



Due Diligence Package: Proxy Research and Voting Services

TABLE OF CONTENTS

OVERVIEW.....	3
QUESTIONS YOU SHOULD ASK.....	4
POLICY DEVELOPMENT PROCESS.....	8
ENGAGEMENT WITH CORPORATE ISSUERS.....	9
QUALITY CONTROL AND ERROR CORRECTION	9
POLICIES, PROCEDURES, AND PRACTICES REGARDING POTENTIAL CONFLICTS OF INTEREST	10

OVERVIEW

This Institutional Shareholder Services Inc. (“ISS”) Due Diligence Package is designed to assist clients and prospective clients in fulfilling the legal and regulatory obligations they may hold as Registered Investment Advisers to conduct due diligence regarding the use of independent third-party proxy advisory firms. This document may also be used by other clients seeking to fulfill similar obligations requiring due diligence.

The ISS Due Diligence Package was originally developed in 2004 to assist investment advisers with their due diligence of ISS as a third-party proxy advisory firm. The document has since been regularly revised to incorporate new or updated information and to address areas noted by the U.S. Securities and Exchange Commission (“SEC”) in Staff Legal Bulletin 20 as well as guidance issued by the SEC on August 21, 2019.

In addition to this Due Diligence Package, other materials are available on ISS’ [website](#) including:

- Form ADV, Part 2A
- Form ADV, Part 2B
- ISS’ Code of Ethics
- ISS’ General Code of Conduct
- ISS’ Policy Regarding Disclosure of Significant Relationships
- ISS’ Policy on Potential Conflicts of Interest Related to Genstar Capital
- Business Practices and Principles
- ISS Compliance Statement for Best Practice Principles for Providers of Shareholder Voting Research & Analysis
- The “Policy Gateway” section of ISS’ website which contains ISS’ proxy voting guidelines, information on ISS’ policy formation process and information about how ISS engages with issuers and others when preparing proxy research

Questions?

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

For further questions, please contact ISS’ Help Center, available through ISS’ website, to connect with ISS on questions about research, methodologies, and many other topics.

QUESTIONS YOU SHOULD ASK

Q. What are ISS' primary businesses?

A. Founded in 1985, ISS is a global provider of corporate governance and responsible investment solutions alongside fund intelligence and services, events, and editorial content for institutional investors. ISS' solutions include objective governance research and voting recommendations; responsible investment data, analytics, and research; end-to-end proxy voting and distribution solutions; reliable global governance data and modeling tools; asset management intelligence, portfolio execution and monitoring, fund services, and media.

As of this publication, ISS has approximately 1,800 employees across 13 countries, serving over 2,200 clients worldwide. In 2018, ISS provided proxy research on over 44,000 shareholder meetings in 115 markets globally. ISS analysts have expertise, insight, and perspective on developments shaping the governance landscape underpinned by expertise in varied fields, such as law, mergers and acquisitions, compensation, and data analytics.

A complete list of ISS' product offerings can be found [here](#).

Q. What is ISS' ownership structure?

A. ISS is a privately-held company. The owner of ISS is GC Lighthouse Holdings, Inc., a holding company that is controlled by 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 ISS in a transaction that was completed on October 16, 2017.

Q. Have there been any material business changes in the past 12 months?

A. On March 5, 2019, ISS acquired Strategic Insight Holdings, Inc. (collectively with its direct and indirect subsidiaries, "Strategic Insight"), which serves the global investment management community by providing products and services related to data, business intelligence, and research. These products and services include data and market intelligence, including investment flow data, investment product characteristics, advisor and fund analysis, ratings, events, and editorial content for investment managers, asset owners and custodians. These are not investment advisory products and services and Strategic Insight is not registered as an 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' Form ADV Part 2A and 2B are available [here](#).

Q. Is ISS subject to regulatory oversight?

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

Q. Does ISS have a Code of Ethics?

A. In accordance with SEC Rule 204A-1, ISS has adopted a code of ethics (the "Code"). Upon hire and on at least an annual basis thereafter, all employees covered by the Code are required to review and

acknowledge their understanding of and adherence to the Code, which describes the standards of conduct that are required of the company's employees and affirms ISS' duty to act in the best interest of its 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 conflicts between ISS and the services it provides to institutional clients and the work of its subsidiary, ISS Corporate Solutions, Inc. ("ICS"), which provides services to the corporate issuer community; conflicts within the institutional advisory business in connection with an issuer's review of ISS' draft 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.

In addition to the Code, ISS has adopted a General Code of Conduct. All ISS employees, as well as employees of all of ISS' subsidiary companies, are bound by and are required to adhere to the General Code of Conduct.

For a copy of the Code and the General Code of Conduct, please refer to the Compliance section of our website at www.issgovernance.com.

Q. How does ISS establish its proxy voting policies?

A. Please refer to the Policy Development Process section below.

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

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

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

FactSet

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

S&P (Including XpressFeed and CapitalIQ)

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

Bloomberg

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

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

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

A. ISS has more than 30 years of experience and is a leader in corporate governance and proxy voting. The Governance Research team consists of more than 250 research analysts located in offices across Europe, North America, and Asia-Pacific. The minimum education standard for research analysts is a bachelor's degree from an accredited college or university and many also have advanced degrees in areas such as finance, business, economics, political or social sciences, and law, or professional certifications such as a CFA or CPA. The average tenure of full-time research analysts is over five years and many senior specialists and managers have ten years or more of experience at ISS or in relevant roles externally. ISS' Research team also includes analysts with extensive experience in investment management, investment banking, mergers & acquisitions, executive compensation matters, corporate actions, corporate responsibility and regulatory compliance, and with many language skills.

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

A. Please click [here](#) for a detailed explanation of ISS' peer group construction methodology.

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

A. Please refer to the "Quality Control and Error Correction" section below.

Q. How does ISS disclose potential or actual conflicts of interest to its clients?

A. Please refer to the "Policies, Procedures and Practices Regarding Potential Conflicts of Interest" section below.

Q. Does ISS assess and disclose whether there are any "significant relationships" with issuers that are the subject of proxy research reports or with a shareholder proponent of a matter?

A. Yes. Please refer to ISS' Policy Regarding Disclosure of Significant Relationships [here](#).

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

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

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

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

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

A. ISS has a number of controls in place designed to ensure the highest levels of accuracy, quality and timeliness in the voting process. A dedicated internal team, the Control and Audit team, provides an objective and independent assessment on the processes and procedures across ISS business units. The Control and Audit team partners with 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.

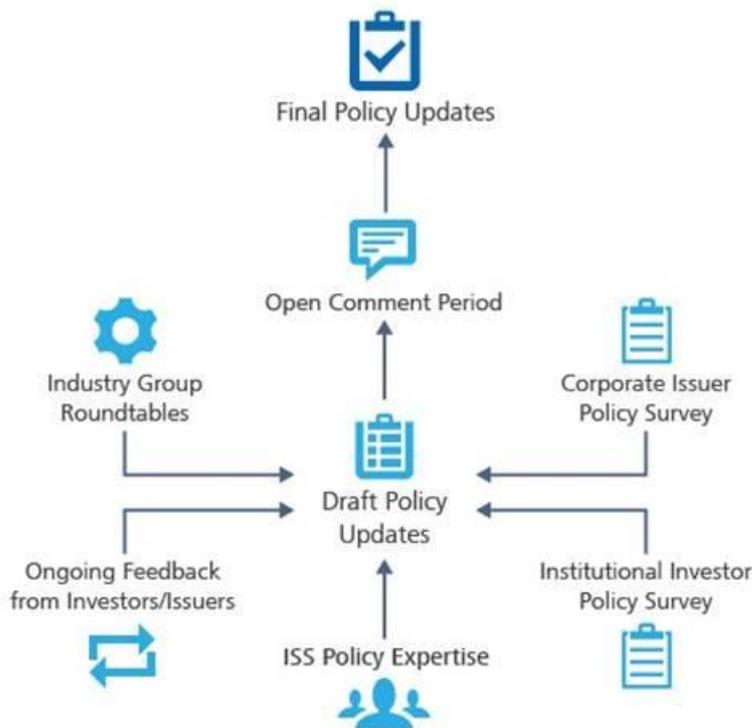
In addition to the controls put in place by the Control and Audit Team, ISS uses independent reviews conducted by Deloitte & Touché during the SSAE 18 process. ISS' most recent SSAE 18 audit report includes a comprehensive accounting of control objectives and the activities that are executed to support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

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

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

POLICY DEVELOPMENT PROCESS

ISS conducts an annual policy review process with respect to the update of its benchmark and thematic policies, designed to create voting policies that reflect investor and market views, accepted good governance practices, and helps ensure the inclusion of regulatory changes and practical implementation matters. All of ISS' benchmark and thematic proxy voting policies are reviewed annually, taking into account evolving perspectives, best practices, and related legal and market-specific developments. The annual review and development process generally starts mid-year each year and generally ends in November when policy updates for the next year's proxy season are released publicly, with transparency to clients, to companies and to the market generally.



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

principles and ISS' approach are designed to respect shareholder rights and provide appropriate transparency, taking into account relevant laws, customs, and best practice codes of markets and regions, as well as the right and responsibility of shareholders to make informed voting decisions.

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

The inclusive and thoughtful approach to policy development is designed to ensure that ISS policies are informed by a broad set of relevant inputs and expertise, combining ISS expertise with views and feedback from a diverse range of market participants through multiple channels, including:

- Ongoing dialogue with and feedback from investor clients, and other participants in the capital markets, including companies, regulatory agencies and the academic community.

- Roundtable and other similar sessions with clients and relevant industry groups.
- An annual policy survey open to all interested parties, and designed to elicit a variety of inputs from institutional investors, companies and others to test policy development ideas and obtain feedback.

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

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

ENGAGEMENT WITH CORPORATE ISSUERS

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

ISS is transparent about its issuer engagement and indicates on each research report if it engaged with the company and why. ISS research reports include, on the front page or soon thereafter, a summary of any engagement that took place as part of the analysis, which may include key information disclosed on dialogue with companies, shareholder proponents or other stakeholders including the date(s) of dialogue, the topic(s) covered, and the initiator of the dialogue, and some accompanying notes and the outcome of the dialogue. As part of the research report content, this information is made available to clients as soon as the research report and voting recommendations are released.

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

QUALITY CONTROL AND ERROR CORRECTION

ISS has many controls in place designed to assure quality, reduce the likelihood that a research report will be published with errors, and also provides a correction mechanism even after a report has been delivered to clients. These include the following:

- Reports and recommendations are driven by publicly disclosed and detailed policy guidelines to help ensure clarity, consistency and quality.
- Internal review of reports: Prior to finalization and delivery to clients, each proxy research report is subject to internal review for accuracy, quality and to ensure that the relevant voting policy has been correctly applied.

- In select markets and under certain circumstances, companies may receive an opportunity to review a draft analysis for factual accuracy prior to publication of the analysis.
- All issuers may request and receive, at no charge, a copy of the published ISS analysis in advance of its shareholder meeting.
- Alerts: In the event new material public information becomes available or if ISS determines that a report contains a material error, ISS sends an updated version of the report to its investor clients.
- Other engagement channels: Although errors in ISS research are infrequent, ISS continues to seek new ways to improve accuracy by increasing the number of channels through which issuers can engage with ISS both before and after publication of the report. These include a data verification platform which allows issuers to verify key data underlying ISS' evaluation of equity-based compensation plans, thereby providing ISS clients with greater assurance of data integrity.
- ISS maintains a [Feedback Review Board](#), which serves as an additional channel for issuers or others to communicate with ISS any unresolved concerns regarding accuracy of research, accuracy of data, policy application and general fairness of ISS policies, research, and recommendations.
- Audits: ISS conducts periodic SSAE 18 audits to help ensure compliance with ISS' internal control processes. ISS' research process is included in these audits.

POLICIES, PROCEDURES, AND PRACTICES REGARDING POTENTIAL CONFLICTS OF INTEREST

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

- Corporate issuers who are clients of ISS Corporate Solutions, Inc. ("ICS"); and
- The board of directors of our private equity owner could seek to influence the formation of ISS policies and/or action with respect to research reports.

The Code devotes special attention to identifying and managing actual or potential conflicts of interest. For a copy of the Code, please refer to the Compliance section of our website at www.issgovernance.com.

ICS

The first potential conflict for proxy research is in relation to corporate issuers who are clients of 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. The company believes 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. 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. At the same time, ISS understands the potential for conflict that arises when ICS provides corporate governance tools and services to an issuer that ISS provides research on, and therefore take measures to prevent such potential conflict from becoming an actual conflict.

ISS manages this potential conflict 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 to ISS' Governance Research analysts; disclosures to institutional clients; consistent and transparent application of policies; and a robust training and compliance program. Each of these elements is described below.

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

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 "significant relationships" through the ProxyExchange platform or by sending an email to disclosure@issgovernance.com. This disclosure indicates an issuer's use of any ICS products and services and the amount of compensation received by ICS from the issuer if so. 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. ISS believes that these disclosures are an effective and transparent way of disclosing relevant information to institutional investor clients without compromising the effectiveness of the ISS firewall.

Voting policies. The potential ability to influence the judgment of ISS analysts when producing research or recommendations is mitigated by ISS' adherence to published proxy voting policy guidelines. 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 clients. If a client has developed a custom voting policy, that custom policy would be applied with equal stringency. By applying voting policies consistently across proxy proposals and by issuing vote recommendations strictly according to policy potential conflicts of interest are managed and mitigated.

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,

review of certain disclosures, and monitoring of electronic communication. There is a whistleblower hotline available to both ICS and ISS staff for reporting potential issues of concern.

Another element of the conflict mitigation procedures is the “blackout period”, pursuant to which ICS staff may only have very limited interactions with issuers or their representatives when a “live” voting issue is pending for review by ISS. The “blackout period” runs from the time ISS logs receipt of the subject proxy into the Governance Research database of meetings 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. 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).

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 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 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 [here](#).

All statistics referenced in this document are updated on an annual basis and, unless otherwise noted, relate to the year ending December 31, 2018.

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