
ISS Compliance Statement to UK Stewardship Code September 2016

Institutional Shareholder Services (“ISS”) is pleased to submit the following updated Compliance Statement to the UK Stewardship Code. This update supplements and replaces the Compliance Statement which ISS issued in April 2015.

As the leading provider of corporate governance research, voting recommendations and proxy voting services to the UK and international investor communities, ISS places primary importance on conducting its business in a transparent, responsible and constructive manner, as we assist our clients in meeting their stewardship responsibilities.

As noted by the Financial Reporting Council, institutional investors may choose to outsource to external service providers some of the activities associated with stewardship. However, they cannot delegate their responsibility for stewardship. ISS’ services are designed to assist institutional investors in making informed voting decisions and actioning those effectively. We note that the ultimate voting decision remains the responsibility of, and is under the control of, the investor.

Many of the Principles of the Code do not have direct application to ISS but ISS, through the services we provide, can assist our clients with their own compliance with the Code. In that regard, this Compliance Statement focuses on the ISS services that can be used to support the stewardship activities of our institutional investor clients with respect to each Principle of the Code that is relevant to our services.

Additional information regarding the way ISS conducts its own business can be found in our Compliance Statement to the Best Practice Principles (BPP) for the Providers of Shareholder Voting Research & Analysis¹. We note that the BPP Group launched an ongoing comments and feedback mechanism through its website², where a section is available to facilitate the real-time delivery of feedback directly to all members of the BPP Group.

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

¹ ISS’ Compliance Statement was published on 10 June 2014 and is available on ESMA’s website (see: <http://www.esma.europa.eu/page/Signatories-Best-Practice-Principles-Shareholder-Voting-Research-and-Analysis>) and on ISS’ website (see: <http://www.issgovernance.com/compliance/due-diligence-materials/>).

² See: http://bppgrp.info/?page_id=385.

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Principle 1 does not have direct application to ISS as a service provider. Our services may, however, assist institutional investors in the discharge of their stewardship responsibilities.

As a provider of governance research, voting recommendations and proxy voting services with 30 years of experience, ISS assists its institutional investor clients in helping them take more informed voting decisions, in managing the complex process of voting their shares (proxy voting) and in tracking and reporting their voting activities as they may require.

Through its services, ISS helps institutional investors better understand their investee companies' corporate governance policies and practices allowing them to make more informed voting decisions. Annually, ISS covers approximately 40,000 shareholder meetings in over 100 developed and emerging markets worldwide. ISS also provides research and other market information on corporate governance practices and trends, portfolio screening and corporate governance assessment tools and other services, all of which may assist clients in their wider stewardship activities and responsibilities.

As part of its services providing governance research and voting recommendations, ISS provides and implements a variety of voting policy options reflecting the differing views and needs of different institutional investors:

Client specific custom policies

Many institutional investors apply their own set of corporate governance guidelines in implementing their voting policy. In many instances, ISS prepares voting recommendations based on a client's own voting policies and approaches, and may also assist clients in developing such custom voting policies. Institutional investors may choose to evaluate governance and other issues from various perspectives, including sustainability, socially-responsible investing, public funds, labor unions or mission and faith-based investing.

ISS currently manages and applies over 400 custom policies for clients. These customized voting policies reflect clients' unique corporate governance philosophies. As a result, the vote recommendations provided under these policies may well differ from those resulting from the application of one of ISS' benchmark policies (see below). Over 75% of our largest 200 clients subscribe to at least one custom research policy from ISS.

ISS' benchmark policies

ISS also provides research and voting recommendations based on its benchmark policies. These policies are based on generally accepted principles of good corporate governance, taking 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, issuers, and other market constituents through policy surveys, interviews, and an open comment period³.

Specific policies are developed for each jurisdiction, either via a standalone national policy, or a regional policy with national approaches or exceptions on particular issues where local practices vary. ISS' benchmark policies are transparent and are publicly available⁴. In the UK, ISS uses the PLSA Corporate Governance Policy and Voting Guidelines as the key reference point for ISS' UK and Ireland benchmark policy, and additionally, where market practice has developed, notably around remuneration, we also refer to other good practice standards relevant to the UK market. Regardless of which policy (or policies) a client chooses to use, ISS provides information, analysis and voting recommendations, not voting decisions. 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 benchmark research reports use our research as an input into their own deliberations and they may ultimately decide to vote differently from the ISS vote recommendation, in line with their own investment and governance views and/or company engagement activities in any particular situation.

ISS clients use our research and voting recommendations in a variety of ways. 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 on which they choose to focus their time and efforts. A number of our clients also use the services of two or more proxy advisory firms.

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

ISS considers two aspects with regard to this principle.

For Clients:

Firstly, our services may assist institutional investors in managing their own conflicts of interest. At the simplest level, where a potential conflict of interest exists with respect to an investor's voting activities regarding an investee company, clients may choose to use ISS research and voting

³ See <http://www.issgovernance.com/policy>

⁴ See <http://www.issgovernance.com/policy-gateway/2015-policy-information/>

recommendations as an independent source of information in accordance with their own policy on managing conflicts of interest.

ISS also offers a Fiduciary Voting Service as another tool that can assist institutional clients in managing their own potential conflicts of interest. This service allows institutional investors to manage potential conflicts with a set of flexible, automated tools for:

- Identifying securities where a potential conflict of interest may appear;
- Specifying the accounts where the client has determined that the appearance of conflict is important; and
- Defining a workflow for handling the ballots identified as “sensitive”; for example, do-not-vote, refer to a third party, or apply a different proxy voting policy.

For ISS:

Secondly, as a service provider to institutional investors, ISS understands and takes seriously the potential for real or perceived conflicts of interest which might impact the integrity of the research and services we provide to our clients. Proxy advisors are, like many other businesses, subject to potential conflicts of interest. We do not believe that proxy advisors are either more or less inherently subject to potential conflicts of interest than are many other companies or investors. Like all organizations, such potential conflicts of interest need to be effectively managed and mitigated by appropriate measures.

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

- Corporate issuers who are clients of ISS, or our subsidiary, ISS Corporate Solutions, Inc. (“ICS”), could seek to influence the proxy voting advice given to institutional clients; and
- The board of directors of our parent company could seek to influence the formation of ISS policies and/or action with respect to particular research reports.

ISS Corporate Solutions

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 on whom ISS will ultimately provide research coverage, and we therefore take a number of measures to prevent such potential conflicts from becoming actual conflicts.

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 servers and access rights, etc.) between ICS and the rest of the ISS organization, with a particular focus on the separation of ICS from the ISS 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.

Disclosure. In addition to the extensive information available in ISS' 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 by sending an email to disclosure@issgovernance.com. Institutional clients can also obtain the list through the ProxyExchange™ platform. The list notes each issuer's use of ICS products and services, the length of the contract, 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 stated policies. 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 a Code of Ethics, even if they work for a subsidiary that does not conduct investment advisory business. On 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. In this regard, the Code addresses the potential conflicts between the company’s proxy advisory services 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 analysis, and conflicts generally. In each case, the goal of the Code is to prevent conflicts wherever possible, and more generally to manage and disclose potential or actual conflicts.

Vestar / ISS Directors

With regard to the second potential source of conflict, ISS has adopted a Policy on Mitigation of Potential Conflicts of Interest Related to Vestar Capital Partners and its affiliated funds (the “Vestar Policy”). Among other things, the Vestar Policy provides that Vestar persons (defined as Vestar 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, Vestar is 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 such a company (i.e., a “Vestar Affiliated Company”). ISS therefore provides disclosure of these relationships on its website, and also includes information about any such relationship in the research report for an issuer that is a Vestar 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 Vestar and the ISS Board of Directors are available on ISS’ website.

- Full due diligence materials are available on ISS' website, including: Regulatory Code of Ethics⁵
- Business Practices and Principles⁶.

Principle 3

Institutional investors should monitor their investee companies.

Principle 3 does not have direct application to ISS as a service provider. Our services may, however, assist institutional investors in monitoring their investee companies.

ISS' research services are designed to assist institutional investors in monitoring their investee companies and in taking timely and fully informed voting decisions at all general and extraordinary meetings held at these companies.

Below is a summary of some of the key ways in which our services can be of assistance:

- First, ISS closely follows key reforms in company law and corporate governance in over 100 developed and emerging markets worldwide. It keeps its clients up-to-date with corporate governance developments, offering specialist insight.
- Second, it is not always easy for global investors to have a complete understanding of all local market practices across what may be highly diversified global investment portfolios. While ISS' research is based on widely accepted standards in international corporate governance, we make sure local market practices are highlighted and taken into account, and our clients therefore receive informed analysis and recommendations taking into account local as well as global good practice principles.
- Third, many investors do not have the necessary resources to follow and closely analyse all shareholder meeting announcements or to have access to all materials on shareholder meetings, often published in local languages. To service these needs of our clients, we have a dedicated team of global procurement professionals and governance analysts with experience in the process of acquiring, processing and analyzing meeting information in over 100 developed and emerging markets worldwide. Each year we cover approximately 40,000 meetings globally for our clients, providing them with both factual and analytical information relevant to their investee companies.

⁵ See <https://www.issgovernance.com/compliance/business-practices-principles/>

⁶ See <https://www.issgovernance.com/compliance/due-diligence-materials/>

ISS' commitment to dialogue

ISS is committed to dialogue with issuers, shareholder proponents and other stakeholders to gain the greatest possible insight for our 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 undertake engagement activities designed to influence companies' corporate governance arrangements (other than through improved understanding of good corporate governance practices). As a result, we are not in a position to monitor the "effectiveness" of our approach in the sense that we are not trying to achieve the same results as traditional engagement activities. We do, however, provide our institutional investor clients with full transparency regarding these interactions with corporations (see below).

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' dialogue will focus, among other things, on questions related to the disclosure of complete and accurate information which is a key driver in the application of our voting policies.

ISS' "engagement" policy

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 these activities. We make our approach to such engagement public⁷. Our goal is to facilitate productive and informative dialogue, and to help all stakeholders understand what they can expect from engaging with us.

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 better inform our research analyses and voting recommendations.

As an example, in the course of 2016, we entered into a meaningful dialogue with over 400 companies in the UK market, among which were over 250 companies from the FTSE-AllShare index.

⁷ See: <http://www.issgovernance.com/contact/faqs-engagement-on-proxy-research/>

Communication during the voting period

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

Publicly available information

ISS' research and recommendations are based exclusively on public information, so any 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, even 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 reports.

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 above);
- ISS undertakes and is subject to periodic SSAE-16 audits. ISS' research and recommendations are also based on public information and on our publicly disclosed ISS policy guidelines which are available and transparent to all parties;
- Issuers who are ICS clients may not disclose to an ISS analyst 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, nor will ISS "negotiate" regarding a recommendation. ISS' research and recommendations are driven by our voting guidelines, as applied to the fact pattern presented by each company at the time we analyze their voting proposals. 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

An issuer may always 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 our research reports prior to publication, but draft reports are provided in certain markets as a courtesy and at the sole discretion of ISS, in order to allow an issuer to check the factual information prior to publication. For example, during 2016 we engaged with virtually all FTSE 350 companies, either by direct dialogue or by sharing a draft report to give the subject company an opportunity for fact-checking the draft report, and also with many other FTSE AllShare index companies.

Transparency of engagement towards institutional clients

ISS considers its dialogue with issuers, shareholder proponents and other stakeholders to be part of the core service we provide to our clients. ISS' research reports include, on the front page, a summary of any engagement that took place as part of the preparation of the report. Key information disclosed regarding 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.

ISS Engagement Supporting Services

As noted above, ISS does not offer traditional “engagement services”. This means we do not enter into engagement with companies on behalf of a specific client or set of clients.

However, ISS does offer a number of Engagement Supporting Services, to assist our clients carrying out their own engagement programmes effectively. Such services include:

- **Policy development:** ISS can assist clients in developing the framework of an engagement policy, including criteria for and methods of engagement.
- **Screening and analysis:** ISS' Governance QuickScore is a quantitatively-driven scoring solution designed to identify governance risk within companies. Governance QuickScore can help institutional investors benchmark and target portfolio companies with poor governance practices, identify governance risk within portfolio companies and understand governance issues, thereby paving the way for their own engagement campaign and engagement meetings with investee companies⁸.
- **Reporting engagement activity:** ISS' voting platform (“ProxyExchange”) can be used by clients to record and track their engagement activity and to help produce summary engagement reports (including engagement statistics, trends and cases highlights).

⁸ For additional information on the methodology, screening process, factor criteria and data verification of QuickScore, please visit : <http://www.issgovernance.com/quickscore>.

- **Pooled engagement supporting service:** ISS-Ethix, another ISS subsidiary, facilitates the exercise of active ownership by investors by organizing direct pooled dialogue between companies and a group of investors on environmental, social and governance (ESG) issues. The service supports investors in incorporating ESG principles into ownership policies and practices, in seeking disclosure on ESG issues from companies in which they invest, and in reporting on activities and progress⁹.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Principle 4 does not have direct application to ISS as a service provider.

ISS services can, however, be used by institutional investors to help identify issues and instances that will require escalation of their stewardship activities.

- **Research flags:** our research reports “flag” controversial or particularly complex items identified in order to direct the attention of our clients to issues which they may wish to further scrutinise and/or escalate.
- **Alert systems in ProxyExchange:** clients can configure ISS’ ProxyExchange platform to create watch lists to help them better monitor corporate governance arrangements at investee companies, thereby facilitating and helping them prioritize their own internal workflows, including engagement activities. For example, watch lists can be generated based on issuer, country, account and/or type of resolutions.
- **Governance QuickScore:** as mentioned in our answer to Principle 3, clients can use ISS Governance QuickScore to help in them identifying governance issues and risks at investee companies outside of the voting process and in prioritizing engagement targets and activities accordingly.

⁹ For a full description of the service, please visit: <https://www.issgovernance.com/esg/support-engagement-communication/>

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

Principle 5 does not have direct application to ISS as a service provider.

ISS does, however, provide an online platform, Governance Exchange, which is designed to bring together the key governance constituencies of investors, non-executive directors and executives alongside academics, legal and other professional experts as a resource for the education, debate and exchange of views that helps drive greater understanding and effective collaboration in the continuing evolution of best practices in corporate governance¹⁰.

Additionally, ISS contributes to the collective enhancement of the corporate governance and voting framework in which institutional investors operate, including by providing regular contributions to public consultations and participating in industry working groups where relevant.

- **Public consultations on corporate governance:** ISS frequently provides meaningful submissions to public consultations at international and national levels on a variety of governance and voting issues. For example, in the last 3 years, ISS submitted at least 13 contributions to public consultations in Europe alone.
- **Governance and proxy voting industry working groups:** ISS governance and voting experts serve on a number of industry working groups aiming at improving the governance and voting framework in which institutional clients operate. These include the industry Best Practice Committee which released Best Practice Principles for the Providers of Shareholder Voting Research¹¹, ICGN's working group on Corporate Governance Risk Oversight and the Proxy Voting sub-group of the Corporate Actions SMPG (SWIFT Market Practice Group) which discusses amongst other things, the ISO 20022 format messaging and processing standards.
- Finally, ISS-Ethix provides a **Pooled Engagement Supporting service**. The service aims at facilitating the exercise of active ownership by investors by organizing direct pooled dialogue between companies and a group of investors on environmental, social and governance (ESG) issues. The service supports investors in incorporating ESG principles into ownership policies and practices, in seeking disclosure on ESG issues from companies in which they invest, and in reporting on activities and progress¹².

¹⁰ Additional information on ISS' Knowledge Center and Governance Exchange platform can be found at: http://www.issgovernance.com/governance_exchange.

¹¹ For more information, please visit: http://bppgrp.info/?page_id=208

¹² For a full description of the service, please visit: <https://www.issgovernance.com/esg/support-engagement-communication/>

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

Principle 6 does not have direct application to ISS as a service provider. Again, our services can, assist institutional investors in carrying out their policies on voting and disclosure of voting activities.

The UK Stewardship Code highlights that institutional investors should seek to vote all shares held and should not automatically support all resolutions presented by companies.

ISS helps its clients to vote all shares held

ISS enables its clients to meet this principle of the Code in practice through a proprietary platform, Proxy Exchange. Proxy Exchange is unique in that, via a single integrated platform, an institutional shareholder can vote all their shares, across all markets. The same platform also provides subscribing clients with ISS research to aid their voting decisions. Annually, ISS covers approximately 40,000 shareholder meetings in over 100 developed and emerging markets worldwide. In addition, ISS' Proxy Exchange platform also hosts research from other third party research providers, thereby offering a single research gateway for proxy voting decision-making and vote execution.

ISS helps its clients to make informed decisions on resolutions presented by companies

ISS research services are designed to assist institutional investors monitor their investee companies and in making timely and fully informed voting decisions at all general and extraordinary meetings held at these companies.

ISS does not make voting decisions for clients

ISS does not make voting decisions on behalf of our clients, but, rather, we provide voting *recommendations*. Voting *decisions* remain the responsibility of our clients. As such, the recommendations resulting from any one of our benchmark proxy voting policies are not analogous to the votes themselves and public disclosure of those recommendations by ISS would not serve the expressed purpose of Principle 6, nor would the recommendations necessarily be representative of the votes ultimately cast by our clients.

ISS helps its clients disclose the use made of proxy voting services

The Code also provides that institutional investors should disclose the use made, if any, of proxy voting or other voting advisory services.

ISS works with its clients to assist them in this disclosure requirement as Signatories to the Code. Our assistance would typically include providing a detailed explanation of the type and scope of the services provided and the voting policies applied, along with providing detailed information to our clients about ISS' business, policies and procedures as part of our clients' diligence reviews of ISS as a service provider.

Voting Disclosure Service for institutional investors

The Code further states that institutional investors should publicly disclose their voting records.

ISS provides a Voting Disclosure Service 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 portfolio¹³.

Company Meeting Results Service

In addition, ISS leverages its global operations infrastructure and local market research expertise to collect company meeting results where available for every company in its research universe (approximately 40,000 shareholder meetings)¹⁴. This can assist clients in understanding the outcomes of shareholder votes at companies and the potential impacts of their voting activity on those outcomes.

Approach to stock lending

Finally, Principle 6 provides that institutional investors should disclose their approach to stock lending and recalling lent stock. This aspect of the Principle does not have direct application to ISS as a service provider.

To assist institutional investors in managing the practicalities of recalling lent stock, ISS' Global Share Recall service offers flexible securities-lending tools warning clients of upcoming shareholder meetings, data points and filters to enhance clients' decision-making, thereby helping them to reconcile demands of stock lending and voting requirements¹⁵.

¹³ See : http://www.issgovernance.com/proxy/vote_disclosure.

¹⁴ See : <http://www.issgovernance.com/meetingresults>.

¹⁵ See : http://www.issgovernance.com/global_share_recall.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

Principle 7 does not have direct application to ISS as a service provider. Our services can, however, assist institutional investors in reporting on their stewardship and voting activities.

Client Reporting on voting

ISS' ProxyExchange platform offers flexible reporting capabilities of all available information in the system. Clients can choose from a variety of template or custom reports to meet their particular needs.

Client Reporting on Engagement

ISS' ProxyExchange platform can also be used by clients to record and track their engagement activity and to help produce summary engagement reports (including engagement statistics, trends and cases highlights).

ISS provides an independent opinion on its internal control processes

The Code foresees that asset managers that sign up to the Code should obtain an independent opinion on their engagement and voting processes.

Clients' independent opinion on their engagement and voting processes can be supported by the independent opinion received by ISS on its own internal control processes.

Indeed, we conduct regular Statement on Standards for Attestation Engagements No. 16 (ISSAE 16) audits to test compliance with our internal control processes. Such results can be provided to clients upon request.

We trust that the above updated statement complies with the letter and spirit of the Code. We remain at your disposal if the Financial Reporting Council or other market participants would like to discuss anything in further detail.

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