



ISS ESG



Non-Public Information (NPI) in ISS ESG Research



TITLE

Framework

A u g u s t 2 0 2 1



ISS-ESG.COM

© 2021 | Institutional Shareholder Services and/or its affiliates



Introduction

ISS ESG offers a comprehensive suite of data and solutions for institutional investors. ISS ESG's data and analyses are primarily based on corporate disclosures and alternative, publicly available data sources. Systematic and rigorous quality assurance measures throughout the data collection process, often coupled with the submission of data and draft ESG reports to the subject companies for verification and confirmation of facts, are part of assuring the high quality of our research.

Publicly available corporate disclosures, such as online reporting and corporate filings, disclosed company policies and ESG disclosures to national authorities or recognized initiatives account for a significant share of processed ESG data. In addition to publicly available corporate disclosures, ISS ESG collects information from alternative ESG data sources, including some non-public information (NPI) from companies.

This framework is to define when and how ISS ESG Research incorporates and considers NPI in assessments.

NPI Framework

Overall Principle

ISS ESG does not and will not solicit, accept or use in its research material non-public information defined as information that has not been adequately disclosed to the general public and which would likely affect the price of a security or where the information, if disclosed, would influence a reasonable investor's decision to purchase, sell or hold an issuers' security.

Examples of material information include: unexpected financial results, sales of major assets, significant business developments, proposed mergers and acquisitions, changes in dividends, extraordinary item for accounting purposes. Material information is "non-public" if it has not been widely disseminated to the public, for example, through major newswire services, national news services, or financial news services.

To enhance the quality, credibility, completeness and usefulness of the ESG assessments for our investor clients, **ISS ESG accepts and uses supplementary non-public information which is considered non-material based on the above definition but is relevant for ESG performance assessments.** This approach is considered a key differentiator of ISS ESG research as:

- public reporting on some relevant ESG issues is still at an initial and incomplete stage, particularly for private companies, small and mid-size enterprises and those in emerging markets;
- new ESG topics and reporting items continue to evolve with emerging voluntary standards and regulation still under development;
- there is a lot of mainly qualitative ESG information relevant to ISS ESG's forward-looking and cutting-edge research, which is already available at the companies in the form of internal documents but in some cases not yet publicly disclosed; and
- non-material information provided by the issuers on proposed or pending remedial action for controversies discussed in any engagement process will need to be considered in a timely manner.

To foster transparency and to provide accountability to all other stakeholders, it is ISS ESG's strong preference that all information is made publicly available by companies.

Rules and Restrictions on the Use of Non-Public Information

NPI will continue to be accepted as a source for selected types of ISS ESG indicators and assessments. This includes confirmations and comments on estimations. The following rules and restrictions apply for any new research and updates starting end of August 2021:

1. ISS ESG will not accept non-disclosed quantitative information for stand-alone data points and/or raw data provided to clients.
2. In preparing ISS ESG Corporate Ratings, NPI will not be accepted or used for certain types of indicators, which are clearly indicated to analysts. This includes indicators, for example, focusing on the assessment of:
 - targets
 - policies and positions
 - (public) disclosure

NPI will continue to be accepted and used for a large share of (mainly industry-specific) qualitative indicators (e.g., regarding company initiatives or programs).

3. In general, NPI will only be accepted during the time window of company dialogue in ratings, Norms-Based Research (NBR) and pooled engagement. If NPI is provided outside these windows,
 - for ratings, it will be logged for consideration in the next scheduled update
 - for NBR, it will be considered for an update of the case.
4. ISS ESG requires NPI relevant to assessments to be confirmed within the next company dialogue window if not made publicly available by the company in the meantime.

Communication and Implementation

In communications with companies, ISS ESG will:

- make clear that it will not accept any NPI that the company, by local regulation, would be obliged to report publicly; and
- clearly communicate that any NPI should be confirmed in the next company dialogue window or made publicly available.

ISS ESG will set up processes to allow adequate documentation, identification and tracking of NPI (preferable a technical solution, depending on priorities).

This document and all of the information contained in it is the property of Institutional Shareholder Services Inc. (“ISS”) or its subsidiaries. The Information may not be reproduced or disseminated in whole or in part without prior written permission of ISS. ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION.

© 2021 | Institutional Shareholder Services and/or its affiliates