



ISS ESG



ISS ESG RESEARCH



FREQUENTLY ASKED QUESTIONS: A Guide for Corporate Issuers

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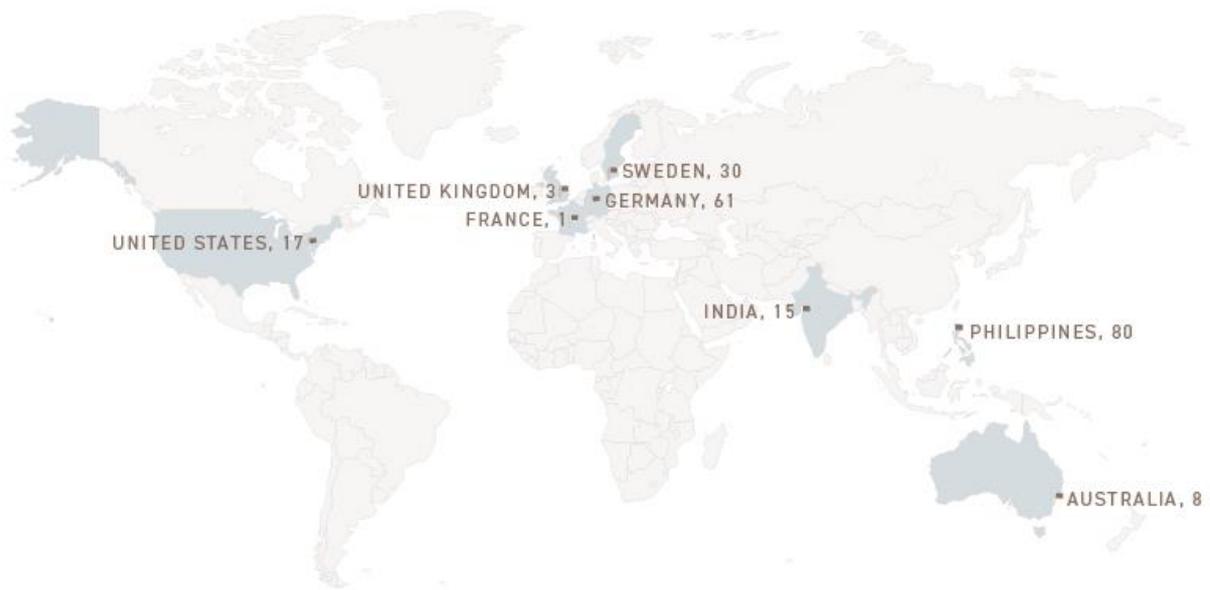
ESG RESEARCH, AN INTRODUCTION



EMPOWERING INVESTORS WITH ACTIONABLE INTELLIGENCE TO GUIDE FINANCIAL FLOWS TOWARDS SUSTAINABLE GROWTH AND LONG-TERM VALUE CREATION

Who We Are: ESGF – Environmental, Social, Governance, and Financial Materiality

ISS ESG is the responsible investment arm of Institutional Shareholder Services Inc. (“ISS”), providing investors with multifaceted and integrated ESG solutions. ISS ESG Investor Research operates in nine global locations with 280+ ESG sector and topic analysts and specialists. With over 25 years of sustainability expertise, our ESG researchers deliver world-class investor research at both the sector and thematic levels. ISS ESG works with global institutional investor clients to deliver gold standard ESG investor research and in doing so, also works to understand investors’ unique investment and business objectives to deliver relevant insights and data solutions required to implement and execute their investment and stewardship programs



Collectively, our team speaks 30 languages, and holds in-depth expertise across the full range of sustainability topics and all aspects of sustainable investing.

Figure 1: ISS ESG Research Organization



Please visit our website at <https://www.iss-esg.com> for information about the breadth of our expertise.

ESG Solutions by Offering

ISS ESG offers a comprehensive suite of data and solutions for institutional investors. An overview of standard solutions is provided below. Data and analysis can also be used by clients in their customized models.

ISS ESG solutions include:

- **Ratings and Rankings**, including ESG Corporate and Country Ratings, Custom Ratings, Governance and Environmental & Social Disclosure QualityScore Ratings, and ESG Fund Rating
- **Climate Solutions**, including data, analytics and advisory, such as Carbon Risk Rating, Climate Impact Report, Climate Awareness Scorecard, Carbon Footprint Data, and Scenario and Physical Risk Analyses
- **Impact and SDG Solutions**, including ESG Impact Assessment, SDG Solutions Assessment, and SDG Impact Rating
- **Screening and Controversies**, including Norm-Based Research and screening on Controversial Weapons, Sector-Based Issues, Energy & Extractives and Global Sanctions
- **ESG Index Solutions**, including turnkey and custom options

Additionally, ESG data and research can help inform voting recommendations under the ISS Governance Research & Proxy Voting suite, most importantly Specialty Policy Guidelines, and Custom Policy Services.

Please visit our website at <https://www.iss-esg.com> for more information about our suite of ESG solutions.

Markets and Coverage

ISS ESG data and research covers corporate issuers globally, across market capitalization classes. The research universe is generally aligned with widely used equity and fixed income indices. A current overview of the active research universe for select solutions is provided in table 1 below.

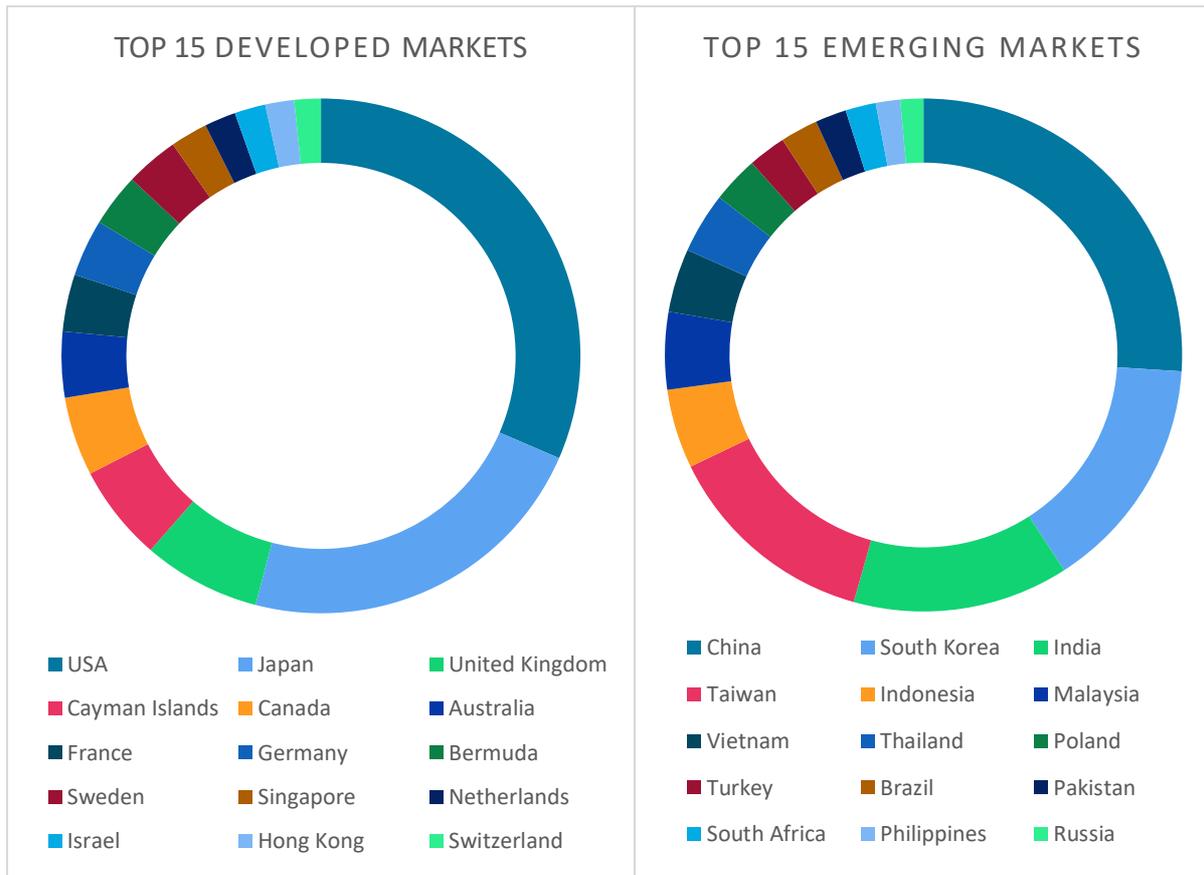
Table 1: Coverage for select solution

	ESG CORPORATE RATING & SDG IMPACT RATING	CARBON AND CLIMATE DATA	NORM-BASED RESEARCH	SCREENING
Public Companies	6,700	25,000	16,000	8,000-~17,000*
All Issuers	9,700	29,000	~24,000	~10,000-25,000*
Developed Markets	84%	65%	74%	73%
Emerging/Frontier Markets	16%	35%	26%	27%

**Coverage varies by screening criterion.
 Date: September 1, 2020.*

ISS ESG maintains global, coverage for listed and unlisted companies involved in weapon categories subject to national financing restrictions in certain countries (i.e. anti-personnel mines, cluster munitions, depleted uranium ammunition/armor).

Figure 2: Top 15 Developed and Emerging Markets under ISS ESG’s Carbon and Climate Data Set



Date: September 1, 2020.

When will my company be assessed?

Generally, a company will be included in the ISS ESG research universe and covered under our Rating, Scoring and Screening solutions for institutional clients

- Within three months upon inclusion in an already covered index
- Upon the request of an institutional investor client
- If relevant in the context of new ESG product or solution or as otherwise determined by the ISS ESG team

When will my assessment and reports be refreshed?

ISS ESG applies a staged refresh procedure to ensure that its data, assessments, scores and ratings are up to date. Scheduled annual updates are complemented by ad hoc updates triggered by significant events, including but not limited to, corporate actions (e.g. mergers, major spin-offs, acquisitions) and new or evolving ESG controversies.

ISS ESG research analysts will generally reach out to a covered company on the occasion of major updates and adjustments in assessments and rating reports to allow for verification of newly collected data and provision of additional information.

If your company is covered under ISS ESG research, you may reach out to the analyst team via the ESG Helpdesk (ESGHelpdesk@iss-esg.com) at any point in time to ask about the next scheduled refresh date or time window, or provide new information.

Our Clients

ISS ESG has more than 1,000 clients worldwide, comprised of academics, asset owners, institutional asset managers, wealth managers, investment consultants and advisors, index managers, and alternative investment advisors. Our investment management clients can range in size from ~\$10 million in AUM, to clients who rank among the largest in the world.

HOW INVESTORS USE OUR RESEARCH AND DATA

ESG Integration

ESG Integration-investors typically integrate ESG data in one of two ways: as an (1) input into or (2) driver of, an investment decision. Those using it as an input may consider a company's ESG performance in making an investment decision, but will not base their decision on that factor. These investors will mainly, but not exclusively, use ESG research for risk management purposes. Their primary focus is on maximizing financial returns.

Investors using ESG performance as a driver of investment decisions are typically running thematic funds centered on sustainability-related risks and opportunities. These funds may select securities based on a holistic view of ESG, or be focused on specific themes (e.g. gender diversity, environmental performance). Their primary emphasis is on maximizing financial returns while adhering to a fund's given theme.

Depending on the approach of the investor, and their internal capabilities, investors will either use third-party research and ratings (such as those offered by ISS ESG), or they will purchase specific data points (which ISS ESG also offers) and create their own proprietary ratings, scores and/or analyses.

Values Based Investing

Values-based investors often take an exclusionary approach to portfolio construction. They may use ESG data to identify companies involved in certain activities that run counter to client-specific principles (e.g., certain faith-based investors excluding companies with gambling revenue from

holdings). Values-based investors balance financial returns with adherence to the values alignment of a portfolio.

Impact Investing

Impact investors put equal- if not higher- emphasis on holdings’ impact on environmental and social issues versus returns. They focus heavily on measuring impact and assessing intentionality. Within the ISS ESG data set, for example, impact investors might focus on data that assesses companies’ activities relative to alignment with the United Nations Sustainable Development Goals. Because of the nature of impact investing, these clients also often seek opportunities in private assets and markets.

REPORT CONSTRUCTION, HOW TO NAVIGATE

Data Collection Process

ISS ESG data and analysis is based on corporate disclosure and alternative, non-material data sources. A simplified illustration of core data collection and research processes is provided in Fig. 3 below. Systematic and rigorous quality assurance measures throughout data collection, generally coupled with the submission of data and ESG draft reports to companies for verification and confirmation of facts, are part of assuring the high quality of our research.

Figure 3: Data collection and research processes



Publicly Available Disclosure

ISS ESG data and analysis is based on corporate disclosure and alternative, non-material data sources. Public corporate disclosure accounts for a significant share of processed ESG data. The following corporate disclosures are systematically reviewed by ISS ESG:

- Online reporting and corporate filings (Annual reports, Sustainability reports, Integrated reports)
- Company policies
- Company ESG disclosures to national authorities (e.g. modern slavery statement required under Section 54 of the United Kingdom Modern Slavery Act 2015; human rights due diligence plan)

required under French Duty of Vigilance Law) or recognized initiatives (e.g. environmental disclosures to the CDP and the Science Based Targets initiative).

In addition to corporate disclosures, ISS ESG collects information from a range of alternative ESG data sources (see below).

How we Handle Non-public Disclosure

ISS ESG does not accept any material non-public information (meaning, generally, information that a reasonable investor would consider important in making an investment decision or information that is likely to have a substantial effect on the price of your company's securities).

However, ISS ESG accepts supplementary non-public official company documents if the information is considered non-material. It is our strong preference that all information you provide to ISS ESG be made publicly available to foster transparency and guarantee accountability to all shareholders and other stakeholders.

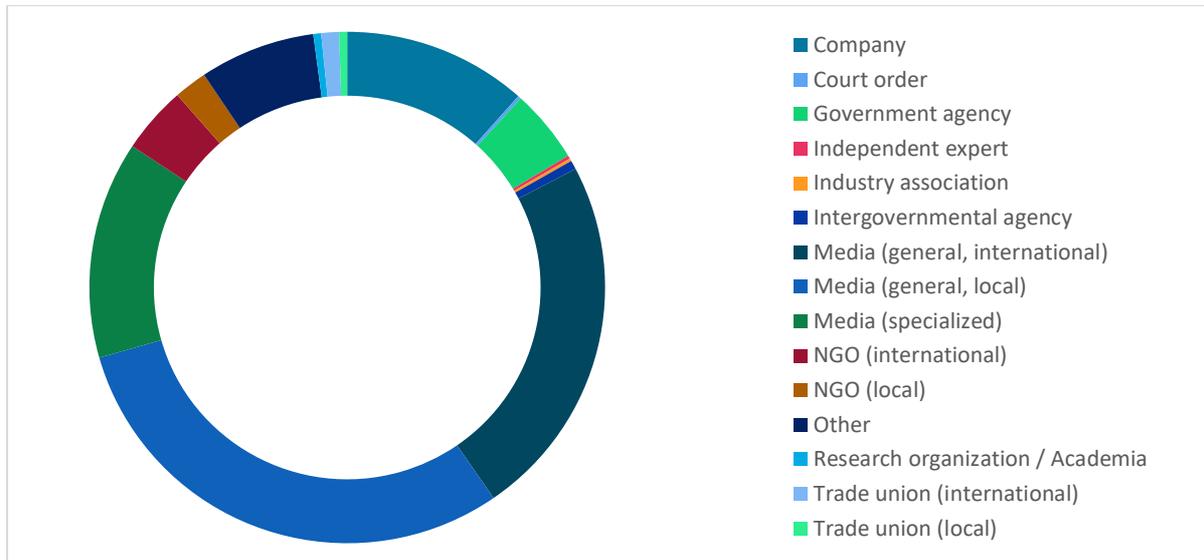
While ISS ESG's approach is not to distribute to third parties any non-public supplementary information provided by your company, ISS ESG may reference such information in its reports and other offerings. But, for clarity, ISS ESG does not offer, and no company should expect, obligations of confidentiality with respect to any such non-public information.

Alternative Data

ISS ESG carries out data mining, through the use of frontier technology (AI/Machine Learning), for ESG controversies from a wide range of alternative sources, including the following: media sources (international, local), social media, NGOs, government agencies, inter-governmental agencies. Data from these sources triggers and feeds into in-depth analysis under ISS ESG's Norm-Based Research which in turn feeds into ISS ESG's Corporate Rating.

Alternative data provides counterbalance to corporate disclosure, enabling an additional extra-financial overlay for corporate analysis. Stakeholder-driven alternative data is widely considered an important early warning signal.

Figure 4: Alternative and company source in controversy research



Additionally, ISS ESG explores alternative data source for the assessment of physical climate risk.

DUAL VERIFICATION PROCESS: ACCESSING AND VALIDATING YOUR ESG REPORTS

Data Verification Process

Verification by companies is a central step in our data collection process. ISS ESG provides access to key ESG research reports in the Governance Analytics platform of ISS’ wholly-owned subsidiary ISS Corporate Solutions, Inc. (“ICS”)¹.

Separately, ISS ESG Research submits full draft reports for the ESG Corporate Rating, Norm-Based Research, and Controversial Weapons Research for issuer review.

If you need an account to log into the Governance Analytics platform, please email contactus@isscorporatesolutions.com.

Engagement

ISS ESG takes a measured approach to dialogue with companies and key stakeholders, recognizing the importance of first-hand information and insights, while being cognizant of the need to minimize response burden. During the research phase ISS ESG engages in a targeted dialogue with companies as and if necessary to seek confirmation that the information obtained from public sources is complete, accurate and up-to-date. This ensures transparency, and, critically, confirms the validity and relevance of research findings for investment decisions.

Separately, ISS ESG facilitates investor dialogue with companies under a Pooled Engagement solution, through which like-minded investors seek to improve companies’ responsiveness to ESG

¹ ICS is a wholly-owned subsidiary of ISS. Please see below the section entitled “Firewall and our ICS Practice” for important information about ICS and the distinction between ICS and ISS ESG.

controversies. The effectiveness of active ownership under Pooled Engagement is measured in terms of progress towards clearly defined objectives, aligned with recognized ESG standards and established normative frameworks for responsible business conduct. These include the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

How do we stack up? Benchmark Analysis

ISS ESG Rating and Ranking Reports transparently provide useful benchmark assessments with regard to the decile rank within a sector or peer group as well as the top three performers within a sector, absolute score distributions in an industry or peer group and key issue performance compared to the sector average.

Research History

The ESG Corporate Rating report includes graphical information on the individual issuers' rating history as compared to the peer group's average rating. For Norm-Based Research and Controversial Weapons Research, a timeline of case-specific signals and scores is included in the report.

Speaking to our Dedicated ESG Analysts

Transparency about research processes, data and information sources, applied external frameworks and proprietary models is key to our commitment to delivering robust, timely and exhaustive ESG data and research. As mentioned above, our dedicated ESG analysts often carry out extensive dialogue with companies throughout the in-depth research process.

Questions and feedback can also be submitted through our ESG Helpdesk (ESGHelpdesk@iss-esg.com).

GLOBALLY ACCEPTED DISCLOSURE FRAMEWORKS

How ISS ESG Aligns with GRI, SASB, TCFD, and SDGs

A wealth of ESG frameworks have been developed through comprehensive multi-stakeholder consultations over the past two decades. These frameworks reflect widely shared expectations and serve as an indication of the direction and scope of prospective regulatory measures. They therefore provide valuable guidance for sustainability reporting that ensures comparability and is decision-useful for institutional investors.

ISS ESG data and research is comprehensively and systematically mapped to recognized disclosure and performance standards. It is used by institutional investors to align investment and stewardship decisions with established frameworks and report against such frameworks. Of particular note in this context are the complementary materiality approaches developed by Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI), and the recommendations for financial risk disclosures by the Task Force on Climate-related Financial Disclosures (TCFD).

ISS ESG has developed a specific suite of solutions based on business-relevant targets under the United Nations Sustainable Development Goals (SDGs), the most widely recognized and

comprehensive framework for assessing the real-world impact of business activities, or environmental and social materiality.

PROMOTION OF YOUR ISS ESG PRIME RATING

Our Process

We often receive requests from companies seeking permission to publicly disclose their ISS ESG scores and/or ratings. ISS permits companies to disclose their overall ratings and/or scores as long as such disclosure complies with our terms of use.

Additionally, if you are a corporate issuer with a rating of “1” on any of the ISS QualityScore pillars (Environmental, Social and Governance), and/or a corporate issuer classified as “Prime” according to the ISS ESG Corporate Rating methodology, you can request badges to highlight your company’s achievement on your website or via social media.

You can find the terms of use and a contact form to request a QualityScore or the Prime Badge [here](#).

IMPROVING RATING AND ASSESSMENT SCORES

Firewall and our ICS Practice

ICS, ISS’ wholly-owned subsidiary which is separate from ISS’ institutional business, serves the corporate issuer community by providing products and services that enable issuers to identify, evaluate and implement corporate governance best practices. ICS provides a variety of solutions, including web-based governance analytics tools and advisory services that can assist corporate issuers with executive and director compensation modeling, capital structure planning, and visibility into how their governance and E&S practices compare with peers. In response to the growing complexity, visibility, and significance of proxy voting, governance and E&S 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. ISS will not give preferential treatment to, and is under no obligation to support, any proxy proposal of a corporate issuer (whether or not that corporate issuer has purchased products or services from ICS). Similarly, ISS ESG’s research and analytics team will not provide preferential treatment to, and is under no obligation to provide a favorable rating, assessment and/or any other favorable result to any corporate issuer (whether or not that corporate issuer has purchased products or services from ICS). No statement from an employee of ICS should be construed as a guarantee that ISS will (a) recommend that its clients vote in favor of any particular proxy proposal nor (b) provide a favorable rating or other assessment of any corporate issuer.

The work of ICS for corporations is distinct from the work ISS does for institutional investors and that distinction is embodied in a “firewall” that is implemented to mitigate potential conflicts of interest between these distinct businesses.

For more information, please see ISS’s [Due Diligence Materials](#).

Market Education and Training

ISS ESG provides its employees with various forms of market education and training to help ensure that our research and analyses are cutting-edge and in line with market requirements and investor expectations. Among other initiative, this includes presentations and webinars by leading market actors, participation in industry roundtables and conferences, as well as extensive internal training on our methodologies and research processes and techniques.

What We Do and Do Not Discuss

ISS ESG takes an open and transparent approach in relation to corporate issuers, and seeks to provide issuers with insight into and understanding of our research processes, methodologies as well as the data and analyses that are integrated into our reports. As mentioned above, our dedicated ESG analysts carry out extensive dialogue with companies throughout the in-depth research process. Questions and feedback can also be submitted through our ESG Helpdesk via ESGHelpdesk@iss-esg.com.

ISS ESG does not discuss, nor does it want to receive, the following:

- Material, non-public information from corporate issuers, including but not limited to information about company performance (financial or otherwise), business strategies or plans in so far as these are not available in the public domain;
- The existence or non-existence of a client relationship between the corporate issuer and ICS.

CONTACT US

For corporate issuer enquiries into ISS ESG Ratings and assessments, please contact ESGHelpdesk@iss-esg.com

For enquiries related to corporate advisory services and solicited ratings, please contact contactus@isscorporatesolutions.com

For access to ISS ESG Thought Leadership, please visit the [ISS Insights](#) and [ISS ESG Thought Leadership](#) websites.

**We empower investors and companies to build
for long-term and sustainable growth by providing
high-quality data, analytics, and insight.**

SUCCEED WITH ISS ESG SOLUTIONS

Email sales@iss-esg.com or visit iss-esg.com for more information.

ISS ESG is the responsible investment arm of Institutional Shareholder Services Inc., the world's leading provider of environmental, social, and governance solutions for asset owners, asset managers, hedge funds, and asset servicing providers. With more than 30 years of corporate governance expertise and 25 years of providing in-depth responsible investment research and analytics, ISS ESG has the unique understanding of the requirements of institutional investors. With its comprehensive offering of solutions, ISS ESG enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. It also provides climate data, analytics, and advisory services to help financial market participants understand, measure, and act on climate-related risks across all asset classes. In addition, ISS ESG delivers corporate and country ESG research and ratings enabling its clients to identify material social and environmental risks and opportunities.

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