

December 2, 2024

Proposed ISS Benchmark Policy Changes for 2025 - Open Comment

To: policy@issgovernance.com

Thank you for launching Open Comment Period and providing clients, non-clients, and industry participants the opportunity to submit feedback about the Proposed ISS Benchmark Policy Changes for 2025.

Aequo provides shareholder engagement services to institutional investors seeking to integrate environmental, social and governance (ESG) considerations in their investment strategies. Aequo's main activity is conducting dialogues with companies on behalf of institutional investors and asset managers. For more information, please visit aequo.ca.

We noticed that ISS did not make any policy changes to its U.S. or Canada Benchmark Policy around racial equity and climate change despite the 2024 ISS GlobalBenchmark Policy Survey showing clear investor interest in these issues. Below are the recommendations that we have for ISS around these topics.

DE&I

We recommend that ISS modify its Benchmark Policy to generally support proposals requesting companies to conduct independent racial equity and/or civil rights audits. These audits should be conducted by a qualified, independent third party and must comprehensively evaluate the impacts of a company's business operations and activities on external stakeholders, in addition to reviewing diversity, equity, and inclusion ("DE&I") programs and philanthropic efforts.

We further encourage ISS to generally support shareholder proposals that meaningfully advance racial and social equity. These include proposals seeking enhanced actions or disclosures related to racial equity or civil rights audits, board diversity, political spending and lobbying, human capital management, consumer product safety, executive compensation, and oversight of technology products and services.

Climate change

We recommend ISS modify its US and Canada TSX Voting Guidelines:

(Canada TSX Voting Guidelines p.19) “that “appropriate GHG emissions reductions targets” will be medium-term GHG reduction targets **AND** Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2).”

In our view, corporate climate transition plans should include the following:

- Scope 1 and 2 (and material scope 3) emissions targets, short, medium and long-term targets that are compatible with the global imperative to cut absolute emissions in half by 2030 AND a net-zero commitment for 2050 (by 2035 for OECD-based utilities).
- Capital expenditure plans that are consistent with achieving the targets.
- Political spending and lobbying policies and practices that are consistent with the targets.

ISS should develop guidelines based on these elements to guide investors in voting against (or abstain) individual board members on the basis of inadequate climate governance and/or transition plans.

Best regards,



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