



## **Institutional Shareholder Services Inc.**

### **Due Diligence Compliance Package**

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## **CONTENTS OF THE ISS DUE DILIGENCE COMPLIANCE PACKAGE**

- 1) ISS Due Diligence Compliance Package Overview**
- 2) Due Diligence Questions You Should Ask**
- 3) ISS Corporate Solutions, Inc. (“ICS”)**
- 4) Policies, Procedures and Practices Regarding Potential Conflicts of Interest**
- 5) Accuracy of Information**

**Updated: November 2017**

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## OVERVIEW

This Institutional Shareholder Services Inc. (“ISS”) Due Diligence Compliance Package is designed to assist our clients and prospective clients in fulfilling the legal and regulatory obligation to conduct due diligence regarding the use of independent third-party proxy advisory firms.

In 2003, the U.S. Securities and Exchange Commission (“SEC”) adopted rules that address an investment adviser’s fiduciary obligation to its clients when the adviser has authority to vote their proxies. The following year, the SEC issued guidance to investment advisers concerning their due diligence with respect to third-party proxy advisory firms. This guidance was updated by the SEC in Staff Legal Bulletin No. 20, published in 2014. In summary, the SEC counsels investment advisers that, when considering whether to retain or continue to retain any particular proxy advisory firm to provide proxy voting recommendations, they should ascertain whether the proxy advisory firm has the capacity and competency to adequately analyze proxy issues. This conclusion can be reached by consideration of such matters as (a) the adequacy and quality of the proxy advisory firm’s staffing and personnel; and (b) the extent of the proxy advisory firm’s policies and procedures to ensure that voting recommendations are based on current and accurate information, and that potential conflicts of interest are addressed and managed. These considerations should enable an investment adviser to conclude that the proxy advisory firm can make voting recommendations in an impartial manner and in the best interests of shareholders.

In its 2003 guidance, the SEC confirmed that investment advisers can perform the required due diligence in a number of ways. These include:

- A thorough review of the proxy advisory firm’s conflict procedures and the effectiveness of their implementation;
- Case-by-case evaluation of the proxy advisory firm and its issuer relationships; and
- Other means to ensure the integrity of the policies, procedures and processes of the proxy advisory firm.

When reviewing a proxy advisory firm’s conflict procedures, the SEC has indicated that an investment adviser should assess the adequacy of the procedures in light of the particular conflicts of interest that the firm faces in making vote recommendations.

The SEC has also suggested that advisers should keep themselves apprised of any changes or updates to the proxy advisory firm’s policies and procedures. To this end, ISS assists its clients by proactively communicating any material changes or updates to its policies and procedures.

ISS offers the enclosed package with the aim of enhancing your understanding of our business and facilitating your review of capacity and competency, including an overview of our conflict management procedures and the adequacy of those procedures in light of any potential conflicts of interest that ISS might face in making vote recommendations. This package includes:

1. Due Diligence Questions You Should Ask
2. Information about ISS’ wholly-owned subsidiary, ICS
3. Policies, Procedures and Practices Regarding Potential Conflicts of Interest
4. Accuracy of Information

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Other materials are available on ISS' website, including:

- Form ADV, Part 2A
- Form ADV, Part 2B
- ISS' Regulatory Code of Ethics
- ISS' Policy Regarding Disclosure of Significant Relationships
- Business Practices and Principles

Please note that in addition to conducting due diligence on third-party proxy advisory firms, investment advisers must also ensure that the voting guidelines or recommendation policies they select are suitable for the clients whose proxies are being voted. Different guidelines or recommendations may be required for different types of clients. Where an adviser stands to benefit in some way from the selection of one set of guidelines or recommendations over another, the adviser must disclose that fact to its clients.

### **Questions?**

For questions about this Due Diligence Compliance Package and ISS' conflict management procedures, please contact Olayinka Odeniran, ISS' Chief Compliance Officer, at [olayinka.odeniran@issgovernance.com](mailto:olayinka.odeniran@issgovernance.com).

For questions about ISS' proxy voting policies and guidelines, we refer you to the Policy Gateway section of our website at [www.issgovernance.com](http://www.issgovernance.com). You can also contact ISS' Research Helpdesk at [globalresearch@issgovernance.com](mailto:globalresearch@issgovernance.com).

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## QUESTIONS YOU SHOULD ASK:

### Q1. What are ISS' primary businesses?

**A1.** ISS' core business is the provision of corporate governance and responsible investment solutions for asset owners, asset managers, hedge funds, and asset service providers. ISS' solutions include objective governance research and recommendations; environmental, social and governance ("ESG") data, analytics, and research; end-to-end proxy voting and distribution solutions; and reliable global governance data and modeling tools. As a global company, ISS has more than 1,000 employees across 19 offices in 13 countries. ISS provides research on approximately 40,000 shareholder meetings in more than 115 global capital markets annually while working on behalf of clients to execute approximately 8.5 million global proxy ballots representing more than 3.8 trillion shares. ISS' Responsible Investment research, through the ISS-Ethix brand, covers more than 20,000 companies across the globe.

Complementing the above businesses are two discrete subsidiaries, Securities Class Action Services, LLC, ("SCAS"), which delivers turnkey class-action solutions and support to institutional investors, and ICS, which provides data, analytics and advisory products and services to corporations and which is separated from ISS by a firewall as detailed below.<sup>1&2</sup>

## ISS Organization & Products (as of November 2017):



**Built on a common foundation of data, research and analytics, ISS and ICS solutions provide insight to inform decision-making and engagement**

A complete list of ISS' product offerings can be found on ISS' website.

<sup>1</sup> Neither SCAS nor ICS function as investment advisers and neither are subject to the Investment Advisers Act of 1940 and the rules thereunder. However, the employees of ICS and SCAS are subject to ISS' compliance policies and procedures, including ISS' Regulatory Code of Ethics.

<sup>2</sup> It is noteworthy that the SEC letters have confirmed that a proxy advisory firm such as ISS could be an independent third-party for purposes of making voting recommendations for an investment adviser's clients even though the firm receives compensation from an issuer for providing advice on corporate governance issues.

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**Q2. Is ISS subject to regulatory oversight?**

**A2.** Yes. ISS is a registered investment adviser with the SEC under the Investment Advisers Act of 1940.

**Q3. What is ISS' ownership structure?**

**A3.** ISS is a privately-held company. The owner of ISS is GC Lighthouse Holdings, Inc., an affiliate of Genstar Capital ("Genstar"). Genstar is a private equity firm based in San Francisco, CA which owns approximately 92% of GC Lighthouse Holdings, Inc. Genstar, through its control of GC Lighthouse Holdings, acquired 100% of the issued and outstanding stock of ISS in a transaction that was completed on October 16, 2017.

**Q4: What considerations should an investment adviser take into account if it retains ISS?**

**A4:** Investment advisers should consider ISS' proven capacity and competence in analyzing proxy issues, in light of

- the expertise and experience of ISS' staffing and personnel; and
- the strength of ISS' policies and procedures regarding its ability to
  - (i) ensure that its vote recommendations are based on current and accurate information; and
  - (ii) identify and manage any potential conflicts of interest.

**Q5. What credentials does ISS have to support its capacity and competency to analyze proxy issues?**

**A5.** ISS has more than 30 years of experience and is a recognized industry leader in the field of corporate governance and proxy voting. As of June 2017, ISS' Global Research team consisted of approximately 460 analysts, including approximately 270 research analysts and 190 data analysts, located in our offices in Europe, North America, Asia, and Australia. The minimum education standard for research analysts is a bachelor's degree from an accredited college or university, but a number of our analysts have advanced degrees in areas such as finance, business, and law and/or professional certifications (such as CFA, CPA, CEP). The average tenure of our full-time research analysts is five years<sup>3</sup>; however, a number of our senior personnel have ten years or more of experience at ISS as analysts. In performing proxy research, some members of the Global Research team also bring practical experience in investment banking, mergers & acquisitions, compensation matters, corporate actions, corporate responsibility and regulatory compliance. Collectively, members of the analyst group are fluent in more than 25 languages.

**Q6. Do you run background checks on all employees before their hiring?**

**A6.** The ISS Human Resources department ensures background checks are performed on all new hires (unless prohibited by applicable or local law). Background checks generally include criminal history, social security number traces, educational and past employment verification (again, subject to prohibitions on the scope of searches in different jurisdictions).

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<sup>3</sup> This statistic is as of January 2017. During proxy season, ISS typically supplements its team of full-time research with temporary team members. The tenure of those temporary employees is not included in the average tenure statistic.

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**Q7. What controls does your firm have in place to ensure accuracy across voting execution?**

**A7.** 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 departments to ensure that appropriate levels of control are in place, and assesses risk within the business units. 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 further relies on the independent reviews conducted by Deloitte & Touche during the SSAE 16 process (previously SAS 70 type II). ISS' most recent SSAE 16 audit report includes a comprehensive accounting of all control objectives and the activities that are executed to support each assertion. Both ISS' Operations and Research teams are subject to the SSAE 16 audit. For a copy of the SSAE 16, clients can contact their client service manager.

For information about the steps we take to help ensure the accuracy and quality of our proxy research reports and voting recommendations, we refer you to the "Accuracy of Information" section which follows later in this Due Diligence Compliance Package.

**Q8. Does ISS have policies and procedures to manage potential conflicts of interest?**

**A8.** Yes. Descriptions of these policies and procedures are included with this Due Diligence Compliance Package. Significant portions of these policies are contained in our *Regulatory Code of Ethics* ("the Code") which provides guidelines and procedures regarding conflict management. For a copy of the Code, we refer you to the Compliance section of our website at [www.issgovernance.com](http://www.issgovernance.com).

**Q9. What are the key elements of ISS' policies and procedures related to managing potential conflicts of interest?**

**A9.** ISS is aware of the potential conflicts of interest that may exist between ISS' proxy advisory service and the business of ICS, and has therefore taken steps to prevent any potential conflicts from becoming actual conflicts.

In general, ISS' policies and procedures are designed to ensure the integrity of ISS' institutional proxy analyses and research services. Among other things, ISS maintains a firewall which separates the staff that performs proxy analyses and research from the members of ICS. This firewall includes legal, physical and technological separations. More detailed information is provided in the portion of this Due Diligence Compliance Package captioned "Policies, Procedures and Practices Regarding Potential Conflicts of Interest."

**Q10. Are ISS' procedures designed to preclude ISS' analysts from obtaining access to information about the relationship between ICS and corporate issuers?**

**A10.** Yes. The firewall is designed precisely to achieve this goal.

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**Q11. Are ISS' procedures designed to insulate ISS' analysts from direct or indirect influence by ICS when preparing research reports?**

**A11.** Yes. Not only does the firewall create a separation between ISS' analysts and ICS, but the day-to-day operations of the two groups are separately managed by dedicated staff and the compensation of ISS' analysts is not directly tied to any activities of ICS.

**Q12. Does ISS have a Code of Ethics?**

**A12.** Yes. In accordance with SEC Rule 204A-1, ISS has adopted a code of ethics. All ISS employees, as well as employees of ISS' subsidiary companies, are bound by and are required to adhere to the Code. Upon hire and on at least an annual basis, all employees are required to review and acknowledge their understanding of and adherence to the Code, which describes certain standards of conduct that the company's employees must follow. With regard to these standards, the Code, among other things, affirms ISS' relationship of trust with its clients and obligates ISS to carry out its duties as a fiduciary, solely in the best interest of clients and subject to fiduciary duties of care and loyalty.

The Code devotes special attention to identifying and managing actual or potential conflicts of interest. In this regard, the Code addresses the conflicts between ISS' institutional proxy advisory services and the corporate services of its ICS subsidiary, conflicts within the institutional advisory business, conflicts arising from an analyst's stock ownership, conflicts in connection with issuers' review of ISS' draft proxy analyses and conflicts generally. In each case, the goal of the Code is to prevent or mitigate conflicts wherever possible, and to manage and disclose the sources of potential conflicts.

As noted above, for a copy of the Code, we refer you to the Compliance section of our website at [www.issgovernance.com](http://www.issgovernance.com).

**Q13. Does ISS provide notice of the existence of its ICS business?**

**A13.** Yes. ISS is transparent about its ICS business. ISS' entire business is described in detail on its website at [www.issgovernance.com](http://www.issgovernance.com) and in ISS' Form ADV Part 2A. ISS' standard institutional client contract contains specific disclosure regarding the work of ICS. Similarly, each proxy analysis and research report issued by ISS contains a legend indicating that the subject of the analysis or report may be a client of ICS. This legend also advises institutional clients about the way in which they can receive additional, specific details about any issuer's use of products and services from ICS.

**Q14. Does ISS provide its institutional clients with relevant facts concerning the nature and scope of the relationship between ICS and corporate issuers, such as the amount of the compensation that the firm has received or will receive from the issuer?**

**A14.** Yes. In 2014, ISS enhanced the functionality of its ProxyExchange platform to provide institutional clients with information about the identity of ICS clients, as well as the types of services provided to those issuers and the revenue received from them. ISS' goal is to provide sufficient information to allow the recipient to make a full assessment of the reliability and objectivity of the voting recommendations furnished by ISS.

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Historically, this information was available to institutional clients by emailing [disclosure@issgovernance.com](mailto:disclosure@issgovernance.com). This mechanism continues to be in place.

**Q15. Is ISS able to assist clients in reviewing the adequacy of their own proxy voting policies and procedures, and amending existing policies or adopting new policies if needed?**

**A15.** Yes. ISS makes available to clients ISS' market-based benchmark proxy voting policies, which are based on broadly accepted principles of good corporate governance and shareholder interests, taking into account national and international corporate governance codes and practices, and investor and other stakeholder views. In formulating and updating these benchmark policies, 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.

In addition, ISS offers a wide range of specialty policies that evaluate governance issues from the perspectives of sustainability, socially-responsible investing, public pension funds, labor unions and mission- and faith-based investing, among others.

ISS also assists many clients in implementing custom voting policies in order to apply their own unique set of corporate governance philosophies and approaches. At the client's direction, ISS will prepare voting recommendations based on a client's custom policy.

**Q16. In order to confirm that votes are being cast in accordance with clients' best interests and applicable voting policies (whether ISS benchmark or client custom), is there an exception report available?**

**A16.** Yes. Clients can 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 and/or the board. Your ISS Account Manager can assist you in demonstrating and setting up reports that will address your monitoring and reporting needs.

**Q17. In order to facilitate its clients' ongoing duty to oversee ISS, will ISS update clients on changes that are relevant to the firm's capacity and competency to provide proxy voting advice, or conflict policies and procedures?**

**A17.** Yes. As a registered investment adviser, ISS is required to promptly update its Form ADV to reflect any material changes in its business, and to annually review and update its Form ADV disclosures. ISS also makes available on its public website the Code, which includes ISS' conflict policies and procedures. In addition, in the context of its proxy research reports, ISS publishes Alerts to advise clients of significant actions, such as changes in recommendations, the publication by an issuer of new or revised material disclosures, and other matters that may affect a client's voting decision.

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**Q18. Will ISS allow clients to conduct on site due diligence visits?**

**A18.** Yes. ISS welcomes clients to conduct their own due diligence of our business and services. Please contact your Account Manager to schedule a due diligence meeting with ISS.

**Q19. How has ISS addressed the SEC Office of Compliance Inspections and Examinations 2014 Risk Alert regarding cybersecurity?**

**A19.** In response to the initial and subsequent Risk Alerts regarding the SEC's cybersecurity initiative, ISS has leveraged existing controls and implemented ancillary controls that work in concert to support ISS' cybersecurity management and defense system.

To maintain the focus on cybersecurity controls, ISS has developed specific control documents for each control referenced or inferred by the example questionnaire presented in the 2014 Risk Alert. These specific controls have been included in a firm-wide control matrix as many of them overlap controls already in place within the information security management system that has been modeled to ISO 27001.

In addition to the comprehensive control framework in place, ISS has made a significant investment in security tools and technologies and implemented a variety of suites in support of the information security and cybersecurity programs.

ISS makes available to its clients an *Information Security Whitepaper* containing a summary of details regarding the controls in place at ISS to protect firm data, and equally important, data entrusted to ISS by its clients. For a copy of the *Information Security Whitepaper*, clients can contact their Account Manager.

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## ISS CORPORATE SOLUTIONS, INC. (“ICS”)

ICS serves the corporate issuer community with a variety of products and services, including web-based governance tools and advisory services that can assist corporate issuers with executive and director compensation modeling, capital structure planning and understanding corporate governance best practices. ISS believes that corporations and investors have a common goal: building strong shareholder value. In response to the growing complexity, visibility and significance of proxy voting and governance issues, ICS provides an important bridge between those designing and proposing corporate governance initiatives and the institutional investors who must assess and vote on them.

The following facts about ICS are pertinent to your due diligence review of ISS’ proxy advisory services:

- ICS is a wholly-owned subsidiary of ISS.
- ICS’ intent is to work with companies in a constructive manner to help them improve their corporate governance practices for the benefit of shareholders.
- ICS provides no guarantees to corporate issuers. Issuers are told explicitly in their contract with ICS that: (a) ISS will not give preferential treatment to, and is under no obligation to support, any proxy proposal of a corporate issuer, and (b) ISS’ proxy advisory service prepares its analyses and vote recommendations independently of, and with no involvement from, ICS.
- Regarding ISS' QualityScore (“QualityScore”), corporate issuers have access to a specially designed free online portal to verify their company’s data and submit material changes related to their corporate governance practices. The site also provides monthly updated risk levels. QualityScore includes ISS’ primary metrics for assessing corporate governance risk. Issuers do not pay ISS or ICS to be evaluated. The QualityScore coverage universe is determined by ISS in its discretion. In addition to accessing the free online verification portal, issuers may purchase from ICS a QualityScore subscription for web access to premium tools for conducting "what if" analyses, peer benchmarking, custom reports and trends in best practice standards.
- Blackout Period. Another element of the conflict mitigation procedures is the “blackout period”, pursuant to which ICS staff may only have limited interactions with issuers or their representatives when a “live” voting issue is pending for review by ISS. The “blackout period” runs from immediately after definitive proxy materials are filed with the appropriate regulatory body through the date of the issuer’s shareholders’ meeting. During this period, interactions between ICS and its corporate clients are limited. During the blackout period, ICS is precluded from providing advisory services to, or otherwise interacting with, issuers with respect to matters that are “live” or pending on the issuer’s proxy statement. Inquiries from issuers or their advisers received related to their current “live” proxy or pending ISS research report are routed to the ISS Research Helpdesk. In addition, during the blackout period ICS does not engage in marketing or selling efforts to issuers (whether they are existing ICS clients or prospects).
- Separate from the work of ICS, ISS’ Global Research department often interacts with company representatives, institutional shareholders, shareholder proponents and other parties in order to gain deeper insight into many issues and to check material facts relevant to our research. There is no fee charged for these meetings and the decision to meet with any corporation is made

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without regard to whether that company is or is not an ICS client. For additional information about the engagement practices of ISS' Global Research department, we refer you to the Policy Gateway section of our website at [www.issgovernance.com](http://www.issgovernance.com).

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## POLICIES, PROCEDURES AND PRACTICES REGARDING POTENTIAL CONFLICTS OF INTEREST

In general, ISS has identified two primary types of potential conflicts:

- Corporate issuers who are clients of ICS; and
- The board of directors of our parent company could seek to influence the formation of ISS policies and/or action with respect to research reports.

### ICS

The first potential conflict is between ISS' core business of analyzing the meeting agendas of corporate issuers and making vote recommendations for the benefit of institutional investors, and the work of ICS, which provides advisory services and sells analytic tools and services directly to issuers. We believe that ICS' work with corporate issuers helps companies better understand governance expectations of their shareholder base and enhance their governance practices, which ultimately benefits all shareholders. At the same time, we understand the potential for conflict that arises when ICS provides corporate governance advice to an issuer that ISS provides governance research about, and we therefore take measures to prevent such potential conflict from becoming an actual conflict.

As mentioned above, ISS manages the potential conflict relating to ICS through a combination of the implementation of a strict information barrier (i.e., a "firewall") designed to prevent information flows regarding the identity of ICS clients; disclosures to our institutional clients; consistent and transparent application of our voting policies; and a robust training and compliance program. Each of these elements is described below.

Firewall. The ISS firewall includes the physical separation (segregated workspaces requiring card-key entry) and functional separation (dedicated staff, separate storage environments and access rights, etc.) between ICS and the rest of the ISS organization, with a focus on the separation of ICS from the ISS Global Research function. A key goal of the ISS firewall is to protect against ISS' proxy research team knowing the identity of ICS' clients. Enabling the research team to work without knowing the identity of ICS' clients is part of our approach to ensuring the objectivity and independence of ISS' research process and vote recommendations.

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 Global Research works 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 tells its corporate clients that ISS will not give preferential treatment to, and is under no obligation to support, any proxy proposal of an ICS client. ICS further informs its clients that ISS' Global Research team prepares its analyses and vote recommendations independently of, and with no involvement from, ICS.

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Disclosure. In addition to the extensive information available in ISS' Form ADV and on its website, ISS' standard institutional client contract contains disclosures regarding ICS and its work with corporate issuers, and each voting research report issued by ISS contains a legend indicating that the subject of the analysis or report may be a client of ICS. ISS' institutional clients are also reminded that they can obtain a list of ICS clients on a confidential basis through the ProxyExchange platform or by sending an email to [disclosure@issgovernance.com](mailto:disclosure@issgovernance.com). This disclosure indicates an issuer's use of ICS products and services and the amount of compensation received by ICS from the issuer. In addition, the form of contract for ICS clients explicitly states that ISS will not give preferential treatment to, and is under no obligation to support, any agenda item of an ICS client, and that ISS' shareholder voting research team prepares analyses and vote recommendations independently of, and with no involvement from, ICS. We believe that these disclosures are an effective and transparent way of disclosing relevant information to our institutional investor clients without compromising the effectiveness of the ISS firewall.

Voting policies. The potential ability to influence the judgment of ISS analysts when formulating research or recommendations is mitigated by ISS' adherence to published proxy voting policy guidelines. Specifically, ISS is a policy-based organization, and uses a series of published benchmark voting policies when writing research reports and making vote recommendations for the benefit of our clients. If a client has developed a custom voting policy, that custom policy would be applied with equal stringency. By applying our voting policies consistently across proxy proposals and by issuing vote recommendations strictly according to policy (to the exclusion of any other factors), potential conflicts of interest are minimized.

Employee training; Compliance. ISS also maintains a robust training and compliance program, which includes quarterly tests of the ICS/ISS firewall, new hire orientation, annual compliance training and review of certain marketing materials and disclosures. There is a whistleblower hotline available to both ICS and ISS staff for reporting potential issues of concern.

ISS is registered with the U.S. Securities and Exchange Commission as an Investment Adviser under the Investment Advisers Act of 1940 (the "Act"). As a registered investment adviser, ISS is required to make certain public disclosures, such as the types of governance research and other services provided, its methods of analysis, and its internal compliance program, including how potential conflicts of interest are addressed. ISS has adopted the Code to address requirements under the Act. ISS treats all employees as being bound by the Code, even if they work for a subsidiary that does not conduct investment advisory business. On at least an annual basis, all employees are required to review and acknowledge their understanding of and adherence to the Code. Among other things, the Code describes the standards of conduct that the company's employees must follow, including treatment of confidential information, recordkeeping, and other matters. The Code devotes special attention to identifying, disclosing, and preventing or mitigating potential conflicts of interest. As mentioned above, the Code addresses the conflicts between ISS' institutional proxy advisory services and the corporate services of its ICS subsidiary, conflicts within the institutional advisory business, conflicts arising from an analyst's stock ownership, conflicts in connection with issuers' review of ISS' draft proxy analyses and conflicts generally. In each case, the goal of the Code is to prevent or mitigate conflicts wherever possible, and to manage and disclose the sources of potential conflicts.

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### **Genstar Capital / ISS Directors**

Regarding the second primary potential source of conflict, ISS has adopted a Policy on Potential Conflicts of Interest Related to Genstar Capital and its affiliated funds (the “Genstar Policy”). Among other things, the Genstar Policy provides that Genstar persons (defined as Genstar directors and certain others) may not participate in the formulation, development and application of ISS voting policies, and will not have access to any data relating to the portfolio, investment strategy or securities holdings of ISS clients.

In addition, as a private equity firm that owns or controls a number of operating companies, some of which may become publicly traded, and may thereafter be the subject to ISS research, actual or potential conflicts of interest, or the appearance of conflicts, could arise in the production by ISS of governance research with respect to coverage of such a Genstar company (i.e., a “Genstar Affiliated Company”). ISS therefore provides disclosure of these relationships on its website, and includes information about any such relationship in the research report for an issuer that is a Genstar Affiliated Company. Similarly, the ISS Board of Directors has adopted procedures and safeguards to identify and disclose any actual or potential conflict of interest situations involving service by an ISS Director on the board of a publicly-traded issuer, or in another capacity (relative to an issuer), that could present the potential for a conflict. The ISS conflicts policies regarding Genstar and the ISS Board of Directors are available on ISS’ website.

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## ACCURACY OF INFORMATION

ISS has implemented quality controls across the firm's business units designed to ensure high levels of accuracy, quality and timeliness.

With respect to proxy research and voting recommendations ISS has robust systems and controls designed to ensure that research reports and vote recommendations include high-quality relevant information, are accurate, correctly based on the relevant ISS policy and are reviewed by appropriate personnel prior to publication. These systems and controls include:

- Comprehensive information procurement processes for gathering issuer-published information and meeting documentation;
- Verification that data used is consistent with relevant issuer-published information, or other publicly available sources;
- Preparation of research reports and vote recommendations by appropriately trained analysts;
- Review of all research reports and vote recommendations by second analyst with relevant expertise;
- Providing certain issuers (for example, U.S. companies in the S&P 500 index) with the opportunity to review a draft proxy analysis to further confirm factual accuracy, where timing and other circumstances permit; and
- Implementation of an equity plan data verification interface to enable relevant issuers to verify underlying equity plan information used by ISS in its research and vote recommendations on such plans.

The Global Research team carefully reviews the proxy materials, as well as other relevant public filings. 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 (for non-U.S. companies, the sources used will include local business publications). In addition, ISS engages with issuers through e-mail exchanges, phone calls, and in-person meetings; however, ISS always make it clear to issuers that ISS reports are based only on public information, so anything that companies want ISS to consider must be included in the proxy statement or another public filing. For additional information about the engagement practices of ISS' Global Research department, we refer you to the Policy Gateway section of our website at [www.issgovernance.com](http://www.issgovernance.com).

If ISS becomes aware of new and material information after a report has been published and before client voting cutoff deadlines, or where any material factual inaccuracy or error that warrants correction is drawn to our attention, ISS promptly issues an Alert (i.e., an updated report) to clients.

In addition, ISS provides an open mechanism for comment and input through its Feedback Review Board, which is accessible on the ISS website ([www.issgovernance.com](http://www.issgovernance.com)), and serves as an additional channel for any market participant to communicate with ISS regarding accuracy of research, accuracy of data, policy application and general fairness of ISS' policies, research, and vote recommendations.

Our internal controls are subject to outside audit under the SSAE 16 process (previously SAS70 type II). The SSAE 16 audit report provides a comprehensive assessment of all control objectives and the activities

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that are executed in order to support each objective. ISS continues to use this SSAE 16 audit and reporting process as a means of benchmarking our practices and monitoring the quality of our control environment.

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