

## Norm-Based Engagement Solution

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ISS STOXX's Collaborative Engagement Services allow investors to participate in a joint outreach and dialogue with companies on material sustainability-related themes, facilitated by ISS STOXX. They comprise two services, Norm-Based Engagement (previously known as Pooled Engagement) and Thematic Engagement.

Under Norm-Based Engagement, we identify companies that fail to prevent or address social and environmental controversies in line with established standards for responsible business conduct, such as the UN Global Compact and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. Through the engagement facilitated by ISS STOXX, investors can voice their concerns with identified companies and request transparency regarding risk mitigation. Engagements cover the following norm areas:

- Corruption
- Environment
- Human Rights
- Labour Rights

### Engagement Process

The Collaborative Engagement Services follow established processes throughout the pre-defined fixed lifecycle for identifying target companies, setting engagement objectives, tracking companies' progress, and measuring the success of engagements.

- **Identification of target companies using ISS STOXX research and data**

Norm-Based Engagement focuses on companies that are assessed under our Norm-Based Research to be involved in alleged or verified severe, systematic or systemic failures to respect international norms, and which hold a Norm-Based Research Amber or Red assessment. At least 100 companies are proposed for engagement every year on a rolling quarterly basis. The prioritisation is based on the ongoing monitoring of developments in individual controversies, as well as an assessment of the timeliness and feasibility of engagement.

- **Setting engagement goals**

At the start of each engagement, goals and questions are defined together with topic and industry experts from the Sustainability Research teams.

For Norm-Based Engagement, the goals reflect the context and the grounds of the controversy that the engagement relates to, and are structured in the following goal categories:

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### Methodology and Research Process

- Disclosure of relevant information
- Implementation of relevant policies
- Remedial action
- Termination of problematic practice

- **Engagement dialogue**

Following the initiation of the engagement, we facilitate the dialogue with companies on behalf of participating investors through planning, moderation, and the compilation of meeting reports. The dialogue can be carried out through online meetings or written correspondence.

Regular follow-ups and escalation steps are built into the processes of the engagement. Should companies remain unresponsive, the feasibility of engagement is re-evaluated. In certain cases, where a company has proven unresponsive, we may suspend, discontinue, or close a dialogue with a company.

- **Measuring success**

During the engagement cycle, target companies' public disclosures and measures taken to address the topics at hand will be regularly assessed to evaluate progress toward fulfilment of the goals and the success of the engagement. The assessment of progress against the goals is carried out at the time of interactions with the companies and when a topic is closed.

## Outputs

Norm-Based Engagement clients receive reports for each quarter and on an annual basis. The majority of the metrics are qualitative, such as regular assessments of the progress against the established goals, as well as an evaluation of the quality of companies' participation in the dialogue. Key metrics include the status and the progression of the dialogues through the engagement cycle (e.g., active/closed, initiation/reminder/escalation/ongoing dialogue etc.), and companies' goal status against the pre-defined engagement goals.

We provide access to details of engagement activities, including information about each interaction, and analyses through an online platform which enables participating investors to manage engagements, monitor dialogues and perform reporting functions. The platform enables real-time engagement data and also provides access to key resources and engagement letters.

On the platform, participating investors have access to the following reports:

- Customisable Excel reports to support reporting requirements, such as the UN Principles for Responsible Investment (PRI), and customised analysis
- Individual company engagement reports
- Quarterly progress reports and annual reports

## **Use of Estimated Data**

Collaborative Engagement Services do not estimate data for the measurement of engagement progress and success. If a company does not respond to engagement outreach, this is noted in collaborative engagement tracking processes.

For the purpose of identifying target companies and tracking their progress against the engagement goals, we leverage our proprietary Norm-Based Research. For more details regarding the use of estimated data within the engagement, please refer to the Norm-Based Research methodology overview.

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