

# **ISS Due Diligence Package**

ISS Governance  
Research & Voting  
and ISS ESG

Updated February 2025

New and materially updated questions are  
highlighted in yellow

**ISS  
STOXX**

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## ISS Due Diligence Package:

ISS Governance Research & Voting and ISS ESG

# Introduction

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This Institutional Shareholder Services (“ISS”) Due Diligence Package is designed to assist clients and prospective clients in fulfilling obligations they may hold in conducting due diligence regarding the use of third-party service providers.

The ISS Due Diligence Package was developed to assist investment advisers with their due diligence of ISS as an independent third-party proxy advisory firm and provider of ESG data and research to institutional investor clients. The document is reviewed and revised on a periodic basis to incorporate changes in ISS business activities as well as developments in the legal or regulatory requirements that may apply to ISS and/or its clients for these services.

This Due Diligence Package contains information related to ISS generally and discusses specific items related to its ISS Governance Research & Voting and ISS ESG business units. This document follows a question-and-answer format as many clients have found that structure useful.

In addition to this Due Diligence Package, other materials that may be helpful to clients and prospective clients are publicly available on ISS’ website [here](#), including:

- Form ADV, Part 2A
- Form ADV, Part 2B
- ISS’ Code of Ethics
- ISS’ General Code of Conduct
- Conflict Mitigation Policies
- Best Practices Principles and Stewardship Code compliance statements

## Questions?

For any questions about this Due Diligence Package, please contact ISS’ Compliance department at [ISSCompliance@issgovernance.com](mailto:ISSCompliance@issgovernance.com).

For further questions, clients can reach out to their dedicated Client Success consultant. Other parties may contact the [ISS Help Center](#), available through ISS’ website, to connect with ISS on questions about research, methodologies, and many other topics. Other parties may contact the [ISS Help Center](#), available through ISS’ website, to connect with ISS on questions about research, methodologies, and many other topics.

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## Organizational Overview

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### 1. Q. What are ISS' primary businesses?

**A.** ISS Inc., through its group companies, is a leading provider of comprehensive and data-centric research and technology solutions that help capital market participants identify investment opportunities, detect qualitative and quantitative portfolio company risks, and meet evolving regulatory requirements. With roots dating back to 1985, we today deliver world-class benchmark and custom indices across asset classes and geographies and serve as a premier source of independent corporate governance, sustainability, cyber risk, and fund intelligence research, data, and related offerings. Our products and services give clients the scale and leverage they need to grow their business more effectively and efficiently. ISS, which is majority owned by Deutsche Börse Group, is comprised of more than 3,400 professionals operating across 33 global locations in 19 countries. Its approximately 6,400 clients include many of the world's leading institutional investors who turn to ISS for its objective and varied offerings, as well as companies focused on ESG, cyber, and governance risk mitigation as a shareholder value enhancing measure. Clients rely on ISS' expertise to help them make informed decisions to benefit their stakeholders.

ISS offers a comprehensive suite of solutions through five key business units<sup>1</sup>:

- **ISS Governance** is comprised of several businesses, including Governance Research & Voting which provides objective governance research and recommendations and end-to-end proxy voting services; and Global Proxy Distribution services.
- **ISS ESG** provides research, data, analytics, and insights across a range of sustainable investing issues to help investors analyze potential risks and opportunities. Across ISS ESG Research specifically, the teams are organized functionally to meet global investor needs across sectoral ratings research, alternative research including our proprietary EVA (economic value add solution), screening and controversies research, and our strategy team that oversees methodology and quality management and assurance. ISS ESG research also serves as the hub for the Natural Capital Research Institute, promoting thought leadership, investment insights and innovation across natural capital themes.
- **ISS Market Intelligence** offers research, data, insight, and workflow solutions to global asset managers, insurance companies, and distributors, and turnkey securities class action claims management.
- **STOXX** is an established and global provider of benchmarks and custom indices. Best known for the leading European equity indices EURO STOXX 50, STOXX Europe 600, and DAX, the

<sup>1</sup> - Products and services offered by ISS Governance and ISS ESG provided by Institutional Shareholder Services Inc. and/or its subsidiaries.

- Products and services offered by STOXX DAX provided by STOXX Ltd.

- Products and services offered by ISS-Corporate provided by ISS Corporate Solutions, Inc.

- Products and services offered by ISS MI provided by Asset International Inc. and/or its subsidiaries.

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entire suite of index solutions consists of total market, benchmark, custom, blue-chip, sustainability, thematic, and factor-based indices covering world, regional, and country markets.

- **ISS-Corporate** Helps companies design and manage their governance, compensation, sustainability, and cyber risk programs to align with company goals, reduce risk, and manage the needs of diverse stakeholders.

## **2. Q. What is ISS' ownership structure?**

In November 2023, ISS announced the completion of its transaction to add Qontigo's index business under the newly created "ISS STOXX" group of companies. ISS STOXX continues to be majority owned by Deutsche Börse AG ("DB"), with the remainder owned by private equity firm General Atlantic. Under this ownership structure, ISS continues to operate with the same editorial independence that was in place prior to the transaction. DB has committed to principles of non-interference, protecting the independence and integrity of ISS' research, recommendations, ratings, and other analytical offerings (collectively referred to as "Research Offerings"). To that end, a number of non-interference policies have been adopted and are publicly available within the "Due Diligence Materials" section of ISS' public website. The ISS executive leadership team which was in place prior to the DB acquisition and led by President & CEO Gary Retelny, continues to lead the business.

## **3. Q. Does ISS maintain a Corporate Social Responsibility policy?**

As a global company active in the financial markets, ISS is focused on building long term growth and increasing the value of the services provided to clients by placing quality and sustainability at the core of its organization, products and business solutions.

ISS takes seriously its responsibility to its stakeholders, including employees, clients, and the communities and environment in which we work and live.

ISS advances corporate responsibility not just with its products and services, but with organizational programs and policies. ISS is committed to positively impacting the environment and society through its solutions and leading by example.

Additional information on ISS' corporate responsibility program can be found on ISS' website [here](#).

## **4. Q. What are ISS' policies and procedures for identifying, disclosing, and managing actual and potential conflicts of interest?**

ISS has identified three primary potential conflicts of interest relative to its Research Offerings in ISS Governance and ISS ESG:

- Corporate issuers who are clients of ISS-Corporate
- Corporate issuers who are clients of ISS
- ISS' ownership structure

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### **Corporate Issuers that are clients of ISS-Corporate**

ISS-Corporate, which is a wholly owned subsidiary of Institutional Shareholder Services Inc., provides corporate issuers (and firms that support corporate issuers) with data, tools, and advisory services to enable them to manage their corporate governance, executive compensation, and sustainability programs to align with company goals, reduce risk, and manage the needs of a diverse shareholder base. Some of the products and services offered by ISS-Corporate are closely related to some of the matters which will ultimately be covered by ISS during the production of its Research Offerings.

A critical component of ISS' approach to managing this potential conflict of interest arising from ISS-Corporate's business is the firewall it maintains between its business for institutional investors and the services offered by ISS-Corporate to corporations. This firewall includes the physical, functional, and technological separation between ISS-Corporate and ISS, with a particular focus on the separation of ISS-Corporate from the ISS business units that provide its Research Offerings. A key goal of the firewall is to keep the relevant teams providing ISS' Research Offerings from learning the identity of ISS-Corporate's clients, thereby helping to ensure objectivity and independence.

The firewall mitigates potential conflicts via several layers of separation:

- ISS-Corporate is a separate legal entity from ISS.
- ISS-Corporate is physically separated from the other ISS business units and its day-to-day operations are separately managed.
- ISS' Research teams responsible for its Research Offerings work independently from ISS-Corporate.
- ISS-Corporate and ISS staff members responsible for its Research Offerings are prohibited from discussing a range of matters, including the identity of ISS-Corporate clients.
- ISS employees' salaries, bonuses and other forms of compensation are not linked to any specific ISS-Corporate activity or sale.

ISS-Corporate explicitly informs its corporate issuer clients that ISS-Corporate operates independently from the ISS business units responsible for its Research Offerings and that ISS will not give preferential treatment in its Research Offerings to and is under no obligation to

1. support any proxy proposal of a corporate issuer nor
2. provide a favorable rating, assessment and/or any other favorable result to a corporate issuer, whether or not that corporate issuer has purchased products or services from ISS-Corporate.

### **Corporate Issuers that are clients of ISS**

Within ISS' institutional client base, there is a subset of clients who are themselves corporate issuers (or have a parent or affiliated company that is a corporate issuer) or that act as the primary shareholder proponent seeking to have a specific proposal acted on by shareholders. These clients, in their capacity as institutional investors, may buy any number of ISS' Research Offerings. The products and services offered to these clients are the same as the products and services available to

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all of ISS' institutional investor clients, and the nature of ISS' relationships with these clients is not directly related to the subjects covered in ISS' Research Offerings.

### **ISS' Ownership Structure**

ISS is 80% owned by Deutsche Börse AG with the remaining 20% owned by private equity firm General Atlantic. Deutsche Börse is an international exchange organization and innovative market infrastructure provider which offers its customers a wide range of products, services, and technologies covering the entire value chain of the financial markets.

ISS understands that perceived or potential conflicts of interest could arise in connection with its ownership structure. As such, ISS has established policies on non-interference and potential conflicts to protect the integrity and independence of the Research Offerings produced by ISS. These policies are publicly available on the ISS website [here](#).

### **5. Q. Does ISS maintain any significant relationships?**

ISS has developed a policy regarding significant relationships, discussing ISS' assessment of their significance as well as related disclosure procedures, a copy of which can be found on the ISS website [here](#). Similar to the primary potential conflicts of interest discussed above, ISS has concluded that there are three primary sources of relationships that may be deemed significant. These sources are: a client relationship between a corporate issuer and ISS-Corporate; a client relationship between ISS and a client that is (or is affiliated with) a corporate issuer or acts as the primary shareholder proponent seeking to have a specific proposal acted on by shareholders; and the relationship between ISS and its majority owner, Deutsche Börse.

### **6. Q. Is ISS subject to regulatory oversight?**

Yes. ISS has been a registered investment adviser with the SEC under the Investment Advisers Act of 1940 since 1997. ISS' Form ADV Part 2A and 2B are publicly available on its website. Additional information about ISS is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **7. Q. Does ISS have a Code of Ethics?**

ISS has two primary compliance-based documents that apply to its employee base: The General Code of Conduct and The Code of Ethics.

The General Code of Conduct is a broad principles-based document that applies to all employees within the ISS group of companies. Topics include: Doing the Right Thing, Protecting the Company's Interests, Safeguarding and Maintaining Information, Treating Others with Dignity and Respect, and Promoting a Safe and Healthy Working Environment. The General Code of Conduct also outlines the manner in which employees can report concerns and how violations are addressed. The section titled "Protecting the Company's Interests" establishes specific policies related to fraud, conflicts of interest, gifts and entertainment, political contributions, anti-money laundering, sanctions, anti-bribery and corruption, anti-boycott laws, and antitrust and trade laws.

The Code of Ethics sets forth standards of business conduct and requires compliance with applicable securities laws as required by Rule 204A-1 under the Investment Adviser Act of 1940. The Code of Ethics applies only to those employees of ISS and its direct and indirect wholly owned subsidiaries worldwide who provide or support ISS' investment advisory business (i.e., the ISS Governance and ISS ESG businesses) as well as those employees who work in "general and

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administrative” departments (e.g., Data, Operations, Development, Legal, Finance, Human Resources, Information Technology, etc.).<sup>2</sup>

### **8. Q. What is ISS’ approach to information security?**

ISS understands that secure management of financial and other client confidential information is one of its most important responsibilities. ISS implements a sophisticated set of controls designed to protect the security of confidential information.

To complement these controls, ISS operates under a detailed and rigorous information security program designed to protect the security and confidentiality of clients’ information. ISS maintains physical, electronic, and procedural safeguards designed to protect against unauthorized access to client confidential information. The ISS information security program is subject to periodic external review, oversight, and examination through ISS’ SSAE 18 audit program.

ISS has a control framework modeled against ISO 27001, the international standard addressing information security controls, as the foundation for developing its Information Security Management System (“ISMS”). ISS’ ISMS consists of controls for all clauses and control objectives contained in the most recent version of that international standard.

The goal of ISS’ approach to information security is to help ensure adequate protection of client and ISS information assets in accordance with internal policy controls, business requirements, and relevant laws and regulations. The information and controls contained in the ISMS support the commitment to and are intended to exemplify clear management direction for information security at ISS.

The Information Security Office, with cross-functional support and directed globally by ISS’ Chief Information Security Officer, is responsible for information security, physical security, business continuity, disaster recovery, and cybersecurity. These core focus areas are leveraged to maintain the ISS control framework. The ISMS is supported by technical expertise of IT infrastructure teams who work closely with the Information Security Office. ISS also engages third-party expertise to help ensure a current view of worldwide security issues and industry best practices is maintained.

ISS’ Information Security Whitepaper, which can be found [here](#), includes additional information regarding ISS’ ISMS as well as ISS’ approach to cybersecurity and business continuity.

### **9. Q. Will ISS allow clients to conduct due diligence visits?**

Yes. ISS welcomes clients to conduct due diligence of our business and services. Please contact your Client Success consultant to schedule a due diligence meeting with ISS.

<sup>2</sup> ISS-Corporate does not function as an investment adviser; however, as ISS-Corporate’s business activities present a potential conflict of interest for ISS, ISS’ Compliance department has made the determination that ISS-Corporate employees are also bound by the Code of Ethics.

## Information Related to ISS Governance Research & Voting

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### 10. Q. What policies does ISS offer in providing governance research and voting recommendations?

Through its ISS Governance business unit, ISS offers and implements a variety of voting policies and research options, providing choice and different options reflecting both regional and market differences, and the differing views and requirements of institutional investors.

ISS Governance provides global coverage with research and voting recommendations based on its 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. The policies are reviewed and updated regularly, and ISS Governance 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. Specific benchmark policies have been 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.

Institutional investors may also choose to evaluate governance and other voting issues from a variety of perspectives, including those of sustainability, socially responsible investing, public funds, labor unions (Taft-Hartley), climate or faith-based investing, or to be aligned to a more conservative perspective. ISS Governance offers multiple specialty policy guideline options that provide a wide range of options.

Further, many institutional investors apply their own unique set of corporate governance and responsible investment guidelines in implementing their voting activities. For these clients, ISS Governance provides voting recommendations based on each client's custom policy and may also assist clients in developing their custom policies. These customized voting policies reflect each investor's specific corporate governance philosophies, approaches and requirements. As a result, the vote recommendations issued under these policies may well differ from those issued under either the ISS Governance benchmark or specialty voting policies.

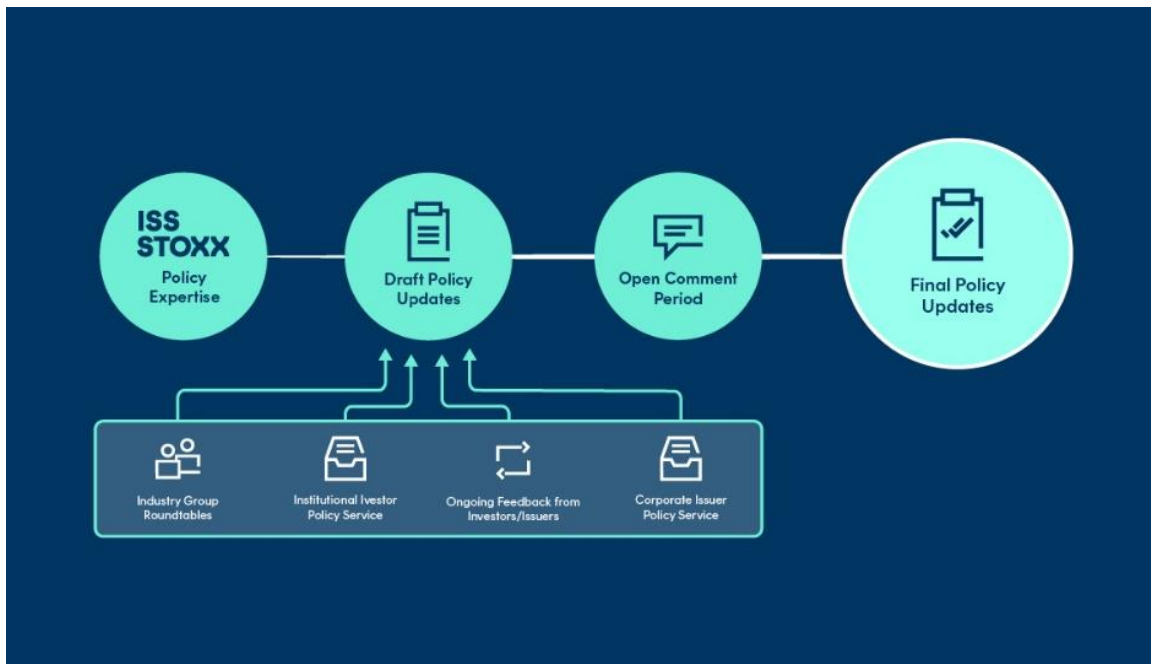
Regardless of which policy (or policies) a client chooses to use, ISS Governance provides information, analysis, and voting recommendations, not voting decisions. As a general matter, the ultimate voting decision for each resolution at a company meeting remains the responsibility of the client. Many clients who subscribe to ISS Governance's research reports and vote recommendations use this 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.

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### 11. Q. How does ISS develop its proxy voting policies?

ISS Governance conducts an annual policy review process with respect to the update of its benchmark and specialty policies, designed to ensure that the voting policies reflect current investor and market views, accepted good governance practices, and to help address regulatory changes, practical implementation matters and emerging governance/voting issues. All of ISS Governance's benchmark and specialty 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 typically ends in November when policy updates for the next year are released publicly, with transparency to clients, companies, and the market generally.



The ISS [Global Voting Principles](#) provide key tenets of accountability, stewardship, independence, and transparency, which underlie ISS Governance's approach to developing its benchmark voting recommendations. The principles guide our work to assist institutional investors in meeting their requirements with respect to voting, by promoting long-term shareholder value creation and risk mitigation at their portfolio firms through the incorporation of responsible global corporate governance practices. The principles and 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 Governance's 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. The 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 Governance's own expertise and incorporates the input of the broader governance community. ISS strives to ensure its ISS Governance policies and methodologies are clear, balanced and well-reasoned.

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In evolving the policies each year, ISS Governance seeks 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 Governance uses this input to consider draft policy updates on key emerging and new issues each year. The process is overseen, and all final policy changes are approved by the ISS Governance Global Policy Board. Before finalizing policy changes, ISS Governance also publishes proposed key updates for an open review and public comment period. Comments received during the open comment period are considered and are also posted to ISS' Policy Gateway at [iss-stoxx.com/stewardship/voting-policy-gateway](https://iss-stoxx.com/stewardship/voting-policy-gateway), to provide a high level of transparency into the feedback received. Final policy guidelines for most markets are published in the fourth quarter each year to apply to meetings held on or after February 1 of the following year.

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

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

ISS through its business unit ISS Governance has nearly 40 years of experience as a proxy advisor and is a global leader in corporate governance and proxy voting topics and services. The ISS Governance Research team consists of approximately 400 research analysts located across Europe, North America, and Asia-Pacific. The minimum education standard for research analysts is a bachelor's degree and many also have advanced degrees in areas such as finance, business, economics, political or social sciences, law, or professional certifications such as a CFA or CPA. The average tenure of research analysts is over five years, and many senior analysts and managers have ten years or more of experience at ISS and/or in relevant roles externally. ISS' Governance 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.

## **13. Q. How do you ensure proxy voting recommendations are based on the most current and accurate information about issuers?**

Issuer proxy materials and other relevant publicly available data is collected by a dedicated team of data analysts. ISS Governance research analysts then carefully review the information as well as other relevant public filings in performing analysis. For example, for U.S. companies, an important part of the research process involves checking the filings on EDGAR (8-Ks, 13-Ds, etc.) since the last shareholder meeting. Where there are significant developments or events, the EDGAR search will be supplemented with a search of news sources, such as Bloomberg News, the Wall Street Journal, or

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the Financial Times. In addition, ISS Governance research analysts may engage with issuers through email exchanges, phone calls, and in-person meetings where relevant and helpful for the research process; however, ISS Governance always makes it clear to issuers that the proxy research reports are based on public information, so anything that companies want ISS Governance to consider must be included in the proxy materials or other public filings.

ISS Governance's research approach takes into account the specific situations of the companies covered, with an effort to ensure the relevant nuances of each company are understood and its corporate governance practices are viewed against the context of best practices, industry norms and its history. Issuer explanations on any deviations from, for example, "comply-or-explain" corporate governance codes are taken into account.

In certain markets, as a courtesy and at the sole discretion of ISS Governance draft copies of benchmark reports are provided to the subject company prior to publication for fact-checking purposes. All companies, even those that are not eligible to receive a draft, are entitled to a copy of the final ISS Governance benchmark research report (free of charge) after it is published. If a company identifies any material factual error in the report or releases new information that might be relevant to a previously issued report, ISS Governance can issue a Proxy Alert to correct any errors or update for new material information.

After a research report has been published, the research team will review any new filings that are made between the publication of the report and the shareholder meeting, for information that may be material to the report and ISS Governance clients' decisions. For the U.S., this includes actively searching the EDGAR platform for new filings after the research report publication date.

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

Most information used in ISS Governance's 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 Governance also uses a variety of specialist third-party data from a small number of vendors to facilitate and enhance its research reports. Most third-party data used in our research is sourced from FactSet, S&P, and Bloomberg, although we also 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 formulation of ISS Governance compensation peer groups used in pay for performance assessments).

Vendors of this data and the types of data ISS Governance employs include:

##### *FactSet*

- Company entity data
- Entity structure data
- Security identifiers

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

### **15. Q. How does ISS STOXX construct pay for performance-related peer groups for issuers?**

ISS Governance's peer group construction methodology incorporates information from companies' self-selected pay benchmarking peer groups. Information regarding selected peers, as well as the industry groups that those peers are selected from, are used to inform the ISS Governance peer group construction process. Please click [here](#) for a detailed explanation of the peer group construction methodology.

### **16. Q. What controls does ISS have in place to minimize and deal with errors?**

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

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In addition to internal controls, ISS further uses the reviews conducted by an outside auditor during the SSAE 18 process (previously SSAE 16) to help affirm the control environment. ISS' most recent SSAE 18 audit report includes a comprehensive accounting of all control objectives and the activities that are executed 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 its research reports and vote recommendations. These include:

- Comprehensive information procurement processes for company-published information and meeting documentation;
- Robust data consistency and quality checks;
- Research reports and voting recommendations are prepared by appropriately trained analysts;
- Research reports and vote recommendations are reviewed by at least one 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; and
- 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.

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

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 their board. ISS' Client Service Consultants can assist clients in demonstrating and setting up reports that will address their monitoring and reporting needs.

**18. Q. How does ISS provide its clients with updates for changes or errors in reports, and does it provide any written statements from corporate issuers regarding its research and vote recommendations?**

In the event new material public information becomes available or, more rarely, if ISS finds that an issued report contains a material error, ISS issues a Proxy Alert (“Alert”) to inform clients of any corrections to the previously issued report and, if necessary, any resulting changes in the vote recommendations. Alerts are distributed to ISS’ clients through the same ProxyExchange platform used to distribute the regular research and voting recommendations. This ensures that the clients who received an original report will also receive the related Alert, which is attached to the relevant original company meeting report. Even if a client has cast its vote before receiving an Alert, the client may cancel and change its vote at any time before the meeting cut-off date, if the client determines that such a change is warranted by the new information.

In addition to the above, ISS has also created a notification option within ProxyExchange that can facilitate notification of, and access to, supplemental proxy information filed by U.S. companies, including supplemental filings that respond to conclusions reached in ISS’ research reports and vote recommendations. This alerting function called “Subsequent Noteworthy Filing Notification” builds on ISS’ existing research process which monitors subsequent filings to assess whether any change or update is required to a previously issued research report. Whether or not information in a subsequent filing trigger an update to a previously issued proxy research report (in the form of an “Alert”), users can choose to set up this notification via the platform and will receive Subsequent Noteworthy Filing Notification e-mails directly to notify them to the availability of the new, potentially noteworthy information.

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

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 of the processes and procedures across ISS business units. The Control and Audit team partners with operational departments to ensure that appropriate levels of control are in place and assesses risk within the operational departments. 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. For a copy of the SSAE 18, clients can contact their Client Service Consultant.

**20. Q. What is your engagement process with corporate issuers?**

ISS engages in dialogue with issuers (and sometimes other relevant market participants) when doing so is likely to help inform proxy 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 and voting recommendations. The decision

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whether and how to engage with any issuer is made at the discretion of ISS and there is no fee charged for such engagements when they are undertaken.

ISS is transparent about its issuer engagement and where engagement has taken place this will be indicated in the research. ISS' proxy research reports include, 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 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](#).

# Information Related to ISS ESG Investor Research, and Stewardship

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## 21. Q. What is ISS ESG?

ISS ESG is the sustainable investment arm of ISS, provides innovative and high-quality ESG research, ratings, index, screening and controversies, data, analytics, and is supported by the Natural Capital Research institute, a center of excellence on thought leadership, investment insights and innovation across natural capital themes. From enabling clients to integrate ESG factors into their investment decisions to informing company engagements they may undertake, ISS ESG brings to its clients a wealth of knowledge across a range of sustainability and responsible investment issues, including climate change, sustainable impact, human rights, labor standards, corruption, controversial weapons, and many more. ISS ESG partners with clients to understand their unique investment and business objectives to deliver the relevant insights and data solutions needed throughout the investment process.

ISS ESG Solutions include:

- Ratings & Rankings, including ESG Corporate and Country Ratings, ESGF Rating, Fund Rating, Water Risk Rating, SDG Solutions, Environmental & Social, Governance and Muni QualityScore, Cyber Risk Score
- Climate & Nature Solutions, including Carbon Footprint Data, Scenario Analysis, Physical Risk, Transition Risk, Value at Risk for Physical and Transition Risks, Net Zero Solutions, Carbon Risk Rating, Portfolio-Level Reporting, Climate Awareness Scorecard, Advisory Services, and Biodiversity Impact Assessment Tool and risk ratings solutions around water.
- Regulatory Solutions, including the EU Taxonomy Alignment Solution, SFDR Principal Adverse Impacts (PAI) Solution, EBA Pillar 3 Solution, EU Benchmark Regulation Dataset, European ESG Template (EET) Solution, ESG Labels & Standards and Regulatory Sustainable Investment Solution

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- Screening & Controversies, including Norm-Based Research, ESG Newsroom, Controversial Weapons Research, Sector-Based Screening, Energy & Extractives Screening, Country Screening, Modern Slavery Scorecard, and Global Sanctions Screening Raw Data, including Director/Board Data, Compensation Data, Voting Analytics, Environmental Data and Social Data and Financial Data, including Economic Value Added (EVA) Engagement and Bespoke Solutions, including Norm-Based and ThemaStic Engagement and indices.

Additional information about these solutions can be found [here](#).

## 22. Q. Are ISS ESG's solutions aligned with prominent industry frameworks?

Several of ISS ESG's products are aligned with prominent industry frameworks such as Sustainability Accounting Standards Board ("SASB"), the Task Force on Climate-related Financial Disclosures ("TCFD") and the UN Sustainable Development Goals ("SDGs"):

- **SDGs:** ISS ESG's SDG Impact Rating offers a holistic metric of impact using the SDGs as a reference framework, measuring the extent to which companies are managing negative externalities in their operations across the value chain to minimize negative impacts, while at the same time making use of existing and emerging opportunities in their products and services to contribute to the achievement of the SDGs. ISS ESG's Norm-Based Research is also aligned with the SDGs, with controversies mapped at the level of goals and specific targets.
- **EU Taxonomy:** ISS ESG's approach to assessing economic activities' contribution to (or hindrance of) sustainable development is generally aligned with the EU taxonomy. Both the ISS ESG methodology and the EU taxonomy take into account not only the general nature of the impacts of an activity but also the ESG risks attached to this activity and holistically throughout the respective value chain. The EU taxonomy and the ESG Corporate Rating methodology are highly sector specific. The ISS ESG methodology provides an in-depth and detailed review of company performance requirements for individual sector- and business activity-specific criteria.
- **SASB:** ISS ESG maps its sector-specific ESG Corporate Rating against the SASB industry standards, at the topic level, so that the ISS ESG Corporate Rating's performance assessment covers ESG topics considered material by SASB. In addition to the coverage of the ESG topics considered material by SASB for an industry, the ISS ESG Corporate Rating methodology covers several topics outside the scope of the SASB framework, including governance factors, for a comprehensive assessment of ESG risks.
- **TCFD:** ISS ESG works to enable financial market participants to report their climate risks aligned with the TCFD recommendations. To this end, ISS ESG has developed tools and methodologies for a wide range of financial market participants seeking to fulfil the requirements for TCFD compliance. ISS ESG's Climate Impact Report is fully TCFD-aligned. Additionally, ISS ESG offers a PRI climate-indicator fulfilment solution, providing the responses to the (as of 2020) mandatory PRI indicators that relate to climate change and are aligned with the TCFD.
- **UN Global Compact:** ISS ESG's Norm-Based Research systematically and comprehensively evaluates corporate adherence to global norms as laid out in the UN

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Global Compact and the wide range of responsible business conduct guidelines and relevant international instruments.

### **23. Q. How is the ISS ESG research team organized?**

ISS ESG's global team of research analysts are located across research hubs in Rockville/DC, New York City, Toronto, Munich, Berlin, Brussels, London, Paris, Stockholm, Mumbai, Manila, Tokyo, Canberra, Sydney and Singapore. With a broad global footprint and dedicated sector and thematic ESG specialists – ISS ESG's investor research function is organized in the very manner that institutional investors consume research – leveraging the entire ESG value chain including alternative and publicly disclosed data, screening and controversies signals, corporate ratings and the interconnectivity to ESG financial risk through its dedicated Integrated Financial and Impact team. This is brought together through ISS ESG's global stewardship and engagement function assisting clients in engagement and active ownership requirements including reporting.

The global research team operates under the leadership of Bonnie Saynay, Global Head of Research, ESG. The team is organized into interconnected verticals based on specific research products, industries, thematic expertise and markets. The team is supported by a dedicated *Global Methodology and Quality Management and Assurance Team* which serves as a pivotal point for ensuring the consistent application of methodologies across ISS ESG, methodology enhancements for existing products, and integrated new product developments.

### **24. Q. What credentials do ISS ESG analysts have to identify ESG issues?**

ISS ESG has an international and diverse team of approximately 290 research analysts located across research hubs around the world. The team is organized into sub-groups based on specific research products, industries and markets.

Each research analyst is subject to rigorous and structured training programs based on their area of focus, to help ensure the accuracy of the data collection and analysis. In addition, ISS ESG product methodologies are governed by a strict internal quality management system, including documented data collection processes, peer review, and, for many data sets, data verification through fact-finding dialogue with companies.

ISS ESG's diverse team of analysts are familiar with current and emerging ESG issues including climate change, natural capital, human rights and global norms. The team participates in many best practice industry networks to keep abreast of and actively engage in market developments. Senior team members engage with key stakeholders in local markets, such as non-governmental organizations, expert organizations, and academia. The average tenure of ISS ESG analysts is approximately 3.2 years.

### **25. Q. How does ISS ESG source its data?**

Data is sourced from different, complementary sources to ensure robust, balanced, independent and transparent data sets and analyses:

- Corporate disclosures: A systematic collection and processing of corporate disclosures, including annual reports, sustainability reports, policy documents, ad-hoc reports and statements.

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- Corporate fact-finding dialogue and data verification: For many data sets, the research team conducts fact-finding dialogue with companies to obtain supplementary detail and confirmation of activities, commitments and practices. This includes:
  - **ESG Corporate Rating and SDG Solutions:** A feedback process is offered to rated companies when coverage is initiated and every two to three years thereafter.
  - **QualityScore:** Companies within the ISS QualityScore coverage universe can review, verify and provide feedback on the data used to determine their scores via a Data Verification tool accessed through the Governance Analytics platform. Submissions of corrected or updated data factors can be made online through the platform.
  - **Norm-Based Research:** ISS ESG engages in fact-finding dialogue with companies upon initiation of research into a reported allegation; the dialogue continues for as long as ISS ESG maintains its assessment on the company. Prior to the publication of research results, the company is provided with the opportunity to review and provide feedback on draft reports for the most significant controversies.
  - **Sector-Based Screening:** ISS ESG engages with the company in a fact-finding dialogue if publicly available information does not support a conclusive assessment.
- Stakeholder dialogue: ISS ESG consults with experts and field specialists to cross-check information and deepen its understanding of benchmark corporate practices. In addition, under Norm-Based Research, ISS ESG engages in fact-finding dialogue with stakeholders that have reported controversies or are recognized experts in the relevant field.
- Stakeholder publications: ISS ESG collects certain ESG-relevant data from reputable stakeholders, e.g., governmental and inter-governmental organizations, international NGOs, as well as media sources globally. Reviewed stakeholder publications include periodic reports as well as event-driven information. In particular, ISS ESG carries out ESG news monitoring by collecting near-real time data from tens of thousands of traditional media, social media and stakeholder publications globally through a combination of AI and manually set filters. The data is validated by a team of dedicated ESG news analysts.
- Third-party vendors: Financial data is principally sourced from FactSet or S&P. Specifically, for climate modelling, the following sources are used:
  - Total revenue: FactSet
  - Market cap: S&P
  - Total debt: S&P
  - Adjusted Enterprise Value: S&P

For EVA, ISS ESG uses S&P Compustat Financials and Pricing, IBES Consensus Estimates, Moody's Bond Ratings, and MSCI Index Levels/Values. For regulatory solutions, ISS ESG uses FactSet hierarchy data as an input for calculating revenue shares for EU Taxonomy-eligible activities.

Additionally, ISS ESG subscribes to certain external ESG data sets, including CDP data for CDP aligned greenhouse gas emissions data and water disclosures.

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Generally, ISS ESG's solutions are assessed based on factual, documented and verifiable performance/data; however, estimations may be used in some instances. For example:

- Within Sector-Based Screening and the SDG Solutions Assessment, revenue shares by product/service are estimated; and
- ISS ESG models greenhouse gas emissions scope 1, 2 and 3 for companies that don't report at all or those that do not report data that is deemed trustworthy.

## 26. Q. How does ISS ESG ensure a high-quality research output?

ISS ESG research processes and output are governed by rigorous quality structures. While the research teams conduct their own quality assurance checks, the overall quality program is overseen by the Quality Management & Assurance Lead, who is part of the ESG Methodology Team. Assessments made by the ESG Research team undergo a clearly documented data collection process. Comparability of signals and assessments is ensured by assessing issuers based on clearly defined evaluation rules which serve to reduce subjectivity in data collection and assessment. Analysts receive extensive training in these evaluation rules as well as research processes. Assessments undergo peer review prior to being published to clients. Certain high-level assessment signals and scores require a multi-layer sign-off process in which key information is verified by senior members of the team. In addition to company-reported data and information, ISS ESG uses alternative sources. Alternative data sources, such as regulatory investigations or judicial findings, can provide counterbalance to corporate disclosure. Stakeholder-driven alternative data is widely considered an important early warning signal. Additionally, for many data sets, the research team conducts dialogue with companies to gather supplementary detail and confirmation. Dialogue with companies can take place on a cyclical basis and in addition is triggered by defined events. Corporate issuers can actively engage with ISS ESG analysts during company outreach. Final versions of certain ISS ESG research reports can be accessed by the covered issuer free of charge.

## 27. Q. Does ISS ESG publicly disclose its methodologies?

Methodology information for ISS ESG is publicly available on the ISS website and can be found [here](#).

ISS ESG believes transparency of its methodologies and processes governing research and solutions enables clients to select the data and signals best suited to successfully act on individual client ESG investment strategies. ISS ESG's methodology transparency helps to ensure credible and reproducible results, serves to engage covered companies, and allows for flexible use and customization of deliverables by investor clients.

ISS ESG's approach to global ESG Methodology governance encompasses three cross-functional teams across the business unit:

- **Global ESG Methodology Team** with a mission and mandate to stay abreast of trends, developments and existing and emerging client and prospect needs, the team works closely with the Product and Research teams and additional stakeholders to initiate, develop and agree upon proposed and required methodology developments and enhancements.
- **Methodology Review Board** which works to ensure a robust and consistent methodology development process and structure, consisting of highly experienced methodology and research leaders to guide, steer and vet the methodology development strategy and process, setting and agreeing upon overall objectives and strategic targets, clarifying, reviewing and

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reassessing priorities as well as initiating and confirming specific new methodology developments or adjustments.

- **Market Input Steering Committee** tasked with adequately prioritizing dynamically evolving global market demands and regularly informing methodology development.

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