



Institutional Shareholder Services (“ISS”) recognizes the 2020 UK Stewardship Code as supporting and requiring high standards of stewardship best practices by its signatories. As a Service Provider under the UK Stewardship Code, ISS recognizes that it plays a key role in the investment community by providing services that support investors in fulfilling their stewardship responsibilities. ISS is pleased to submit the following report for 2020 on the activities and outcomes undertaken in line with the “Principles for Service Providers” under the 2020 UK Stewardship Code.

The activities we undertake to support our clients’ stewardship responsibilities include the provision of governance and voting-related research and voting recommendations, vote execution services, vote reporting tools, and the distribution of environmental, social and governance (“ESG”) ratings and data.

Principle 1

Signatories’ purpose, strategy and culture enable them to promote effective stewardship.

Context

Founded in 1985, the ISS group of companies empowers 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 responsible investment solutions, market intelligence and fund services, and events and editorial content for institutional investors globally. Specifically related to investor stewardship, institutional investor clients use ISS’ services to help them 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 together can assist investors in demonstrating 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 as clients’ portfolio, fiduciary and stewardship requirements evolve.

ISS’ corporate culture is guided by its values of excellence for our clients, integrity, collaboration, empowerment, flexibility and diversity. ISS seeks to bring its people together in a culture that upholds the best interests of its clients. Further, ISS is committed to fostering, cultivating and preserving a culture of diversity and inclusion.

We believe ISS’ philosophy and strategy allows ISS to promote 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. In 2020, one of the significant outcomes of our activities was a 92 percent firm-wide client retention rate, 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.

2020 Activity and Outcomes

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 data and the ability to action it, all through a single provider. We believe the combination of various services offered by ISS allows investors to address these factors with one common approach and rely on ISS products and services to offer coherent and unified answers and solutions to their needs. ISS offers a comprehensive suite of solutions that help promote and support effective stewardship. In 2020, ISS' main stewardship-related services were delivered by the following business areas:

ISS Governance Research and Voting

ISS delivers a range of policy-based research services and voting recommendations that cover a spectrum of shareholder interests to align with 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. Policy choices and customised corporate governance and voting guidelines help ISS clients translate their own unique views on good stewardship into actionable voting decisions.

ISS' advanced technology and expert services help clients manage their proxy voting, engagement, monitoring, reporting and compliance processes seamlessly, globally, and across their organization.

The ISS Governance Research and Voting offerings include independent research and vote recommendations delivered according to investors' chosen policies and approaches as well as proxy voting and reporting solutions, including the ISS ProxyExchange platform which enables investors to tackle their stewardship requirements effectively, increase their productivity and streamline their workflows.

In 2020, ISS Governance Research and Voting covered approximately 45,000 company meetings in 115 markets on 32,000 companies, delivering research and vote recommendations, while working closely with clients to help them execute their voting decisions for more than 12.2 million ballots representing upwards of 3.9 trillion shares.

As at the end of 2020, ISS Governance Research and Voting had approximately 1,450 institutional investor clients.

ISS ESG

ISS ESG is the responsible investment and data analytics arm of ISS, providing investors with multifaceted and integrated ESG solutions. From assisting investors in integrating ESG factors into their

investment decisions to informing their engagements with companies, ISS ESG brings expertise across a range of sustainability and responsible investment issues, including climate change, sustainable impact, human rights, labour standards, corruption, controversial weapons, and many more. ISS ESG partners with clients to understand their unique investment and business objectives to deliver the relevant insights and data solutions they need throughout their investment processes.

In 2020, ISS ESG offered to its approximately 1,100 clients Screening & Controversies, ESG Ratings & Rankings, Climate, Impact and Sustainable Development Goals, and Index solutions.

ISS' mission is to empower investors to build for long-term and sustainable growth by providing high-quality data, analytics, and insight. Our business and organization is built around activities, strategy and culture that support that mission with an ongoing focus on the aims and values that enable us to provide effective and high quality services to investors that support their effective stewardship. In 2020, our internal activities falling under Principle 1 included:

- Promoting the ISS values of client service, integrity, collaboration, empowerment, flexibility and diversity across our entire organization of over 2,000 employees.
- Mandatory training upon hiring and annually at the end of 2020 for all employees subject to the Code of Ethics and General Code of Conduct (see Principle 3 for further details)
- Implementation of business continuity plans in response to the COVID-19 pandemic, including remote working for the majority of our employees globally, keeping our staff safe and enabling full support of our clients throughout 2020. We were able to maintain the full provision of ISS services and provide uninterrupted support of investor clients throughout a period of unprecedented global challenges for companies and their investors.
- Ongoing attention to the needs of investors for changes in services and information to support effective stewardship. 2020 examples in response to the pandemic include:
 - enhanced monitoring and reporting of thousands of rapidly changing company meeting dates and voting agendas triggered by the COVID-19 pandemic, enabling investors to keep track of and stay informed in support of their stewardship responsibilities. ISS was able to continue to deliver ISS proprietary and client-specific custom research and voting recommendations on over 45,000 shareholder meetings and related vote execution services.
 - provided a COVID-19 Resource Center for clients to help navigate changes to company meetings during a period of major shifts in meeting dates and formats
 - As part of the COVID-19 Resource Center, provided information resources on the impacts of the pandemic on major stewardship issues. For example, the ISS Policy Guidance for Impacts of the COVID-19 Pandemic ([link](#)).
 - Completed its annual policy development process which is designed to ensure ISS' Governance Research and Voting is attuned to and accounting for new market issues, changing investor needs and views, as well as providing a high standard of transparency and a fully consultative process. Further details of this process are presented under Principle 2 below.

Summary

ISS' activities and services for investors are designed to serve the best interests of our clients and assist them across their stewardship activities. Our focus is on quality, reliability and independence across our products. Our services for investors continued with no significant issues during 2020, despite the significant challenges of the pandemic. With these outcomes and with our high client retention rate for 2020 (92% firmwide) we believe that we have been effective in serving the interests of our clients, and in promoting effective stewardship in our role as a service provider throughout 2020.

Our assessment is that our activities under Principle 1 enabled ISS to be successful in serving the best interests of our clients throughout 2020 in the furtherance of promoting effective stewardship.

Principle 2

Signatories' governance, workforce, resources and incentives enable them to promote effective stewardship.

Context

ISS has supported investors and promoted good governance practices and effective stewardship for over 35 years.

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.

These services 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 2020 ISS had more than 2,000 employees across 15 countries, including approximately 500 research analysts and 300 data analysts across our ISS Governance and ISS ESG business units. ISS' analysts have an appropriate range of expertise, insight, and perspectives across the governance and responsible investment landscape, underpinned by experience in varied fields, such as corporate governance, 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. Employee conduct is generally governed by ISS' General Code of Conduct and Code of Ethics which are further discussed in Principle 3 below.

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 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 establishment of the Oversight Committee elevated the awareness and effectiveness of the BPPG as a self-regulatory group.

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 BPPG agreed to adopt guidance on a comply-or-explain basis. ISS' latest compliance statement regarding these principles can be found [here](#).

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 provides and implements a variety of voting policies to meet the differing views and needs of institutional investors. The quality and accuracy of our research 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, tracking and reporting. ISS' voting policies, the research and vote recommendations produced under those policies, and the processes operated by ISS are not only rooted in good governance but 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 a high quality, reliable, independent and cost-effective service for investors to support their stewardship activities.

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 rely on the reviews conducted by an outside auditor as part of an annual SSAE 18 review. ISS' 2020 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 of the Governance Research team 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 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;

- In instances where new material information becomes available after an ISS report has been published and before investor voting deadlines, or where any factual inaccuracy that warrants correction is drawn to our attention, an updated report is promptly issued to clients.

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 fees are appropriate.

2020 Activity and Outcomes

- **Research Leadership and Skills**

ISS has, and continued to develop in 2020, highly skilled and experienced leaders around the world, who manage teams appropriately skilled and experienced for their roles. Information on ISS' Global Research leaders, including biographies, is provided [here](#).

- **ISS Policy Governance**

Overseen by the ISS Global Policy Board, ISS applies principles of good governance to the annual development and application of the policies that underlie its governance research and voting recommendations, with high standards of transparency and a consultative approach. To ensure ISS voting policy changes take into consideration significant evolving stewardship issues and a broad range of perspectives, including the views of institutional investors globally and those of the broader governance community, ISS gathered input in 2020 (as it does each year) from investors, companies, and other market constituents through a variety of channels and mediums. A visual summary of the policy development process undertaken in 2020 for the 2020-2021 cycle is presented below together with a summary of the significant policy updates for 2021 that resulted and were announced after the open (public) comment period.

Policies (prior and current years) are made publicly available on the ISS website [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 .

2020-2021 Policy Development Process



- Global in-person discussion forums and roundtables frame the policy process.
- Annual policy survey brings in perspectives from institutional investors, corporate issuers and governance experts. Offers all market constituents the ability to actively participate in ISS' policy development process.
- Numerous viewpoints are considered to develop guidelines that strike the right balance between shareholder interests and economic practicality.

SIGNIFICANT 2021 POLICY UPDATES

Board-related issues dominate list of Benchmark Policy changes

ISS' open comment period ran from Oct. 14, 2020 through Oct. 26, 2020

MARKET	BENCHMARK POLICIES (TOPICS)
Global	<ul style="list-style-type: none"> • Director Elections: Material E&S Risk Oversight Failures – noting that significant risk oversight failures related to E&S may constitute material governance failures
US	<ul style="list-style-type: none"> • Director Elections: Race/Ethnic Diversity – in 2022, recommending against director on boards with no racial/ethnic diversity • Exclusive Forum Proposals – clarifying policy on federal and state exclusive forums proposals
Canada	<ul style="list-style-type: none"> • Director Elections: Board Gender Diversity – raising gender diversity threshold to 30% by 2022 • Exclusive Forum Proposals - clarifying policy on federal exclusive forums proposals
Americas Regional and Brazil	<ul style="list-style-type: none"> • Director Elections: Board Gender Diversity – recommending against directors with no gender diversity • Director Elections: Board Independence – raising independence threshold
Europe	<ul style="list-style-type: none"> • Director Elections: Board Gender Diversity (Continental Europe) – raising gender diversity threshold to 30% by 2022 • Director Elections: Board Gender Diversity (UK/Ireland) – raising gender diversity threshold to 33% by 2021 • Director Elections: Director Independence Classification (Russia) – more analysis given to independence classification • Director Elections: Overboarding Policy Extended to Non-Core Companies (Continental Europe) • Remuneration Report Proposals (Continental Europe) – establishing best practices as regulation make MSOP a broad requirement • Share Issuance Authorities at Investment Companies Proposals (UK/Ireland)
Middle East and Africa	<ul style="list-style-type: none"> • Approval of Board and Corporate Governance Reports Proposals (Middle East) • Auditor-related Voting Items: Excessive Non-Audit fees or Lack of Disclosure on Fees (Sub-Saharan Africa)
Japan	<ul style="list-style-type: none"> • Director Elections: Board Composition – Statutory Auditor System – harmonizing expectation on outsider board members • Director Elections: Cross-Shareholdings – adverse recommendations on companies with excess cross shareholdings (>20%)

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 – 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’ chosen governance structures, processes, workforce, resources and incentives operated effectively throughout 2020 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 constant attention to improvement is vital, and we regularly seek client feedback on opportunities for improvement and implement updates to meet evolving investor needs. This continued through 2020.

Our assessment is that our activities under Principle 2 in 2020 supported governance, workforce, resources and incentives enabling ISS to be successful in providing services promoting effective stewardship.

Principle 3

Signatories identify and manage conflicts of interest and put the best interests of clients first.

Context

ISS fully comprehends and takes seriously the potential 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.

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:

Maintaining the Independence of ISS

The ISS Board of Directors, as well as ISS’ owners, have adopted procedures and safeguards to identify any actual or potential conflict of interest situations which may occur specifically in connection with the work that

certain ISS business units and affiliates perform in researching, analysing and making recommendations regarding publicly-held companies that have affiliations with ISS' owners or members of ISS' Board of Directors. These policies and procedures also provide a disclosure mechanism for certain affiliated companies.

Institutional clients could seek to influence the advice given to other institutional clients

Within ISS' investor client base, there is a subset of clients who are themselves corporate issuers or that have a parent or affiliated company that is a corporate issuer. Thus, in the ordinary course of its business, ISS will inevitably provide research coverage on meetings or shareholder proposals related to these issuers.

Corporate issuer clients of ISS' wholly-owned subsidiary, ISS Corporate Solutions, Inc. ("ICS"), could seek to influence the advice given to institutional clients.

ISS serves the corporate issuer community through a wholly-owned subsidiary, ICS, which is separate from ISS (and, in particular, separate from ISS' Governance and ISS ESG business units). ICS provides products and services that enable issuers to understand and implement corporate governance best practices. Given the nature of both businesses, ISS is aware of the potential for conflicts of interest that may arise between ISS and the business of ICS, and, consequently, maintains a strong system of checks to prevent any potential conflicts from becoming actual conflicts.

Policies and procedures related to how ISS addresses the above potential conflicts of interest are available on ISS' website¹ and were fully operational throughout 2020.

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.

In regard to the disclosure of the conflicts of interest, the Code of Ethics addresses the potential conflicts between the Global Research teams 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 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 mitigate the conflict.

The Code of Ethics also maintains policies and procedures related to personal securities trading, gifts and entertainment, and outside business activities amongst others.

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:

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

- 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

Training

Employees are required to complete compliance training upon hire and on an annual basis thereafter.

2020 Activity and Outcome

ISS maintains a dedicated Compliance department whose responsibilities throughout 2020 included ensuring the policies related to potential conflicts of interest as well as those discussed in the codes were followed and adhered to.

Summary

Our assessment is that the 2020 activities and outcomes under Principle 3 enabled ISS to identify and manage conflicts of interest and put the interests of clients first.

Principle 4

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

Context and 2020 Activities and Outcomes

In 2020, the largest systemic and market-wide risks globally were those presented by the COVID-19 pandemic. ISS recognized early on risks for our employees, for our clients and for our business. We acted quickly in March 2020 and implemented business continuity plans including the move to remote working for the majority of our entire global workforce in a matter of days. This included supporting staff with the tools and technology to enable them to continue to work safely and effectively, and pastorally with help and support to adjust to the changes and concerns engendered by pandemic fears, the change to remote working, and the impacts of lockdowns and other restrictions. Our employees were thus able to continue to provide services and support for our clients, avoiding and/or mitigating disruption of services or negative impacts on our clients and their stewardship activities. We are proud of being able to respond to and successfully manage the risks to our staff, our clients and our business, including keeping services fully functional during a period of significant market turmoil.

Matters such as changes in interest rates, geopolitical issues and currency rates do not often have a direct impact upon the provision of ISS services that promote effective stewardship, and did not in 2020; 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 may 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.

ISS also works with many stakeholders and contributes to the effective functioning of markets through knowledge sharing, contributions to the development of improved local and global standards (e.g. stewardship, governance and ESG standards), encouraging better company disclosures, “proxy plumbing” issues such as vote confirmations, and other relevant areas. ISS regularly responded to stewardship, governance and ESG -related consultations, roundtables and working groups that promote and protect high standards by and for investors. In 2020, ISS responded to numerous consultations and similar market outreach by regulators and others. This work continued through 2020 despite the COVID-19 pandemic.

Summary

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 2020. We believe the most significant systemic risks in 2020 were those caused by and related to the COVID-19 pandemic. ISS was able to identify and respond to those risks by having effective business continuity plans, policies and processes that were able to adapt to rapidly changing situations in 2020, and in taking the necessary actions to continue to provide services to our clients to enable their effective stewardship activities to continue and respond to the crisis, and address systemic risks faced by the whole market and in virtually all countries globally.

Our assessment is that our 2020 activities and outcomes under Principle 4 were successful, as appropriate to 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

Context and 2020 Activity & Outcome

ISS regularly consults with clients, including 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 2020 activity and outcomes, are presented under Principle 2 above.

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. As at the end of 2020, the entire ISS organization had a client service staff of

approximately 120 supporting clients globally, and also providing another route for receiving clients' views and feedback.

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' 92% percent firm-wide retention rate reflects this commitment to high quality products and excellent client service. Please see below the approximate client base breakdown² covering region, type of business:

Clients by type – overall		As of 31 Dec, 2020
	Asset Management	58%
	Asset Owner	11%
	Banking & Trading	< 1%
	Custodian	2%
	Government Agencies and Regulators	1%
	Hedge Fund	10%
	Legal and Professional Services	5%
	Other (incl Academic)	12%

Clients by region (all)	^	As of 31 Dec, 2020
	Americas	55%
	EMEA	37%
	APAC	8%

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 2020.

² The figures represent client type and region across ISS entities.

ISS Governance Research and Voting Coverage Meetings/Companies		2020, approximate
	Shareholder Meetings	45,000
	Public Companies	32,000

ISS ESG Coverage		YE 2020, approximate
E&S QualityScore coverage		
	Companies	5,000 companies covering 24 industry groups
	Markets	30
	Factors	approximately 240 underlying factors per industry (total of 380 factors)
Screening & Controversies coverage		
	Sector-Based Screens	26,000 issuers including 18,000 publicly listed companies covering <u>at least one</u> topic, varying by issue
	Energy & Extractives	23,000 issuers including 16,000 publicly listed companies, varying by issue
	Norm Based Research	24,000 issuers including 16,000 publicly listed companies
	Controversial Weapons Screens	26,000 issuers including 17,000 publicly listed companies
	Controversy Watch (feeds into NBR) - public sources	more than 4,400 public sources globally and an additional 200 expert stakeholder sources
Climate coverage		
	Companies	25,000
	Securities	80,000

Ratings coverage		
	Rating Universe (Corporate Rating, Carbon Risk Rating, SDGA)	approximately 9,700 corporate issuers, including some 6,800 rated entities and 2,900 assigned corporate issuers
	Country Ratings	approximately 670 sovereign issuers including 120 countries
	ESG Fund Ratings	more than 2,000 fund managers and approximately 25,700 funds
	Corporate Rating - indicators	a pool of over 700 indicators

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 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 2020 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.

Context

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

Voting policy development is undertaken annually with direct input from clients, issuers and other experts. ISS processes are subject to both internal and external assurance processes. ISS has robust policies and procedures to ensure the integrity of its research process and the provision of voting recommendations.

Voting policies

ISS provides investors with different choices of voting policies to meet different client needs. All policies are reviewed annually and updated as required. In developing its policies, ISS refers to the ISS Global Voting

Principles³. 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 period⁴.

ISS benchmark policies, and the policy development process, are grounded in principles of good governance and effective stewardship, are transparent and made publicly available⁵.

- **ISS specialty policies**

Institutional investors may choose to evaluate governance and other stewardship issues from the perspectives of sustainability, climate, socially-responsible investing, public funds, labour unions or mission and faith-based investing, and ISS offers voting policy choices to support this variety of investor needs. ISS specialty policies provide choice and options for such investors, with six different ISS policies available that they can select from to meet their particular needs. As with ISS benchmark policies, ISS specialty policies are also reviewed annually with input from investor clients, outside experts and others with relevant knowledge of the topics involved.

- **Client specific custom policies**

Many institutional investors choose to apply their own specific set of corporate governance and stewardship-related guidelines in implementing their voting policy and voting decisions. ISS managed and applied over 400 custom policies for clients in 2020. These customised voting policies reflect clients' unique governance and stewardship philosophies. ISS custom research analysts and services prepare voting recommendations based on many such client-specific voting policies and approaches, and also assist investors in developing and regularly updating their policies. Over 75% of our top 200 clients subscribed to at least one custom research policy from ISS in 2020.

³ See : <https://www.issgovernance.com/policy-gateway/iss-global-voting-principles/>

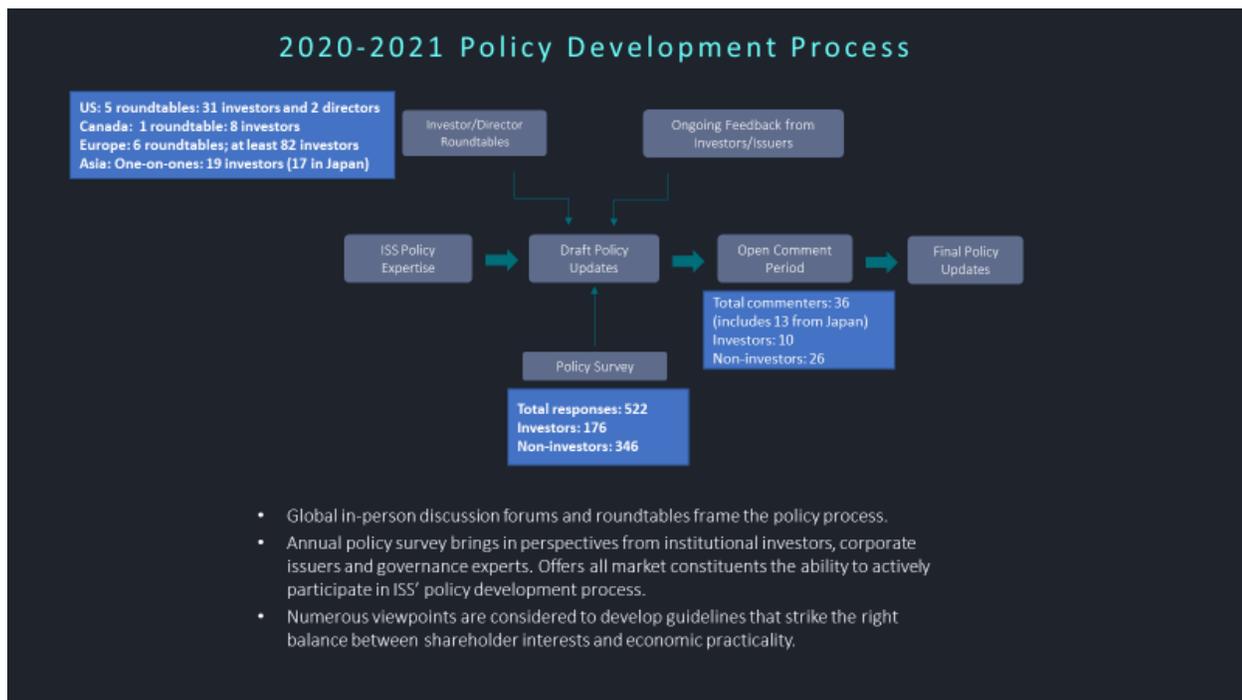
⁴ For further background on the ISS Policy Development Process, please see: <http://www.issgovernance.com/policy>.

2020 Activity and Outcomes:

Policy Review and Development Process

ISS' 2020 policy development activity and outcomes are relevant to both Principle 2 and Principle 6. They are included under both Principles in this report for completeness.

ISS applies principles of good governance to the annual development and application of the policies that underlie its governance research and voting recommendations, with high standards of transparency and a consultative approach. To ensure ISS voting policy changes take into consideration significant evolving stewardship issues and a broad range of perspectives, including the views of institutional investors globally and those of the broader corporate governance community, ISS gathers input each year from investors, companies, and other market constituents through a variety of channels and mediums. A visual summary of the policy development process undertaken in 2020 for the 2020-2021 cycle is presented below together with a summary of the outcomes, the significant policy updates for 2021 that resulted and were announced after the open (public) comment period.



SIGNIFICANT 2021 POLICY UPDATES

Board-related issues dominate list of Benchmark Policy changes

ISS' open comment period ran from Oct. 14, 2020 through Oct. 26, 2020

MARKET	BENCHMARK POLICIES (TOPICS)
Global	<ul style="list-style-type: none"> • Director Elections: Material E&S Risk Oversight Failures – noting that significant risk oversight failures related to E&S may constitute material governance failures
US	<ul style="list-style-type: none"> • Director Elections: Race/Ethnic Diversity – in 2022, recommending against director on boards with no racial/ethnic diversity • Exclusive Forum Proposals – clarifying policy on federal and state exclusive forums proposals
Canada	<ul style="list-style-type: none"> • Director Elections: Board Gender Diversity – raising gender diversity threshold to 30% by 2022 • Exclusive Forum Proposals - clarifying policy on federal exclusive forums proposals
Americas Regional and Brazil	<ul style="list-style-type: none"> • Director Elections: Board Gender Diversity – recommending against directors with no gender diversity • Director Elections: Board Independence – raising independence threshold
Europe	<ul style="list-style-type: none"> • Director Elections: Board Gender Diversity (Continental Europe) – raising gender diversity threshold to 30% by 2022 • Director Elections: Board Gender Diversity (UK/Ireland) – raising gender diversity threshold to 33% by 2021 • Director Elections: Director Independence Classification (Russia) – more analysis given to independence classification • Director Elections: Overboarding Policy Extended to Non-Core Companies (Continental Europe) • Remuneration Report Proposals (Continental Europe) – establishing best practices as regulation make MSOP a broad requirement • Share Issuance Authorities at Investment Companies Proposals (UK/Ireland)
Middle East and Africa	<ul style="list-style-type: none"> • Approval of Board and Corporate Governance Reports Proposals (Middle East) • Auditor-related Voting Items: Excessive Non-Audit fees or Lack of Disclosure on Fees (Sub-Saharan Africa)
Japan	<ul style="list-style-type: none"> • Director Elections: Board Composition – Statutory Auditor System – harmonizing expectation on outsider board members • Director Elections: Cross-Shareholdings – adverse recommendations on companies with excess cross shareholdings (>20%)

Policies (prior and current years) are made publicly available on the ISS website [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 .

Quality Controls

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 rely on the reviews conducted by an outside auditor during the SSAE 18 process. ISS' most recent 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 of the governance research team 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;

- In instances where new material information becomes available after an ISS report has been published and before investor voting deadlines, or where any factual inaccuracy that warrants correction is drawn to our attention, an updated report is promptly issued to clients.

ISS ESG product methodologies are also governed by a strict internal quality management system. All assessments undergo a rigorous and clearly documented data collection processes, including extensive peer reviews. 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.

Additionally, for many data sets, the research team conducts fact-finding dialogue with companies to provide supplementary detail and confirmation of involvement. The feedback process with companies takes place on a cyclical basis, as well as in special cases during other update cycles. Information sent by the company is reviewed, discussed with the company, and assessed according to ISS ESG's evaluation guidelines.

Summary

ISS regularly reviews its policies and processes and did so in 2020. 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 through 2020.

Our assessment is that our activities and outcomes under Principle 6 in 2020 ensured that policies were reviewed, and processes were assured. Feedback from the policy reviews and the assurance of processes was taken into account and is used to implement continuous improvement, supporting stewardship practices.