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Nova Scotia Securities Commission  
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Toronto, June 21, 2014

**Subject: CSA Notice and Request for Comment  
Proposed National Policy 25-201 Guidance for Proxy Advisory Firms**

Dear Sir/ Madam,

ISS is a leading provider of corporate governance solutions to the global financial community, including corporate governance analysis and voting recommendations for institutional investors. More than 1,300 clients rely on ISS' expertise to help them make more informed voting decisions.

We have almost 30 years' experience in this field and our team of more than 600 research, technology and client service professionals are located in financial centers worldwide, including across Canada and North America. ISS has been a long-standing member of the corporate governance community in Canada since 1985 through Fairvest Securities which ISS acquired in 2002 (and which is now known as Institutional Shareholder Services Canada Corp.).

We welcome the opportunity to respond to the CSA Proposed National Policy on Proxy Advisory Firms and to further provide CSA and all interested market participants with our views on transparency, disclosure, communication, and our practices, as they relate to the questions posed within the Proposed Policy.

We hope that you will find our comments and suggestions useful, and we are available if you would like to discuss anything in further detail.

Sincerely,



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## **ISS Responses to CSA Proposed Policy Proposed National Policy 25-201 Guidance for Proxy Advisory Firms**

In response to the CSA's request for feedback on the Proposed Policy generally, as well as responses to specific questions, ISS is providing the below comments. We offer general feedback on the Proposed Policy, and subsequently, our feedback on the six questions highlighted therein. The structure of our responses follows the same order of questions as posed by the CSA Request for Comment.

### ***General Comments on Proposed Policy***

The stated purpose of the Proposed Policy is to set out recommended practices for proxy advisory firms in relation to the services they provide to their clients, and to provide guidance designed to promote transparency and foster understanding among market participants.

As a provider of governance research, voting recommendations and voting services with close to 30 years of experience, ISS has served its clients and the corporate governance community through its robust and transparent development and application of global proxy voting guidelines, its broad range of choices for clients' services, along with its participation in the corporate governance engagement process that has increased significantly in recent years.

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 (or desire).

As a client-first organization, our global team is dedicated to serving our clients. As part of its services providing governance research and voting recommendations, ISS provides and implements on behalf of its clients 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.

Globally, ISS manages and applies over 400 custom policies for clients. These customised voting policies reflect each investor's unique governance philosophies and approaches to proxy voting. Over 75 percent of our top 200 clients subscribe to at least one custom research policy service from ISS.

ISS has a large integrated global research team of more than 250 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.

In Canada, our team, which is based in Toronto, provides services to approximately 67 Canadian institutional clients and covers approximately 2,500 Canadian

companies annually. We are involved in roundtables and working groups with other market participants, including institutional investors and member organizations, corporate issuers and their advisors, regulators, academics, and experts from the legal and accounting communities.

Our aspiration and goal is to serve our clients with their full trust and confidence. We earn and retain this trust 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.

Thus, ISS' goal of providing transparency and in engaging with market participants is consistent with the stated purpose of the Proposed Policy.

**1. Do you agree with the recommended practices for proxy advisory firms?  
Please explain.**

ISS agrees in principle with the fundamental tenets of the Proposed Policy. ISS has developed and utilizes a robust approach to manage potential conflicts of interest in specific areas, highlighted below. Additionally, we practice the general provisions of transparency, disclosure, and communications as outlined in the proposal.

Conflicts of Interest

With respect to the management of potential conflicts of interest, ISS has adopted and publicly discloses its conflict of interest policies, which detail ISS' procedures for addressing potential or actual conflicts of interest that may arise in connection with the provision of services.

ISS 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 website<sup>1</sup> to assist clients and prospective clients in fulfilling their own obligations regarding the use of independent, third-party providers of proxy 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, including ISS Corporate Solutions ("ICS"), the ISS subsidiary which provides products and services to corporate issuers. ISS has implemented a "firewall" structure, consisting of physical and technological separations designed to mitigate potential conflicts of interest between its

<sup>1</sup> See : <http://www.issgovernance.com/compliance/due-diligence-materials/>; see also [Appendices I and II hereto](#)

institutional proxy research and voting business and the separate work of ICS. Each proxy voting analysis and research report ISS issues contains a legend indicating that the subject of the analysis or report may be a client of, or affiliated with, a client of ICS. Institutional clients who wish to learn more about the relationship, if any, between ICS and the subject of an analysis or report are invited to contact ISS' compliance department for relevant details. ISS believes that these extensive measures combining for segregation, while also giving transparency to our institutional clients, gives those clients a high degree of comfort that ISS has eliminated or is effectively managing potential conflicts of interest.

### Transparency and accuracy of vote recommendations

ISS implements practices to promote transparency and accuracy of vote recommendations.

A hallmark of the process that ISS follows to develop its proxy voting guidelines is the significant outreach it performs on an annual basis. ISS is transparent and inclusive during its annual review and update of ISS' voting policies. We invite many participants in the capital markets, including investor clients, issuers, advisers, and regulatory agencies to provide feedback and insight on the previous voting season and to help formulate policy for the coming season. We also provide a public comment period to capture final input prior to finalizing policy changes. Once finalized, we place our updated policy set on ISS' public website making it transparent and available to everyone.

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 proxy research and analysis, including that it is relevant, accurate and reviewed by appropriate personnel prior to publication. 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;
- Research reports and recommendations are reviewed by one or more separate analysts with relevant expertise;
- In some markets, ISS at its discretion may 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.

### Development of proxy voting guidelines

ISS does not rely on a “one-size-fits-all” approach to serve its clients. Rather, our policies are often set up as a framework within which an issue is analyzed, with an articulation of factors used in the analysis of each situation on a case-by-case basis. In addition, most of the ballots that are processed through our voting system reflect client-instructed or customized approaches to voting decisions.

ISS’ benchmark policies (or “house” view) 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 relies on its regional and local market expertise to develop market-specific policies that reflect the varying regulatory standards and differing market-based practices. Specifically, the approach in Canada is to build on our lengthy history of developing voting policies within the context of Canadian regulation and based on Canadian corporate governance standards formulated or broadly accepted by investors and investor industry organizations such as the Pension Investment Association of Canada and the Canadian Coalition for Good Governance. By means of individual institutional client meetings and larger roundtable discussions, some of which include corporate directors, ISS obtains issue specific input from its Canadian institutional client base as well as the views expressed by company board members. ISS also engages with a number of other Canadian market participants, including academics and other subject matter experts, to obtain feedback with respect to specific policy issues.

ISS implements a variety of proxy voting policies reflecting the differing views of our varied client base. In addition to our benchmark policy guidelines, ISS offers “specialty” guidelines such as our “Socially Responsible Investment” and “faith based” policies. More significantly, for clients representing over 60 percent of the aggregate assets held by all of our clients, ISS manages and applies over 400 custom policies. These customized voting policies reflect clients’ unique governance and proxy voting philosophies. As a result, the vote recommendations issued under

these policies may well differ from those issued under our benchmark policies. We estimate that a significant majority of shares that are voted by ISS clients fall under custom or specialty policies provided to ISS by our institutional clients.

Regardless of whether our client subscribes to a benchmark or custom policy-based service, the ultimate voting decision for each resolution at a company meeting remains the responsibility of the client, as we believe it should, in keeping with their fiduciary responsibilities.

#### Communications with clients, market participants, the media and the public

ISS is committed to dialogue with issuers, shareholder proponents and other stakeholders to gain the greatest possible insight for our institutional clients.

In addition to its extensive outreach during the policy process, 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.

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 QuickScore, ExecComp Analytics, and Voting Analytics, can be made available to accredited journalists via ISS' Data Desk.

ISS' 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.

## Corporate Governance Practices

For our benchmark policies, the majority of policies are set up as a framework within which an issue is analyzed, with an articulation of factors that will be addressed in the evaluation of each situation on a case-by-case basis. In addition to our benchmark policies, as has been previously stated, ISS implements a variety of proxy voting policies reflecting the differing views of our varied client base. Many clients who subscribe to our benchmark policy recommendations review and analyze our research but ultimately decide to vote differently from our recommendations – instead voting in line with their own investment and governance philosophy and their own company engagement activities in any particular situation.

It is also important to recognize that ISS' clients use our proxy research and vote recommendations in a variety of ways. ISS' research and vote recommendations are just one of many resources that investor clients use in arriving at their voting decisions. 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 use the services of two or more proxy advisory firms.

ISS supports the CSA's guidance to issuers to remind issuers that they may engage with their shareholders, who have the ultimate responsibility of determining how to exercise their right to vote. In addition, ISS is pleased that the CSA has recognized proxy advisory firms' willingness to respond to concerns and to change some of their practices. ISS has engaged with regulators and working groups on a global basis. In 2014, the Financial Services Agency (FSA) in Japan released its newly created investor stewardship code. ISS was a part of the committee that oversaw the drafting of the code. In Europe, ISS was a participant in the industry initiative recommended by the European Securities Market Authority (ESMA) to develop its own Code of Conduct. The Best Practices Principles for Providers of Shareholder Voting Research & Analysis<sup>2</sup> were published in March 2014 and ISS released its Statement of full compliance to the principles and their related guidance on 10 June 2014<sup>3</sup>.

ISS will continue to act as a responsible participant in the market, as we carry on with our decades-long mission of providing our clients with high quality independent research and corporate governance services.

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<sup>2</sup> See: [http://bppgrp.info/?page\\_id=200](http://bppgrp.info/?page_id=200)

<sup>3</sup> See: <http://www.issgovernance.com/compliance/due-diligence-materials/>



***2. Are there any material concerns with proxy advisory firms that are not covered in the Proposed Policy? Please explain.***

ISS does not add any concerns not covered in the Proposed Policy. However, we would like to reiterate our support for the CSA's point that issuers should reach out in a constructive and meaningful way to their shareholders, not just to solicit a vote for their proposals, but to engage with their owners about all facets of their investment in the company. The spirit in which the CSA promotes transparency and communication depends on an active ownership base and the willingness of companies and their boards to engage with shareholders.

ISS also emphasizes that the use of proxy advisors positively assists institutional investors in carrying out their fiduciary obligations and stewardship responsibilities to vote in an informed manner across what may be highly diversified portfolios. ISS' clients differ in terms of investment strategy (active vs. passive), horizon (long- vs. short-term) risk tolerance, and other factors. Accordingly, our clients use our governance research and vote recommendations in a variety of ways to arrive at their own final voting decisions. ISS' research, data, and vote recommendations may be just one of many resources that clients draw upon. Many firms 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 use the services of multiple proxy advisory firms.

Below is a summary of some of the key ways in which institutional investors are assisted by ISS' proxy advisory services:

- First, ISS closely follows key developments in company law and corporate governance in over 100 developed and emerging markets worldwide. It keeps its clients up-to-date with corporate governance developments, offering specialist insight.
- Second, it is not always easy for global investors to have a complete understanding of all local market practices across what may be highly diversified global investment portfolios. While ISS' research is based on widely accepted standards in international corporate governance, we make sure local market practices are highlighted and taken into account, and our clients therefore receive informed analyses and recommendations taking into account local as well as global good practice principles.
- Third, most investors do not have the necessary resources to follow and closely analyze all shareholder meeting announcements or have access to all materials on shareholder meetings, often published in local languages. To service these needs of our clients, we have a dedicated team of global procurement professionals and governance analysts with experience in the

process of acquiring, processing and analyzing meeting information in over 100 developed and emerging markets worldwide. Each year we cover more than 40,000 meetings globally for our clients.

Without proxy advisors providing specialized expertise, efficiency and scale, we believe that many investors would be severely hampered in carrying out their responsibilities and undertaking informed voting across their portfolios.

It should also be reiterated that the ultimate voting decision for each resolution at a company meeting remains the responsibility of the investor, as we believe it should, in keeping with their fiduciary responsibilities. It is common among our clients who subscribe to our benchmark policy recommendations to focus their attention on ISS' research analysis but ultimately decide to vote differently from ISS' recommendations, in line with their own investment and governance philosophy and company engagement activities in any particular situation.

**3. Will the Proposed Policy promote meaningful disclosure to the proxy advisory firms' clients, market participants and the public? If not, what additional information should be disclosed?**

ISS has a long and significant history in providing robust disclosures in the market. These disclosures include our policy process and policy guidelines, as well as information to clients to allow them to conduct their due diligence on potential conflicts of interest. We believe that the information provided to our clients and to the market is broad in scope and detailed in content.

In the Canadian market, our disclosures to clients and the public are consistent with our global framework. Specifically, we provide the market with disclosed policy guidelines applicable to TSX company meetings and a separate set of policy guidelines applicable to TSXV company meetings. These Canadian voting guidelines are supplemented with FAQs on specific topics such as executive compensation and engagement. The front page of each Canadian Proxy Advisory Service (PAS) research report includes the email contact address for ISS Canada Research and the name of the primary contact(s). Every PAS research report contains a statement that the subject issuer may have purchased self-assessment tools and publications from ICS and a link is provided for the client subscriber to make further enquiry related to any issuer's use of products and services provided by ICS. In addition, every Canadian PAS research report contains a link to the appropriate Engagement FAQ, as well as a link to the ISS Feedback Review Board where comments, concerns and feedback may be submitted by any interested party.

In addition, ISS was a member of the Drafting Committee on best practices for proxy advisors recommended by ESMA. The annual compliance statement, submitted on June 10, 2014, provides significant disclosure to the market on our policies, processes, and procedures. The statement clearly articulates how ISS fully complies with all three principles and their related guidance on service quality, conflicts-of-interest management and communication policy with issuers, shareholder proponents, other stakeholders, media and the public. As such, we do not believe that additional disclosures beyond our current practices are needed at this time.

***4. We encourage proxy advisory firms to consider designating a person to assist with addressing conflicts of interest. Should we also encourage proxy advisory firms to have the person assist with addressing determination of vote recommendations, development of proxy voting guidelines and communication matters?***

ISS believes that no one person could or should be responsible for a firm's conflicts of interest processes, vote recommendations, development of guidelines, and communication matters. In order to maintain its role as an independent overseer, the compliance function should be separated from the operational functions and decision making on policies and vote recommendations.

ISS recognizes the importance of addressing potential conflicts of interest that may arise during the course of business for any advisory firm. ISS has robust policies and procedures to ensure the integrity of our research process. ISS is registered with the U.S. Securities and Exchange Commission as an Investment Adviser under the Investment Advisers Act of 1940 (the "Act"). We have a comprehensive global compliance program, which resides in the Compliance function, headed by our General Counsel and Chief Compliance Officer. ISS also undertakes and is subject to periodic SSAE-16 audits (see Quality of Research section above for further details).

As a Registered Investment Adviser in the United States, ISS is required to make certain public disclosures, such as information regarding 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.

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.

The development of policy guidelines and determination of vote recommendations resides with the Global Research team.

ISS' research team consists of more than 250 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 experience in investment banking, mergers and acquisitions, remuneration consulting, corporate actions, corporate responsibility and regulatory compliance. The majority of 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. Through our services, ISS also helps institutional investors understand corporate governance practices and requirements in many different markets worldwide. In 2013, ISS covered more than 40,000 shareholder meetings in over 115 developed and emerging markets worldwide for our clients. ISS global coverage includes all meetings for which our clients hold a ballot<sup>4</sup>. 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.

Communication matters are under the function of the Marketing and Communications team. They are responsible for the interaction with the public and the media, along with the dissemination of materials and information out to the marketplace. ISS views the current organizational structure as optimal to serve our clients and provide information to the public.

***5. We expect proxy advisory firms to disclose their approach regarding dialogue or contact with issuers when they prepare vote recommendations. Should we also encourage proxy advisory firms to engage with issuers during this process? If so, what should be the objectives and format of such engagement?***

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 in 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.

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. We make our approach to such engagement public<sup>5</sup>. Our goal is to facilitate productive and informative dialogue, and to help all stakeholders understand what they can expect from engaging with us.

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<sup>4</sup> For the vast majority of meetings, ISS produces research while for some other meetings, ISS is only tasked to procure the meeting materials and to codify the meetings' resolutions.

<sup>5</sup> See: <http://www.issgovernance.com/contact/faqs-engagement-on-proxy-research/>

**6. A proxy advisory firm may provide automatic vote services to a client based on the proxy advisory firm's proxy voting guidelines. Should we encourage proxy advisory firms to consider obtaining confirmation that the client has reviewed and agreed with the proxy advisory firm's proxy voting guidelines leading to vote recommendations? If so, should we encourage proxy advisory firms to consider obtaining such confirmation annually and following any amendments to the proxy advisory firm's proxy voting guidelines?**

ISS has a contractual relationship with all of its clients, which specifies the details of the products and services to be provided. In that agreement and throughout the ongoing relationship between ISS and its clients, the clients make the determination on which proxy voting guidelines to use, how often to review them, and how they want to confirm their guidelines, in order to ensure that they meet their fiduciary obligations.

Our clients select the voting policy (or policies) that best support their investments or that of their clients – whether benchmark, specialty or client custom policies – and choose how they would like to refresh and update their guidelines. Through the significant outreach that ISS performs in the policy setting process, clients have ample opportunity to express their views and decide on their own voting guidelines. ISS annually updates its clients on any benchmark policy changes, by announcing its changes in November for the coming year. At any time, clients can change their policies and make any modifications to the application of those policies.

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 portfolio<sup>6</sup>.

## Conclusion

While we firmly believe that the ultimate responsibility to monitor investments and make voting decisions lies with investors, we also believe that proxy advisors such as ISS play a valuable role in helping institutions make informed ownership and voting decisions. ISS strives to do so by providing high quality services, which are understood by our clients to rest upon high degrees of transparency, objectivity and independence.

ISS would again like to thank CSA for the opportunity to comment on the Proposed Policy. We hope that you will find our comments and suggestions useful, and we are available if you would like to discuss anything in further detail.

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<sup>6</sup> See: <http://www.issgovernance.com/governance-solutions/proxy-voting-services/vote-disclosure-services/>

## **APPENDICES**

- **Appendix I** links to ISS' due diligence package and policies
- **Appendix II** ISS' Business Practices & Principles

### **Appendix I**

For ISS' comprehensive due diligence package including on conflicts of interest available on our public website please see:

<http://www.issgovernance.com/files/ISSDueDiligenceCompliancePackage20110413.pdf>; Please also see <http://www.issgovernance.com/practices>

For ISS Canadian Policy please see:

[http://www.issgovernance.com/file/2014\\_Policies/2014CanadianPolicyUpdates.pdf](http://www.issgovernance.com/file/2014_Policies/2014CanadianPolicyUpdates.pdf). Please also see: <http://www.issgovernance.com/policy> for further background on the ISS Policy Formulation Process. For further background on the ISS Policy Formulation Process please see: <http://www.issgovernance.com/policy>

### **Appendix II**

#### **ISS' Business Practices & Principles**

ISS' 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.

We understand and take seriously the potential for real or perceived conflicts of interest which may result from our many business activities.

#### **And so we proudly live by the following fundamental tenets:**

- We place our clients' interests first and above our own.
- We never use, leverage, or favor a relationship with one client to the deliberate disadvantage of another.
- All aspects of our research, and all proxy voting policies and vote recommendations, are based on fair, thorough, independent, and objective analysis, without regard to any economic or other inappropriate pressure.
- We disclose and explain information about our internal processes, methodologies, and analytics used in the development of our services, our voting policies, and our voting recommendations.

- We take strong measures to safeguard client information.
- We believe transparency is an essential keystone of trust
- We disclose real or potential conflicts of interest.
- 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.