ISS' Client Service Consultants can assist clients in demonstrating and setting up reports that will address their monitoring and reporting needs.

Q. How does ISS provide its clients with updates for changes or errors in reports, and does it provide any written statements from corporate issuers regarding its research and vote recommendations?

A. In the event new material public information becomes available or, more rarely, if ISS finds that an issued report contains a material error, ISS issues a Proxy Alert ("Alert") to inform clients of any corrections to the previously issued report and, if necessary, any resulting changes in the vote recommendations. Alerts are distributed to ISS' clients through the same ProxyExchange platform used to distribute the regular research and voting recommendations. This ensures that the clients who received an original report will also receive the related Alert, which is attached to the relevant original company meeting report. Even if a client has cast its vote before receiving an Alert, the client may cancel and change its vote at any time before the meeting cut-off date, if the client determines that such a change is warranted by the new information.

In addition to the above, ISS has also created a notification option within ProxyExchange that can facilitate notification of, and access to, supplemental proxy information filed by U.S. companies, including supplemental filings that respond to conclusions reached in ISS' research reports and vote recommendations. This alerting function called "Subsequent Noteworthy Filing Notification" builds on ISS' existing research process which monitors subsequent filings to assess whether any change or update is required to a previously issued research report. Whether or not information in a subsequent filing triggers an update to a previously issued proxy research report (in the form of an "Alert"), users can choose to set up this notification via the platform and will receive Subsequent Noteworthy Filing Notification e-mails directly to notify them to the availability of the new, potentially noteworthy information.

Q. What controls does ISS have in place to ensure accuracy across voting execution?

A. ISS has a number of controls in place designed to ensure the highest levels of accuracy, quality and timeliness in the voting process. A dedicated internal team, the Control and Audit team, provides an objective and independent assessment on the processes and procedures across ISS business units. The Control and Audit team partners with operational departments to ensure that appropriate levels of control are in place and assesses risk within the operational departments. The team has implemented numerous monitoring and oversight processes and controls designed to ensure the timeliness, accuracy and security of data used and/or transmitted in ISS' day-to-day business.

In addition to the controls put in place by the Control and Audit Team, ISS uses independent reviews conducted by Deloitte & Touché during the SSAE 18 process. ISS' most recent SSAE 18 audit report includes a comprehensive accounting of control objectives and the activities that are executed to support each assertion. For a copy of the SSAE 18, clients can contact their Client Service Consultant.

Q. What is your engagement process with corporate issuers?

A. ISS engages in dialogue with issuers (and sometimes other relevant market participants) when doing so is likely to help inform proxy research reports (and clients' voting decisions). While vote recommendations are based on publicly available information, ISS believes that targeted engagement can contribute to more informed research and voting recommendations. The decision whether and how to engage with any issuer is made at the discretion of ISS and there is no fee charged for such engagements when they are undertaken.

ISS is transparent about its issuer engagement and where engagement has taken place this will be indicated in the report. ISS' proxy research reports include, on the front page or soon thereafter, a summary of any engagement that took place as part of the analysis, which may include key information disclosed on dialogue with companies, shareholder proponents or other stakeholders including the date(s) of dialogue, the topic(s) covered, and the initiator of the dialogue, and some accompanying notes and the outcome of the dialogue. As part of the research report content, this information is available to clients as soon as the research report and voting recommendations are released.

Information regarding the engagement process is disclosed on the ISS website and can be found [here](#).

Information Related to ISS ESG Research, Data Strategy and Stewardship Services

Q. What is ISS ESG?

A. ISS ESG is the responsible investment arm of ISS, providing investors with a multifaceted and integrated ESG solution. From enabling clients to integrate ESG factors into their investment decisions to informing company engagements they may undertake, ISS ESG brings to its clients knowledge across a range of sustainability and responsible investment issues, including climate change, sustainable impact, human rights, labor standards, corruption, controversial weapons, and many more. ISS ESG partners with clients to understand their unique investment and business

objectives to deliver the relevant insights and data solutions needed throughout the investment process.

ISS ESG Solutions include:

- › **Data Strategy**, including Data Governance and Data Science to build and maintain robust, transparent and efficient workflows, ensure data integrity and alignment with recognized standards to deliver cutting edge, material and timely data to clients
- › **Business Intelligence**, including Norm-Based Research, Country Controversy Assessment, Controversial Weapons Research, and screening on Sector-Based Issues, Energy & Extractives and Global Sanctions
- › **Ratings and Rankings**, including ESG Corporate and Country Ratings, Carbon Risk Rating, Fund Ratings, Custom Ratings and Rankings, Environmental, Social & Governance QualityScores, Municipal Bond Rankings and Scores and Quantitative ESG Raw Data
- › **Climate Solutions**, including Carbon Footprint Data, Climate Impact Data, Portfolio-Level Reporting, Strategy Development and Advisory Services
- › **Impact and SDG Solutions**, including SDG Impact Ratings and SDG Solutions Assessments data
- › **Stewardship and Engagement**, including Pooled Engagement
- › **ESG Index Solutions**, including turnkey and custom options
- › **Integrated Financials and Impact** including EVA
- › **Regulatory Solutions**, including the EU Taxonomy Alignment Solution and SFDR Principal Adverse Impact Solution

Additional information about these solutions can be found [here](#).

Q. Are ISS ESG's solutions aligned with prominent industry frameworks?

A. Several of ISS ESG's products are aligned with prominent industry frameworks such as Sustainability Accounting Standards Board ("SASB"), the Task Force on Climate-related Financial Disclosures ("TCFD") and the UN Sustainable Development Goals ("SDGs"):

- › **SDGs**: ISS ESG's SDG Impact Rating offers a holistic metric of impact using the SDGs as a reference framework, measuring the extent to which companies are managing negative externalities in their operations across the value chain to minimize negative impacts, while at the same time making use of existing and emerging opportunities in their products and services to contribute to the achievement of the SDGs. ISS ESG's Norm-Based Research is also aligned with the SDGs, with controversies mapped at the level of goals and specific targets.
- › **EU Taxonomy**: ISS ESG's approach to assessing economic activities' contribution to (or hindrance of) sustainable development is generally aligned with the EU taxonomy. Both the ISS ESG methodology and the EU taxonomy take into account not only the general nature of the impacts of an activity but also the ESG risks attached to this activity and holistically throughout the respective value chain. The EU taxonomy and the ESG Corporate Rating methodology are highly sector-specific. The ISS ESG methodology provides an in-depth and detailed review of company performance requirements for individual sector- and business activity-specific criteria.

- › **SASB:** ISS ESG maps its sector-specific ESG Corporate Rating against the SASB industry standards, at the topic level, so that the ISS ESG Corporate Rating's performance assessment covers ESG topics considered material by SASB. In addition to the coverage of the ESG topics considered material by SASB for an industry, the ISS ESG Corporate Rating methodology covers several topics outside the scope of the SASB framework, including governance factors, for a comprehensive assessment of ESG risks.
- › **TCFD:** ISS ESG works to enable financial market participants to report their climate risks aligned with the TCFD recommendations. To this end, ISS ESG has developed tools and methodologies for a wide range of financial market participants seeking to fulfil the requirements for TCFD compliance. ISS ESG's Climate Impact Report is fully TCFD-aligned. Additionally, ISS ESG offers a PRI climate-indicator fulfilment solution, providing the responses to the (as of 2020) mandatory PRI indicators that relate to climate change and are aligned with the TCFD.
- › **UN Global Compact:** ISS ESG's Norm-Based Research systematically and comprehensively evaluates corporate adherence to global norms as laid out in the UN Global Compact and the wide range of responsible business conduct guidelines and relevant international instruments.

Q. How is the ISS ESG team organized?

A. The ESG Research team operates under the leadership of the Global Head of ESG Research & Data Strategy. The team is organized into interconnected verticals based on specific research products, industries, thematic expertise and markets:

- › **ESG Data Strategy** team drives ISS ESG's unified approach to data structure and data models across ESG research products and underlying methodologies, implementing a harmonized data verification process and an efficient operational flow.
- › **Business Intelligence** team carries out research into alleged corporate failures to address adverse impacts on society and the environment along with potential corporate involvement in controversial business areas, allegations, controversial weapons, as well as sanctions.
- › **Ratings Research** team applies a sophisticated and uniquely differentiated methodology that identifies material ESG related risk and impacts across sectors.
- › **Integrated Financials and Impact** team assesses risk adjusted financial quality, working to enhance, distinguish and differentiate the assessment of profitability, risk and valuation versus traditional measures.
- › **Stewardship & Engagement** team facilitates engagement on behalf of institutional investors in relation to ESG controversies and material ESG risks, supporting and assisting active ownership strategies.
- › **Global Methodology and Quality** team oversees the policy, framework and governance structures that underpin the ISS ESG research methodology across research verticals. The team serves as a pivotal point for ensuring the consistent application of methodologies across ISS ESG, methodology enhancements for existing products, and new integrated product developments. ISS ESG has also an independent Methodology Review Board chaired by the Global Head of ESG Research & Data Strategy and comprised of in-house research content leaders.

Q. What credentials do ISS ESG analysts have to identify ESG issues?

A. ISS ESG has an international and diverse team of approximately 230 research analysts located across research hubs around the world. The team is organized into sub-groups based on specific research products, industries and markets.

Each research analyst is subject to rigorous and structured training programs based on their area of focus, to help ensure the accuracy of the data collection and analysis. In addition, ISS ESG product methodologies are governed by a strict internal quality management system, including documented data collection processes, peer review, and, for many data sets, data verification through fact-finding dialogue with companies.

ISS ESG's diverse team of analysts are familiar with current and emerging ESG issues including climate change, other environmental issues, and global norms. The team participates in many best practice industry networks to keep abreast of and actively engage in market developments. Senior team members engage with key stakeholders in local markets, such as non-governmental organizations, expert organizations, and academia. The average tenure of ISS ESG analysts is approximately three years.

Q. How does ISS ESG source its data?

A. Data is sourced from different, complementary sources to ensure robust, balanced, independent and transparent data sets and analyses:

- › Corporate disclosures: A systematic collection and processing of corporate disclosures, including annual reports, sustainability reports, policy documents, ad-hoc reports and statements.
- › Corporate fact-finding dialogue and data verification: For many data sets, the research team conducts fact-finding dialogue with companies to obtain supplementary detail and confirmation of activities, commitments and practices. This includes:
 - **ESG Corporate Rating and SDG Solutions:** A feedback process with companies takes place every two years, as well as in special cases during the update cycle.
 - **QualityScore:** Companies within the ISS QualityScore coverage universe can review, verify and provide feedback on the data used to determine their scores via a Data Verification tool accessed through the Governance Analytics platform. Submissions of corrected or updated data factors can be made online through the platform.
 - **Norm-Based Research:** ISS ESG engages in fact-finding dialogue with companies upon initiation of research into a reported allegation; the dialogue continues for as long as ISS ESG maintains its assessment on the company. Prior to the publication of research results, the company is provided with the opportunity to review and provide feedback on draft reports for the most significant controversies.
 - **Sector-Based Screening:** ISS ESG engages with the company in a fact-finding dialogue if publicly available information does not support a conclusive assessment.
- › Stakeholder dialogue: ISS ESG consults with experts and field specialists to cross-check information and deepen its understanding of benchmark corporate practices. In addition,

under Norm-Based Research, ISS ESG engages in fact-finding dialogue with stakeholders that have reported controversies or are recognized experts in the relevant field.

- › Stakeholder publications: ISS ESG collects certain ESG-relevant data from reputable stakeholders, e.g. governmental and inter-governmental organizations, international NGOs, as well as media sources globally. Reviewed stakeholder publications include periodic reports as well as event-driven information. In particular, ISS ESG carries out ESG news monitoring collecting near-real time data from tens of thousands of traditional media, social media and stakeholder publications globally through a combination of AI and manually set filters. The data is validated by a team of dedicated ESG news analysts.
- › Third-party vendors: Financial data is principally sourced from FactSet or S&P. Specifically, for climate modelling, the following sources are used:
 - Total revenue: FactSet
 - Market cap: S&P
 - Total debt: S&P
 - Adjusted Enterprise Value: S&P
 - For EVA, ISS ESG uses S&P Compustat Financials and Pricing, IBES Consensus Estimates, Moody's Bond Ratings, and MSCI Index Levels/Values. For regulatory solutions, ISS ESG uses FactSet hierarchy data as an input for calculating revenue shares for EU Taxonomy-eligible activities.
 - ISS ESG also subscribes to certain external ESG data sets, including CDP data for CDP aligned greenhouse gas emissions data and water disclosures.

Generally, ISS ESG's solutions are assessed based on factual, documented and verifiable performance/data; however, estimations may be used in some instances. For example:

- › Within Sector-Based Screening and the SDG Solutions Assessment, revenue shares by product/service are estimated; and
- › ISS ESG models greenhouse gas emissions scope 1, 2 and 3 for companies that don't report at all or those that do not report data that is deemed trustworthy.

Q. How does ISS ESG ensure a high quality research output?

A. ISS ESG research processes and output are governed by rigorous quality structures. While the research teams conduct their own quality assurance checks, the overall quality program is overseen by the Lead Quality Management & Assurance, who is part of the ESG Methodology Team.

Assessments made by the ESG Research team undergo a clearly documented data collection process. Comparability of signals and assessments is ensured by assessing issuers based on clearly defined evaluation rules which serve to reduce subjectivity in data collection and assessment. Analysts receive extensive training in these evaluation rules as well as research processes. Assessments undergo peer review prior to being published to clients. Certain high-level assessment signals and scores require a multi-layer sign-off process where key information is verified by senior members of the team. In addition to company-reported data and information, ISS ESG uses alternative sources. Alternative data sources can provide counterbalance to corporate disclosure, enabling an additional extra-financial overlay for analysis. Stakeholder-driven alternative data is widely considered an important early warning signal. Additionally, for many data sets, the research team conducts dialogue with companies to gather supplementary detail and confirmation. Dialogue

with companies can take place on a cyclical basis and in addition is triggered by defined events. Corporate issuers can actively engage with ISS ESG analysts during company outreach. Final versions of certain ISS ESG research reports can be accessed by the covered issuer free of charge.

Q. Does ISS ESG publicly disclose its methodologies?

A. ISS ESG believes transparency of its methodologies and processes governing research and solutions enables clients to select the data and signals best suited to successfully act on individual client ESG investment strategies. ISS ESG's methodology transparency helps to ensure credible and reproducible results, serves to engage covered companies, and allows for flexible use and customization of deliverables by investor clients.

ISS ESG's approach to global ESG Methodology governance encompasses three cross-functional teams across the business unit:

- > **Global ESG Methodology Team**, with a mission and mandate to stay abreast of trends, developments and existing and emerging client and prospect needs, works closely with the Product and Research teams and additional stakeholders to initiate, develop and agree upon proposed and required methodology developments and enhancements.
- > **Methodology Review Board** which works to ensure a robust and consistent methodology development process and structure, consisting of highly experienced methodology and research leaders to guide, steer and vet the methodology development strategy and process, setting and agreeing upon overall objectives and strategic targets, clarifying, reviewing and reassessing priorities as well as initiating and confirming specific new methodology developments or adjustments.
- > **Market Input Steering Committee** tasked with adequately prioritizing dynamically evolving global market demands and regularly informing methodology development.

Additional methodology information for ISS ESG is publicly available on the ISS website and can be found [here](#).

All statistics referenced in this document are updated on an annual basis and, unless otherwise noted, relate to the year ending December 31, 2021

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