
Best Practice Principles for Providers of Shareholder Voting Research & Analysis

ISS Compliance Statement

19 April 2017*

ISS is pleased to submit the following Compliance Statement to the Best Practice Principles for Providers of Shareholder Voting Research & Analysis.

The Best Practice Principles have been adopted to establish standards and provide guidance to service providers in the field of shareholder voting research and analysis. The three core Principles are: (i) maintaining a high level of service quality, (ii) disclosure of policies that address potential or actual conflicts of interest, and (iii) publication of policies for communication, with issuers, shareholder proponents, other stakeholders, the media and the public.

As the leading provider of corporate governance research, voting recommendations and voting services to institutional investors, ISS places primary importance on conducting our business in a transparent and responsible manner.

This Compliance Statement addresses ISS' shareholder voting research and analysis services provided to institutional investor clients. It aims to describe in a meaningful way how ISS fully complies with all three Principles and all related Guidance in the provision of those services.

As noted by the Best Practice Principles, irrespective of the type of services used by investors to support their ownership and voting activities, the ultimate responsibility to monitor their investments and make voting decisions lies with each investor; the use of third-party services such as those provided by ISS does not shift this responsibility. To that end, ISS' services are designed to assist institutional investors in making informed voting decisions and implementing those decisions effectively.

The structure of this Compliance Statement mirrors that of the Best Practice Principles. Each of the three sections of the Statement describes how ISS applies each of the three Principles and all related Guidance (with numbered headings referring to the corresponding Guidance section in the Best Practice Principles).

ISS' signatories to this Statement can be contacted for further information regarding its content.

** This ISS Compliance Statement amends and updates the ISS Compliance Statement dated 10 June 2014.*

Principle One: Service Quality

Signatories provide services that are delivered in accordance with agreed client specifications.

Signatories should have and publicly disclose their research methodology and, if applicable, “house” voting policies.

ISS fully complies with Principle One and related Guidance on Service Quality.

This section describes in a meaningful way how ISS applies the Principle and all related Guidance (with numbered headings referring to the corresponding Guidance section in the Best Practice Principles).

1. Introduction

As a provider of governance research, voting recommendations and voting services with more than 30 years of experience, ISS provides services to its institutional investor clients that assist them in making more informed voting decisions, in managing the complex operational process of voting their shares (proxy voting) and in tracking and reporting their voting activities as they may require.

Our aspiration and goal is to serve our clients with their full trust and confidence. We earn and retain this by providing high quality services which are understood by our clients to rest upon high degrees of transparency, objectivity, and independence.

Through our services, ISS also helps institutional investors understand corporate governance practices and requirements in many different markets worldwide. In 2016, ISS covered more than 40,000 shareholder meetings in over 117 developed and emerging markets worldwide for our clients. ISS’ global coverage includes all meetings for which our clients hold a ballot¹. ISS also provides research and other market information on corporate governance practices and trends, portfolio screening and corporate governance assessment tools and other services, all of which may assist clients in their wider ownership activities and responsibilities.

ISS has an integrated global research team of more than 370 research and data professionals located in Europe, North America, Asia, and Australia, in total speaking more than 25 different languages and with wide expertise across the markets they cover.

¹ For the vast majority of meetings, ISS produces research (see additional statistics on page 4), while for some other meetings, ISS is only tasked to procure the meeting materials and to codify the meetings’ resolutions.

As part of its services providing governance research and voting recommendations, ISS offers and implements a variety of voting policies, providing choice and different options reflecting both regional and market differences, and the differing views and requirements of institutional investors.

Client custom policies and specialty policies

- **Client custom policies**

Many institutional investors apply their own unique set of corporate governance and responsible investment guidelines in implementing their voting policy (“client custom policies”). For these clients, ISS prepares voting recommendations based on the client custom policy and may assist clients in developing such custom policies as well.

ISS manages and applies over 400 custom policies for clients. These customised voting policies reflect each investor's specific corporate governance philosophies and approaches. As a result, the vote recommendations issued under these policies may well differ from those issued under ISS benchmark policies (described below). Currently, over 75% of our top 200 clients subscribe to at least one custom research policy service from ISS.

- **ISS specialty policies**

Institutional investors may choose to evaluate governance and other issues from the perspective of sustainability, socially-responsible investing, public funds, labour unions (Taft-Hartley) or mission and faith-based investing. ISS offers policy guideline options that reflect such perspectives (“ISS specialty policies”).

ISS benchmark policies

ISS also provides research and voting recommendations based on ISS benchmark policies. These policies are based on generally accepted principles of good corporate governance, taking into account national and international corporate governance codes and practices, and investor and other stakeholder views. ISS gathers broad input each year from institutional investors, corporate issuers, and other market constituents through policy surveys, issue-specific roundtables, and an open comment period².

Specific benchmark policies are developed for different regions and markets, either via stand-alone market policies, or regional policies with national approaches or exceptions on particular issues where market practices, regulation or investor expectations may vary.

² See: <http://www.issgovernance.com/policy-gateway/2017-policy-information/>

Key research statistics

The below table presents the number of companies and meetings covered by ISS research in the course of 2016.

Research coverage	2016
Companies covered	28,259
Meetings covered	40,411

Investor's responsibility to vote

Regardless of which policy (or policies) a client chooses to use, ISS provides information, analysis and voting recommendations, not voting decisions. As a general matter, the ultimate voting decision for each resolution at a company meeting remains the responsibility of the client, as we believe it should. Many of our clients who subscribe to our benchmark policy recommendations use our research as an input into their own deliberations, but may ultimately decide to vote differently, in line with their own investment and governance views and company engagement activities in any particular situation.

ISS clients use our research and voting recommendations in a variety of ways. ISS research and voting recommendations will often be one of many resources that institutional investors use in arriving at their voting decisions. For example, many institutional investors have internal research teams that conduct proprietary research and use ISS research to supplement their own work. Some clients use ISS research as a screening tool to identify non-routine meetings or proposals. A number of our clients also use the services of two or more providers of shareholder voting research and analysis.

Independent shareholder voting research & analysis

Because of the breadth of our client base, we understand and take seriously the potential for actual or perceived conflicts of interest which may result from our business activities. To that end, we have established a robust set of policies, procedures and practices regarding the identification, avoidance and management of conflicts of interest, in order to ensure our research and analyses are independent and free from inappropriate bias or undue influence (see Principle 2 of this statement for further details).

2. Responsibilities to Clients

ISS' services are provided pursuant to a written contract with each client. This typically is structured as a master services agreement, which contains contractual terms, including the relevant governing law, how notices are provided, the methods of terminating the contract, and how disputes are resolved. The master services agreement will be incorporated into appendices that describe the specific services being purchased and the cost of such services. The contract provides the agreed basis as to the terms and conditions under which services are delivered. Most services are offered on an annual subscription basis.

3. Quality of Research

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

In addition to internal controls, we further rely on the reviews conducted by an outside auditor during the SSAE 16 process (previously SAS70 type II). ISS' most recent SSAE 16 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 both the ISS Research and Operations teams are subject to the SSAE 16 review.

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

- Comprehensive information procurement processes for company-published information and meeting documentation;
- Data consistency 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 (see Principle 3).
- 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, ISS promptly issues an alert and an updated report to its clients.

4. Research Methodology

ISS has developed a robust research methodology designed to ensure the consistent and timely delivery of high quality and reliable research, analysis and recommendations.

The research methodology comprises the following essential features, all as more fully described below:

- The general approach that leads to the generation of research;
- The information sources used;
- The extent to which local conditions and customs are taken into account;
- The extent to which custom or benchmark (i.e., “house”) voting policies or guidelines may be applied; and
- The systems and controls deployed to reasonably ensure the reliability of the use of information in the research process, and the limitations thereof.

General approach

ISS is committed to providing timely, accurate and insightful shareholder voting research and analysis on every publicly-traded company in our clients’ portfolios, regardless of size or location, taking into account local market regulations and practices. In 2016, ISS produced research on over 40,000 meetings in more than 117 markets.

Our firm has continued its commitment to global corporate governance by fully staffing 18 offices worldwide. We believe our global and local market expertise yields the greatest insight into governance practices and allows us to offer high-quality analyses and voting recommendations to our clients.

ISS analysts have in-depth knowledge of best practices, regulations and investor expectations in each global market in which we provide research coverage, on issues such as board independence, pay practices and the role of government and industry associations in setting local governance standards.

The research process follows a five step approach that is designed to ensure the efficient and timely delivery of high-quality information, research and analyses to clients:

Research Coverage and Delivery



<ul style="list-style-type: none"> • Data Management in Voting Operations receives client holdings (data feed, SWIFT and Broadridge) to determine the ISS coverage universe • Historical Information • Stock Exchanges • Bloomberg Calendar 	<ul style="list-style-type: none"> • US & Canada <ul style="list-style-type: none"> – Broadridge feed – solicitors – companies • Non-North American <ul style="list-style-type: none"> – custodians and sub-custodians – websites – companies – financial gazettes – Partners 	<ul style="list-style-type: none"> • Each agenda item is tagged with one of 500 internal codes to indicate issue type and facilitate application of voting policies • Verify info <ul style="list-style-type: none"> – Record dates – Shareblocking • Document validation 	<ul style="list-style-type: none"> • Consistent application of ISS voting policy for all analyses • Review process <ul style="list-style-type: none"> – Sub-committees – Sub-groups • Delivery to clients and specialized research groups 	<ul style="list-style-type: none"> • Application of client custom policies • Taft-Hartley Policy • Socially Responsible Investment Policy • Sustainability Policy for PRI signatories • Delivery to clients
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Our research service includes:

- **Direct access to ISS Research Analysts:** Whether dealing with a complex vote decision or looking for clarity on a complex governance issue, clients have access to our industry leading analysts and market specialists.
- **Thought leadership:** Clients have access to ISS conference calls, industry events, educational and thematic research, and publications to ensure they are kept abreast of governance trends and news in a constantly changing regulatory landscape.
- **Governance Exchange:** Clients have access to ISS' Governance Exchange Community, the industry leading forum that brings together leaders in the investment, issuer, and corporate governance practices.

Information sources

ISS' proxy research and analyses are based only on publicly available information. ISS aims to take into account all relevant information released by analyzed companies, such as annual reports, meeting agendas and resolutions, articles of association and other public filings. All original company materials used by ISS are referenced or made available to clients. In addition, company issued information is supplemented by other publicly available information such as information on board members, industry trends, etc.

As a result, ISS provides a comprehensive data set on board membership, executive compensation, financial performance, and ownership that provides context for the review of agenda items.

As part of the research process, ISS may undertake dialogue with company representatives, institutional shareholders, shareholder proponents and other relevant parties to ensure full information and deeper insight into key issues. This dialogue helps ensure a full understanding of the facts and enriches our analyses for clients.

The purpose of the dialogue with companies is to improve the overall quality of the research produced by ensuring analysts have full information and understanding of all relevant facts and explanations provided by the company. This type of dialogue can also serve to provide additional transparency in that ISS often provides context around the application of its benchmark policies.

In undertaking such dialogue ISS specifically requires that companies do not share confidential or material non-public information.

ISS' dialogue with issuers is transparent to clients. ISS' research reports generally include a section that details relevant dialogue with the company, shareholder proponents or other stakeholders, including the date(s) of dialogue, the topic(s) covered, the initiator of the dialogue, and the outcome.

Local conditions and customs

ISS' research approach is based on structured governance policies that incorporate established policy frameworks and internal expertise with investor and broader market feedback.

Our benchmark policies are informed by five main factors:

- global governance standards, such as the ones defined by the OECD and the ICGN,
- local regulation and soft-regulation such as Codes of Best Practices and Stewardship Codes,
- ISS institutional investor client expectations,
- local market practices, regulation and other market-specific factors,
- input from other market constituents.

Custom or house voting policies

ISS offers an extensive array of voting policies to meet the varied needs of institutional investors and their clients. Institutions can choose from ISS' selection of global benchmark policies, or ISS specialty policies that evaluate governance issues from the perspective of socially-responsible investors, public funds, labor unions (Taft-Hartley), mission and faith-based investors, and sustainability issues outlined by signatories to the Principles for Responsible Investments (PRI) supported by the United Nations. ISS also manages full custom voting policies and implements voting recommendations for institutional clients who want to vote their shares according to their own specific guidelines and philosophies (see below).

Systems and controls

ISS has robust policies and procedures to ensure the integrity of our research process. ISS is a Registered Investment Advisor with the U.S. Securities and Exchange Commission, and as such has a comprehensive global compliance program. ISS also undertakes and is subject to periodic SSAE-16 audits (see Quality of Research section above for further details).

Timely delivery of research

ISS employs a 2-week target delivery date for shareholder voting research and analyses prior to the meeting date. As examples, on average in 2016, we delivered research reports 18 days prior to the meeting date for U.S. meetings, and 17 days prior to the meeting date for ex-U.S. meetings.

Diversity of opinions

ISS is committed to providing our clients easy access to a variety of opinions from different sources. To that end, in 2013, ISS took the inclusive step of opening up its online voting platform (“ProxyExchange”) to research produced by a number of other service providers.

As a result, ISS clients who also subscribe to certain third-party research (which currently includes PIRC and FARIENT ADVISORS research) can now access it on ProxyExchange and benefit from enhanced workflow by utilizing the ProxyExchange platform to access in one place their varied research subscriptions.

ISS’ shareholder voting research and analysis is also currently delivered via the FactSet platform for ease of workflow for those clients who have relationships with both vendors.

5. Client Custom Voting Policies

In many instances, ISS prepares voting recommendations based on a client’s own voting policies and approaches, and may assist clients in developing such custom policies as well. As noted above, we refer to these as client custom policies”.

ISS manages and applies over 400 client custom policies for clients. These customised voting policies reflect clients’ unique corporate governance philosophies. As a result, the vote recommendations issued under these policies may well differ from those issued under our benchmark or specialty policies. Over 75% of our top 200 clients subscribe to at least one custom research policy from ISS.

ISS’ custom research consultants are available to provide guidance to clients to assist them in creating and refining their own voting policies and ensure that they accurately reflect their unique values and priorities, while also taking into account local market standards and codes of best practice in each market. For example, clients can easily calibrate and back-test their own policies by market to ensure consistency of application to their own governance philosophies. A regular

review of clients' custom policies will also ensure that any new or emerging proposals that have garnered increased interest in the investment community are appropriately taken into account.

6. Signatory Policies (ISS "house" policies)

ISS' benchmark policies

ISS also provides research and voting recommendations based on ISS' benchmark policies. These policies are based on generally accepted principles of good corporate governance, taking into account national and international corporate governance codes and practices, and investor and other stakeholder views.

The benchmark policies cover all resolutions put forward by listed companies and shareholder proponents. This includes all standard resolutions pertaining to shareholder rights, board elections, executive remuneration and external auditors, as well as resolutions pertaining to corporate transactions and/or environmental, social and governance matters ("ESG" or "sustainability").

In developing its benchmark policies, ISS refers to four key Global Voting Principles³. Those principles provide four key tenets on accountability, stewardship, independence, and transparency, which underlie our approach to developing voting recommendations on management and shareholder proposals at publicly traded companies. The principles guide our work to assist institutional investors in meeting their fiduciary requirements with respect to voting, by promoting long-term shareholder value creation and risk mitigation at their portfolio firms through support of responsible global corporate governance practices.

These practices are designed to respect shareholder rights and provide appropriate transparency, taking into account relevant laws, customs, and best practice codes of each market and region, as well as the right and responsibility of shareholders to make informed voting decisions. These tenets comprise the core principles that apply globally within our voting framework.

Policies, local standards and transparency

ISS' benchmark policies are developed for different regions and jurisdictions, either via stand-alone national policies, or regional policies with national approaches or exceptions on particular issues where practices and requirements vary. These policies (or "proxy voting guidelines") are disclosed publicly on the ISS website⁴.

ISS benchmark policies are subject to regular review and development, and are currently organized as follows:

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

4 See: <http://www.issgovernance.com/policy-gateway/2017-policy-information/>

Americas

US

- [2017 U.S. Summary Proxy Voting Guidelines](#)
- [U.S. Equity Compensation Plans FAQ](#)
- [U.S. Executive Compensation Policies FAQ](#)
- [U.S. Policies and Procedures FAQ](#)
- [Pay-for-Performance Mechanics](#)
- [U.S. Peer Selection FAQ](#)
- [TSR Information for U.S. Performance Related Policies](#)

Canada

- [2017 Canada Executive Compensation FAQ](#)
- [2017 Canada Equity Plan Scorecard FAQ](#)
- [2017 Canada Proxy Voting Guidelines for TSX-listed Companies](#)
- [2017 Canada Proxy Voting Guidelines for Venture Companies](#)

South America

- [2017 Brazil Proxy Voting Guidelines](#)
- [2017 Americas Regional Proxy Voting Summary Guidelines](#) (covers markets not listed above)

EMEA Region (Europe, Middle East and Africa)

- [2017 Europe Proxy Voting Summary Guidelines](#)
- [European Pay-for-Performance Methodology Overview](#)
- [European Pay-for-Performance Methodology FAQ](#)
- [2017 U.K. & Ireland Proxy Voting Guidelines](#)
- [2016-2017 Israel Proxy Voting Guidelines](#)
- [2017 Russia & Kazakhstan Proxy Voting Guidelines](#)
- [2017 South Africa Proxy Voting Guidelines](#)
- [2017 Europe, Middle East, & Africa Regional Proxy Voting Summary Guidelines](#) (covers markets not listed above)

Asia-Pacific Region

Asia

- [2017 China Proxy Voting Guidelines](#)
- [2017 Hong Kong Proxy Voting Guidelines](#)

- [2017 India Proxy Voting Guidelines](#)
- [2017 Japan Proxy Voting Guidelines](#)
- [2017 Japan Proxy Voting Guidelines \(Japanese version\) - 日本向け議決権行使助言基準](#)
- [2017 Korea Proxy Voting Guidelines](#)
- [2017 Singapore Proxy Voting Guidelines](#)
- [2017 Taiwan Proxy Voting Guidelines](#)
- [2017 Asia-Pacific Regional Proxy Voting Summary Guidelines](#) (covers markets not listed above)

Australasia

- [2016-2017 Australia Proxy Voting Guidelines](#)
- [2017 New Zealand Proxy Voting Guidelines](#)

All the above Proxy Voting Guidelines and detailed methodologies are publicly available on ISS' website⁵.

The ISS benchmark policies are formulated through a robust process that takes advantage of ISS' own expertise and that of the broader governance community. ISS engages with institutional clients, the academic community, corporate issuers and industry experts worldwide to gather input on ISS' proxy voting policies and methodologies. This enables ISS to consistently provide fact-based research through a shareholder value lens.

ISS' approach emphasizes the unique situation of the companies covered, with an effort to ensure the nuances of each company are understood and its corporate governance practices are viewed in the context of best practices, industry norms and its history. For example, issuer explanations on deviations from "comply-or-explain" corporate governance codes are taken into account.

ISS Benchmark Policy formulation and update process⁶

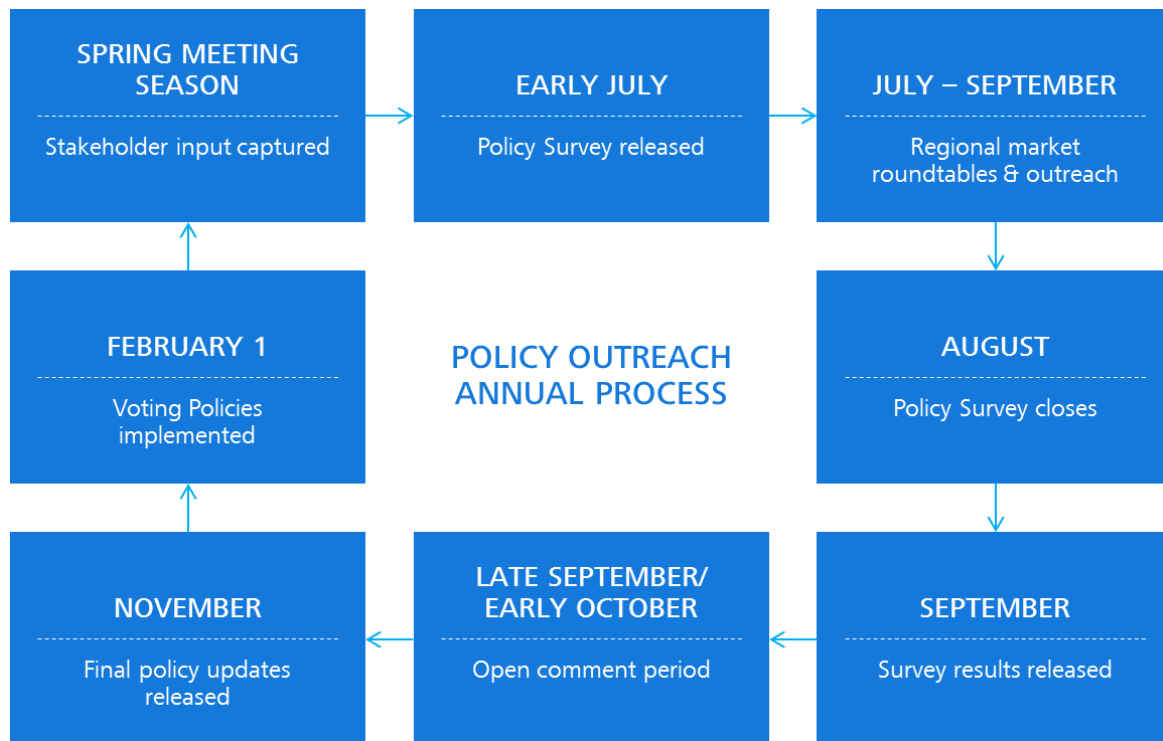
ISS works to ensure its policies are relevant, clear, balanced and well-reasoned. Led by the ISS Global Policy Board, the firm deploys a bottoms-up approach to policy formulation that incorporates ISS' own expertise combined with feedback from a diverse range of market participants through multiple channels:

- An annual policy survey of institutional investors and corporate issuers
- Roundtable sessions with industry groups
- Ongoing feedback from participants in the capital markets, investors, issuers, regulatory agencies and clients during proxy season.

⁵ See : <http://www.issgovernance.com/policy-gateway/2017-policy-information/>

⁶ See : <http://www.issgovernance.com/policy-gateway/policy-formulation-application/>

The ISS Global Policy Board uses this input to develop its annual draft policy updates and address emerging governance issues. Before finalizing these updates, ISS publishes draft updates for an open review and comment period. All comments received during the open comment period are posted to ISS' Policy Gateway⁷ in order to provide the highest level of transparency into the market's feedback. Final policy guidelines are typically published in November of each year to apply to meetings held from February onwards of the following year⁸.



Once finalized, we place our updated policy set on ISS' public website making it transparent and available to everyone.

⁷ See : <http://www.issgovernance.com/>

⁸ Different timeframes may apply for selected markets (such as Australia and New Zealand).

Example: Announcement Regarding 2017 Policy Outreach

[In June 2016, ISS] launched its 2017 Annual Policy Survey, a key component of ISS' annual global benchmark policy formulation process. Institutional investors, companies, corporate directors and other market constituents are invited to participate in the survey.

This year the survey covers a number of key issues for consideration as part of potential updates in 2017 to ISS' benchmark policy guidelines, including questions on how to define "overboarding" for executive board chairs and gauging respondents' preferred frequency of say-on-pay votes in the U.S., the use of time-based vesting shares in the U.K., and the use of sign-on awards for directors in Canada.

"We encourage and welcome market participants' feedback on potentially new or amended benchmark policy areas that will, if adopted, inform the vote recommendations and research we deliver to institutional investor clients" said Georgina Marshall, ISS' Global Head of Research. "ISS' annual survey process is unique among proxy advisers and part of our long-standing commitment to both inclusivity and transparency in developing ISS' benchmark policy."

In addition to this global survey, ISS conducts a variety of regionally-based, topic-specific roundtables and conference calls to examine local market best practices and gather input that will also factor into the development of ISS' benchmark policy guidelines globally. After analysis and consideration of the survey responses, ISS will, as in prior years, later open a comment period for all interested market participants on the final proposed changes to our policies for 2017. The open comment period is designed to elicit objective, specific feedback from investors, corporations and other industry constituents on the practical implementation of proposed policy updates as well as any new policies.

7. Employee Qualification & Training

Organization

More than 1,000 research, data, operations, technology, sales, administrative and client service professionals, located across 18 global offices, contribute to ISS' ability to provide products and services to its clients.

ISS' offices, procurement centers and research centers



Experience and qualifications of research analysts

ISS' research team currently consists of more than 370 data collection experts and research analysts worldwide, fluent in 25 languages, and many with advanced degrees in finance, business, and law. Much like the structure in the financial institutions we serve, our research group includes market-based and sector-based analysts as well as teams that focus on custom research and custom policy development.

The research team includes members with experience in investment banking, mergers and acquisitions, remuneration consulting, corporate actions, corporate responsibility and regulatory compliance. The majority of country analysts are nationals or fluent in the language of the country they cover, with relevant expertise. In major markets, research teams may be segmented into sector and issue teams to provide the best possible coverage of complex meeting items, particularly as best practices can vary across markets and sectors. ISS analysts also possess in-depth knowledge of country codes of best practice, remuneration practices and the role of government and industry associations in setting global governance standards.

No outsourcing of ISS research

ISS does not outsource any part of its research process.

8. Timeliness

ISS strives to provide clients with adequate and timely services, subject to the availability of sources of information from issuers and shareholder resolution proponents, as well as intermediary constraints (for example, custodian and corporate vote deadlines and intermediary cut-offs).

ISS employs a 2-week target delivery date for shareholder voting research and analysis prior to the meeting date. However, on average, in 2016 we delivered shareholder voting research reports 18 days prior to the meeting date for U.S. meetings, and 17 days prior to meeting date for ex-U.S. meetings.

9. Client Feedback & Complaint Management

ISS aims to facilitate and be responsive to complaints, comments or feedback from our clients. This is accomplished by, for example, making analysts available to discuss the content of research reports and recommendations with clients. In addition, in many cases, client needs are addressed through the designation by ISS of a relationship manager (client consultants and client managers) to assess client needs, to act as an on-going source of information, and to receive client feedback on an on-going basis. Moreover, clients subscribing to a custom research service are assigned a dedicated custom analyst (with appropriate backups) that can assist them with all aspects of their custom policy, ranging from its drafting, regular updates, application in particular circumstances or geographies and custom recommendations.

Feedback and complaints from issuers, shareholder proponents and other stakeholders are discussed in our discussion below regarding Principle 3.

10. Client & Supplier Understanding

In establishing a client relationship, ISS seeks to understand how a client will use the services that are being purchased. In general, ISS will initially propose to provide services pursuant to the terms of a standard form of contract, i.e., a Master Services Agreement. However, ISS may modify its form of contract to address special circumstances that may exist in a specific situation, which may include the availability, completeness, reliability and timeliness of data to be used by ISS in performing the services.

ISS also provides clients with a framework that enables them to fulfill their due diligence requirements. We do this by making our external audits available for review and inviting clients to perform their own on-site reviews of our facilities. During these visits, clients have the opportunity to interact with ISS' research and operational teams, as well as teams from finance and legal/compliance.

11. Client Disclosure Facilitation

ISS helps its clients disclose the use made of voting research & analysis services

ISS recognises that institutional investors may be subject to disclosure requirements of the use made, if any, of shareholder voting research and analysis services. This may be required by stewardship codes such as the UK Stewardship Code for institutional investors and sometimes these are mandates which are dictated internally by a client.

ISS will work with its clients to assist them in these disclosure requirements. ISS assistance would typically include 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

We do not disclose any voting decisions of clients, unless they have specifically instructed us to do so.

Voting Disclosure Service for institutional investors

Increasingly, institutional investors are under a legal, fiduciary and/or contractual obligation to publicly disclose their voting records.

ISS provides a Voting Disclosure Service (VDS) to help institutional investors disclose their voting policy and voting records to all appropriate stakeholders. Stakeholders can easily search and view the voting records disclosed for each security in each portfolio⁹.

⁹ See <http://www.issgovernance.com/governance-solutions/proxy-voting-services/vote-disclosure-services/>

Principle Two: Conflicts of Interest Management

Signatories should have and publicly disclose a conflicts-of-interest policy that details the procedures for addressing potential or actual conflicts of interest that may arise in connection with the provision of services.

ISS fully complies with Principle Two and related Guidance on Conflicts of Interest Management.

This section describes in a meaningful way how ISS applies the Principle and all related Guidance (with numbered headings referring to the corresponding Guidance section in the Best Practice Principles).

1. Introduction

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.

As a service provider to institutional investors, ISS understands and takes extremely seriously the potential for actual or perceived conflicts of interest which might impact the integrity of the research and services we provide to our clients. Such potential conflicts of interest need to be effectively managed and mitigated by appropriate measures. The measures undertaken by ISS are fully described below.

ISS business practices and principles

ISS' goal is to serve our clients with their full trust and confidence. We earn and retain this by providing high quality services which are understood by our clients to rest upon high degrees of transparency, objectivity, and independence.

Because of the breadth of our client base, we understand and address the potential for actual or perceived conflicts of interest with may result from our many business activities.

Accordingly, we proudly live by these fundamental tenets:

- We place our client's interests first and above our own.
- We never use, leverage, or favour a relationship with one client to the deliberate disadvantage of another.
- All aspects of our research, and all voting policies and vote recommendations, are based on fair, thorough, independent, and objective analysis, without regard to any economic or other inappropriate influence.

- We disclose and explain information about our internal processes and methodologies used in the development of our services, voting policies, and our voting recommendations.
- We take strong measures to fully safeguard client information.
- We believe transparency is a keystone of trust, and so, subject to the higher need for client confidentiality, we appropriately disclose any actual or apparent potential conflict of interest relationships or situations as they arise.
- Ultimately, we are guided by this most basic tenet: Do the right thing.

These principles are embedded deeply in our culture and in the policies we develop, the procedures we follow, the decisions we make, and the actions we take every day. We do not and will not tolerate their breach, whether due to conscious action, complacency, indifference, or lapse of ethical judgment.

2. Conflict of Interest Policies

ISS provides its clients with an extensive array of information to ensure that they are fully informed of potential conflicts and the steps ISS has taken to address them. Among other things, ISS supplies a comprehensive due diligence compliance package on its website¹⁰ to assist clients and prospective clients in fulfilling their own obligations regarding the use of independent, third-party providers of shareholder voting research and voting services. This package includes a copy of ISS' Regulatory Code of Ethics, a description of other policies, procedures and practices regarding potential conflicts of interest and a description of the business of its corporate affiliates.

ISS has implemented a number of specific disclosure practices which are described in more detail below. ISS believes that these extensive measures provide clients with a high degree of comfort that ISS has eliminated or is effectively managing potential conflicts of interest.

3. Possible Conflicts for Consideration

In general we have identified three primary types of potential conflicts:

- The board of directors of our parent company could seek to influence the formulation and application of ISS policies;
- Institutional clients could seek to influence the advice given to other institutional clients (for example regarding advice on their parent company's general meeting or regarding shareholder resolutions filed by clients);
- Corporate issuer clients of our subsidiary, ISS Corporate Solutions, Inc. ("ICS"), could seek to influence the advice given to institutional clients.

¹⁰ See : <http://www.issgovernance.com/compliance/due-diligence-materials/>

4. Conflict Management & Mitigation

Concerning the first potential conflict, ISS has adopted a Policy on Mitigation of Potential Conflicts of Interest related to Vestar Capital Partners and its affiliated funds (the “Vestar Policy”) to establish appropriate standards and procedures to protect the integrity and independence of the products and services produced by ISS and safeguard the reputations of Vestar and ISS.

Among other things, the Vestar Policy provides that:

- Vestar persons (defined as Vestar directors and certain others) may not participate in the formulation, development and application of ISS voting policies, including, without limitation the establishment of voting standards. However, directors, officers and employees of Vestar Affiliated Companies (i.e., a company having a “Vestar person” as a director or other position of control) are permitted to discuss and engage with ISS employees in a manner similar to all other public companies in the development and update of governance voting policies which ISS conducts each year.
- Vestar persons may not participate in the formulation, development and preparation of ISS shareholder voting research or recommendations. Further, Vestar persons are not permitted to request that ISS conduct any form of governance research on any public companies for any purpose whatsoever.
- The Vestar entities may not act upon the contents of any ISS voting policy, analyses, report or vote recommendation prior to its publication or dissemination.
- No Vestar person will have access to any data relating to the portfolio, investment strategy or securities holdings of ISS clients.

Similarly, the ISS Board of Directors has adopted procedures and safeguards to identify any actual or potential conflict of interest situations which may occur in connection with the work that certain ISS governance business units and affiliates perform in researching, analyzing and making recommendations regarding publicly-held companies.

The ISS Conflicts Policy regarding Vestar, the Vestar Conflicts Policy regarding ISS and ISS Board of Directors Conflicts Policy are all available on ISS’ website¹¹.

Concerning the second potential conflict, ISS is a policy-based organization and uses a series of published benchmark voting policies that provide a very practical check and balance to ensure the integrity and independence of ISS’ research and vote recommendations. ISS research analysts follow these comprehensive policy guidelines when writing research reports and making vote recommendations for the benefit of our clients. To ensure compliance with our internal control processes, ISS also regularly engages an outside firm to conduct audits in conformity with Statement on Standards for Attestation Engagements n° 16 (SSAE 16).

The third potential conflict is between ISS’ core business of analyzing the meeting agendas of corporate issuers and making vote recommendations for the benefit of institutional investors, and the work of an ICS, which sells analytic tools and services directly to issuers. We believe that ICS’

¹¹ See : <http://www.issgovernance.com/compliance/due-diligence-materials/>

work with corporate issuers helps companies better understand governance expectations of their shareholder base and enhance their governance practices, which ultimately benefits all shareholders. At the same time, we understand the potential for conflict that arises when ICS provides corporate governance advice to an issuer that ISS provides governance research about, and we therefore take a number of measures to prevent such potential conflict from becoming an actual conflict.

We manage this through a combination of disclosure to our institutional clients, consistent and transparent application of our voting policies, a robust compliance program and implementation of a strict information barrier (i.e., a “firewall”) designed to prevent information flows around the identity of the ICS clients. For further details on the management of this area, please see the relevant section below.

ISS’ policy-based approach provides consistency of application

As previously noted, at its core, ISS is a policy-based organization and ISS’ use of a series of published benchmark voting policies provides a very practical and transparent check on the integrity and independence of ISS’ research and vote recommendations.

Our policy-based approach also provides for a transparent and consistent methodology with which to evaluate shareholder proposals. ISS does not provide any consultative or advisory service to our clients or other shareholders in the development of, or solicitation of support for, shareholder proposals.

Code of ethics

Institutional Shareholder Services Inc., based in the United States, is registered with the U.S. Securities and Exchange Commission as an Investment Adviser under the Investment Advisers Act of 1940 (the “Act”). As a registered Investment Adviser, ISS is required to make certain public disclosures, such as the types of governance research and other services provided, its methods of analysis, and its internal compliance program, including how potential conflicts of interest are addressed. ISS has adopted a Regulatory Code of Ethics to address requirements under the Act.

All ISS employees are bound by and are required to adhere to the Regulatory Code of Ethics. On an annual basis all employees are required to review and acknowledge their understanding of and adherence to the Code. Among other things, the Code describes the standards of conduct that the company’s employees must follow, including treatment of confidential information, recordkeeping, and other matters. With regard to the standards of conduct, the Code affirms ISS’ relationship of trust with its clients and obligates ISS to carry out its duties solely in the best interest of clients and free from all compromising influences and loyalties. The Code also contains provisions designed to prevent ISS’ employees from improperly trading on inside information.

The Code devotes special attention to preventing and disclosing conflicts of interest. In this regard, the Code addresses the potential conflicts between the company’s proxy advisory services and other services provided by subsidiaries or affiliates, conflicts within the institutional advisory business, conflicts arising from an analyst’s stock ownership, conflicts in connection with an issuer’s review of a draft ISS shareholder voting research and analysis, and conflicts generally. In each case,

the goal of the Code is to prevent conflicts wherever possible, and more generally to manage and disclose potential or actual conflicts.

Code of conduct

In addition to its Regulatory Code of Ethics, ISS has developed a General Code of Conduct. The 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 areas covered in the General Code include:

- Acting in the best interests of clients, the firm and the public;
- Advancing and protecting the firm’s interests;
- Protecting and preventing the misuse of confidential and inside information;
- Responses to and cooperation when dealing with investigations, inquiries and complaints;
- Disclosure of Outside Activities;
- Reporting Misconduct; and
- Consequences of Violating the Code.

Employees are trained on the content of the General Code of Conduct, and are required to certify their adherence.

Firewall

The ISS firewall includes the physical and functional separation between ICS and the rest of the ISS organization, with a particular focus on the separation of ICS from the ISS research function. For further details about how ISS comprehensively manages the potential conflicts with regard to the nature and scope of ICS’ corporate business, please see the relevant section below. A key goal of the ISS firewall is to protect against members of ISS’ voting research team knowing the identity of ICS’ clients. Enabling the research team to work without knowing the identity of ICS’ clients is part of our approach to ensuring the objectivity and independence of ISS’ research process and vote recommendations. ICS clients are also told explicitly that ISS will not give preferential treatment to, and is under no obligation to support, any agenda item of, an ICS client, and that ISS’ voting research team prepares analyses and vote recommendations independently of, and with no involvement from, ICS.

Employee training

ISS also maintains a robust training and compliance program, which includes quarterly tests of the ICS/ISS firewall, new hire orientation and review of certain marketing materials and disclosures. There is a whistleblower hotline available to both ICS and ISS staff for reporting potential issues of concern.

5. 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 website¹². 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. Thus, 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, in 2014 ISS adopted a "Policy Regarding Disclosure of Significant Relationships." In brief, the Policy includes as "significant" the relationships ISS has with issuers that are clients of ICS and information about those issuers is provided as noted in the prior paragraph.

In addition, the Policy also makes provision for disclosure of relationships with clients that are publicly traded institutional investors, as well as clients that act as shareholder proponents, in light of the potential that such a client might use the relationship, and the revenue provided by the client to ISS, to try to exert influence on ISS' research and voting recommendations. Under the circumstances of these relationships, and the nature of the potential conflict, the assessment of whether a relationship is "significant" is subject to a specified threshold of the percentage of overall revenue provided by the subject client.

At present, in applying the Policy, the only significant relationships that exist are those involving corporate issuers that are clients of ICS. Since November 2014, ISS has provided these disclosures in a manner that will seamlessly integrate into institutional clients' workflow through ISS' proprietary ProxyExchange ("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.

¹² See: <http://www.issgovernance.com/corporateissuers>

- 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 Services 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 been provided to institutional clients through the Legal/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 these disclosures are an effective and transparent way of disclosing to our institutional investor clients without compromising the effectiveness of the ISS firewall. The process ensures full disclosure to clients whilst also upholding the firewall and ensuring that the identity of an ICS client is not known to research analysts as they undertake research and vote recommendations.

Principle Three: Communication Policy

Signatories should have and publicly disclose their policy (or policies) for communication with issuers, shareholder proponents, other stakeholders, media and the public.

ISS fully complies with Principle Three and related Guidance on Communication Policy.

This section describes in a meaningful way how ISS applies the Principle and all related Guidance (with numbered headings referring to the corresponding Guidance section in the Best Practice Principles).

1. Introduction

ISS has long been committed to engagement with stakeholders and has continuously raised the bar for transparency and inclusion in its policy formulation and its research process.

In addition to its normal channels of communication with issuers, shareholder proponents and other stakeholders (see below), ISS instituted a Feedback Review Board¹³ (FRB) to provide a mechanism to all stakeholders to communicate with ISS. The FRB is an ISS body that will consider

¹³ See: <http://www.issgovernance.com/contact/feedback-review-board/>

comments from market constituents regarding accuracy of research, accuracy of data, policy application and general fairness of ISS policies, research and recommendations.

2. Dialogue with Issuers, Shareholder Proponents & Other Stakeholders

ISS' commitment to dialogue

ISS is committed to dialogue with issuers, shareholder proponents and other stakeholders to gain the greatest possible insight for our clients. For ISS, the sole purpose of the dialogue with companies is to improve the quality and substance of ISS' meeting analyses, research and vote recommendations. ISS does not aim to influence companies' corporate governance arrangements (other than through improved understanding of good corporate governance practices) through engagement activities.

Participants to the dialogue can expect an informed dialogue with experienced ISS representatives on matters of relevance to our research and recommendations, and which may also include information about ISS' policies and procedures. Further, participants can expect that ISS wishes to have the most complete and accurate information upon which to base our research and recommendations to our clients.

ISS' engagement policy

ISS' research teams interact regularly with company representatives, institutional shareholders, shareholder proponents and other parties in order to gain deeper insight into many issues and to check material facts relevant to our research. Topics discussed can range from general policy perspectives to specific voting items. As a research organization, we welcome constructive dialogue on critical issues that helps to ensure a full understanding of the facts and circumstances, which will in turn inform our research analyses and voting recommendations.

In order to ensure consistency, transparency, and quality in our interactions with issuers, industry groups, shareholder proponents and other financial market stakeholders, ISS has a set of principles that guide our engagement. Our goals are to facilitate productive and informative dialogue, and to help all stakeholders understand what they may expect from engaging with us.

Clear information including a set of Frequently Asked Questions on our engagement process is disclosed on our website.

Communication during the voting period

It is the analysts' discretion whether to engage with a company, a shareholder proponent or other stakeholder after the meeting agenda has been released. They will generally only do so to clarify points on which there are questions.

Publicly available information

ISS research and recommendations are based exclusively on public information, so any fact which an issuer, a shareholder proponent or any other stakeholder would like to see reflected in our report must be publicly disclosed to all shareholders in a timely fashion, even in markets where such disclosure may not ordinarily be required. In proxy contests, we expect both management and dissident shareholders to publicly file any materials presented to ISS.

Though ISS makes clear that it does not invite or consider any material non-public information, to the extent such information is provided to us, whether intentionally or not, it will not be considered or included in our research reports.

Safeguards to ensure the integrity and impartiality of ISS analysts

ISS protects the full independence of its analysts in a number of ways:

- ISS has robust policies and procedures to ensure the integrity of our research process (see Principle 2);
- ISS undertakes and is subject to periodic SSAE-16 audits. ISS' research and recommendations are also based on public information and on our publicly disclosed ISS policy guidelines which are available and transparent to all parties;
- Issuers who are ICS clients may not disclose to an ISS analyst that they have acquired products or services from ICS, per their contract with ICS. ISS does not give preferential treatment to, and is under no obligation to support, any proposal of an issuer whether or not that issuer has purchased products or services from ICS. In order to avoid any appearance of conflict, ISS analysts have no access to information about ICS clients.
- ISS does not and will not tell companies what they need to do to obtain a favorable vote recommendation. ISS' research and recommendations are driven by our voting guidelines, as applied to the fact pattern presented by each company at the time we analyze their voting proposals. Therefore, while we can discuss our policies and the rationale behind them, we cannot and do not say what would be required to obtain a "for" recommendation.

Procedure to obtain a copy of ISS' report

An issuer may always request a copy of the ISS report on its own shareholder meeting after it has been published to ISS clients, and there is no charge for this.

There is no automatic entitlement to review our research reports prior to publication, but draft reports are provided in certain markets as a courtesy and at the sole discretion of ISS, in order to allow an issuer to check the factual information prior to publication. For example, in the United States¹⁴, companies in the S&P 500 index will generally receive a draft report for fact-checking purposes if they have provided contact details, and for France, the process is set out in our Engagement and Draft Report Disclosure Policy for the French Market¹⁵.

14 See : <http://www.issgovernance.com/iss-draft-review-process-u-s-issuers/>

15 See : <http://www.issgovernance.com/policy-gateway/french-market-engagement-disclosure/>

Transparency of engagement towards institutional clients

ISS considers its dialogue with issuers, shareholder proponents and other stakeholders to be part of the core service we provide to our clients. ISS' shareholder voting research and analysis reports include, on the front page, a summary of the engagement that took place as part of the analysis. Key information released on the ISS' dialogue with companies, shareholder proponents or other stakeholders include the date(s) of dialogue, the topic(s) covered, the initiator of the dialogue, some accompanying notes and the outcome of the dialogue.

3. Dialogue with Media & the Public

ISS is pleased to assist accredited journalists covering stories of interest to our clients, financial market participants, and the broader public, through the provision of general corporate governance data and, where appropriate, shareholder voting research providing ISS' benchmark policy recommendations. Select governance, compensation, and proxy voting data, including that drawn from ISS' Governance QualityScore, ExecComp Analytics, and Voting Analytics, can be made available to accredited journalists.

In addition, select ISS shareholder voting research analyses may be made available to media outlets upon request in instances where we believe the public may benefit from the information and in keeping with ISS' commitment to transparency.

No release of research reports prior to dissemination to ISS clients

ISS' view is that its proxy research reports and voting recommendations are for the benefit of our institutional clients. Accordingly, ISS will only make available research reports to the media on a limited basis, only upon request and only in situations where ISS believes that the release of the report will help clarify confusion in the market as to the contents of a particular report. When provided, research reports will never be made available to the media prior to their dissemination to our clients, and ISS staff will generally not comment on company specific situations in advance of a shareholder meeting. Further, ISS does not issue press releases with respect to its voting recommendations.

Any redistribution of ISS research or data is expressly prohibited without the prior written consent of ISS. Permission to copy and reproduce content may be granted by ISS, at its discretion, and by written request only.

Speaking engagement and media contacts

ISS has set up internal procedures to respond to media enquiries and speaking engagement requests. All enquiries can be sent to ISS' Press Center¹⁶.

¹⁶ See : <http://www.issgovernance.com/contact/media-contacts/>

ISS trusts that the above Statement complies with the spirit and the letter of the Best Practice Principles. Please contact Jocelyn Brown for further information regarding its content.

A handwritten signature in black ink, appearing to read "Gary Retelny", written over a horizontal line.

Gary Retelny
President & CEO
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A handwritten signature in black ink, appearing to read "Jocelyn Siddle Brown", written in a cursive style.

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