

---

## Best Practice Principles for Providers of Shareholder Voting Research & Analysis

### ISS Compliance Statement

11 January 2021\*

Institutional Shareholder Services Inc. (“ISS”) is pleased to submit the following Compliance Statement to the Best Practice Principles for Providers of Shareholder Voting Research & Analysis. The Best Practice Principles have been adopted to establish standards and provide guidance to service providers in the field of shareholder voting research and analysis. The three core Principles are: (i) **Principle One, Service Quality** - maintaining a high level of service quality, (ii) **Principle 2, Conflicts-of-Interest Avoidance or Management** - disclosure of policies that address potential or actual conflicts of interest, and (iii) **Principle Three, Communications Policy** - publication of policies for communication with issuers, shareholder proponents, other stakeholders, the media and the public.

As the leading provider of corporate governance research, voting recommendations and voting services to institutional investors, ISS places primary importance on conducting our business in a transparent and responsible manner.

Founded in 1985, the ISS group of companies empowers investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics, and insight. Comprised of five discrete business lines, ISS is a leading provider of corporate governance and responsible investment solutions, market intelligence and fund services, and events and editorial content for institutional investors and corporations, globally. Clients rely on ISS’ services to help them make informed investment decisions.

**The shareholder voting research and analysis services that ISS offers to institutional investor clients are provided through its Governance Solutions business unit. This Compliance Statement addresses the shareholder voting research and analysis services provided to institutional investor clients by that business unit. It aims to describe in a meaningful way how ISS fully complies with all three Principles and all related Guidance in the provision of those services.**

As noted by the Best Practice Principles, irrespective of the type of services used by investors to support their ownership and voting activities, the ultimate responsibility to monitor their investments and make voting decisions lies with each investor; the use of third-party services such as those provided by ISS does not shift this responsibility. To that end, ISS’ services in this area are designed to assist institutional investors in making informed voting decisions and implementing those decisions effectively.

The structure of this Compliance Statement mirrors that of the Best Practice Principles. This Compliance Statement describes how ISS applies each of the three Principles and all related Guidance (with numbered headings referring to the corresponding Guidance section in the Best Practice Principles).

ISS' signatories to this Compliance Statement can be contacted for further information regarding its content.

*\* This ISS Compliance Statement amends and updates the last ISS Compliance Statement dated 19 April 2017.*

### Principle One: Service Quality

Signatories provide services that are delivered in accordance with agreed client specifications.

Signatories should have and publicly disclose their research methodology and, if applicable, “house” voting policies.

**ISS fully complies with Principle One and related Guidance on Service Quality.**

**This section describes in a meaningful way how ISS applies the Principle and all related Guidance (with numbered headings referring to the corresponding Guidance section in the Best Practice Principles).**

## 1. Introduction

As a provider of governance research, voting recommendations and voting services with more than 30 years of experience, ISS provides services to its institutional investor clients that assist them in making more informed voting decisions, in managing the complex operational process of voting their shares (proxy voting) and in tracking and reporting their voting activities as they may require. Our aspiration and goal is to serve our clients with their full trust and confidence. We earn and retain this by providing high quality services which are understood by our clients to rest upon high degrees of transparency, objectivity, and independence.

Through our services, ISS also helps institutional investors understand corporate governance practices and requirements in many different markets worldwide. In 2019, ISS covered more than 44,000 shareholder meetings in 115 developed and emerging markets worldwide for our clients. ISS’ global coverage includes all public company equity meetings for which our clients hold a ballot<sup>1</sup>. ISS also provides ESG ratings, thought leadership, research and other market information on corporate governance and voting practices and trends, portfolio screening and other assessment tools and services, all of which may assist investors in their wider ownership activities and responsibilities.

ISS has a global research team of more than 280 research analysts and other professionals, located in Europe, North America, Asia, and Australia, with wide expertise across the markets they cover. In addition, ISS has a large team of data professionals, approximately 440 at the end of 2019, collecting and ensuring data quality.

---

<sup>1</sup> For the vast majority of meetings, ISS produces research (please refer to the “Key research statistics” section below), while for some other meetings, ISS is only tasked to procure the meeting materials and to codify the meetings’ resolutions.

As part of its services providing governance research and voting recommendations, ISS offers and implements a variety of voting policies, providing choice and different options reflecting both regional and market differences, and the differing views and requirements of institutional investors.

## **Client custom policies and ISS specialty policies**

### **Client custom policies**

Many institutional investors apply their own unique set of corporate governance and responsible investment guidelines in implementing their voting policy (“client custom policies”). For these clients, ISS prepares voting recommendations based on their client custom policy and may also assist clients in developing such custom policies.

ISS manages and applies custom policies for over 400 clients. 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 ISS benchmark or specialty policies (described below). Currently, the majority of our top 200 clients subscribe to at least one client custom policy from ISS.

### **ISS specialty policies**

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

## **ISS benchmark (“house”) policies**

ISS also provides 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. 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<sup>2</sup>.

Specific benchmark policies are 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.

---

<sup>2</sup> See: <https://www.issgovernance.com/policy-gateway/policy-formulation-application/>

## Key research statistics

The below table presents the approximate number of companies and meetings covered by ISS research in the course of 2019.

Research coverage	2019
<b>Companies covered</b>	32,000
<b>Meetings covered</b>	44,000

## Investor's responsibility to vote

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, as we believe it should. Many of our clients who subscribe to our research and voting recommendations use our 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.

ISS clients use our research and voting recommendations in a variety of ways. ISS research and voting recommendations will often be one of many resources that institutional investors use in arriving at their voting decisions. For example, many institutional investors have internal research teams that conduct proprietary research and use ISS research to supplement their own work. Some clients use ISS research as a screening tool to identify non-routine meetings or proposals. A number of our clients also use the services of two or more providers of shareholder voting research and analysis.

## Independent shareholder voting research & analysis

We understand and take seriously the potential for actual or perceived conflicts of interest which may result from our business activities and leading position as a provider of shareholder voting research and analysis. To that end, we have a robust set of policies, procedures and practices regarding the identification, avoidance and management of conflicts of interest, in order to ensure our research, analysis and voting recommendations are independent and free from inappropriate bias or undue influence (see Principle 2 of this statement for further details).

## 2. Responsibilities to Clients

ISS' services are provided pursuant to a written contract with each client. This typically is structured as a master services agreement, which contains contractual terms, including the relevant governing law, how notices are provided, the methods of terminating the contract, and how disputes are resolved. The master services agreement will be incorporated into appendices that describe the specific services being purchased and the cost of such services. The contract provides the agreed basis as to the terms and conditions under which services are delivered. Most services are offered on an annual or multi-year subscription basis.

### 3. Quality of Research

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

In addition to internal controls, we further rely on the reviews conducted by an outside auditor during the SSAE 18 process (previously SSAE 16). 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 our shareholder voting research, analysis and voting recommendations. These include:

- Comprehensive information procurement processes for company-published information and meeting documentation;
- Data consistency and quality checks;
- Voting research reports and recommendations are prepared by appropriately trained analysts;
- Voting research reports and recommendations are reviewed by a 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 (see Principle 3).
- 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.

### 4. Research Methodology

ISS has a robust research methodology designed to ensure the consistent and timely delivery of high quality and reliable research, analysis and recommendations.

The research methodology covers the following essential features, all as more fully described below:

- The general approach that leads to the generation of research;
- The data and information sources used;
- The extent to which local conditions and customs are taken into account;
- The extent to which custom, specialty or ISS benchmark ("house") voting policies or guidelines may be applied; and
- The systems and controls deployed to reasonably ensure the reliability of the use of information in the research process, and the limitations thereof.

## General approach

ISS is committed to providing timely, accurate and insightful shareholder voting research and analysis on every publicly-traded company in our clients' portfolios, regardless of size or location, taking into account local market regulations and practices. In 2019, ISS produced research on over 44,000 meetings in approximately 115 markets.

Our firm has continued its commitment to providing a wide range of high-quality services to our clients with 30 offices worldwide. We believe our global and local market footprint and expertise allow us to offer the high-quality research and voting recommendations that our clients require.

ISS analysts have in-depth knowledge of best practices, regulations and investor expectations in each global market for which we provide research coverage, including on issues such as board independence, pay practices and the role of government and industry associations in setting local governance standards.

The research process follows a five step approach that is designed to ensure the efficient and timely delivery of high-quality information, research and voting recommendations to clients:

- Client Holdings and Meeting feeds received by ISS
- Procurement of Meeting Materials (including proxy statements, meeting agendas, etc.)
- Meeting Agenda Coding – each agenda item tagged with a code to indicate issue type and facilitate application of voting policies
- Data Collection - based on publicly disclosed information
- Benchmark Research Analysis and Delivery
- Specialty and Custom Research Analysis and Delivery

Our research services also include:

- **Direct access to research analysts:** Whether dealing with a complex vote decision or looking for clarity on a complex governance issue, clients have access to ISS' research analysts.
- **Thought leadership:** Clients have access to ISS webinars, industry events, educational and thematic research, and publications to ensure they are kept abreast of governance trends and news in a constantly changing regulatory landscape.

## Information sources

ISS' proxy research and analysis are based only on publicly available information. ISS aims to take into account all relevant information released by analyzed companies, such as annual reports, meeting agendas and resolutions, articles of association and other public filings. All original company materials used by ISS are referenced or made available to clients. In addition, company issued information is supplemented by other publicly available information such as information on board changes, regulatory matters, news events, industry trends, etc.

As a result, ISS provides a comprehensive data set including on board membership, executive compensation, financial performance, and ownership that provides context for the review of agenda items.

As part of the research process, ISS may undertake dialogue with company representatives, institutional shareholders, shareholder proponents and other relevant parties to ensure full information and deeper insight into key issues. This dialogue helps ensure a full understanding of the facts and enriches the analyses for clients.

The purpose of the dialogue with companies is to improve the overall quality of the research produced by ensuring analysts have full information and understanding of all relevant facts and explanations provided by the company. This type of dialogue can also serve to provide additional transparency regarding company disclosures that ISS may use to provide context for its clients around the application of its policies.

In undertaking such dialogue, ISS specifically requires that companies do not share confidential or material non-public information.

ISS' dialogue with issuers is transparent to clients. ISS' research reports generally include a section detailing any relevant dialogue with the company, shareholder proponents or other stakeholders, including the date(s) of dialogue, the topic(s) covered, the initiator of the dialogue, and the outcome.

### **Local conditions and customs**

ISS' research approach is based on structured voting policies and guidelines that incorporate established policy frameworks and internal expertise with investor and broader market feedback.

Our benchmark policies are informed by the following main factors:

- global governance standards, such as the ones defined by the Organisation for Economic Co-operation and Development and the International Corporate Governance Network;
- local regulation and soft-regulation such as codes of best practices and stewardship codes;
- ISS institutional investor client expectations;
- local market practices, regulation and other market-specific factors; and
- input from other market constituents.

### **Custom, specialty or benchmark (“house”) voting policies**

ISS offers an extensive array of voting policies to meet the varied needs of institutional investors and their clients. Institutions can choose from ISS' global benchmark policies, ISS specialty policies that evaluate governance issues from the perspective of socially-responsible investors, public funds, labor unions (Taft-Hartley), faith-based investors, climate-focused investors, and sustainability issues outlined by signatories to the Principles for Responsible Investments (“PRI”) supported by the United Nations. ISS also manages full custom voting policies and implements



voting recommendations for institutional clients who want to vote their shares according to their own specific guidelines and philosophies (see “Client Custom Voting Policies” below).

### **Systems and controls**

ISS has robust policies and procedures to ensure the integrity of the research process. ISS is a Registered Investment Advisor with the U.S. Securities and Exchange Commission, and as such has a comprehensive global compliance program. ISS also undertakes and is subject to periodic SSAE 18 audits (see “Quality of Research” section above for further details).

### **Timely delivery of research**

ISS employs a minimum 2-week target delivery date for shareholder voting research and recommendations prior to the meeting date (for markets where company disclosure practices permit), often significantly exceeding this. As examples, in 2019, we delivered research reports on average 19 days prior to the meeting date for U.S. meetings, and 16 days prior to the meeting date for ex-U.S. meetings.

### **Diversity of opinions**

ISS is committed to providing our clients easy access to a variety of opinions from different sources. To that end, in 2013, ISS took the inclusive step of opening its online voting platform, ProxyExchange (“PX”), to research produced by a number of other service providers.

As a result, ISS clients who also subscribe to certain third-party research can access it on PX and benefit from enhanced workflow by utilizing the PX platform to access their varied research subscriptions in one place.

ISS’ shareholder voting research and analysis is also currently delivered via the FactSet platform for ease of workflow for those clients who have relationships with both vendors.

## **5. Client Custom Voting Policies**

In many instances, ISS prepares voting recommendations based on a client’s own voting policies and approaches and may assist clients in developing such custom policies as well. ISS manages and applies client custom policies for over 400 clients. These customized voting policies reflect clients’ unique corporate governance philosophies. As a result, the vote recommendations issued under these policies may well differ from those issued under our benchmark or specialty policies. A majority of ISS’ top 200 clients subscribe to at least one custom research policy from ISS.

ISS’ custom research analysts and consultants are available to provide guidance to clients to assist them in creating and refining their own voting policies and ensure that they accurately reflect their unique values and priorities, while also taking into account local market standards and codes of best practice in each market to the extent they wish. For example, clients can easily calibrate and back-test their own policies by market to ensure consistency of application to their own governance philosophies. A regular review of clients’ custom policies also ensures that any new or

emerging issues that have garnered increased interest in the investment community are appropriately taken into account.

## 6. Signatory Policies (ISS "house" policies)

### ISS' benchmark policies

ISS provides research and voting recommendations based on ISS benchmark (or "house") policies as well as custom and specialty policies. These benchmark policies are market or region-specific and are based on generally accepted principles of good corporate governance, taking into account relevant national and international corporate governance codes and practices, and investor and other stakeholder views.

ISS benchmark policies are designed to cover all resolutions put forward by listed companies and shareholder proponents. This includes all standard resolutions pertaining to shareholder rights, board elections, executive remuneration and external auditors, as well as resolutions pertaining to corporate transactions and/or environmental, social and governance matters ("ESG" or "sustainability").

In developing its benchmark policies, ISS refers to its ISS Global Voting Principles<sup>3</sup>. Those principles provide four key tenets on accountability, stewardship, independence, and transparency, which underlie our approach to developing ISS voting policies and recommendations on management and shareholder proposals at publicly traded companies. These principles guide our work to assist institutional investors in meeting their fiduciary requirements with respect to voting and by promoting long-term shareholder value creation and risk mitigation at their portfolio firms through support of responsible global corporate governance practices.

These are designed to respect shareholder rights and provide appropriate transparency, taking into account relevant laws, customs, and best practice codes of each market and region, as well as the rights and responsibility of shareholders to make informed voting decisions.

### Policies, local standards and transparency

ISS benchmark policies are developed for different regions and jurisdictions, either via stand-alone national policies, or regional policies with national approaches or exceptions on particular issues where practices and requirements vary. These policies (or "proxy voting guidelines") are disclosed publicly on the ISS website<sup>4</sup>.

The ISS benchmark policies are developed through a robust process that uses ISS' expertise and that of the broader governance community. The ISS research team engages with institutional investor clients, corporate issuers, the academic community, and industry experts worldwide to gather input on ISS' proxy voting policies and methodologies each year. This enables us to

---

3 See : <https://www.issgovernance.com/policy-gateway/iss-global-voting-principles/>

4 See: <https://www.issgovernance.com/policy-gateway/voting-policies/>

consistently provide expert and fact-based research through a shareholder value and risk mitigation lens.

ISS' approach takes into account the specific facts of the companies covered, with an effort to ensure the relevant nuances of each company are understood and its corporate governance practices are viewed in the context of best practices, industry norms and its history. For example, issuer explanations on deviations from "comply-or-explain" corporate governance codes are taken into account.

### **ISS Benchmark Policy development and update process<sup>5</sup>**

ISS works to ensure its policies are relevant, clear, balanced and well-reasoned. Led by the ISS Global Policy Board, the firm has a robust and inclusive approach to policy development that incorporates ISS' own expertise combined with feedback from a diverse range of market participants through multiple channels:

- A public annual policy survey of institutional investors, corporate issuers and others
- Roundtable sessions with investors and other stakeholders
- Ongoing feedback from participants in the capital markets - investors, issuers, regulatory agencies and clients.

The ISS Global Policy Board uses this input to develop annual draft policy updates and address emerging governance issues. Before finalizing these updates, ISS publishes draft updates publicly for an open review and comment period. All comments received during the open comment period are posted to ISS' Policy Gateway<sup>6</sup> in order to provide the highest level of transparency into the feedback. Final policy guidelines are typically published in November of each year to apply to meetings held from February onwards of the following year<sup>7</sup>.

Once finalized, we publish all ISS policy guidelines on our public website each year for full transparency and availability.

## **7. Employee Qualification & Training**

### **Organization**

More than 2,000 professionals, located across 30 global offices, contribute to ISS' ability to provide products and services to its clients.

---

5 See : <http://www.issgovernance.com/policy-gateway/policy-formulation-application/>

6 See : <http://www.issgovernance.com/>

7 Different timeframes may apply for select markets (such as Australia and New Zealand).

## ISS' offices, procurement centers and research centers



### Experience and Qualifications of research analysts

ISS' research team currently consists of more than 280 research analysts and other professionals worldwide, fluent in over 25 languages, and many with advanced degrees in finance, business, and law. Much like the structure in the financial institutions we serve, our research group includes market-based and sector-based analysts as well as teams that focus on custom research and custom policy development.

The research team includes members with experience in investment banking, mergers and acquisitions, remuneration consulting, corporate actions, corporate responsibility and regulatory compliance. The majority of market analysts are nationals or fluent in the language(s) of the country or region they cover, with relevant expertise. In larger markets, research teams may be segmented into sector and topic teams to provide the best possible coverage of complex meeting items, particularly as best practices can vary across markets and sectors. ISS analysts and other corporate governance specialists also possess in-depth knowledge of country codes of best practice, relevant legal and regulatory structures, remuneration practices and the role of government and industry associations in setting global governance standards.

### No outsourcing of ISS research

ISS does not outsource any part of its research process.

---

## 8. Timeliness

ISS strives to provide clients with adequate and timely services, subject to the availability of sources of information from issuers and shareholder resolution proponents, as well as intermediary constraints (for example, custodian and corporate vote deadlines and intermediary cut-offs).

ISS employs a minimum 2-week target delivery date for shareholder voting research and recommendations prior to the meeting date (for markets where company disclosure practices permit), and often significantly exceeds this. As examples, in 2019, we delivered research reports on average 19 days prior to the meeting date for U.S. meetings, and 16 days prior to the meeting date for ex-U.S. meetings.

## 9. Client Feedback & Complaint Management

ISS aims to facilitate and be responsive to comments, feedback or complaints from clients. This is accomplished by, for example, making analysts available to discuss the content of research reports and recommendations with clients. In addition, in many cases, client needs are addressed through the designation by ISS of a relationship manager (client consultants and client managers) to assess client needs, to act as an on-going source of information, and to receive client feedback on an on-going basis. Moreover, clients subscribing to a custom research service are assigned dedicated custom analysts (with appropriate backups) that can assist them with all aspects of their custom policy, ranging from its drafting, regular updates, application in particular circumstances or geographies and custom recommendations.

Feedback and complaints from issuers, shareholder proponents and other stakeholders are discussed below within the section on Principle 3.

## 10. Client & Supplier Understanding

In establishing a client relationship, ISS seeks to understand how a client will use the services that are being purchased. In general, ISS will initially propose to provide services pursuant to the terms of a standard form of contract, i.e., a Master Services Agreement. However, ISS may modify its form of contract to address special circumstances that may exist in a specific situation, which may include the availability, completeness, reliability and timeliness of data to be used by ISS in performing the services.

ISS also provides clients with a framework that enables them to fulfill their due diligence requirements. We do this by making our external audits available for review and inviting clients to perform their own visits and in-depth reviews of our services. During such visits and reviews, clients have the opportunity to interact with ISS' research and operational teams, as well as teams from finance and legal/compliance.

## 11. Client Disclosure Facilitation

---

### **ISS helps its clients disclose the use made of voting research & analysis services**

ISS recognizes that many institutional investors are subject to disclosure requirements of the use made, if any, of shareholder voting research and analysis services. This may be required by stewardship codes such as the UK Stewardship Code for institutional investors and sometimes these are mandates which are dictated internally by a client.

ISS will work with its clients to assist them in these disclosure requirements. ISS assistance would typically include the identification of ISS as a service provider, a detailed explanation of the type and scope of the services provided, and the voting policies applied.

### **ISS does not disclose voting decisions of clients**

We do not disclose any voting decisions of our clients, unless specifically instructed by the client to do so.

### **Voting Disclosure Service for institutional investors**

Increasingly, institutional investors are under a legal, fiduciary and/or contractual obligation to publicly disclose their voting records.

ISS provides a Voting Disclosure Service (VDS) to help institutional investors disclose their voting policy and voting records to all appropriate stakeholders. Stakeholders can easily search and view the voting records disclosed for each security in each portfolio<sup>8</sup>.

---

<sup>8</sup> See <https://www.issgovernance.com/solutions/proxy-voting-services/vote-disclosure-services/>

**Principle Two: Conflicts of Interest Management**

Signatories should have and publicly disclose a conflicts-of-interest policy that details the procedures for addressing potential or actual conflicts of interest that may arise in connection with the provision of services.

**ISS fully complies with Principle Two and related Guidance on Conflicts of Interest Management.**

**This section describes in a meaningful way how ISS applies the Principle and all related Guidance (with numbered headings referring to the corresponding Guidance section in the Best Practice Principles).**

## 1. Introduction

ISS has adopted and publicly discloses its conflict of interest policies, which detail ISS' procedures for addressing potential or actual conflicts of interest that may arise in connection with the provision of services.

As a service provider to institutional investors, ISS understands and takes extremely seriously the potential for actual or perceived conflicts of interest which might impact the integrity of the research and services we provide to our clients. Such potential conflicts of interest need to be effectively managed and mitigated by appropriate measures. The measures undertaken by ISS are fully described below.

### ISS business practices and principles

ISS' goal is to serve our clients with their full trust and confidence. We earn and retain this by providing high quality services which are understood by our clients to rest upon high degrees of transparency, objectivity, and independence.

Because of the breadth of our client base, we understand and address the potential for actual or perceived conflicts of interest with may result from our many business activities.

Accordingly, we proudly live by these fundamental tenets:

- We place our client's interests first and above our own.
- We never use, leverage, or favor a relationship with one client to the deliberate disadvantage of another.
- All aspects of our research, and all voting policies and vote recommendations, are based on fair, thorough, independent, and objective analysis, without regard to any economic or other inappropriate influence.
- We disclose and explain information about our internal processes and methodologies used in the development of our services, voting policies, and our voting recommendations.
- We take strong measures to fully safeguard client information.

- We believe transparency is a keystone of trust, and so, subject to the higher need for client confidentiality, we appropriately disclose any actual or apparent potential conflict of interest relationships or situations as they arise.
- Ultimately, we are guided by this most basic tenet: Do the right thing.

These principles are embedded deeply in our culture and in the policies we develop, the procedures we follow, the decisions we make, and the actions we take every day. We do not and will not tolerate their breach, whether due to conscious action, complacency, indifference, or lapse of ethical judgment.

## 2. Conflict of Interest Policies

ISS provides its clients with an extensive array of information to ensure that they are fully informed of potential conflicts and the steps ISS has taken to address them. Among other things, ISS supplies a comprehensive due diligence compliance package on its website<sup>9</sup> to assist clients and prospective clients in fulfilling their own obligations regarding the use of independent, third-party providers of shareholder voting research and voting services. This package includes a section dedicated to the policies, procedures and practices regarding potential conflicts of interest.

ISS has implemented a number of specific disclosure practices which are described in more detail below. ISS believes that these extensive measures provide clients with a high degree of comfort that ISS has eliminated or is effectively managing potential conflicts of interest.

## 3. Possible Conflicts for Consideration

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

- An individual(s) affiliated with ISS' controlling owner could seek to influence the formulation and application of ISS policies;
- Institutional clients could seek to influence the advice given to other institutional clients (for example regarding advice on their parent company's general meeting or regarding shareholder resolutions filed by clients);
- Corporate issuer clients of ISS' wholly-owned subsidiary, ISS Corporate Solutions, Inc. ("ICS"), could seek to influence the advice given to institutional clients.

## 4. Conflict Management & Mitigation

Concerning the first potential conflict, ISS has adopted a Policy on Mitigation of Potential Conflicts of Interest related to Genstar Capital ("Genstar") and its affiliated funds (the "Genstar Policy") to establish appropriate standards and procedures to protect the integrity and independence of the products and services produced by ISS and safeguard the reputations of Genstar and ISS.

Among other things, the Genstar Policy provides that:

---

<sup>9</sup> See : <http://www.issgovernance.com/compliance/due-diligence-materials/>



- Genstar Persons (defined as Genstar directors and certain others) may not participate in the formulation, development and application of ISS voting policies, including, without limitation the establishment of voting standards. However, directors, officers and employees of Genstar Affiliated Companies (i.e., a company having a “Genstar person” as a director or other position of control) are permitted to discuss and engage with ISS employees in a manner similar to all other public companies in the development and update of governance voting policies which ISS conducts each year.
- Genstar persons may not participate in the formulation, development and preparation of ISS shareholder voting research or recommendations. Further, Genstar persons are not permitted to request that ISS conduct any form of governance research on any public companies for any purpose whatsoever.
- The Genstar entities may not act upon the contents of any ISS voting policy, analyses, report or vote recommendation prior to its publication or dissemination.
- No Genstar person will have access to any data relating to the portfolio, investment strategy or securities holdings of ISS clients.

Similarly, the ISS Board of Directors has adopted procedures and safeguards to identify any actual or potential conflict of interest situations which may occur in connection with the work that certain ISS governance business units and affiliates perform in researching, analyzing and making recommendations regarding publicly-held companies.

The ISS Conflicts Policy Regarding Genstar, the Genstar Conflicts Policy Regarding ISS and ISS Board of Directors Conflicts Policy are all available on ISS’ website<sup>10</sup>.

Concerning the second potential conflict, ISS is a policy-based organization and uses a series of published benchmark voting policies that provide a very practical check and balance to ensure the integrity and independence of ISS’ research and vote recommendations. ISS research analysts follow these comprehensive policy guidelines when writing research reports and making vote recommendations for the benefit of clients. To ensure compliance with internal control processes, ISS also regularly engages an outside firm to conduct audits in conformity with Statement on Standards for Attestation Engagements No. 18 (SSAE 18).

The third 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 an ICS, which 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 a number of measures to prevent such potential conflict from becoming an actual conflict.

---

<sup>10</sup> See : <http://www.issgovernance.com/compliance/due-diligence-materials/>

We manage this through a combination of disclosure to clients, consistent and transparent application of voting policies, a robust compliance program and implementation of a firewall designed to prevent information flows around the identity of the ICS clients. For further details on the management of this area, please see the relevant section below.

### **ISS' policy-based approach provides consistency of application**

As previously noted, at its core, ISS is a policy-based organization and ISS' use of a series of published benchmark voting policies provides a very practical and transparent check on the integrity and independence of ISS' research and vote recommendations.

Our policy-based approach also provides for a transparent and consistent methodology with which to evaluate shareholder proposals. ISS does not provide any consultative or advisory service to our clients or other shareholders in the development of, or solicitation of support for, shareholder proposals.

### **Code of ethics**

Institutional Shareholder Services Inc., based in the United States, 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 a Code of Ethics to address requirements under the Act. The Code of Ethics affirms ISS' relationship of trust with its clients and obligates ISS to carry out its duties solely in the best interest of clients and free from all compromising influences and loyalties.

The Code of Ethics devotes special attention to preventing and disclosing conflicts of interest. In this regard, the Code of Ethics addresses the potential conflicts between the company's Global Research teams and other services provided by subsidiaries or affiliates, conflicts within the institutional advisory business, conflicts arising from an analyst's stock ownership, conflicts in connection with an issuer's review of a draft ISS report, and conflicts generally. In each case, the goal of the Code of Ethics is to prevent conflicts wherever possible, and more generally to manage and disclose potential or actual conflicts.

### **Code of conduct**

In addition to its Code of Ethics, ISS has developed a General Code of Conduct. The General Code of Conduct is a broad-based "good practices" code that provides a framework to address general corporate policies and practices that apply to ISS as a global business. The areas covered in the General Code of Conduct include:

- Doing the Right Thing;
- Protecting the Company's Interests;
- Safeguarding and Maintaining Information;
- Treat Others with Dignity and Respect;
- Promote a Safe and Healthy Working Environment;

- Violations of the General Code of Conduct;
- Reporting Concerns; and
- Compliance Requirements

Employees are trained on the content of the General Code of Conduct and are required to certify their adherence.

### **Firewall**

ISS has implemented a firewall which includes the physical, functional, and technological separation between ICS and the ISS research function. For further details about how ISS comprehensively manages the potential conflicts with regard to the nature and scope of ICS' corporate business, please see the Conflict Disclosure section below. A key goal of this firewall is to protect against members of ISS' research teams from 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. ICS clients are also told explicitly 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' voting research team prepares analyses and vote recommendations independently of, and with no involvement from, ICS.

### **Employee training**

Employees subject to the Code of Ethics or General Code of Conduct are required to complete training related to these documents upon hire and on an annual basis thereafter.

## **5. Conflict Disclosure**

ISS provides its institutional investor clients with extensive information to ensure that they are fully informed of potential conflicts and the steps that ISS has taken to address them. In addition, many of ISS' clients conduct their own due diligence regarding the way ISS implements the procedures governing conflicts and perform diligence calls and visits to satisfy themselves that ISS' rules governing conflicts are robust and effectively adhered to.

ISS is transparent about its ICS business and the entire business is described in detail on our public website<sup>11</sup>. Additionally, 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 and reminds ISS' institutional clients of how they can inquire about any issuer's use of ICS products and services. Thus, ISS provides institutional clients the ability to obtain information regarding ICS' dealings with corporate issuers, including the amount of compensation that the firm has received or will receive from the issuer.

---

<sup>11</sup> See: <http://www.issgovernance.com/corporateissuers>

In supplement of the foregoing, in 2014 ISS adopted a “Policy Regarding Disclosure of Significant Relationships.” In brief, the Policy includes as “significant” the relationships ISS has with issuers that are clients of ICS and information about those issuers is provided as noted in the prior paragraph.

In addition, the Policy also makes provision for disclosure of relationships with clients that are publicly traded institutional investors, as well as clients that act as shareholder proponents, in light of the potential that such a client might use the relationship, and the revenue provided by the client to ISS, to try to exert influence on ISS’ research and voting recommendations. Under the circumstances of these relationships, and the nature of the potential conflict, the assessment of whether a relationship is “significant” is subject to a specified threshold of the percentage of overall revenue provided by the subject client.

At present, in applying the Policy, the only significant relationships that exist are those involving corporate issuers that are clients of ICS. Since November 2014, ISS has provided these disclosures in a manner that will seamlessly integrate into institutional clients’ workflow through ISS’ proprietary PX platform.

PX includes:

- A column indicating in Yes/No fashion whether there is a significant relationship associated with that meeting/research report within both the “Meetings” and “Research” views in PX.
- Where such a relationship exists, users will be able to click-through on a link to get more information about that relationship.
- Onscreen and/or email alerts for notification of the publication of new benchmark or custom research with a column on those notifications indicating whether there is a significant relationship associated with the report.
- An additional tab labeled “Disclosure of Significant Relationships” within which a user can use a look-up box to search for entities with which ISS has a significant relationship.

ISS has implemented permissioning restrictions that prevent ISS’ Research and Client Services personnel from accessing the disclosure information which those employees are restricted from viewing under the firewall procedures discussed above.

Historically, disclosure regarding the client relationships between ICS and corporate issuers has been provided to institutional clients through the Legal/Compliance department via the [disclosure@issgovernance.com](mailto:disclosure@issgovernance.com) email address. That disclosure vehicle remains in place, including for ISS clients not using PX.

We believe that these disclosures are an effective and transparent way of disclosing to our institutional investor clients without compromising the effectiveness of the ISS firewall. The process ensures full disclosure to clients whilst also upholding the firewall and ensuring that the identity of an ICS client is not known to research analysts as they undertake research and vote recommendations.

**Principle Three: Communication Policy**

**Signatories should have and publicly disclose their policy (or policies) for communication with issuers, shareholder proponents, other stakeholders, media and the public.**

**ISS fully complies with Principle Three and related Guidance on Communication Policy.**

**This section describes in a meaningful way how ISS applies the Principle and all related Guidance (with numbered headings referring to the corresponding Guidance section in the Best Practice Principles).**

## **1. Introduction**

ISS has long been committed to engagement with stakeholders and has continuously raised the bar for transparency and inclusion in its policy development and its research process.

In addition to its normal channels of communication with issuers, shareholder proponents and other stakeholders (see below), ISS instituted a Feedback Review Board<sup>12</sup> (“FRB”) to provide a mechanism to all stakeholders to communicate with ISS. The FRB is an ISS body that will consider comments from market constituents regarding accuracy of research, accuracy of data, policy application and general fairness of ISS policies, research and recommendations.

## **2. Dialogue with Issuers, Shareholder Proponents & Other Stakeholders**

### **ISS’ commitment to dialogue**

ISS is committed to dialogue with issuers, shareholder proponents and other stakeholders to gain the greatest possible insight for clients. For ISS, the sole purpose of the dialogue with companies is to improve the quality and substance of ISS’ meeting analyses, research and vote recommendations. ISS does not aim to influence companies’ corporate governance arrangements (other than through improved understanding of good corporate governance practices) via these engagement activities.

Participants to the dialogue can expect an informed dialogue with experienced ISS representatives on matters of relevance to our research and recommendations, and which may also include information about ISS’ policies and procedures. Further, participants can expect that ISS wishes to have the most complete and accurate information upon which to base our research and recommendations to clients.

### **ISS’ engagement policy**

---

<sup>12</sup> See: <https://www.issgovernance.com/contact/feedback-review-board/>

ISS' research teams interact regularly 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. Topics discussed can range from general policy perspectives to specific voting items. As a research organization, we welcome constructive dialogue on critical issues that helps to ensure a full understanding of the facts and circumstances, which will in turn inform our research, analysis and voting recommendations.

In order to ensure consistency, transparency, and quality in our interactions with issuers, industry groups, shareholder proponents and other financial market stakeholders, ISS has a set of principles that guide our engagement. Our goals are to facilitate productive and informative dialogue, and to help all stakeholders understand what they may expect from engaging with us.

Clear information including a set of Frequently Asked Questions on our engagement process is disclosed on ISS' website.

### **Communication during the voting period**

It is at ISS' discretion whether to engage with a company, a shareholder proponent or other stakeholder after the meeting agenda has been released. Analysts will generally only do so to clarify points on which there are questions.

### **Publicly available information**

ISS research and recommendations are based exclusively on public information, so any significant fact which an issuer, a shareholder proponent or any other stakeholder would like to see reflected in our report must be publicly disclosed to all shareholders in a timely fashion, including in markets where such disclosure may not ordinarily be required. In proxy contests, we expect both management and dissident shareholders to publicly file any materials presented to ISS.

Though ISS makes clear that it does not invite or consider any material non-public information, to the extent such information is provided to us, whether intentionally or not, it will not be considered or included in our research report.

### **Safeguards to ensure the integrity and impartiality of ISS analysts**

ISS protects the full independence of its analysts in a number of ways:

- ISS has robust policies and procedures to ensure the integrity of our research process (see Principle 2);
- ISS undertakes and is subject to periodic SSAE-18 audits. ISS' research and recommendations are also based on public information and on our publicly disclosed policy guidelines which are available and transparent to all parties;
- Issuers who are ICS clients may not disclose to ISS research analysts that they have acquired products or services from ICS, per their contract with ICS. ISS does not give preferential treatment to, and is under no obligation to support, any proposal of an issuer whether or not that issuer has purchased products or services from ICS. In order to avoid any appearance of conflict, ISS analysts have no access to information about ICS clients.

- ISS does not and will not tell companies what they need to do to obtain a favorable vote recommendation. ISS' research and recommendations are driven by our voting guidelines, as applied to the fact pattern presented by each company at the time their voting proposals are analyzed. Therefore, while we can discuss our policies and the rationale behind them, we cannot and do not say what would be required to obtain a "for" recommendation.

#### **Procedure to obtain a copy of ISS' report**

Any corporate issuer may request a copy of the ISS report on its own shareholder meeting after it has been published to ISS clients, and there is no charge for this.

There is no automatic entitlement to review research reports prior to publication, but draft reports are provided in certain markets.

#### **Transparency of engagement for institutional clients**

ISS considers its dialogue with issuers, shareholder proponents and other stakeholders to be part of the core service provided to clients. ISS' shareholder voting research reports and analysis include, a summary of any engagement or other dialogue that took place as part of the analysis. Key information released on the ISS' dialogue with companies, shareholder proponents or other stakeholders include the date(s) of dialogue, the topic(s) covered, the initiator of the dialogue, some accompanying notes and the outcome of the dialogue.

### **3. Dialogue with Media & the Public**

ISS is pleased to assist accredited journalists covering stories of interest to clients, financial market participants, and the broader public, through the provision of general corporate governance data and, where appropriate, shareholder voting research providing ISS' benchmark policy recommendations. Select governance, compensation, and proxy voting data, including that drawn from ISS' Governance QualityScore, ExecComp Analytics, and Voting Analytics, can be made available to accredited journalists.

In addition, select ISS shareholder voting research reports and voting recommendations may be made available to media outlets upon request in instances where we believe the public may benefit from the information and in keeping with ISS' commitment to transparency.

#### **No release of research reports prior to dissemination to ISS clients**

ISS' shareholder voting research reports and voting recommendations are proprietary information for the benefit of our clients. Accordingly, ISS will only make available research reports to the media on a limited basis, only upon request and only where we believe the public may benefit from the information and in keeping with ISS' commitment to transparency. When provided, ISS research reports will never be made available to the media prior to their dissemination to clients, and ISS will generally not comment on company specific situations in advance of a shareholder

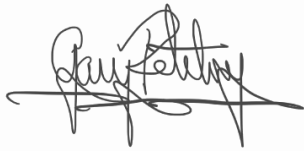
meeting. Further, ISS does not issue press releases with respect to its voting recommendations.

Any redistribution of ISS research or data is expressly prohibited without the prior written consent of ISS. Permission to copy and reproduce content may be granted by ISS, at its discretion, and by written request and permission only.

### **Speaking engagement and media contacts**

ISS has set up internal procedures to respond to media enquiries and speaking engagement requests. All enquiries can be sent to ISS' Press Center<sup>13</sup>.

ISS trusts that the above Statement complies with the spirit and the letter of the Best Practice Principles. Please contact Lorraine Kelly ([lorraine.kelly@issgovernance.com](mailto:lorraine.kelly@issgovernance.com)) for further information regarding its content.



Gary Retelny  
President & CEO



Lorraine Kelly  
Head of Governance Solutions

---

<sup>13</sup> See : <http://www.issgovernance.com/contact/media-contacts/>