

## Thematic Engagement Solution

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ISS STOXX' 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.

Thematic Engagement enables investors to proactively engage with publicly listed companies on top-priority sustainability themes to elicit transparency and action. For each engagement, a list of target companies is identified that show a certain underperformance, based on a specific definition per theme. As of November 2024, engagements cover the following themes:

- Biodiversity
- Gender Equality
- Net Zero
- Water

## 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**

We leverage proprietary research and data in order to identify a universe of companies that show a certain underperformance in the identified thematic areas. Out of these companies, 30-50 companies per theme of large market capitalization companies are selected, with a geographical distribution meeting the needs of participating investors. Proprietary data used in the selection process includes our Carbon Risk Rating, Net Zero Alignment Data, Climate Scenario Alignment data, Biodiversity Impact Assessment Tool, Water Risk Rating, Corporate Rating, Environmental and Social Raw Data, and Governance QualityScore.

- **Setting engagement objectives**

At the start of each engagement, objectives and key performance indicators are defined together with topic and industry experts from the ISS STOXX Sustainability Research and Climate Solutions teams.

For Thematic Engagement, the objectives are focused on one or more of the following areas:

- Improvement of public disclosure (of data, strategy, targets etc.) to enable more enhanced investment decision making by investors and market efficiency
- Compliance and or remediation with laws/standards/norms
- Mitigation of material sustainability risks and creation of positive change in line with the agendas of participating investors.

- **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 for a future cycle is re-evaluated.

- **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 objectives and the success of the engagement.

Regular measurements of the outcome of the engagement dialogue are conducted at pre-defined points throughout the engagement cycle. The assessment is carried out to measure the engagement impact both at the level of each objective as well as at an aggregate level.

## Outputs

Thematic Engagement clients receive reports for each quarter and also on an annual basis. The majority of the metrics produced are qualitative, such as regular assessments of the progress against the established objectives, as well as an evaluation of the quality of companies' participation in the dialogue. Further 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.), as well as a measurement of engagement success both at the engagement objective level and at the company level.

Participating investors are informed about the progress of engagements through quarterly progress reports, which provide analysis of engagement activities and highlight engagement statistics, and quarterly Excel activity reports containing details of engagement activities as well as company-level progress.

Participating investors also receive annual reports, which spotlight examples of positive dialogue and analysis of the overall trends for each topic and of the progress made during the year. The reports are delivered for each of the distinct engagement themes.

## 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 objectives, a number of our solutions are leveraged, including the Carbon Risk Rating, Net Zero Alignment Data, Climate Scenario Alignment data, Biodiversity Impact Assessment Tool, Water Risk Rating, Corporate Rating, Environmental and Social Raw Data, and Governance QualityScore. For more details regarding the use of estimated data within these solutions, please refer to the respective methodology overviews.

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ISS STOXX Sustainability 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, our Sustainability solutions cover corporate and country research and ratings enabling its clients to identify material social and environmental risks and opportunities. Sustainability solutions are provided by Institutional Shareholder Services Inc., an investment adviser registered under the U.S. Investment Advisers Act of 1940.

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