



ISS STEWARDSHIP REPORT 2022

UK Stewardship Code 2020

Reporting Period
January 1-December 31, 2022

April 2023

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PRINCIPLE 1: Signatories’ purpose, strategy and culture enable them to promote effective stewardship

Signatories should explain the purpose of the organisation, what services it offers, and an outline of its culture, values, business model and strategy. Signatories should explain what actions they have taken to ensure their strategy and culture enable them to promote effective stewardship. Signatories should disclose an assessment of how effective they have been in serving the best interests of clients.

Introduction to ISS: Purpose

Founded in 1985, the ISS group of companies empower investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics and insight. ISS is a leading provider of corporate governance and sustainable investment solutions, market intelligence and fund services, and events and editorial content for institutional investors and corporations, globally.

Specifically related to investor stewardship, institutional investor clients use ISS’ services to help them understand the companies in which they are invested and make informed decisions as part of their stewardship responsibilities. Through its Governance and ESG businesses, ISS provides a diversified range of data, analytics and insight that can assist investors in an inclusive and comprehensive approach to environmental, social and/or governance risk and performance, and in fulfilling their stewardship responsibilities. Leveraging its extensive global footprint, deep expertise, wide client coverage and unified support and technology infrastructure, ISS continuously evolves and extends its innovative suite of solutions and services to meet its clients’ evolving portfolio, fiduciary and stewardship requirements.

ISS Business Units (YE 2022)



INTEGRATED DATA & TECHNOLOGY INFRASTRUCTURE DRIVES PRODUCT INNOVATION



According to the 2020 UK Stewardship Code, environmental – particularly climate change – and social factors, in addition to governance, have become material issues for investors to consider when making investment decisions and undertaking stewardship. ISS provides investors with high-quality and topical data, analytics, and the ability to action key stewardship decisions. We believe the combination of various services offered by ISS allows investors to address these factors with one common approach and to use ISS’ products and services to offer their own clients and stakeholders coherent and unified answers and solutions to meet their needs.

ISS offers a comprehensive suite of solutions that help promote and support effective stewardship.

ISS Culture, Values, Business Model and Strategy

Actions taken to ensure strategy and culture enable promotion of effective stewardship

ISS’ corporate culture is guided by its values, which are headlined as: clients, integrity, collaboration, empowerment, flexibility, and diversity. ISS’ culture is also one of respect, transparency, and openness. ISS seeks to bring its people together in a culture that, amongst other key goals, helps us deliver excellence to our clients.

ISS VALUES

At ISS, our values are inspired by example and a collective sense of duty. We talk about ideals in terms of how it brings our people together in a culture that upholds the well-being of our people, stakeholders, and society.

<p>Integrity</p> <p>We speak our mind and we debate our point of view for the betterment of the company, but at the end of the day we stand behind decisions made by the team. Our culture is one of respect, transparency and honesty.</p>	<p>Collaboration</p> <p>Our people are the key to our success. Our approach is rooted in the belief that through working together and supporting each other we can achieve so much more than the individual high performer.</p>	<p>Empowerment</p> <p>We give our people the support they need to make a difference. We reward those that innovate and share ideas they believe will benefit the company. Our culture is one in which people can be confident when they speak up and when it comes to ideas, all voices are equal.</p>
<p>Flexibility</p> <p>We are nimble in responding to the changing needs of our business. We seek creative ways to solve both internal and external opportunities and in doing so, provide growth to our employees and improved value for our clients.</p>	<p>Diversity</p> <p>We believe that each individual within our global team enriches the environment we work in, supports our creative thinking, and helps to drive innovation which is critical to our future growth.</p>	<p>Clients</p> <p>Above all else, we seek to provide excellence to our clients. Everyone at ISS has a role to play in building long term client relationships based on the quality of our people, the value of our services and the high standards we set for ourselves.</p>

RELEVANT LINKS

KNOW MORE ABOUT ISS | BUILD A CAREER THAT COUNTS #BrilliantTogether | READ OUR CORE Policy CORPORATE RESPONSIBILITY

We are #BrilliantTogether

CLICK THE IMAGES TO KNOW MORE ABOUT OUR PEOPLE

In terms of actions taken, ISS’ President & CEO annually communicates corporate goals to all employees in Q1– see excerpted examples below for two key areas in 2022. Employees work with their line managers to refine and set individual goals that reinforce the corporate goals and values, and individual performance against goals is assessed at year-end, as part of the performance management process.

Further, ISS is committed to fostering, cultivating, and preserving a culture of diversity and inclusion that values collaboration, integrity and flexibility (see also further details in Principle 2 response).

2022 Corporate Goals Communicated to All Employees (Excerpted examples)

2022 Goal: Corporate Responsibility

Continue to expand our Corporate Responsibility activities on a global scale and highlight as appropriate.

- Continue to work to meet our existing carbon reduction targets.
- Evaluate parameters for an enhanced carbon footprint calculation.
- Publish our first Taskforce for Climate Related Disclosure report as well as our first Sustainability Report, meeting internationally recognized reporting standards.
- Continued communication and enhancement of ISS Cares program.

2022 Outcome: Corporate Responsibility

In July 2022, ISS launched inaugural editions of [ISS' Corporate Sustainability Report](#) and [ISS' TCFD Status Report](#) which are also available with other corporate responsibility materials on the [ISS CORE](#) (ISS Corporate Responsibility) section of our public website.

ISS CORE
CORPORATE RESPONSIBILITY

GARY RETELNY
PRESIDENT & CEO

As a leading provider of corporate governance and responsible investment solutions, Corporate Responsibility is CORE to ISS' values.

With a day-to-day focus on long-term capital stewardship, our people are equally passionate about positively impacting the communities where we live and work. This is also reflected in our work for clients as a rapidly growing number of institutions and corporations across the globe increase their focus on Corporate Responsibility. Know more about our Corporate Responsibility programs as we continue to drive forward our role as a good global corporate citizen.

OUR MISSION

ISS empowers investors and companies to build for long term and sustainable growth by providing high quality data, analytics and insight.

CORE (CORPORATE RESPONSIBILITY)

As a leading provider of Corporate Governance and Responsible Investment solutions, we have been helping institutional investors and corporations to build sustainable financial and social value.

ISS advances Corporate Responsibility not just with our products and services, but with our organizational programs and policies. We are committed to positively impacting environment and society through our market-leading solutions, and leading by example.

CORE COUNCIL

 MARCUS VOLLMER Head of ISS Corporate Solutions	 ROBERT WAGNER Head of Corporate Responsibility	 SUZANNE WATSON Global Head of Communications
 ALLEN BISHOP Head of Global Human Resources	 ALLEN HENRY Chief Financial Officer	 STEVEN HINDS General Counsel

Our Corporate Responsibility strategy is supported and developed by our CORE Council, consisting of members from the ISS Leadership team and the Global CORE Managers. Our Global CORE Team includes regional leads, and collaborates with colleagues from HR and Corporate Services - all of whom are committed to represent and fulfil ISS' CORE mission.

We are committed to maintaining transparent communication with all our stakeholders.

[LEARN MORE ABOUT OUR REPORTING & POLICIES](#)

AT THE CORE OF ISS

People

Being a diverse, inclusive, and empowering workplace for our people, helping to unlock their talent while positively impacting our communities.

Environment

Reducing the environmental footprint of our business operations and committing to the 1.5C goal of the Paris agreement.

Business

Providing high-quality solutions and expertise to our clients to help them integrate sustainability into decision-making across their organizations.

Actioning our Values through the UN Global Compact.

The UN Global Compact is the world's largest corporate sustainability initiative with the goal of mobilizing companies around the globe to align with principles that uphold human rights, labor rights, environmental protection and anti-corruption.

As a signatory, ISS committed to these principles as part of our strategy, our vision, culture and our day-to-day operations, and reporting our progress to such ends. This is an important act that reinforces our core values.

[LEARN MORE ABOUT THE UN GLOBAL COMPACT](#)

People

Providing our people with the means and opportunity to create value for our business, our communities, and society is CORE to ISS' culture.

We respect diversity and encourage a culture of equal opportunities and inclusion that values collaboration, integrity and flexibility. We promote a workplace that is safe, healthy, respectful and non-discriminatory.





2022 Goal: People

Continue to support our diverse, high performing work environment by encouraging excellence and leadership in alignment with the ISS Values.

- Create structure, policies and communication to support our employees through the ongoing remote work environment and the return to office.
- Celebrate our diverse population through recognition, recruiting and awareness initiatives.
- Heighten awareness to the performance management process and promote career development opportunities that enhance employee growth

2022 Outcome: People

ISS in 2022 accelerated its “BrilliantTogether” campaign to promote and foster diversity, equity and inclusion. We feature various global initiatives and highlight meaningful “Days” to help celebrate the diversity of our people that comprise our global organization. Below is an example that was sent to all ISS employees in March 2022, in recognition of International Women’s Day 2022.



As another example in 2022, we refreshed our Charitable Matching Program, ISS Cares, by which charitable contributions made by our employees and matched by ISS impacted more than 100 local organizations around the globe.

ISS Services Provided

ISS seeks to help institutional investors understand corporate governance practices and make informed proxy voting decisions that suit their particular investment needs in many different markets across the globe. ISS also provides environmental, social and governance ("ESG") data and ratings, thought leadership, research and other market information on corporate governance and voting practices and trends, portfolio screening and other assessment tools and services, all of which are available to assist investors in their wider ownership activities and responsibilities. As with any analytical investment offerings, clients make their own determination on whether and how to incorporate ISS' research, data or ratings into their investment decision-making process.

ISS' investment stewardship services are primarily produced by two ISS business lines: ISS Governance Research and Voting Solutions and ISS ESG.

Governance Research and Voting Solutions 2022 Product Overview

ISS offers a range of policy-based offerings for annual shareholder meeting research analysis and voting recommendations that are designed to align with a wide spectrum of client philosophies and stewardship requirements, and a powerful vote execution and workflow platform and tools to support a range of clients' stewardship activities. ISS' Governance Research and Voting solutions for investors assist our clients in being informed and active stewards with respect to their voting, engagement, and reporting activities, and in identifying governance, environmental, social and other risks and opportunities. ISS voting policy choices, listed below, including the offering of fully customised voting policies, help ISS clients implement their own views on good stewardship into actionable voting decisions

What follows is an overview of the different voting policy choices and other important voting-related services offered in 2022 to assist our clients in being informed and active stewards.

ISS Benchmark Policy: designed to provide analyses and recommendations consistent with ISS' Global Voting Principles covering the four key tenets of accountability, stewardship, independence, and transparency, and to assist institutional investors in meeting their fiduciary requirements with respect to voting by promoting long-term shareholder value creation and risk mitigation by reference to responsible global corporate governance practices. ISS' Benchmark Policy voting guidelines vary by market and region and consider how corporate governance practices respect shareholder rights and provide appropriate transparency, taking into account relevant laws, customs, and best practice codes of each market and region. As described more fully under the Principle 2 section, ISS' Benchmark Policy is developed through a robust, inclusive, and transparent process, which is open to investors, companies, and all other interested parties.

Reports produced under the ISS Benchmark Policy include extensive data and information, including high-level ESG data from relevant ISS ESG solutions for many companies in the respective solutions' coverage universes. For example, high-level information from ISS Governance QualityScore, and ISS Environmental & Social Disclosure QualityScore is included, and from 2023, an ISS Cyber Risk Score will also be included for some companies. ISS Benchmark Policy research reports also include the ISS Climate Awareness Scorecard, which reflects data and reporting on a company's climate change-related disclosures and performance. The Climate Awareness Scorecard uses a range of climate-related factors to indicate a company's disclosure practices and performance record including its industry risk group. Companies are evaluated on overall disclosure (Governance, Strategy, Risk Management, Metrics & Targets) and performance factors (Norms, GHG Emissions, Performance Ratings).

BT Group Plc (BT.A)
POLICY: UK & Ireland

Meeting Date: 14 July 2022
Meeting ID: 1651163

QualityScore



Governance Scores As Of: June 30, 2022
Last Data Profile Update: June 30, 2022

Environmental and Social Scores As Of: June 30, 2022
Last Data Profile Update: May 31, 2021

ISS Governance QualityScore is derived from publicly disclosed data and reporting on company governance disclosure, risk and performance. ISS Environmental and Social QualityScore is based on company disclosure and transparency practices. Scores indicate decile rank among relative index, region (Governance QualityScore), or industry group (Environmental and Social QualityScore). Scores are calculated at each pillar by summing the factor scores in that pillar. Not all factors and not all subcategories have equal weight.

For more information on ISS QualityScore, visit www.issgovernance.com/solutions/qualityscore. For questions, visit [ISS Help Center](#).

Climate Awareness Scorecard

Climate Risk Exposure

CARBON RISK CLASSIFICATION

Risk Level	Medium
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The Carbon Risk Classification identifies a company's individual exposure to carbon risks based on industry assignment and business activities, taking into account the greenhouse gas emissions of production processes, products and services along the value chain. Risk exposure is classified as high, medium, low, or negligible.

Climate Performance

CURRENT CLIMATE PERFORMANCE

Greenhouse Gas Emissions	Total
Total Emissions (Scope 1&2)	171,684 tCO ₂ e*
Total Emissions (Scope 3)	3,512,000 tCO ₂ e**
Emission Intensity (Scope 1&2 /m\$ revenue)	6 tCO ₂ e
Average Peer Emission Intensity (Scope 1&2 /m\$ revenue)	71.9 tCO ₂ e

To meet climate targets and avoid climate risks, the current and future performance on climate challenges matters. Current direct and indirect greenhouse gas emissions, normalized by revenue, provide an indicator for the climate efficiency of a company. This can be contrasted to the average emission intensity of industry peers with a similar emission profile. Greenhouse gas emissions are sourced from company disclosure or the CDP and are updated by 31 December of each year for the previous business year. For non- or poorly reporting companies, emissions will be estimated. The Carbon Risk Rating provides a future-oriented analysis of

INCIDENT-BASED RISK EXPOSURE

Norms Violation	No Allegation
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The Paris Agreement and other universally accepted climate norms set "do no harm" standards for a corporate climate practice. Certain companies, however, might be violating such norms. ISS Norm-Based Research differentiates between the level of failure to respect norms. The Norms violations categories are assigned according to the degree of verification, severity and remediation, if any.

FORWARD-LOOKING CLIMATE PERFORMANCE

Carbon Risk Rating	Total
Category	Climate Outperformer
Rating (0-100)	73

ISS Specialty Policies: these evaluate voting matters from different thematic perspectives, and the policies offered in 2022 were:

- **Catholic Faith-Based Policy** voting guidelines, designed to provide analyses and recommendations that are broadly consistent with the objectives of socially responsible shareholders as well as the teachings of Catholicism and Christianity as a whole.
- **Climate Policy** voting guidelines, designed to provide analyses and recommendations based on a model for assessment of a company's climate-related performance and disclosures. The model draws on widely recognized frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD), and balances the need for good disclosure on climate-related-risks with a company's performance on key climate-related factors.
- **Public Fund Policy** voting guidelines, designed to provide analyses and recommendations to assist public funds, with the intent of maximizing the long-term economic benefits of plan participants, beneficiaries, and citizens of the state in which the fund resides. The guidelines are generally designed to help public funds vote their proxies in a manner consistent with widely accepted corporate governance and corporate responsibility practices that lead to increased long-term shareholder value.
- **Socially Responsible Investment (SRI) Policy** voting guidelines, designed to provide analyses and recommendations that are consistent with the financial and social objectives of socially responsible shareholders.
- **Sustainability Policy** voting guidelines, designed to provide analyses and recommendations that promote support for recognized global governing bodies that promote sustainable business practices and advocate for stewardship of the environment, fair labor practices, nondiscrimination, and the protection of human rights.
- **Taft-Hartley Policy** voting guidelines, designed to provide analyses and recommendations that

are based upon the AFL-CIO Proxy Voting Guidelines and with a focus on a worker-owner view of long-term shareholder value.

- **U.S. Board-Aligned Policy** voting guidelines, designed to provide analyses and recommendations that allow companies to operate within the flexible framework of the laws, regulations and exchange requirements that govern them, while maintaining proper safeguards, including governance structures and practices, that foster and protect long-term value creation for shareholders. NB US-only coverage in 2022, replaced in 2023 with new Global Board-Aligned Policy voting guidelines.

Client Custom Voting Policies: as well as its proprietary voting policies, ISS also offers research and voting recommendations based on a client's own custom voting policy (or policies) which reflect their own specific approaches to proxy voting and/or the mandates they have with the clients for whom they manage assets. ISS implemented customized voting policies and provided custom policy vote recommendations for more than 500 custom client policies in 2022.

Some clients choose to take more than one voting policy, from our range of custom, specialty and benchmark offerings.

Special Situations Research: This service provides specialist in-depth analysis on a limited number of high-profile mergers and acquisitions, proxy contests and other strategic corporate transactions. Special Situations Research clients typically receive information throughout the full lifecycle of the events covered, from deal announcement through to any shareholder meeting.

ISS' ProxyExchange: ("PX") is a web-based application which provides clients with end-to-end management of their proxy voting process. ISS clients can control their voting policy(ies) and final proxy voting decisions while leveraging ISS in the processing and data management elements of the proxy voting process. To this end, ISS receives proxy ballots on behalf of many clients, assists clients in executing their proxy votes, maintains vote records, and provides comprehensive reporting.

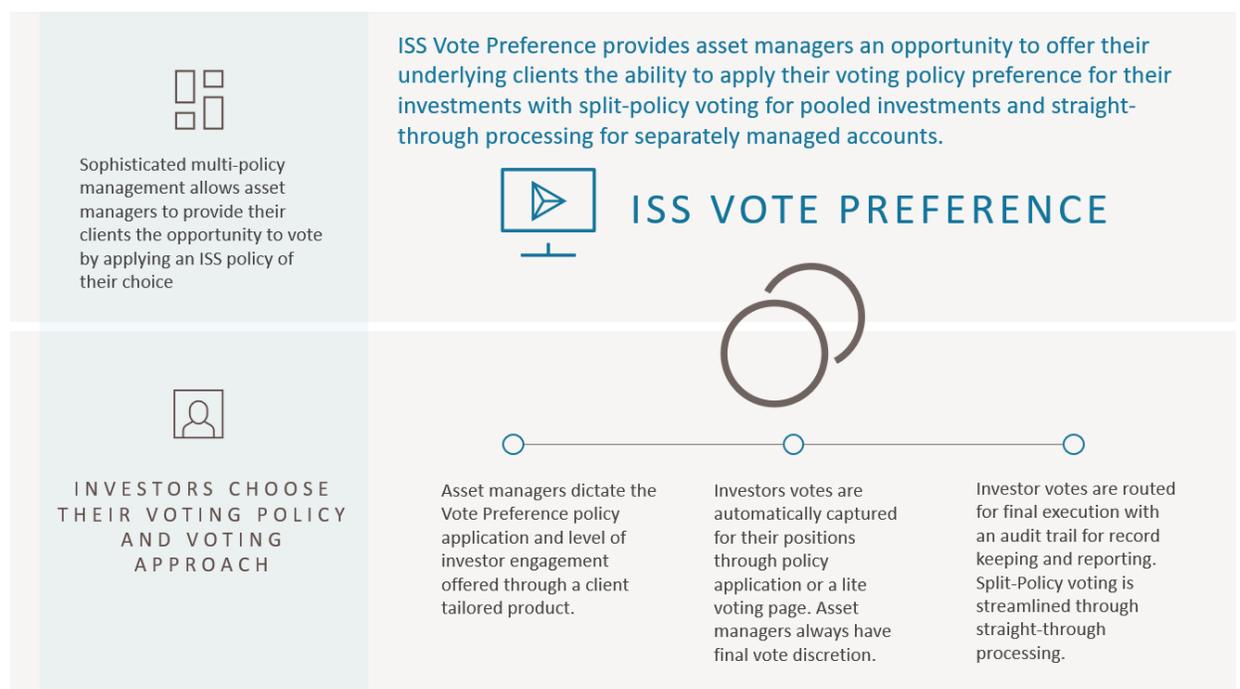
Voting Disclosure Solutions: ISS recognises that institutional investors are increasingly subject to disclosure requirements under stewardship codes globally, including the UK Stewardship Code, regarding their use of shareholder voting research and analysis services, as well as mandates dictated internally by an underlying client. ISS works with its clients to assist them in these disclosure requirements. ISS' assistance typically includes the identification of ISS as a service provider, a detailed explanation of the type and scope of the services provided, and the voting policies applied. ISS does not disclose voting decisions of clients, unless specifically instructed by the client to do so. Increasingly, institutional investors are under a legal, fiduciary and/or contractual obligation to publicly disclose their voting records. ISS offers a Voting Disclosure Service (VDS) to help institutional investors disclose their voting policy and voting records to appropriate stakeholders. Stakeholders can easily search and view the voting records disclosed for each security in each portfolio.

Add-On Workflow Solutions: ISS offers several solutions to help investors increase efficiency in the proxy voting process. For example, ISS Communicator helps investors disseminate information on proxy meetings to internal stakeholders and assists in internal collaboration by the client on its vote decisions.

ISS also offers tools to assist investors in their engagement process, databasing engagement notes or preparing engagement materials.

Governance Research & Voting Solutions 2022 Product Innovation

Vote Preference: In November 2022, ISS announced the launch of Vote Preference, a suite of flexible solutions enabling asset managers to offer voting choices directly to their underlying asset owner clients. Many asset owners, the underlying market stewards, have sought greater control over their voting decisions, which until recently has been challenging when their portfolio is sub-advised or in a pooled vehicle. Leveraging innovative and proprietary technology, ISS Vote Preference helps solve for long-standing market limitations by enabling asset managers to capture and execute the vote intentions of their underlying clients. ISS Vote Preference allows asset managers to offer their clients any of ISS' proprietary multiple policy choices (listed above on page 6), as well as custom voting policies, with ISS vote aggregation and split vote management execution capabilities, leveraging ISS PX and API technology. ISS also offers asset managers additional collaboration tools through ISS Communicator which can be tailored to the individual needs of their Vote Preference programs. ISS' Vote Preference holdings solution allows asset managers to easily automate the display and vote execution of their underlying clients' respective share percentages and provides a full audit trail of communications and vote history, ensuring accurate and timely record-keeping and reporting.



Principle 1 Governance Research & Voting Solutions 2022 Activity and Outcomes

Research and Voting Activity and Outcomes

In 2022, ISS' Governance Research and Voting services covered approximately 50,000 company meetings in 110 markets on 35,500 companies, delivering research and vote recommendations under the multiple different policy options offered by ISS, and covering a wide spectrum of governance, environmental and social factors to support investors' varied stewardship-related needs. This represented approximately 50,000 Benchmark Research reports, approximately 95,500 Specialty Research reports and approximately 1,100,000 Custom Research reports in 2022.

As at the end of 2022, ISS Governance Research and Voting had approximately 1,600 institutional investor clients, a 6.7% increase from about 1,500 institutional investor clients at the end of 2021.

Product Innovation

In September 2022, ISS launched Vote Preference (described in full above). Leveraging innovative and proprietary technology, ISS Vote Preference helps solve for long-standing market limitations by enabling asset managers to capture and execute the vote intentions of their underlying asset owner clients through a flexible suite of solutions.

Client Service and Retention

In 2022, ISS worked closely with clients and provided the platform and services to help them execute their voting decisions for approximately 13.6 million ballots representing around 3.9 trillion shares.

In 2022, another significant outcome of our activities was a very strong firm-wide client retention rate of 95 per cent, reflecting our commitment to high quality products and excellent client service that is recognized by our clients and is part of our strategy and culture.

ISS ESG 2022 Product Overview

ISS ESG

THE ISS ESG DIFFERENCE

ISS ESG is the responsible investment arm of Institutional Shareholder Services Inc., the world's leading provider of corporate governance and responsible investment solutions for asset owners, asset managers, hedge funds, and asset servicing providers. ISS ESG brings globally recognized expertise across the full range of sustainable and responsible investment issues, including climate change, SDG-linked impact, human rights, labor standards, corruption, controversial weapons, and many more. We partner with clients to understand their unique investment and business objectives to deliver the relevant insights and data solutions needed throughout the investment process.



Innovative and high-quality ESG ratings, screening, data, analytics & advisory services



Direct access to ISS ESG experts, analysts, and advisors



Dedicated client service to ensure seamless implementation



Global reach combined with local presence

ISS ESG's offerings detailed below are designed to provide clients choice by addressing a wide variety of questions in support of investors' diverse investment strategies.

Screening & Controversies: ISS ESG provides Screening & Controversies solutions that identify corporate involvement in a range of controversial products, business practices and high-risk sectors, allowing clients to screen, monitor and analyze against issues that are of importance to them. ISS ESG's analysts provide on-going monitoring and research on company practices, assessing information gathered from numerous sources complemented by analysis, research, and engagement. Analysts gather information through publicly available sources, conduct interviews with stakeholders, and collect information on the policies and practices of covered companies.

ESG Ratings & Rankings: Through its ESG Ratings & Rankings solutions, ISS ESG provides comparable analyses on companies, countries and bonds, providing investors with the ability to incorporate sustainability into their investment processes, including on a customizable basis. ISS ESG's ratings aim to assist investors to identify and minimize ESG risks, comply with evolving regulatory and stakeholder requirements and capitalize on potential opportunities. ISS ESG's proprietary rating concept places a sector-specific focus on the materiality of non-financial information.

Climate Solutions: ISS ESG provides a suite of climate solutions designed to provide investors with a better understanding of their exposure to climate-related risks in their portfolios. Through its dedicated team, ISS ESG offers a range of data and intelligence on climate change performance and risk and its impact on investments. In addition to carbon footprint data, ISS ESG assesses potential avoided emissions, transitional and physical risk, and future carbon performance - based on nearly 100 sector-specific indicators.

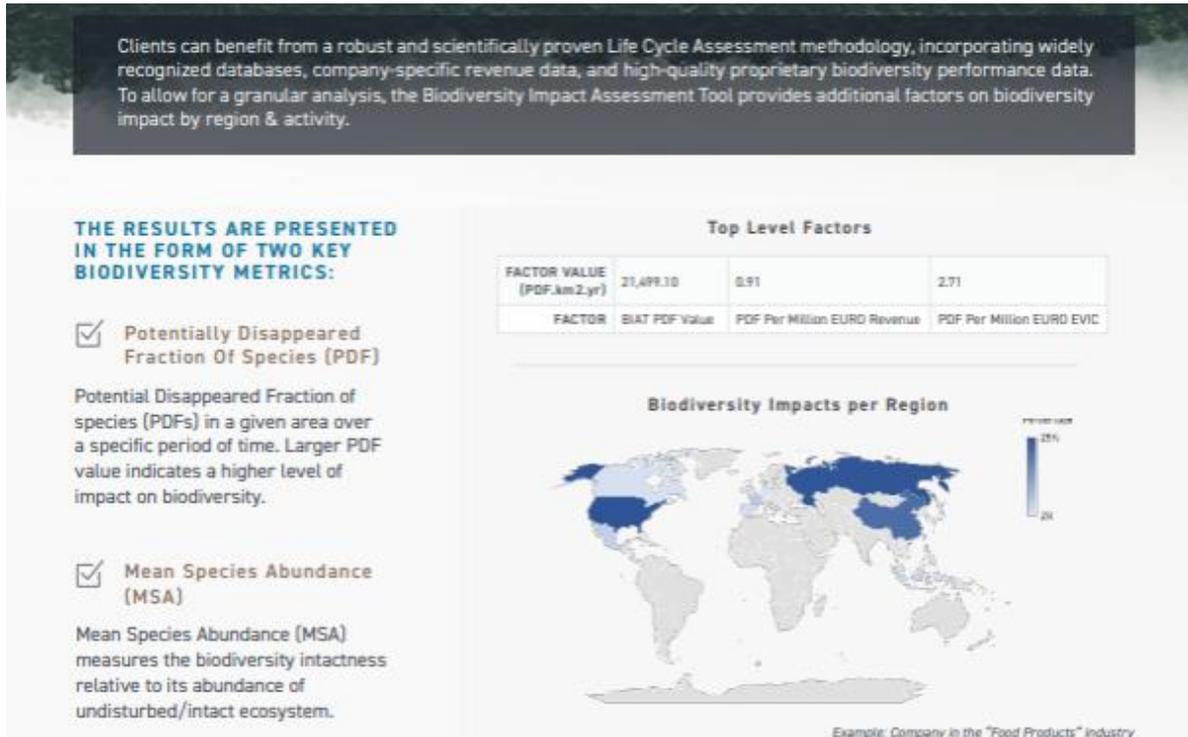
Indices: ISS ESG data is also used in the construction of thematic indices in various ways. ISS ESG and a third-party benchmark administrator work with asset managers, asset owners, investment funds and other clients to create customized indices incorporating ISS ESG data. In addition, ISS ESG supplies its data to third parties who create their own indices or investment products. Finally, ISS ESG licenses certain proprietary indices for the creation of passive financial investment products or for benchmarking. These indices are administered by an authorized benchmark administrator under the European Benchmarks Regulation.

Collaborative/Thematic Engagement Services: Enables subscribing investors to promote change through active ownership by cost-effectively communicating their ESG expectations to corporate management in compliance with voluntary and statutory stewardship requirements. ISS ESG experts facilitate dialogue on behalf of subscribing investors with approximately 100 listed companies annually identified under Norm-Based Research as failing to prevent or address social and environmental controversies in line with established standards for Responsible Business Conduct. Further specific thematic engagement services allow subscribing investors to engage with companies on top-priority ESG themes, such as Net Zero, Water, Biodiversity and Gender Equality, to generate transparency and performance.

ISS ESG

Examples of 2022 Key ISS ESG Product Innovations

Biodiversity Impact Assessment Tool: Leverages a bottom-up assessment of a company's business activities and supply chain to demonstrate the impact of operations on multiple biodiversity areas. The Biodiversity Impact Assessment Tool outlines both the Potential Disappeared Fraction of species (PDFs) and Mean Species Abundance (MSA) allowing investors a deep understanding of biodiversity impact. Includes 10 environmental (LCA) midpoint factors: climate change, marine acidification, freshwater acidification, terrestrial acidification, freshwater eutrophication, marine eutrophication, freshwater ecotoxicity, water availability, land transformation and land occupation.



Modern Slavery Scorecard: Helps investors assess an issuer’s modern-slavery related performance considering industry-specific profiles and capacity to manage risks along the value chain. The Modern Slavery Scorecard contains three components: *Modern Slavery Risk Assessment*, a forward-looking, holistic assessment of vulnerability to modern slavery, considering drivers of risk, including corruption, inequality, poverty, and government instability; *Modern Slavery Performance and Disclosure*, an assessment of an issuer’s preparedness to identify and mitigate modern slavery risks; *Modern Slavery Controversies*, identifying alleged or verified failures to respect established norms on modern slavery and broader labour rights controversies, including poor working conditions and union rights violations.

MODERN SLAVERY SCORECARD

A FORWARD-LOOKING ASSESSMENT OF A
COMPANY'S MODERN SLAVERY RISK
EXPOSURE AND MITIGATION

IN-DEPTH ANALYSIS

HOLISTIC APPROACH

GLOBAL COVERAGE

25 distinct data points developed by ISS ESG modern slavery and human rights experts.

Considers modern slavery in the context of broader human rights and labour rights to understand potential drivers of exploitation.

Coverage of approximately 7,800 issuers.

WHAT IS MODERN SLAVERY?

Modern slavery is an umbrella term for some of the most severe human rights abuses, including forced labour, the worst forms of child labour, human trafficking and debt bondage. According to the International Labour Organization, modern slavery refers to situations that a person cannot refuse or leave because of threats, violence, coercion, deception, and/or abuse of vulnerability.



Water Risk Rating: Offers a holistic solution to support a range of investor use-cases, including helping investors identify and manage freshwater-related risks in portfolios, build freshwater-focused portfolios, funds and indices, through to supporting their water-related stewardship and engagement programs. The ISS ESG Water Risk Rating features a holistic and granular assessment of a company's exposure to and management of freshwater-related risk comprised of 11 data points per company. Its distinct methodology for assessing companies' freshwater risk exposure and management provides an aggregated score based on two complementary pillars, a Water Risk Exposure Classification and a Water Risk Management Performance Score.

DISTINCT METHODOLOGY FOR ASSESSING COMPANIES' FRESHWATER RISK EXPOSURE & MANAGEMENT

The Water Risk Rating provides an aggregated score of a company's overall management of freshwater-related risks based on the following complementary pillars:

WATER RISK EXPOSURE CLASSIFICATION

A classification of a company's individual exposure to freshwater-related risks based on its industry assignment, the geographical footprint of its own operations, and its industry classification regarding supply chain risks.

WATER RISK MANAGEMENT

A metric for a company's current water-related operational performance, taking into account its risk management practices along the value chain, as well as its potential involvement in controversies.

WATER RISK RATING

Water Risk Exposure Classification

- Supply Chain Risk Exposure
- Operational Risk Exposure
- Industry Risk Exposure
- Physical Risk Exposure

Water Risk Management

- Risk Management
- Controversies

Augmented Net Zero Solutions: Supports investors in verifying the extent to which their portfolio companies' publicised targets and commitments are aligning with ongoing or planned operational activities. The dedicated suite of Net Zero Solutions with automated investor portfolio reporting was augmented in 2022 with new features. These include a Net Zero target status, i.e. whether published targets and strategies relevant to achieving Net Zero are present, plus modelled Net Zero emissions trajectories which include quality-checked company-reported Scope 3 green house gas emissions data. In tandem, an enhancement to the Energy & Extractives solution was also launched, tracking companies within the energy sector and their involvement in Green (renewable) and Brown (fossil fuel) expansion projects.



EXAMPLE

Use our data to report at the portfolio level and quickly provide an overview on vital climate related data points to inform and execute your path to Net Zero.

DISTINCT METHODOLOGY FOR DEFINING NET ZERO ALIGNMENT

ISS ESG's Net Zero alignment assessment is based on companies' substantiated commitments to achieving Net Zero by 2050, as well as whether they have established interim targets, and have a decarbonization strategy.

- ✓ Substantiate your Net Zero pledges
- ✓ Understand your investee companies' Net Zero alignment
- ✓ Efficiently manage climate risks
- ✓ Optimize security selection by investing in companies with climate change mitigating technologies
- ✓ Enhance your engagement and voting activities

Regulatory Sustainable Investment Solution: Supports global financial market participants in defining their interpretation of sustainable investments, and allowing them to quantify the portion of funds, products and portfolios that meet those criteria. The solution facilitates the customization and optimization of an investor's sustainable investment strategy, whilst addressing rapidly-evolving regulatory reporting requirements globally. For investments within the European Union, the solution helps facilitate the fulfilment of SFDR obligations related to Article 8 & 9 disclosures, as well as assessing and quantifying the sustainability of funds and investment products that do not fall under the EU Taxonomy scope. The solution also helps with the emerging principles-based requirements of disclosure regimes in jurisdictions outside of the European Union, such as the U.S., Canada, Hong Kong, Singapore, Taiwan, India and the Philippines. It is powered by a broad range of high-quality ISS ESG solutions, including ESG Corporate Rating, SDG Solutions Assessment, SDG Impact Rating, Climate Data, Energy & Extractives Screening, Controversial Weapons, Norm-Based Research and SFDR PAI.

Labels & Standards Solutions: Supports investors in keeping track of the varying requirements of ESG labels and standards globally. The one-stop fully-integrated ISS ESG Labels & Standards Solutions tailored to different geographic markets provides consolidated functionality for up-to-date review, verification, disclosure and reporting. Designed to cover key jurisdictions and international frameworks, in 2022 the solution was rolled out on a region-specific basis, covering AMF, GreenFin, AFG, Nordic Swan, UNGC, Label SRI, Label Relance and Towards Sustainability (Febelfin), plus Germanic and APAC labels and standards. Requirements of the different labels and standards vary significantly, from

qualitative and quantitative reporting and disclosure, adhering to minimum standards, to integrating ESG considerations into the investment process.

Summary

We believe ISS promotes effective stewardship by providing relevant, high-quality services and products for investors to support their stewardship activities, while allowing ISS to retain clients, attract new ones, and continue to invest as a service provider.

Our assessment is that our activities under Principle 1 enabled ISS to be successful in serving the best interests of our clients throughout 2022 by providing them with the high-quality and independent research, data and analytical offerings they need to effectively implement their own stewardship activities.

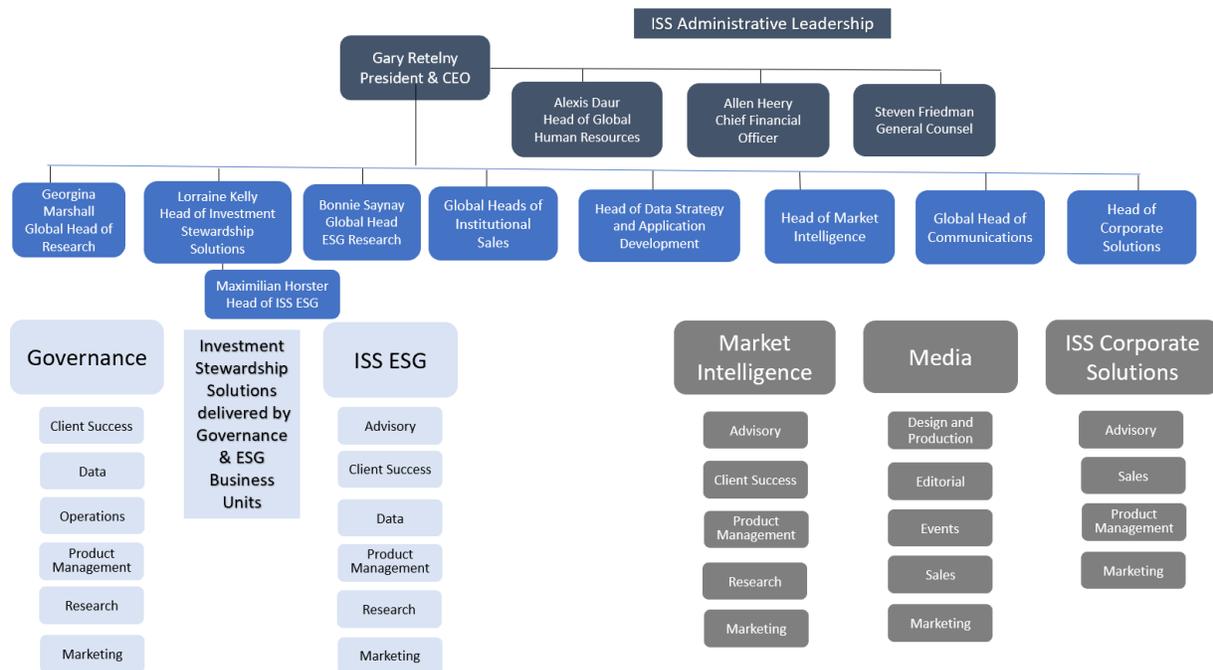
PRINCIPLE 2: Signatories’ governance, workforce, resources and incentives enable them to promote effective stewardship

Signatories should explain how: their governance structures and processes have enabled oversight and accountability for promoting effective stewardship and the rationale for their chosen approach; the quality and accuracy of their services have promoted effective stewardship; they have appropriately resourced stewardship, including:

- their chosen organisational and workforce structure(s);
- their seniority, experience, qualification(s), training and diversity;
- their investment in systems, processes, research and analysis; and
- how the workforce is incentivised appropriately to deliver services;
- they have ensured that fees are appropriate for the services provided.

Signatories should disclose: how effective their chosen governance structures and processes have been in supporting their clients’ stewardship; and how they may be improved.

ISS Organisational and Workforce Structure 2022 YE



Context

ISS has supported investors and promoted good governance practices and effective stewardship for over 35 years, through our services for clients and in our own internal governance.

As set out in our response on Principle 1, through our range of services, ISS helps institutional investors in fulfilling their stewardship responsibilities, helping them to make informed voting, engagement, and other stewardship-related investment decisions, in managing the complex process of proxy voting, in tracking and reporting their voting activities as they may require, and in assessing their portfolios and investment decisions in many different ways. We invest regularly in the development, maintenance, quality and expansion of ISS services and the systems, processes, research and analysis that underpin our services and outcomes in 2022 are set out in our response to Principle 1.

These services also require a skilled and motivated workforce with appropriate levels of expertise, training, and management, and governed appropriately to high standards.

As a global service provider, at the end of 2022 ISS had more than 3,000 employees located across 15 countries, including approximately 620 research analysts and 630 data analysts across our ISS Governance and ISS ESG business units. ISS' analysts have a range of expertise, training, insight, and perspectives across the governance and responsible investment landscape, underpinned by experience in varied fields, such as economic analysis, mergers and acquisitions, compensation, law, sustainability, climate, global norms, and data analytics. Training and development needs are assessed regularly, and workforce incentives are centred on the values of the firm and the success of our business as a service provider as explained in our response to Principle 1. We consider that the workforce is appropriately and fairly incentivised to deliver services of the required quality to clients, with appropriate base pay reviewed annually, typically also with the potential for annual bonuses based on individual and firm performance, and no inappropriate incentives such as payment by quantity (as opposed to quality) of work. Employee conduct is generally governed by ISS' General Code of Conduct and Code of Ethics which are further discussed in Principle 3 below.

In February 2021, Deutsche Börse AG ("DB") completed a transaction pursuant to which it acquired an approximate 80% stake in ISS HoldCo Inc., the holding company which owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of limited partnerships controlled by Genstar Capital ("Genstar") and ISS management.

As part of the transaction, DB and ISS agreed on a policy of non-interference and management of potential conflicts of interest as it relates to DB's majority ownership of ISS. The "Policy on Non-Interference and Potential Conflicts of Interest Related to Deutsche Börse" is published on ISS' website and establishes appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings, and other analytical offerings (collectively, "Research Offerings") produced by ISS. The policy can be found at <https://www.issgovernance.com/file/duediligence/DB-Policy-Mar-2021.pdf>

The policy was implemented in keeping with ISS' commitment to conduct business with the highest degree of ethics, integrity, and transparency, and to provide full coverage of clients' portfolios. These policies are discussed further in Principle 3.

ISS is a member of the Best Practice Principles Group for shareholder voting research ("BPPG"), which was formed in 2013 at the direction of the European Securities and Markets Authority ("ESMA"). The group was established to promote greater understanding of corporate governance research providers and align with global stewardship codes. The governance structure includes the BPP Oversight

Committee (“BPP OC”) which monitors the implementation of the Best Practice Principles for Shareholder Voting Research Analysis which underpin services provided by proxy advisory signatories.

The principles adopted by the BPPG are designed to help clients and stakeholders understand:

- The nature and scope of shareholder meeting research and voting services;
- The standards of conduct that underpin those services; and
- How signatories to the principles interact with other market participants.

The signatories to the BPP agreed to adopt the principles and guidance on a comply-or-explain basis. ISS’ latest BPPG compliance statement regarding these principles can be found at <https://www.issgovernance.com/compliance/due-diligence-materials/>

ISS’ governance structures and processes are designed to give appropriate oversight (both management oversight and oversight of control processes) over the services provided to our clients.

As part of our core services providing governance research and voting recommendations, ISS offers and implements a variety of voting policies designed to meet the differing views and needs of institutional investors, as detailed under the Principle 1 section. The quality and accuracy of our research, recommendations and voting services provide clients with reliable independent information to support their stewardship activities, and a dependable and auditable process to help handle the complexities of voting, including vote tracking and reporting. ISS’ voting policies, the research and vote recommendations produced under those policies, and the processes operated by ISS are subject to rigorous governance and oversight to ensure integrity, quality and reliability. Our processes, controls, resources and highly trained workforce of analysts and other experts help to ensure high quality, reliable, independent, and cost-effective services for investors to support their stewardship activities.

ISS has dedicated internal employees who provide periodic reviews and assessments on the processes and procedures across different business units.

In addition to internal controls, ISS employs a third-party auditor to independently assess its controls under the SSAE 18 process and provide an opinion on the fairness of the presentation and on the suitability of the design and operating effectiveness of ISS’ controls. ISS’ SSAE 18 audit report covering 2022 includes a comprehensive accounting of all control objectives and the activities that are executed in order to support each assertion. Sections of this audit report are dedicated to the processes of the Governance Research and Voting teams.

ISS has in place robust systems and controls designed to ensure the quality of our governance research and voting recommendations. These include:

- Comprehensive information procurement processes for company-published information and meeting documentation;
- Data consistency and quality checks;
- Voting research reports and recommendations are prepared by appropriately trained analysts;
- Voting research reports and recommendations are reviewed by a separate 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 brought to our attention, an Alert and updated report is promptly issued to clients.

Clients and Fees

ISS' services are provided pursuant to a written contract with each client. The contract provides the agreed basis as to the fees, terms and conditions under which services are delivered. Most services are offered on an annual or multi-year subscription basis, with full transparency of pricing and charging, enabling our clients to make informed choices on the cost-effectiveness of services for their business and their stewardship activities. We believe that clients find value in our products and services and that our fees are reasonable and appropriate, as evidenced by the fact that clients choose to buy (and renew) ISS services and our client retention rate is high.

2022 Activity and Outcomes

Research Leadership and Skills

ISS has, and continued to develop in 2022, highly skilled and experienced leaders around the world who manage teams appropriately skilled and experienced for their roles. ISS' Global Research leaders are publicly listed with further information, including their biographies here:

<https://www.issgovernance.com/policy-gateway/global-research-leadership>.

Diversity, Equity, & Inclusion (DE&I) and Qualifications

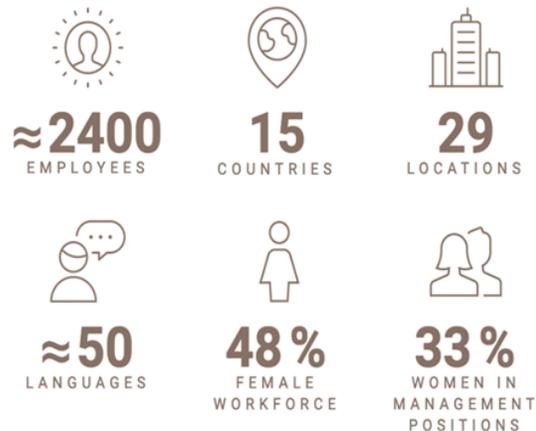
ISS is committed to respecting diversity, equity and inclusion (DE&I) and developing a culture of equal opportunity and inclusion that values collaboration, integrity and flexibility. ISS is also committed to a work environment in which all individuals are treated with dignity and respect. Its DE&I policy is disclosed on its website [here](#).

Diversity	YE 2022
ISS total % female	45%
ISS Leadership team - % female	40%
ISS US-based staff - % female	38%
ISS US-based staff - % minority	34%

People

Providing our people with the means and opportunity to create value for our business, our communities, and society is CORE to ISS' culture.

We respect diversity and encourage a culture of equal opportunities and inclusion that values collaboration, integrity and flexibility. We promote a workplace that is safe, healthy, respectful and non-discriminatory.



The minimum education standard for research analysts is a bachelor's degree from an accredited college or university, and many also possess post-graduate degrees (MBA, MA, JD) and/or professional certifications (such as CFA, CPA, CEP). The average tenure of ISS' full-time research analysts is five years, and many senior personnel have ten years or more of experience at ISS and/or in related industries. In undertaking proxy research, many of our analysts and other experts bring practical experience in investment management, governance and voting, investment banking, mergers & acquisitions, compensation matters, corporate actions, corporate responsibility and regulatory compliance.

Research team members participate in training and development programs, based on perceived needs or benefits, which may include on- and off-site development courses and external professional training. Many research analysts also go beyond their core research related duties to provide in-depth, thematic research pieces covering the latest trends and developments for their market, region, sector, or topic of specialty. These projects are done under the tutelage of team leaders and often involve collaboration across disciplines and areas of focus.

In addition, ISS has an internal training platform called ISS University. This knowledge-sharing platform is open to all employees and provides learning and development experiences that expand on the expertise of the employees, allowing them to develop strategic skills and thrive in their chosen paths. The materials give employees an overview of the ISS business and product suites and most courses are accompanied by an advanced course on each subject.

Training for a research analyst new to ISS Governance depends on the individual's experience and specialty and generally includes formal training in corporate governance concepts and ISS policies and processes, and extensive mentoring with one or more senior members of the team. All new hires also undergo compliance training as detailed under Staff Training in the Principle 3 section of this report. New analysts build a foundation in board, compensation, environmental and social, and economic issues. Moreover, new and developing research analysts may attend debriefings with senior staff following speaking presentations to clients and others in the industry at which issues are discussed and debated. Collectively, this helps to ensure analysts stay abreast of those issues important to their roles and to clients.

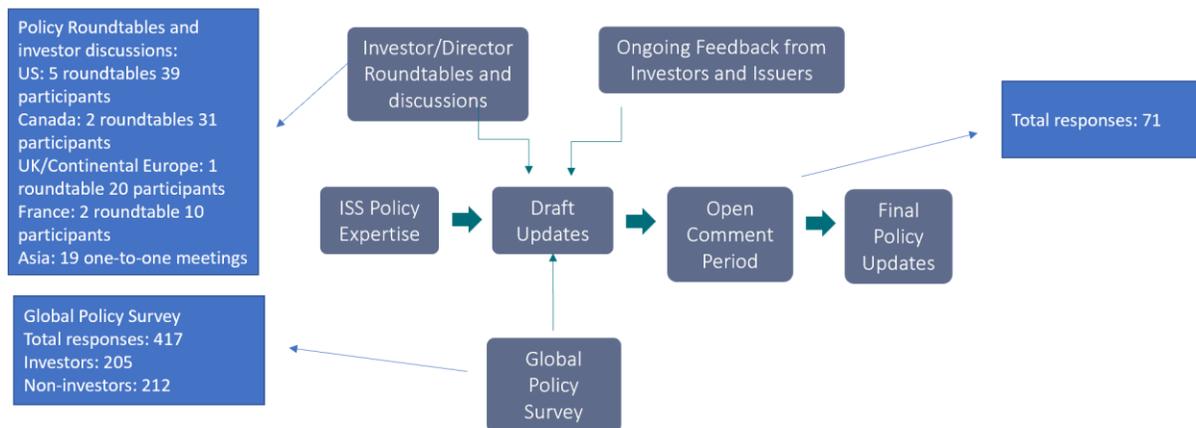
ISS Voting Policy Governance

Overseen by the ISS Global Policy Board, ISS applies principles of independence and good governance to the annual development and application of ISS' Benchmark Policy, which comprises multiple market and region-specific policy guidelines that underlie its Benchmark research and voting recommendations, with high standards of transparency and a consultative approach. To ensure ISS Benchmark Policy changes take into consideration significant evolving stewardship issues and a broad range of perspectives, including the views of institutional investors and those of the broader governance community, ISS gathered input in 2022 (as it does each year) from investors, companies, and other market constituents through a variety of channels and mediums, including:

<u>Policy Surveys</u>	<u>Policy Roundtables</u>	<u>Open Comment Period</u>
Total responses: 417 Investors: 205 Non-Investors: 212	US: 5 roundtables; 39 participants Canada: 2 roundtables; 31 participants UK/Continental Europe: 1 roundtable; 20 participants France: 2 roundtables 10 participants Asia: 19 one-to-one meetings	71 responses

A visual summary of the full policy development process undertaken in 2022 for the 2022-2023 cycle is presented below, followed by examples of significant policy updates for 2023 and beyond, that resulted and were announced after the open (public) comment period.

2022-2023 Benchmark Policy Development Process



- Regulatory changes, new issues and trends during the past year inform ISS and define the landscape for potential policy changes

- Annual policy survey requests feedback on areas of potential change and invites perspectives from institutional investors, corporate issuers and all other interested parties. Offers all market constituents the ability to actively participate in ISS’ policy development process.
- Global discussion forums and roundtables with clients and other governance experts frame the policy process, and discuss survey results and potential policy changes.
- Numerous viewpoints are considered to develop proposed policy changes that strike the right balance, and all significant proposed policy updates are put out for public comment.
- Comments received are considered.
- Final policy updates with background information and explanations are announced publicly and full policy guidelines are made available and published on our website, [issgovernance.com](https://www.issgovernance.com).

All ISS policies (current and prior years) are publicly available on the ISS website under the ISS Policy Gateway [here](#), which together with the process updates, provide full transparency into the feedback received, the rationales for our chosen approach, and how we ensure that the policies are fair, balanced and understandable. The ISS Benchmark Policy Updates Executive Summary is [here](#) and example extracts of policy updates alongside feedback and comments are in [APPENDIX 1](#) of this UK Stewardship Code report.



EXECUTIVE SUMMARY
Policy Updates for 2023

ISS

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ISS ESG Methodology Governance

ISS ESG recognizes that the sustainable investment landscape is highly dynamic and as such, investors require flexible and forward-looking solutions to meet ever-evolving global market demands. ISS ESG's approach to global ESG methodology governance consists of three cross-functional teams across its business:

- Global ESG Methodology Team – with a mandate to stay abreast of trends, developments and existing and emerging client and prospect needs.
- Methodology Review Board – guide, steer, and vet the methodology development strategy and process, setting and agreeing upon overall objectives and strategic targets, clarifying, reviewing and 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.

Summary

We believe that ISS' voting policy and ESG methodology governance, internal governance structures, processes, workforce, resources, training and incentives operated effectively throughout 2022 in producing high-quality, reliable services to promote effective stewardship and support our clients' stewardship activities.

Our services are regularly reviewed, and enhancements are introduced throughout the annual business cycle. We believe that attention to continual improvement is vital, and we regularly seek client feedback on opportunities for improvement and implement product and services updates to meet evolving investor needs. This continued through 2022.

Our assessment is that our activities under Principle 2 in 2022 supported effective governance, workforce, resources and incentives enabling ISS to be successful in providing services supporting effective stewardship by our clients.

PRINCIPLE 3: Signatories identify and manage conflicts of interest and put the best interests of clients first

Signatories should disclose their conflicts policy, which seeks to put the interests of clients first and minimises or avoids conflicts of interest when client interests diverge from each other. Signatories should explain how they have identified and managed any instances in which conflicts have arisen as a result of client interests. Signatories should disclose examples of how they have addressed actual or potential conflicts. Conflicts of interest may arise from, but are not limited to: ownership structure; business relationships; cross-directorships; and client interests diverging from each other.

Context

ISS understands and takes seriously the potential for conflicts of interest that could impact the independence and integrity of its research and other services.

ISS has adopted and publicly discloses its conflict-of-interest policies, which detail ISS' procedures for addressing potential or actual conflicts of interest that may arise in connection with the provision of services. ISS is aware that where a conflict arises through its business units which cannot be fully eliminated, it must be managed and mitigated. These policies are publicly available on the ISS website¹.

The ISS Code of Ethics affirms ISS' fiduciary relationship with our clients and obligates ISS to carry out its duties in the best interest of its clients. Potential and any actual conflicts of interest are effectively managed and mitigated by appropriate measures.

ISS has identified three primary types of potential conflicts that could arise during the course of business:

Corporate Issuers who are clients of ICS

ISS Corporate Solutions ("ICS"), a wholly owned subsidiary of ISS, provides 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 ICS 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 is the firewall it maintains between its business for institutional investors and the ICS business focused on corporations. This firewall includes the physical, functional, and technological separation between ICS and ISS, with a particular focus on the separation of ICS from the ISS business units which provide its Research Offerings.

¹ <https://www.issgovernance.com/compliance/due-diligence-materials/>

A key goal of the firewall is to keep the relevant teams providing ISS' Research Offerings from learning the identity of ICS' clients, thereby helping to ensure objectivity and independence.

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' Research teams responsible for its Research Offerings work 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.
- IICS explicitly informs its corporate clients that ISS will not give preferential treatment to and is under no obligation to i) support any proxy proposal of a corporate issuer nor ii) 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 ICS.

Corporate Issuers who are clients of ISS

Within ISS' institutional client base, there are a subset of clients who are themselves corporate issuers (or have a parent or affiliated company that is a corporate issuer) or 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 all of ISS' clients, and the nature of ISS' relationships with these clients is not directly related to the topics covered in ISS' Research Offerings. See below for an overview of ISS' policy on significant relationships.

ISS' ownership by Deutsche Boerse AG

As discussed above, ISS is owned by ISS Holdco Inc., a holding company, approximately 80% of which is owned by DB, the remainder owned by a combination of limited partnerships controlled by Genstar and ISS management. DB 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 of interest related to DB, Genstar, and the board of directors of ISS Holdco Inc. to protect the integrity and independence of the Research Offerings produced by ISS.

Significant Relationships

ISS has developed a policy regarding significant relationships, a copy of which can be found on the ISS website. 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 ICS; 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, DB. The ISS policy regarding these potentially significant relationships discusses ISS' assessment of their significance as well as related disclosure procedures (for more on these procedures see section further below on Conflict Disclosure).

ISS' Compliance department is responsible for overseeing the company's compliance program. Compliance carries out reviews on a quarterly basis where effectiveness and implementation of compliance policies are monitored. Should a conflict arise which has not been previously accounted for and therefore requires a different assessment than what is prescribed in the Codes, the Compliance department will work on assessing and implementing the appropriate measures.

ISS Codes

Code of Ethics

ISS has adopted a Code of Ethics which addresses its requirements of being a registered investment adviser with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940. This Code of Ethics reflects the fiduciary principles that govern the conduct of ISS and its staff, confirms ISS' relationship of trust with its clients, and obligates ISS to carry out its duties solely in the best interest of its clients and free from all compromising influences and loyalties. The Code also forms a part of the covered employee's employment terms and conditions.

Regarding the disclosure of the conflicts of interest, the Code of Ethics addresses the potential conflicts between the teams providing Research Offerings and other services provided by subsidiaries or affiliates, conflicts with the institutional advisory business, conflicts in connection with an issuer's review of a draft ISS report and conflicts in general. In the case of a conflict of interest occurs which has not been addressed in the Code of Ethics, the Compliance team will review the situation and implement the appropriate solution to manage and mitigate the conflict.

The Code of Ethics also contains policies and procedures related to personal securities trading, gifts and entertainment, and outside business activities amongst others. The procedures specifically require covered employees to request preapproval from Compliance for outside business activities. This practice assists in limiting any potential conflicts of interest.

ISS' compliance program includes monitoring and oversight of areas as required by regulation and more generally regarding areas that are the subject of the Code of Ethics. This includes quarterly, annual, and other periodic monitoring of employee trading, outside business activities, receipt of gifts and

entertainment and political contributions among other things. Reporting is affected using the ComplySci system.

General Code of Conduct

The ISS General Code of Conduct is a broad-based good practices code that provides a framework to address general corporate policies and practices that apply to ISS as a global business. The General Code of Conduct covers the following areas:

- Doing the Right Thing
- Protecting the Company's Interests
- Safeguarding and Maintaining Information
- Treat Others with Dignity and Respect
- Promote a Safe and Healthy Working Environment
- Violations of the General Code of Conduct
- Reporting Concerns and
- Compliance Requirements

These codes are publicly available on the ISS website².

Staff Training

All new employees are provided a new employee package that details core corporate policies. Each newly hired employee at ISS is required to complete a compliance training session. The materials covered include the ISS policies and procedures within ISS' Code of Ethics and General Code of Conduct. Employees are required to certify having read, understood, and agreed to comply with the ISS policies and procedures, and must also provide required disclosure information (e.g., brokerage accounts, outside business activities, political contributions) to the Compliance department.

In addition to this, the Compliance department conducts annual training during each calendar year, including during 2022, covering Compliance policies. Completion of the annual training modules is mandatory for all employees and certification by each employee is also required.

ISS maintains a dedicated Compliance department whose responsibilities throughout 2022 included ensuring the policies related to potential conflicts of interest as well as those discussed in the codes were followed and adhered to. ISS' Compliance department has enhanced its monitoring topics by revising its Compliance Manual in 2022 which has helped the department conduct the periodic monitoring in a more efficient, effective, and risk-based manner.

² <https://www.issgovernance.com/compliance/due-diligence-materials/>

2022 Compliance Training Activity and Outcome

In 2022, **100%** of ISS staff completed the annual mandatory ISS compliance training and completed the required certifications.

Conflict Disclosure

ISS provides its institutional investor clients with extensive information to ensure that they are fully informed of potential conflicts and the steps that ISS has taken to address them. In addition, many of ISS' clients conduct their own due diligence regarding the way ISS implements the procedures governing conflicts and perform diligence calls and visits to satisfy themselves that ISS' rules governing conflicts are robust and effectively adhered to. ISS is transparent about its ICS business and the entire business is described in detail on our public website.

Additionally, 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 and reminds ISS' institutional clients of how they can inquire about any issuer's use of ICS products and services. Through these processes, ISS provides institutional clients the ability to obtain information regarding ICS' dealings with corporate issuers, including the amount of compensation that the firm has received or will receive from the issuer.

In supplement of the foregoing, the "Policy Regarding Disclosure of Significant Relationships" described above, makes provision for disclosure of "significant" relationships with clients who are themselves corporate issuers (or have a parent or affiliated company that is a corporate issuer) or act as the primary shareholder proponent seeking to have a specific proposal acted on by shareholders. After considering ISS' business operations and other benchmarks for significance/materiality, including measures used in different contexts under SEC laws and rules, ISS has determined it appropriate to adopt a 5% threshold, so that ISS will view a relationship with an institutional client as significant if the annual revenues from that client are in excess of 5 percent of ISS' total, consolidated revenues for the most recently completed fiscal year.

This Policy also considers ISS' ownership structure and notes the relationship with Deutsche Börse AG as "significant" as a corporate issuer itself and due to its majority stake in the holding company that owns ISS.

At present and in 2022, in applying this Policy, the significant relationships are those with corporate issuers who are clients of ICS and ISS' relationship with Deutsche Börse AG as a corporate issuer and due to its majority stake in the holding company that owns ISS. Since November 2014, ISS has provided these disclosures in a manner that is seamlessly integrated into institutional clients' workflow through ISS' proprietary PX platform.

PX includes:

- A column indicating in Yes/No fashion whether there is a significant relationship associated with that meeting/research report within both the “Meetings” and “Research” views in PX.
- Where such a relationship exists, users will be able to click-through on a link to get more information about that relationship.
- Onscreen and/or email alerts for notification of the publication of new benchmark or custom research with a column on those notifications indicating whether there is a significant relationship associated with the report.
- An additional tab labeled “Disclosure of Significant Relationships” within which a user can use a look-up box to search for entities with which ISS has a significant relationship.

ISS has implemented permissioning restrictions that prevent ISS’ Research and Client Success personnel from accessing the disclosure information which those employees are restricted from viewing under the firewall procedures discussed above.

Historically, disclosure regarding the client relationships between ICS and corporate issuers has also been provided to institutional clients through the Compliance department via the disclosure@issgovernance.com email address. That disclosure vehicle remains in place, including for ISS clients not using PX.

We believe that this process ensures rigorous conflicts disclosure to clients whilst also upholding the firewall.

Examples of 2022 Conflict Disclosure

Below are two examples excerpted from the front pages of ISS reports produced in 2022, highlighting the application of ISS’ Policy on Non-Interference and Potential Conflicts of Interest related to Deutsche Boerse.

ISS Proxy Analysis & Benchmark Policy Voting Recommendations

Deutsche Boerse AG

Key Takeaways

IN FEBRUARY 2021, DEUTSCHE BOERSE ACQUIRED AN APPROXIMATE 80 PERCENT OWNERSHIP INTEREST IN THE HOLDING COMPANY WHICH OWNS INSTITUTIONAL SHAREHOLDER SERVICES INC. (ISS). WE NOTE FOR FURTHER TRANSPARENCY THAT IN THE DISCUSSION OF THE EXECUTIVE REMUNERATION POLICY (ITEM 7), TWO OF THE INDIVIDUALS WHOSE SPECIFIC COMPENSATION ELEMENTS ARE HIGHLIGHTED, STEPHAN LEITHNER AND HEIKE ECKERT, SERVE ON THE BOARD OF DIRECTORS OF THE HOLDING COMPANY WHICH OWNS ISS. WE NOTE FURTHER THAT MR. LEITHNER AND MS. ECKERT SERVE AS MEMBERS OF THE DEUTSCHE BOERSE EXECUTIVE BOARD (OR MANAGEMENT BOARD) AND, LIKE THE OTHER MEMBERS OF THE EXECUTIVE BOARD, ARE BEING PUT FORTH FOR DISCHARGE (ITEM 3). ISS HAS IMPLEMENTED A POLICY ON NON-INTERFERENCE AND POTENTIAL CONFLICTS OF INTEREST RELATED TO DEUTSCHE BOERSE, AVAILABLE AT [HTTPS://WWW.ISSGOVERNANCE.COM/COMPLIANCE/DUE-DILIGENCE-MATERIALS](https://www.issgovernance.com/compliance/due-diligence-materials), WHICH ESTABLISHES APPROPRIATE STANDARDS AND PROCEDURES TO PROTECT THE INTEGRITY AND INDEPENDENCE OF ITS RESEARCH, RECOMMENDATIONS, RATINGS, AND OTHER ANALYTICAL OFFERINGS.

The vote on the remuneration report (Item 7) is highlighted for shareholder attention due to concerns regarding the quantum level of pension contributions. Support is considered overall warranted as the disclosure practices within the report are in line with, and even exceed in some respects, market practice.

Meeting Type: Annual (Virtual)
Meeting Date: 18 May 2022
Meeting ID: 1611551

XETRA: DB1
Index: DAX 40
Sector: Financial Exchanges & Data
GICS: 40203040

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ISS Proxy Analysis & Benchmark Policy Voting Recommendations

Knorr-Bremse AG

Key Takeaways

IN FEBRUARY 2021, DEUTSCHE BOERSE ACQUIRED AN APPROXIMATE 80 PERCENT OWNERSHIP INTEREST IN THE HOLDING COMPANY WHICH OWNS INSTITUTIONAL SHAREHOLDER SERVICES INC. (ISS). WE NOTE THAT THEODOR WEIMER, THE CHIEF EXECUTIVE OFFICER OF DEUTSCHE BOERSE AG, SERVES AS A MEMBER OF THE SUPERVISORY BOARD OF KNORR-BREMSE AG AND, LIKE THE OTHER MEMBERS OF THE COMPANY'S SUPERVISORY BOARD, IS BEING PUT FORTH FOR DISCHARGE (SEE ITEM 4). IN ADDITION, THE REMUNERATION OF THE SUPERVISORY BOARD IS UP FOR APPROVAL (SEE ITEM 8). ISS HAS IMPLEMENTED A POLICY ON NON-INTERFERENCE AND POTENTIAL CONFLICTS OF INTEREST RELATED TO DEUTSCHE BOERSE, AVAILABLE AT [HTTPS://WWW.ISSGOVERNANCE.COM/COMPLIANCE/DUE-DILIGENCE-MATERIALS](https://www.issgovernance.com/compliance/due-diligence-materials), WHICH ESTABLISHES APPROPRIATE STANDARDS AND PROCEDURES TO PROTECT THE INTEGRITY AND INDEPENDENCE OF ITS RESEARCH, RECOMMENDATIONS, RATINGS, AND OTHER ANALYTICAL OFFERINGS.

A vote AGAINST the remuneration report (Item 6) is warranted because, amongst other things, discretionary payments without a compelling rationale were granted to executives during the year under review.

The vote on the supervisory board remuneration (Item 8) is also highlighted for shareholder attention. While fees are broadly in line with market practice, the proposed increase, in particular for the audit committee chair and members, might be considered excessive by some shareholders in the absence of a compelling rationale.

Meeting Type: Annual (Virtual)
Meeting Date: 24 May 2022
Record Date: 2 May 2022
Meeting ID: 1613336

XETRA: KBX
Index: MDAX 50
Sector: Construction Machinery & Heavy Trucks
GICS: 20106010

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Summary

Our assessment is that the 2022 activities and outcomes under Principle 3 enabled ISS to identify, manage, mitigate and disclose conflicts of interest, ensuring the independence of our research offerings and thus putting the interests of clients first.

PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Signatories should explain: how they have identified and responded to market-wide and systemic risk(s) as appropriate; how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets; and the role they played in any relevant industry initiatives they have participated in. Signatories should disclose the extent of their contribution and an assessment of their effectiveness in identifying and responding to systemic risks and promoting well-functioning financial markets.

Context and 2022 Activities and Outcomes

ISS continued to monitor developments with regard to market and systemic risks. Matters such as changes in interest rates, geopolitical issues and currency rates do not typically have a direct impact upon the provision of ISS services that promote effective stewardship, and did not in 2022; however, ISS continued to monitor relevant issues globally throughout the year to ensure awareness of any matters that may have had an impact. To the extent environmental, social and governance risks have a systemic impact, ISS sought to ensure they were taken into account in our products and services to investors, enabling them to identify and respond to such risks.

Example: ISS ESG Cyber Risk Score

The [World Economic Forum Global Risks Report](#) continued to rank cyber security as one of the top 10 risks to businesses in 2022. Serious cyber security incidents can lead to operational, legislative, and reputational risks for investors. The ISS ESG Cyber Risk Score supports investors by signalling the relative likelihood of a portfolio company suffering a material cybersecurity incident within the next 12 months, based on its external security posture. ISS regularly collects global risk indicators that reflect a company's cyber security risk behaviours, incorporating elements indicative of organizational security posture on endpoints, software services, and infrastructure configuration. These are combined with historical data to inform ISS' proprietary risk model that uses machine learning to identify patterns and signatures indicative of potential breach events. It is focused on the effectiveness of cyber security behaviour rather than on temporary conditions and is therefore resilient to the ever-changing cyber threat landscape.

The Cyber Risk Score will be added to ISS' Benchmark Governance Research and Voting reports for S&P 500 companies for the 2023 proxy season. The score will be included for informational purposes only and will not impact ISS' policy application or voting recommendations. Further, in 2023, an ISS ESG Cyber Risk Index will be launched to support investors in identifying and tracking companies with low or negligible cyber-related risks based on the ISS ESG Cyber Risk Score.

Stakeholder Collaboration

In addition, as appropriate, ISS contributes to industry discussions and relevant initiatives and interacts with policymakers (e.g., responding to regulatory consultations). By sharing our expertise and insights as a service provider to institutional investors, ISS seeks to contribute to the effective functioning of capital markets and a regulatory framework that supports investor protection. Over the years, ISS has responded to numerous stewardship-, governance- and ESG-related consultations, and participated in investor roundtable discussions on such matters.

ISS Consultation Responses Examples YE 2022

Proxy Advisory Firms and Proxy Process

- ESMA, SRD II Call for Evidence (CfE)

Regulation of ESG Ratings and Data Providers

- ESMA , Call for Evidence (CfE)
- European Commission, Targeted Consultation on Functioning of Market
- FSA of Japan, draft Code of Conduct
- SEBI , Consultation Paper on Accreditation Framework

ESG Corporate Disclosures

- SEC Proposal, Corporate Issuers' Climate-Related Disclosures
- ISSB, Sustainability disclosures
- EFRAG, Sustainability disclosures
- Canadian Securities Administrators (CSA), Sustainability disclosures

Fund Naming & Funds, 'Investment Advisers' ESG Disclosures

- SEC, Amendments to the Fund Names Rule
- SEC, ESG Disclosures by Funds/Advisers

Industry Associations ISS Participation YE 2022

ISS may also participate in best practice industry networks, providing market insights and sharing our expertise as a service provider to the global investor community. Memberships in 2022 included:

Global Initiatives

- Best Practice Principles for Shareholder Voting Research (The BPP Group), *founding group member, charter signatory and current committee member*
- UN Global Compact, *member*
- United Nations Principles for Responsible Investment (PRI), *signatory*
- International Corporate Governance Network (ICGN), *member*
- The Council of Institutional Investors (CII), *associate member*
- Interfaith Center on Corporate Responsibility (ICCR), *affiliate member*
- IFRS Sustainability Alliance, *member*
- Intentional Endowments Network, *member*
- International Securities Services Association (ISSA), *member*

Regional Initiatives

Americas

- Canadian Coalition for Good Governance, *associate member representative*
- Responsible Investment Association (RIA) of Canada, *associate member*

Europe

- The European Corporate Governance Institute, *member*
- Dansif (Danish Sustainable Investment Forum), *founding member**
- Finsif (Finnish Sustainable Investment Forum), *founding member**
- Forum pour l'Investissement Responsable (FIR, or French SIF), *member*
- Forum Nachhaltige Geldanlagen (German Social Investment Forum), *member*
- SWESIF (Swedish Sustainable Investment Forum), *associate member*
- UK Sustainable Investment and Finance Association (UKSIF), *member*

Asia Pacific

- Industry Corporate Actions Working Group (Australia), *member*
- Japan Stewardship Code, *signatory*
- Asia Investor Group on Climate Change (AIGCC), *member*
- Responsible Investment Association for Australasia (RIAA), *member*

**as Ethix SRI Advisors, acquired by ISS in 2015*

Example of Industry Working Group ISS Activity and Outcomes

Best Practice Principles Group

In February 2022, ISS submitted its annual updated [statement](#) to the Signatories to the Best Practice Principles for Shareholder Voting Research (BPPG), for review by the [BPP Oversight Committee](#) (OC), which produced its [annual report](#) in September 2022. ISS also participated in the BPPG IOC's annual open Stakeholder Forum held in October 2022.

By way of background, ISS is a founding member of the Best Practice Principles Group for shareholder voting research ("BPPG"), which was formed in 2013 at the direction of the European Securities and Markets Authority ("ESMA"). The group was established to promote greater understanding of corporate governance research providers and align with global stewardship codes. The group established an Oversight Committee in July 2020 to monitor the Best Practice Principles for Shareholder Voting Research Analysis which underpin services provided by proxy advisory signatories.

The principles, informed by the results of a public consultation and the review of the BPP Review Committee and updated following SRD II requirements in 2019, are designed to help clients and stakeholders understand:

- The nature and scope of shareholder meeting research and voting services;
- The standards of conduct that underpin those services; and
- How signatories to the principles interact with other market participants.

The signatories to the BPPG agreed to adopt guidance on a comply-or-explain basis. ISS' latest compliance statement for 2022, submitted in 2023, can be found on ISS' website at <https://www.issgovernance.com/compliance/du-diligence-materials/>.

ISS' identification and response to market-wide and systemic risks that are relevant to the services it provides to investors and that help to promote a well-functioning financial system continued throughout 2022.

Summary

Our assessment is that our 2022 activities and outcomes under Principle 4 were successful, as appropriate in our role as Service Provider, in identifying and responding to market-wide and systemic risks and in promoting a well-functioning financial system.

PRINCIPLE 5: Signatories support clients' integration of stewardship and investment, taking into account, material environmental, social and governance issues, and communicating what activities they have undertaken

Signatories should disclose client base breakdown, for example, institutional versus retail, and geographic distribution. Signatories should explain: how their services best support clients' stewardship as appropriate to the nature of service providers' business; whether they have sought clients' views and feedback and the rationale for their chosen approach; and the methods and frequency of communication with clients. Signatories should explain: how they have taken account of clients' views and feedback in the provision of their services; and the effectiveness of their chosen methods for communicating with clients and understanding their needs, and how they evaluated their effectiveness.

Context and 2022 Activity & Outcomes

ISS regularly consults with clients, including through policy and methodology consultations, roundtables, surveys and reviews such as the ISS voting policy reviews which are undertaken annually. Further details of this area, including 2022 activity and outcomes, are presented under Principle 2 above.

Each client is assigned a dedicated Client Success Consultant. Our dedicated client service teams regularly communicate with clients to ensure they are fully supported and questions or concerns are addressed. This happens on a regular basis, sometimes weekly or even more frequently during busy periods. The Client Success Teams use a variety of systems to communicate with clients, including e-mail, MS Teams, telephone and Salesforce.com.

ISS has put considerable focus on placing Client Success teams in key financial centres worldwide, enabling ISS to bring local market expertise and a deep understanding of the proxy voting processes, and current and emerging issues in corporate governance. Fast and efficient responsiveness is an important attribute of ISS' Client Success model.

As at the end of 2022, the entire ISS organization had a client service staff of approximately 150 supporting clients globally, and also providing another route for receiving clients' views and feedback.

Once received, all client inquiries are addressed as soon as possible. Client requests will generally be acknowledged within 24 business hours of receipt, and clients are provided regular updates on any items that take longer than 24-48 hours for complete resolution. However, queries are often resolved well within these service timeframes, within a short time of receipt.

Client Success also keeps clients updated on pertinent trends and product innovations.

Client Success teams gather product feedback from clients through e-mail, meetings and proactive outreach, feedback is aggregated and tracked centrally and delivered to ISS's dedicated Product

Development team. This feedback drives our product enhancement roadmap. ISS continuously expands its suite of solutions and introduces new features designed to meet its clients' ever evolving needs.

Client Success requests are tracked through multiple channels, depending on the type of request received. The majority of requests are received through e-mail. Once received, the appropriate Client Success team member will respond and track all inquiries through to resolution. Requests or changes related to account environments are also logged and tracked with ISS' internal customer relationship management system, Salesforce.com. Both the ISS Client Success and Operations teams have access to Salesforce.com and will log all updates made to account environments within this online portal.

ISS aims to achieve the industry's highest standard of excellence, as a trusted partner and service provider to asset managers, asset owners and others. This philosophy allows ISS to retain clients, attract new ones, and continue to grow. ISS' high firm-wide retention rate reflects this commitment to high quality products and excellent client service. Please see below the approximate client base breakdown³ covering region, type of business:

Clients by type – overall by number	As of 31 Dec, 2022
Asset Management	58%
Asset Owner	11%
Banking & Trading	<1%
Custodian	2%
Government Agencies and Regulators	1%
Hedge Fund	10%
Legal and Professional Services	4%
Other (incl Academic)	14%

Clients by region – overall by number	As of 31 Dec, 2022
Americas	50%
EMEA	38%
APAC	12%

³ The figures represent client type and region across ISS entities.

Through its range of services, ISS helps institutional investors integrate and take into account environmental, social and governance issues globally and in multiple different markets worldwide. ISS' aim is to provide high quality, accurate and timely data, analytics and insight to its institutional clients, seeking client's views and feedback on our services, supporting clients' integration of stewardship and investment, and in helping investors communicate activities they have undertaken.

Key research and service statistics

The below tables present the approximate number of companies and meetings covered by ISS Governance and ISS ESG in 2022.

ISS Governance

ISS Governance Research and Voting Coverage Meetings/Companies/Research		
	Shareholder Meetings	50,000
	Public Companies	35,500
Benchmark Research reports		50,000
Speciality Research reports		95,500
Custom Research reports		1,100,000

ISS ESG

Ratings and Rankings		
ESG Corporate Rating	12,500	issuers
ESG Country Rating	830	issuers
Water Risk Rating	7,800	issuers
E&S Disclosure QualityScore	5,400	issuers
Governance QualityScore	7,300	issuers
ESG Fund Ratings	26,500	funds
Cyber Risk Score	1,500	issuers
Impact & UN DSGs		
SDG Solutions	12,500	issuers
Biodiversity Impact Assessment Tool	7,800	issuers
Screening & Controversies		
Controversial Weapons Research	28,500	issuers
Norm Based Research	26,000	issuers
ESG Newsroom	17,000	public issuers
Global Sanctions	14,500	issuers
Energy & Extractives	25,500	issuers
Sector-Based Screens	15,000-27,500	issuers

Countries of Concern	9,700	issuers
ESG Country Screening	830	issuers
Modern Slavery Scorecard	7,800	issuers
Climate coverage		
GHG Emissions	37,500	issuers
Potential Avoided Emissions	470	issuers
Carbon Risk Rating	12,500	issuers
Climate Awareness Scorecard	4,600	issuers
Climate Physical Risk	23,000	issuers
Climate Transition Risk	15,500	issuers
Climate Net Zero	32,500	issuers

Summary

ISS' services support clients' integration of stewardship and investment, enabling them to take into account material environmental, social and governance issues. We seek and listen to our clients' feedback, views and needs regularly, and client views are taken into account in developing policies, methodologies and new products/services. From portfolio screening for a wide range of ESG factors and issues, through independent policy-based research and voting recommendations to assist clients in making informed voting decisions, actioning those voting decisions in an effective manner, and reporting to clients and other stakeholders on the activities undertaken, ISS services support and help clients in effective stewardship.

Our assessment is that our activities and outcomes under Principle 5 in 2022 supported clients' integration of stewardship and investment, taking into account material environmental, social and governance issues and in communicating what activities they had undertaken.

PRINCIPLE 6: Signatories review their policies and assure their processes

Signatories should explain: how they have reviewed their policies and activities to ensure they support clients' effective stewardship; what internal or external assurance they have received in relation to activities that support their clients' stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and how they have ensured their stewardship reporting is fair, balanced and understandable. Signatories should explain how the feedback from their review and assurance has led to continuous improvement of stewardship practices.

Context

ISS regularly reviews the policies, methodologies, and activities we undertake to ensure our services continue to support clients' effective stewardship and other needs, including taking client feedback into account.

ISS maintains a dedicated compliance department to help ensure the company complies with applicable laws, regulations and rules, and plays an essential role in helping to preserve the integrity and reputation of the company. Specific responsibilities include, but are not limited to:

- Implement and manage an effective compliance program.
- Develop and review company policies.
- Advise management on the company's compliance with laws and regulations.
- Create and manage effective action plans in response to compliance violations.
- Regularly audit compliance procedures, practices, and documents to identify possible weaknesses or risk.
- Assess company operations to determine compliance risk.
- Ensure all employees are educated on the latest regulations and processes.
- Resolve employee concerns about compliance.

A core function of the compliance department is oversight of the effectiveness of current policies and procedures, including those with ISS' General Code of Conduct and Code of Ethics. Such oversight includes periodic monitoring and testing of certain activities (e.g., monitoring organizational and personal potential conflicts of interest). These policies and procedures are reviewed and updated at least annually. In addition, where new regulations or rules arise between these annual reviews, they are reviewed separately for incorporation or addition to existing policies and procedures as warranted.

The ISS Compliance department conducts annual training during each calendar year, including during 2022, covering Compliance policies. Completion of the annual training modules is mandatory for all

employees and certification by each employee is also required. In 2022, 100% of ISS staff completed the annual mandatory ISS compliance training and completed the required certifications.

ISS Voting Policy Development Assurance

As detailed under Principle 2, ISS voting policy development is undertaken annually with direct input from clients, issuers, and other market participants, and taking market changes, regulatory updates and other relevant factors into account. ISS' processes are subject to both internal and external assurance reviews. ISS has robust policies and procedures designed to ensure the integrity of its research process and the provision of voting recommendations. These policies and procedures also ensure that research and vote recommendations are fair balanced and understandable.

Voting policies

Investors' views and needs cover a wide spectrum, and ISS provides multiple and different voting policy choices to meet different client needs. All ISS voting policies are reviewed annually and updated as required. In developing its policies, ISS also refers to the ISS Global Voting Principles⁴. Those principles provide key tenets on accountability, stewardship, independence, and transparency, which underlie our approach to developing ISS voting policies and recommendations on management and shareholder proposals at publicly traded companies. These principles guide our work to assist institutional investors in meeting their fiduciary and stewardship requirements with respect to voting and by promoting long-term shareholder value creation and risk mitigation at their portfolio firms through support of responsible global corporate governance practices.

ISS benchmark policies

ISS benchmark policies provide global coverage with research and voting recommendations based on widely accepted principles of good corporate governance and stewardship. The policies take into account national and international corporate governance codes and practices, and the views of investors and other stakeholders through our market-leading and inclusive policy development process each year. Policies are reviewed each year, and ISS gathers broad input on significant and evolving issues from institutional investors, issuers, and other market constituents through public policy surveys, issue-specific roundtables, and an open public comment period⁵.

ISS benchmark policies, and the policy development process, are grounded in principles of good governance and effective stewardship, are transparent and made publicly available⁶.

⁴ See : <https://www.issgovernance.com/policy-gateway/iss-global-voting-principles/>

⁵ For further background on the ISS Policy Development Process, please see: <http://www.issgovernance.com/policy>.

ISS specialty policies

Institutional investors may choose to evaluate governance and other stewardship issues from many perspectives, for example sustainability, climate, socially responsible investing, public funds, labour unions or mission and faith-based investing, and ISS offers voting policy choices to support a variety of investor needs. ISS specialty policies provide choice and options for such investors, with multiple different ISS policies available that clients can select from to meet their particular needs. As with ISS benchmark policies, ISS specialty policies are also reviewed annually, taking into account the annual review and update of ISS' benchmark policies, as well as the evolving market perspectives, best practices, and related legal and market-specific developments.

2022 Activity and Outcomes:

ISS Policies, Procedures and Compliance

A core function of the compliance department is oversight of the effectiveness of current policies and procedures, including those with ISS' General Code of Conduct and Code of Ethics. Such oversight includes periodic monitoring and testing of certain activities (e.g., monitoring organizational and personal potential conflicts of interest). These policies and procedures are reviewed and updated at least annually. In addition, where new regulations or rules arise between these annual reviews, they are reviewed separately for incorporation or addition to existing policies and procedures as warranted.

The ISS Compliance department conducts annual training during each calendar year, including during 2022, covering Compliance policies. Completion of the annual training modules is mandatory for all employees and certification by each employee is also required. In 2022, 100% of ISS staff completed the annual mandatory ISS compliance training and completed the required certifications.

ISS Voting Policy Review and Development Process

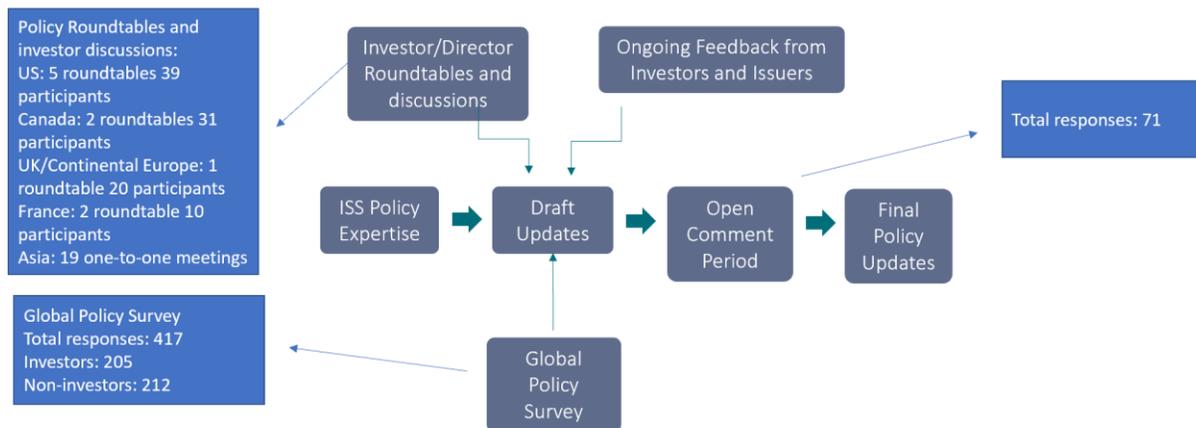
ISS' 2022 voting policy development activity and outcomes are relevant to both Principle 2 and this Principle 6. We refer you to the discussion above under Principle 2, which is partially repeated in this section for completeness.

Overseen by the ISS Global Policy Board, ISS applies principles of independence and good governance to the annual development and application of ISS Benchmark Policy, which comprises the multiple market and region-specific policy guidelines that underlie its governance research and voting recommendations, with high standards of transparency and a consultative approach. To ensure ISS Benchmark voting policy changes take into consideration significant evolving stewardship issues and a broad range of perspectives, including the views of many institutional investors globally and those of the broader governance community, ISS gathered input in 2022 (as it does each year) from investors, companies, and other market constituents through a variety of channels and mediums, including:

Policy Surveys	Policy Roundtables	Open Comment Period
Total responses: 417 Investors: 205 Non-Investors: 212	US: 5 roundtables; 39 participants Canada: 2 roundtables; 31 participants UK/Continental Europe: 1 roundtable; 20 participants France: 2 roundtables; 10 participants Asia: 19 one-to-one meetings	71 responses

A visual summary of the full policy development process undertaken in 2022 for the 2022-2023 cycle is presented below, followed by examples of significant policy updates for 2023 and beyond, that resulted and were announced after the open (public) comment period.

2022-2023 Benchmark Policy Development Process



- Regulatory changes, new issues and trends during the past year inform ISS and define the landscape for potential policy changes.
- Annual policy survey requests feedback on areas of potential change and invites perspectives from institutional investors, corporate issuers and all other interested parties. Offers all market constituents the ability to actively participate in ISS’ policy development process.
- Global discussion forums and roundtables with clients and other governance experts frame the policy process, and discuss survey results and potential policy changes.
- Numerous viewpoints are considered to develop proposed policy changes that strike the right balance, and all significant proposed policy updates are put out for public comment
- Comments received are considered.
- Final policy updates with background information and explanations are announced publicly and full policy guidelines are made available and published on our website, [issgovernance.com](https://www.issgovernance.com).

All ISS policies (current and prior years) are publicly available on the ISS website under the ISS Policy Gateway [here](#), which together with the process updates, provide full transparency into the feedback received, the rationales for our chosen approach, and how we ensure that the policies are fair, balanced and understandable. The ISS Benchmark Policy Updates Executive Summary is [here](#) and example extracts of policy updates alongside feedback and comments are in [APPENDIX 1](#) of this UK Stewardship Code report.



EXECUTIVE SUMMARY
Policy Updates for 2023

ISS

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ISS Governance Research Quality Assurance

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

In addition to internal controls, we further commission reviews conducted by an outside auditor under the SSAE 18 process. ISS' 2022 SSAE 18 audit report includes a comprehensive accounting of all control objectives and the activities that are executed in order to support each assertion. The processes supporting governance research are subject to the SSAE 18 review.

ISS has in place robust systems and controls designed to ensure the quality of our governance research and voting recommendations. These include:

- Comprehensive information procurement processes for company-published information and meeting documentation;
- Data consistency and quality checks;
- Voting research reports and recommendations are prepared by appropriately trained analysts;
- Voting research reports and recommendations are reviewed by a 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 Alert and updated report is promptly issued to clients.

ISS ESG Methodology Quality Assurance, Data Verification and Update Procedures

ISS ESG Methodology Quality Assurance, Data Verification and Update Procedures, along with methodology documents for ISS ESG solutions are hosted on a dedicated website [here](#), which are refreshed whenever there are methodology updates. The ISS ESG Quality Assurance, Data Verification and Update Procedures are also pasted in full below.

While ISS ESG's methodologies have always been disclosed to investor clients, in 2022, we took transparency to the next level by publicizing related information on this dedicated site. We firmly believe in the value of transparency as a catalyst for selecting the best ESG solutions to realise sustainable investment objectives and generating real-world impacts towards sustainable development.

ISS ESG

METHODOLOGY INFORMATION

ISS ESG empowers investors with actionable intelligence to guide financial flows towards sustainable growth and long-term value creation.



KRISTINA RÜTER
Global Head of Methodology
ISS ESG

Transparency of ISS ESG methodologies and processes governing research and solutions enables clients to select the data and signals best suited to successfully act on individual ESG investment strategies. Our methodology transparency ensures credible and reproducible results, serves to engage rated issuers, and allows for flexible use and customization of deliverables by our investor clients.

While ISS ESG's methodologies have always been disclosed to investor clients, we are taking transparency to the next level by publicly disclosing related information on this dedicated site. We firmly believe in the value of transparency as a catalyst for selecting the best ESG solutions to realize sustainable investment objectives and generating real-world impacts towards sustainable development.

THE ISS ESG DIFFERENCE

Methodology Overview & Oversight	+
Quality Program	+
Data Collection, Verification & Update Procedures	+
Limitations to Methodologies & Data	+

For ISS ESG clients using this site for purposes of meeting their SFDR and other regulatory requirements, we recommend you use (and you may provide to others as necessary) direct links to the appropriate section and/or documents on the new site in order to ensure the most up-to-date information is accessed. All disclosures are provided by ISS ESG in English. Should you wish to translate site text into a local language, you may do so but we ask that you affirmatively disclose to any users that the translation is your own and, where there may be discrepancies, the original English version on ISS ESG's site prevails.

GET METHODOLOGY DOCUMENTS

- Biodiversity Impact Assessment Tool
- Carbon Risk Rating
- Climate Solutions
- Collaborative Engagement Services
- Controversial Weapons Research
- Corporate Rating
- Country Rating
- Cyber Risk Score
- Environmental & Social Disclosure QualityScore
- Energy & Extractives
- ESG Fund Rating
- ESG Scorecards
- Economic Value Added (EVA)
- Global Sanctions
- Governance QualityScore
- Modern Slavery Scorecard
- Muni QualityScore
- Norm-Based Research
- SDG Impact Rating
- SDG Solutions Assessment
- Sector-Based Screening
- SFDR Principal Adverse Impact
- Taxonomy Alignment Solution
- Water Risk Rating

ISS ESG Methodology Overview and Oversight

The landscape of ESG risks, impacts and opportunities and sustainable investment strategies, as well as framing conditions, including regulation, voluntary standards, scientific and technical developments are highly dynamic and require an agile forward-looking ‘first mover’ approach to data collection, methodology and product development in order to best serve investors with highly innovative and versatile data and solutions to successfully realize their individual sustainable investment strategies and objectives and to assist with compliance with regulatory mandates.

Within ISS ESG, a dedicated ESG Methodology team with the mission and mandate to stay abreast of trends, developments and existing and emerging client and prospect needs exists. ESG Methodology works closely with product and research teams, a team that focuses on public affairs and additional stakeholders to initiate, develop and agree upon proposed and required methodology developments and enhancements.

To ensure a robust and consistent methodology development process and structure, an internal Methodology Review Board (MRB), consisting of experienced methodology and research leaders, has been established by ISS ESG to guide, steer and vet the methodology development strategy and process, setting and agreeing upon overall objectives and strategic targets, clarifying, reviewing and reassessing priorities as well as initiating and confirming specific new methodology developments or adjustments.

How ISS ESG’s methodology aligns with globally accepted frameworks

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.

ISS ESG Quality Program

ISS ESG strives to provide its clients with high quality and reliable ESG research. To this end, the ISS ESG research team works towards continuously improving research processes and has put in place safeguards designed to ensure accuracy and reliability. These efforts are led by a dedicated Quality Management & Assurance team.

ISS ESG's dedicated ESG analysts undergo extensive training at the time of onboarding on ISS ESG methodologies, as well as its research processes and techniques. In addition, many analysts draw on knowledge gained through higher education as well as prior work experiences. ISS ESG continuously provides its employees with various forms of market education and training to help ensure that research and analyses are in line with market requirements, investor expectations and ISS ESG's methodologies and processes.

The research and assessments conducted by ISS ESG analysts are used to form a broad suite of products and solutions intended to meet the varying needs of the investor community and are continuously enhanced and broadened as new needs and uses occur.

The quality program of ISS ESG research is governed by the principles of:

Independence

Comparability

Completeness

Timeliness

Transparency

It is essential that ISS ESG is independent in order to satisfy the market need for reliable and impartial ESG assessments and data. As a unit within ISS, ISS ESG, like all services offered for the institutional investor community by ISS, is separated by a “firewall” from ISS Corporate Solutions, Inc. (ICS), ISS’ wholly owned subsidiary which offers services to corporate issuers. The firewall serves to mitigate potential conflicts of interest between these distinct businesses. An ISS-wide compliance department monitors the separation between ISS and ICS, and implements policies and procedures designed to mitigate or manage potential conflicts of interests within ISS. The provisions of ISS’ Code of Ethics provide that an analyst shall not evaluate a company or a matter in which they have a personal interest (or that such an interest must be disclosed).

ISS ESG research products enable investors to compare issuers across a variety of signals, including, depending on the particular product offering, performance against ESG criteria, transparency, corporate malpractice, and revenue generation. Comparability is ensured by assessing all issuers based on clearly defined evaluation rules to ensure that comparable cases are assessed alike. The evaluation rules are monitored and developed by dedicated analysts with thematic responsibility as well as the Global ESG Methodology team, and by extension ISS ESG’s methodology review board, and serve to reduce subjectivity in data collection and assessment. Application of these rules is ensured by quality assurance processes. All assessments are based on data that is procured through rigorous and clearly documented data collection processes. Assessments are generally reviewed by peers. Certain high-level assessment signals and scores require a multi-layer sign-off process where key information is verified by senior members of the research team.

Furthermore, dedicated analysts in ESG research continuously work on identifying and eliminating potential error sources and conduct targeted analyses to monitor data quality.

Investors need complete information for decision-making purposes. ISS ESG research considers all material ESG aspects and information when assessing an issuer to deliver complete data to users. ISS ESG data and analysis are primarily sourced from publicly available information, including a company’s own disclosures and reporting as well as subscription databases such as the CDP. As noted above, while ISS ESG may accept certain non-public information (such as from official company documents), ISS ESG does not accept material non-public information (meaning 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 a company’s securities). Data from alternative sources (reputable media sources, NGOs, government and inter-government agencies) 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 sources can provide 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. Additionally, for many data sets, the research team conducts fact-finding dialogue with companies to provide supplementary detail and confirmation. The feedback process with companies takes place on a cyclical basis, as well as in particular cases during event-driven updates. Information shared by companies is reviewed, discussed with the subject company if necessary, and assessed according to ISS ESG’s evaluation guidelines. ISS ESG also consults from time to time with experts and field specialists to cross-check information and deepen the understanding of benchmark corporate practices.

To ensure that ISS ESG research incorporates complete information, material new information needs to be integrated in a timely manner. To this end, ISS ESG applies a staged refresh procedure: 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. Thus, ISS ESG aims to ensure that information which materially affects ISS ESG scores and signals is integrated into the assessments ahead of scheduled updates.

ISS ESG clearly and transparently communicates with both the users of the research products as well as with the assessed entities. Clients receive detailed information on the underlying methodologies used for particular ISS ESG offerings and can view granular data that underlie the scores and signals. Clients also have access to analysts to inquire about assessments or evaluation approaches in detail. Corporate issuers are not only informed that ISS ESG conducts research on them and for some types of research issuers are provided with draft reports prior to the publication of research results and the opportunity to review and provide feedback. Final versions of certain ISS ESG research reports can be accessed by the covered issuer free of charge.

Corporate issuers can actively engage with ISS ESG analysts during company outreaches within the boundaries of our independence rules.

ISS ESG also aims to increase transparency for the general public and interested parties regarding the work that it does. The information made public on this website is part of this initiative.

ISS ESG Data Collection, Verification and Update Procedures

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., the Science Based Targets initiative).

In addition to corporate disclosures, ISS ESG collects information from a range of alternative ESG data sources, including the following: media sources (international, local), social media, NGOs, government agencies, inter-governmental agencies. 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.

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

ISS ESG generally relies on publicly available information for its research offerings. ISS ESG does not accept, use or incorporate in its research offerings 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 a company's securities). To the extent that any research offerings whose methodology is covered on ISS ESG's [Methodology Information](#) page may involve dialogue with the subject companies, those companies are instructed not to provide to ISS ESG, and are made aware that ISS ESG will not consider, any material non-public information. For further information, please refer to the [Non-Public Information Framework](#).

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.

Summary

ISS regularly reviews its policies and processes and did so in 2022. Over many years, the feedback received from investors, issuers and other stakeholders has led to continuous improvement and extension of the policies, methodologies, and services we provide in supporting investors' stewardship activities and in promoting effective stewardship. This continued throughout 2022.

Our assessment is that our activities and outcomes under Principle 6 in 2022 ensured that policies were reviewed, and processes were assured. Feedback from policy reviews and the assurance of processes was taken into account and used in 2022 to implement continuous improvement, supporting stewardship practices.

APPENDIX 1

EXAMPLE EXTRACTS FROM ISS BENCHMARK POLICY UPDATES, Executive Summary of Key Updates and Policy Development Process, published November 30, 2022

<p>Global (Climate: Board Accountability)</p>
<p>Update: For 2023, for high emitting companies – identified as those in the Climate Action 100+ Focus Group – ISS extended to all applicable markets globally the climate board accountability policy first introduced in 2022 under which negative vote recommendations may be made in cases where the company is not considered to have adequate disclosure or does not have quantitative GHG emission reduction targets covering at least a significant portion of the company’s direct emissions. In addition, ISS updated the factors considered under the policy for 2023, with differentiated implementation of any negative vote recommendations depending on relevant market and company factors, for example, voting item availability. Additional relevant data and information is included in the company information section of the ISS research reports for all Climate Action 100+ Focus Group companies globally.</p>
<p><i>Feedback and comments: We received a number of thoughtful comments on this topic. Most investor comments agreed with the direction of change proposed, and especially in extending the policy globally in 2023 to the full universe of companies covered, although some felt that the proposed changes did not go far enough in terms either of the universe or the policy expectations. Some commenters specifically stated they thought that we should include Scope 3 GHG emissions expectations in cases when emissions associated with products and/or supply chain were material to the company. Several commenters emphasized the need for company targets to be aligned with a trajectory of warming no higher than 1.5 degrees Celsius and that ISS should assess a company’s disclosure and alignment to targets of its capital expenditure. Several stated that they considered the Climate Action 100+ focus group universe of companies was a good place to start, although some also urged us to curate our own priority list in the future. Some urged us to include in the universe large financial institutions, companies in energy-intensive sectors, and, eventually, all companies for which GHG emissions would likely be material. One investor commenter expressed a preference for ESG metrics in long-term incentive programs. One investor group asked us to consider recommending against directors in cases where a company has received multiple climate-related shareholder proposals but has not made a clear and effective response. A few investors questioned the value to shareholders of GHG emissions reductions targets and commented that they did not support imposing requirements such as GHG emissions reductions targets that were not required under local regulation. One Canadian company urged us not to hold Canadian companies to a disclosure standard related to TCFD, but only to one related to Canadian regulations. It also requested that we give any newly added Climate Action 100+ Focus Group companies a grace year before making any negative recommendations. Regarding "Say on Climate" votes on management climate transition plans, a few commenters expressed disappointment that we did not provide clearer priorities, such as disclosure, Scope 3 targets, and lack of relevant capital expenditure information. A few commenters expressed disappointment that we did not announce a voting policy for 2023 related to the incorporation of climate considerations in the audit report. One commenter recommended at least providing data in the ISS research reports for high-emitting companies regarding whether or not climate change was mentioned in the audit report as a material risk.</i></p>
<p>United States (Board Diversity)</p>
<p>Update: The board gender diversity policy was extended to all U.S. companies covered under the U.S. policy, announced in 2021 with a one-year grace period, will become fully effective in 2023 and its application to Foreign Private Issuers (FPIs) will be expanded for 2023 from Russell 3000 and S&P 1500 FPIs only to all FPIs.</p>
<p>Canada (Board Diversity)</p>
<p>Update: For Canada, after a one-year grace period, in 2024 Canadian S&P/TSX Composite Index constituents will be expected under the updated policy to have at least one racially/ethnically diverse director. This reflects broadened Canadian disclosure requirements in this area and increasing investor expectations of board diversity.</p>
<p><i>Feedback and comments: Most commenters were supportive of the proposed approach on gender and ethnic/racial board diversity in the latest updates for the US and Canada. Some argued for greater international harmonization for the board gender diversity policy. [Note: We do not reference non-binary directors in the policy language and will make decisions on a case-by-case basis if the theoretical situation envisaged arises.] One commenter stated a view that ISS should not grant an exception for a board with no gender diversity which makes a firm commitment to return to a gender-diverse status within a year. One commenter stated that sexual orientation should be strictly self-identified. [Note: ISS is not planning to make any comment or policy consideration related to the sexual orientation of directors.] One commenter asked how ISS would determine racial or ethnic diversity in Canada and urged us not to define diversity using visual cues. [Note: In our Frequently Asked Questions document, we state: Where available, racial and ethnic characteristics are identified and sourced directly from corporate filings, as well as direct feedback in response to ISS’ outreach to U.S. companies. Where definitive information</i></p>

<p><i>is not disclosed, ISS classifies directors – largely along standards put forth by the U.S. Office of Management and Budget’s Directive 15 – by carefully assessing race and ethnicity through a variety of publicly available information sources. These include company investor relations websites, LinkedIn profiles, press releases, leading news sites, as well as through identifying affiliations between individuals and relevant associations and organizations focused on race and/or ethnicity, such as the Latino Corporate Directors Association.]</i></p>
<p>United Kingdom and Ireland (Remuneration)</p>
<p>Update: For the U.K. and Ireland policy on remuneration, due to a concern that the wording of the existing policy could be misunderstood as encouraging companies to increase directors’ base salaries proportionally in line with increases made to the wider company workforce, the language was modified to clarify that keeping directors’ annual salary increases low and ideally lower proportionally than general increases across the broader workforce is considered to be good market practice.</p>
<p><i>Feedback and comments: Regarding the change in language in the UK remuneration section asserting that “Annual increases in salary are expected to be low and ideally lower proportionally than general increases across the broader workforce,” comments on one side, said that the change could be accepted as long as ISS did not intend to use this data point as a quantitative test that would drive recommendations. On the other side, a commenter said that he/she would have preferred that ISS go further because the change as-is would do nothing to address widening income inequality. In practice, against the current economic backdrop of the cost of living crisis and high levels of inflation, many UK companies have already been highlighting in their reports that, where salary increases have been granted to the executive team, they have generally been set lower than those made to the wider workforce.</i></p>
<p>Continental Europe</p>
<p>Update: In Continental Europe, against the backdrop of several markets approving legislation that allows for virtual-only general meetings, investor feedback from ISS’ policy survey and roundtables indicated that there remain concerns about the use of virtual-only meetings, and that there was far from universal agreement that virtual-only meetings will not be problematic for shareholder rights. The updated policy for assessing proposals that would allow companies to hold virtual-only shareholder meetings will be to review on a case-by-case basis, taking into consideration the company rationale provided, and any disclosed safeguards, such as a commitment that virtual meetings will not preclude in-person or hybrid meetings, ensuring that shareholders would have the same participation rights as they have at an in-person meeting, and any possible time restriction for the authorization.</p>
<p><i>Feedback and comments: ISS received comments from approximately 40 German companies that were concerned that ISS was not planning to change its policy with regard to virtual-only meetings. They asserted that shareholder rights have been adequately protected by a recently passed German law allowing companies to adopt provisions in their articles (with shareholder approval) that authorize them to hold virtual-only meetings with certain safeguards. Specifically, they stated that the new law ensures that shareholders can interact with management and that they can easily access the meeting. Many also pointed out that virtual meetings will likely be more sustainable than in-person meetings.</i></p>
<p>Update: For Continental Europe, a new policy on unequal voting rights structures is being introduced. After a one-year grace period, in 2024, and for widely held companies, ISS will generally recommend voting “Against” directors individually or “Against” the discharge of non-executive directors for maintaining a corporate structure with unequal voting rights. A <i>de minimis</i> exception will be applied where distortion between voting and economic power does not exceed 10 percent.</p>
<p><i>Feedback and comments: The vast majority of investors responding to our policy survey (75 percent), stating ‘yes’, that for Continental European companies with governance structures considered poor, such as having unequal voting rights, ISS should revisit these problematic provisions and consider issuing adverse voting recommendations, such as against the discharge or reelection of directors depending on AGM agenda composition in the future where they still exist. We received comments from several companies in Nordic countries that opposed this policy change or asked ISS to exempt Nordic countries. They explained that, in many cases when the company’s share structure has unequal vote shares, the main shareholder is an independent commercial foundation. They make the case that this structure is widely accepted in Nordic countries and is seen as aligned with shareholder interests. They also assert that research shows no evidence of a causal link between deviations from the proportionality principle and the company’s economic performance or governance.</i></p>

An example of the way ISS voting policies and other related information are provided transparently for clients and to the market on the ISS Policy Gateway on our website is provided below, with a screen shot of the website page for ISS 2022 Voting Policies, showing in this example the ISS Benchmark voting policy guidelines for the Asia-Pacific region, together with FAQs and other relevant information provided publicly.

