

**IN THE DISTRICT COURT OF
LANCASTER COUNTY, NEBRASKA**

STATE OF NEBRASKA, ex rel.
MICHAEL T. HILGERS, Attorney
General,

Plaintiff,

v.

INSTITUTIONAL SHAREHOLDER
SERVICES, INC.

Defendant.

Case No. CI 26-_____

COMPLAINT

The State of Nebraska, ex rel. Michael T. Hilgers, Nebraska Attorney General, by and through the undersigned attorneys (“Attorney General,” “State of Nebraska,” or “State,”) brings this action against Defendant Institutional Shareholder Services, Inc. (“ISS”) for violations of the Uniform Deceptive Trade Practices Act, Neb. Rev. Stat. §87-301 *et seq.* (“UDTPA”) and the Consumer Protection Act, Neb. Rev. Stat. §59-1601 *et seq.* (“CPA”). The State seeks declaratory relief, injunctive relief, penalties and costs.

BACKGROUND

1. This is a deceptive trade practice and consumer protection action against Defendant ISS, a highly influential investment adviser, for promising shareholder clients, including those in Nebraska, one thing and delivering another. Instead of providing its clients objective and impartial investment advice, as advertised, ISS has provided and continues to provide advice tainted by ISS’ own ESG ideological considerations untethered to its clients’ best financial interests and prepared in close coordination with

ESG activists. Shareholder clients are also misled by ISS' illegal consideration of race and ethnicity with respect to board of director candidates, a privately admitted lack of competence underlying certain of its ESG recommendations, and conflicts of interest related to running a parallel ESG consulting business. These actions have harmed Nebraska residents including by placing returns on their pensions and other investments behind promotion of ISS' own social and political agenda.

2. Defendant ISS is an investment adviser registered with the United States Securities and Exchange Commission ("SEC") and, as such, has a fiduciary duty to all clients.
3. Its principal offering to its client base, wholly comprised of large institutional investors (such as public and private pension plans, universities, mutual funds, etc.), is the provision of proxy advisory services. Specifically, ISS makes voting recommendations to institutional client shareholders on important corporate matters put to vote by the companies in which its clients invest, such as election of members of the board of directors, executive compensation, and shareholder proposals concerning all manner of corporate governance.
4. ISS and its 3,200 employees sell its investment advice to clients on an expensive subscription basis. According to its SEC filings, most services are offered at an annual rate ranging in price from \$5,000 to above \$1 million.
5. ISS' premier offering – its "benchmark research" – is for clients not looking for an ideological bent. ISS advertises this product as designed "to assist institutional investors in promoting long-term shareholder value."¹

¹ ISS, Annual Brochure 6 (Mar. 31, 2026), <https://olui2.fs.ml.com/Publish/Content/application/pdf/GWMOL/mliap-institutional-shareholder-services-brochure.pdf>.

6. By contrast, ISS offers specialty products for clients wanting to follow an investment philosophy guided by E&S considerations – namely a dedicated Climate offering as well as a dedicated Sustainability offering (which also takes additional E&S factors into account beyond climate considerations).
7. ISS also offers all clients its “ProxyExchange” platform service whereby, in addition to providing research and recommendations on how to vote proxies, ISS will execute each proxy vote on its clients’ behalf pursuant to options, including strict adherence to ISS’ benchmark research recommendations. In such instances, which ISS has said in the past “the vast majority”² of its clients use, ISS has its clients delegate full voting authority to itself. This service is regularly referred to in the media as “robovoting.”
8. ISS’ voice carries substantial weight and is often determinative in voting outcomes dictating corporate behavior.³ As stated in a December 2025 Presidential Executive Order, “Unbeknownst to many Americans, two foreign-owned proxy advisors, Institutional Shareholder Services Inc. and Glass, Lewis & Co. LLC, play a significant role in shaping the policies and procedures of America’s largest companies through the shareholder voting process.”
9. Along with Glass, Lewis, ISS controls nearly the entire proxy advisory market – a reported 97%.⁴

² RiskMetrics Group, Inc., Registration Statement (Form S-1), at 89 (Sept. 19, 2007).

“RiskMetrics Group, Inc.” is ISS’s predecessor name.

³ See, e.g., James R. Copland, et al., *The Big Thumb on the Scale: An Overview of the Proxy Advisory Industry*, STAN. CLOSER LOOK SERIES 4 (May 30, 2018) (“An extensive sample of the voting records of 713 institutional investors in 2017 shows that institutional investors are significantly likely to vote in accordance with proxy advisor recommendations across a broad spectrum of governance issues.”).

⁴ Press Release, House Financial Services Committee, Capital Markets Subcommittee Examines Market Influence by Proxy Advisory Firms (Apr. 29, 2025),

<https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=409711>, (“Two firms – ISS and Glass Lewis – control 97 percent of the proxy advisory market”).

10. ISS' institutional investor client base is vast and wields much power in shareholder votes. ISS boasts on its website that it has "approximately 4,200 clients includ[ing] many of the world's leading institutional investors."⁵
11. The client base includes Nebraska residents – both those who subscribe directly to ISS' services and those who receive such services through investment in pension funds, mutual funds and other collective vehicles, whose advisers subscribe to ISS' services.
12. ISS makes thousands of investment-related recommendations to its shareholder clients annually as it covers more than 40,000 shareholder meetings each year, with each meeting regularly having multiple items up for vote.
13. As a fiduciary, ISS' business model revolves around client trust. ISS itself acknowledges that its fiduciary duty to clients "obliges an adviser to provide advice that is in clients' best interests."⁶
14. To win and maintain client trust, ISS prominently portrays itself as operating on a high ethical plain, including repeatedly advertising the following (along with a multitude of similar statements): its research is "objective and impartial"⁷ and based on "responsible investment data" and "analytics."⁸ ISS also proclaims that its goal "is to eliminate conflicts

⁵ All quotations and references to Defendant's website reflect the representations published, maintained, and actively marketed by Defendant to consumers during the relevant time period, prior to Defendant substantially altering the website and removing these materials on or about May 2026. The State has preserved the original materials.

⁶ Letter from Gary Retelny, President and CEO, ISS, to Hon. Sean D. Reyes, Utah Attorney General, et al., at 3 (Jan 31, 2023) (on file with Plaintiff).

⁷ ISS, *About Us*, <https://www.issgovernance.com/about/about-iss> [<https://web.archive.org/web/20260329201956/https://www.issgovernance.com/about/about-iss>] (web capture from Mar. 29, 2026).

⁸ ISS, PROXY VOTING GUIDELINES BENCHMARK POLICY RECOMMENDATIONS 96 (Dec. 9, 2025), <https://www.iss-stoxx.com/file/policy/current/americas/us-voting-guidelines.pdf>.

wherever possible, and to manage and disclose those conflicts that cannot be eliminated.”⁹

15. These statements are false and misleading, deceive Nebraska consumers, and as such violate Nebraska’s UDTPA, Neb. Rev. Stat. §87-301 *et seq.* and CPA, Neb. Rev. Stat. §59-1601 *et seq.*
16. Specifically, beginning in and around 2020 (2020 to date, the “Relevant Time Period”), ISS began a major campaign to promote Environmental, Social and Governance (“ESG”) causes. In particular, ISS has regularly used its research to pressure companies and their directors to advance the E&S components of ESG, namely climate change and diversity, equity and inclusion (“DEI”) ideals, regardless of effect on the company’s bottom line and share price.
17. Among ISS’s efforts here with respect to its main product offering – its supposed ideological-neutral “benchmark” research reports – are the following:
 - Adoption of a “Climate Accountability” policy whereby ISS recommends that investors vote against directors at companies which, in ISS’s view, have not done enough to lower GHG emissions – going so far as to hinge this determination on company commitments to be “net zero” by 2050;
 - Adoption of a “Say on Climate” policy whereby ISS recommends investors vote in favor of requiring companies to annually publicly disclose detailed plans to lower GHG emissions and progress to date;
 - Inclusion of a full-page “Climate Awareness Scorecard” in each report grading the company on numerous factors related to management of greenhouse gas (“GHG”) emissions;
 - Inclusion of a prominent “QualityScore” report card in each report grading the company on a variety of E&S components of ESG; and

⁹ ISS, Annual Brochure 13 (Mar. 31, 2026), <https://olui2.fs.ml.com/Publish/Content/application/pdf/GWMOL/mliap-institutional-shareholder-services-brochure.pdf>.

- Adoption of a “Racial and/or Ethnic Diversity” policy whereby ISS recommends that investors vote against directors at companies not having, in ISS’s subjective view, a racially and/or ethnically diverse board of directors.
18. Missing is any financial analysis by ISS to determine whether the E&S advice given was in clients’ best financial interests – even though advisers have a fiduciary duty to provide such advice and Nebraska consumers count on such advice to grow their pensions and other investment accounts. ISS also disregarded numerous studies showing ESG-related investments have underperformed the broader market.
 19. Rather, this advice was guided by ISS’ own ideological causes and secretly rendered in close coordination with ESG activists, such as Climate Action 100+, Ceres, The Children’s Investment Fund (“TCI”), and As You Sow.
 20. As but one example, ISS’ “Say on Climate” policy, which is to recommend in favor of such proposals, is modeled on a “Guide for Proxy Advisers” that the TCI provided to it, which includes a detailed action plan pressing support for such proposals. In a Q&A in the guide asking “Why should proxy advisers act?,” no financial analysis is provided showing such measures are in shareholder interests; rather, TCI simply instructs, “Every company in every sector must get to net zero emissions.”
 21. TCI’s influence upon ISS is clear. First, ISS adopted its policy favoring such votes in March 2021, only two weeks after receipt of the TCI deck.¹⁰ Second, a senior ISS analyst sent an internal email at the time it adopted its policy favoring “Say on Climate” votes to several including ISS’s Global Head of Research Georgina Marshall and ISS’ U.S. Head of Research Marc Goldstein stating, “There appears to be no significant groundswell of support for say-on-climate among asset owners or managers in the US.”¹¹ In addition, in response to a TCI shareholder Say

¹⁰ See E-mail from Enver Fitch, Vice President, ESG Research, ISS, to Catherine Salmon, Managing Director, ISS, et al. (Mar. 8, 2021, at 19:21) (on file with Plaintiff).

¹¹ E-mail from Patrick McGurn, Senior Analyst, ISS, to Georgina Marshall, Global Head of Research, ISS, et al. (Mar. 11, 2021, at 7:11 PM) (on file with Plaintiff).

on Climate vote proposal at a certain company during this time period, a senior ISS analyst emailed her team, “I would prefer not to look like we are following the agenda of a proponent [TCI] just because they brought the proposal. I would rather frame it as something that we agree would be good for shareholders.”¹²

22. While acknowledging its fiduciary duty to clients, ISS purports to rely on proprietary annual surveys and investor roundtables to help shape its benchmark research product.
23. Underscoring its own ideological bent, as to the surveys, the record demonstrates that ISS has given undue weight to carbon copy submissions by ESG activists while giving no weight to detailed submissions by Republican state treasurers, managing billions in investor assets, who took issue with ISS’s emphasis on environmental and social factors in its benchmark research reports without any financial analysis.
24. As to the roundtables, ISS hand picks invitees stacking the deck in favor of ESG activism – for example, eight of nine invitees to the 2022 roundtable were clear-cut ESG activists.
25. For both the surveys and the roundtables, ISS frames the questions presented to participants and does so in a manner to favor ESG activism.
26. And, at its most extreme, Nebraska consumers have been deceived by ISS’ failure to disclose that it is a member of an ESG activist coalition named the Interfaith Center on Corporate Responsibility (“ICCR”) whose mission as stated on its website is wholly inconsistent with a fiduciary’s responsibility to maximize shareholder returns: “Our guiding principle ... is that sustainable corporations must look beyond the next earnings report to account for the full impact of their business on society.”

¹² E-mail from Kathy Belyeu Associate Vice President, E&S Research, ISS, to Catherine Salmon, Managing Director, ISS, et al. (Mar. 19, 2021, at 12:13 PM) (on file with Plaintiff).

27. ISS's claims that its research is based on "high-quality data" and "analytics" is false as ISS's E&S research lacks competence and diligence.
28. As just a sampling, the record shows senior members of ISS's benchmark research team emailing each other the following:
- In opining on whether shareholders of an oil company should vote against seating a director based on GHG emission concerns, "I wish we had a better process (and *one that didn't rely so heavily on the opinions of non-experts, frankly*)."¹³ (Emphasis supplied.)
 - "We are trying to determine if a company is 'demonstrably poor' in its climate risk management. There's a lot in that phrase we need to clarify that we could use help with. *I think we will cast around in darkness for the next few months ...*"¹⁴ (emphasis supplied).
 - "*ISS ESG data probably isn't accurate.*"¹⁵ (Emphasis supplied.)
29. ISS's claims that its research is objective and impartial are also false and misleading due to undisclosed material conflicts of interest.
30. ISS runs a parallel ESG consulting business, selling expensive services to the same companies it covers in its research reports. This is no different than a health inspector selling cleaning services on the side.
31. The boilerplate disclosure that ISS makes in fine print at the end of each research report to address this glaring conflict is wholly deficient. It simply states that that issuer "may" be a client of its consulting arm. Such vague disclosure illuminates little and does not meet the specificity required by governing SEC regulation.

¹³ E-mail from Kathy Belyeu, Associate Vice President, E&S Research, ISS, to Anna Spiro, ISS (Apr. 14, 2021, at 7:51 AM) (on file with Plaintiff).

¹⁴ E-mail from Kathy Belyeu, Associate Vice President, E&S Research, ISS, to Nicole Strunk, ISS, et al. (Apr. 14, 2021, at 7:07 AM) (on file with Plaintiff).

¹⁵ E-mail from Daniel Radakovich, Corporate Governance Analyst, ISS, to Marc Goldstein, Head of U.S. Research, ISS, et al. (Apr. 15, 2022, at 5:48 PM) (on file with Plaintiff).

32. ISS also does not disclose that consulting clients get apparently favored treatment. As reflected in an internal ISS memorandum, ISS received the following feedback during a June 2023 “Investor Forum Working Group”: “The investors observed examples where it appears that companies who are also ISS consulting clients have had greater opportunity to engage on, and respond to, recommendations than companies which do not purchase additional research and services.”¹⁶
33. ISS also fails to fully and fairly disclose that it is owned by ESG activists.
34. ISS discloses at the back of each research report its foreign ownership.
35. But ISS hides that: (1) Deutsche Boerse is a devoted ESG activist and (2) General Atlantic is the same, with two of its four investment strategies being “Climate” and “Sustainable Infrastructure.”
36. Lastly, ISS’ advertising is deceptive as it fails to inform clients that certain of its recommendations are illegal.
37. Beginning in 2022, ISS enacted a policy whereby it uniformly recommends a “no” vote for the person serving as the Chair of the Nominating Committee of the Board (meaning a vote to remove this person from Board service), as well as other directors on a case-by-case basis, no matter how well qualified, if ISS does not deem the Board racially or ethnically diverse. ISS only ceased consideration of director skin color in 2025, following a Presidential Executive Order aimed at, and titled, “Ending Illegal Discrimination and Restoring Merit-Based Opportunity,” underscoring that reverse discrimination efforts equally violate civil rights laws.
38. ISS crossed a line by providing its benchmark research to clients, contrary to its advertisements, a product materially tainted by ISS’ own ideological considerations at the expense of looking out for its clients’ financial well-

¹⁶ Memorandum from the ISS Investor Engagement Working Group 2 (July 21, 2023) (on file with Plaintiff).

being by neglecting to determine if its views harm the bottom line of the companies in which they are invested.

39. The undisclosed defects in ISS' research are on display in a representative sample – a 2021 benchmark report covering Berkshire Hathaway and advising on, among other things, whether shareholders should reelect Warren Buffett to the Board of Directors.
40. After two activists, Majority Action and Ceres, pushed for an “against” vote on climate grounds, ISS' senior E&S analyst lobbied internally for the same. Following internal review, ISS slightly raised its recommendation to a “cautionary for,” (and an “against” in all of its specialty reports that year and since) criticizing Mr. Buffett because they did not favor the company's carbon footprint or reduction targets.
41. No analysis was undertaken concerning the likely effect on Berkshire Hathaway's stock should Mr. Buffett be removed from the board – notwithstanding all of Mr. Buffett's success including over a 50% stock price rise in the preceding five years.
42. A senior ISS official emailed internally at the time – “We'll probably touch the stove for a moment with our cautionary FOR on Buffett, but it is line with the other climate risk-driven recs that we've made this year”¹⁷ – demonstrating how its benchmark research had drifted away from shareholder interests to ideological concerns. As to competence, another ISS employee internally emailed in response to the report, “I find it difficult to believe this is the correct policy application as we left out key material information to arrive at that conclusion.”¹⁸
43. Years after adopting its extreme climate policies, ISS appears to understand it has veered off course from serving investor clients' interests.

¹⁷ E-mail from Patrick McGurn, Senior Analyst, ISS, to Marc Goldstein, Head of U.S. Research, ISS, et al. (Apr. 15, 2021, at 5:03 PM) (on file with Plaintiff).

¹⁸ E-mail from Daniel Radakovich, Corporate Governance Analyst, ISS, to Marc Goldstein, Head of U.S. Research, ISS, et al. (Apr. 15, 2022, at 5:48 PM) (on file with Plaintiff).

A January 2025 internal email written by a senior employee questioning ISS' climate policies states, among other like comments:

- “Upon a deeper dive, the asks of these proposals [from ESG activists] may be viewed as unrealistic, if not impossible, and as a result, may run counter to long-term shareholder interests.”
- “There does not appear to be broad investor support for the more prescriptive proposals. There are strong company arguments against their adoptions (sic) and economic realities that come into play from a shareholder perspective.”
- “ISS appears to give significant weight to disclosure of European / international peers and EU / international regulation, along with several third-party activist groups.”
- “Despite European regulations, customer preferences, and economic conditions being materially different than that of the U.S. market, it appears that the ISS analyses rely heavily on European or UK peers to set the bar for U.S. companies.”

PUBLIC INTEREST

44. The Attorney General believes this action to be in the public interest of the citizens of the State of Nebraska and brings this lawsuit pursuant to the UDTPA, and his statutory and common law authority, powers and duties.

PARTIES

45. The State of Nebraska, by and through its Attorney General, brings this action as the Chief Law Enforcement Officer of the State of Nebraska charged, inter alia, with the enforcement of the UDTPA and the CPA. The Attorney General brings this action on behalf of the people of the State of Nebraska to protect the state, its general economy, and its residents from Defendants' unlawful business practices.
46. Defendant ISS is a proxy adviser firm incorporated under the laws of Maryland, is headquartered in Rockville, Maryland, and engages in activity throughout the United States, including in Nebraska. Founded in 1985, ISS advertises on its website that it has approximately 3,200

employees and 4,200 clients. ISS is majority owned by Germany-based Deutsche Boerse Group.

JURISDICTION AND VENUE

47. As per Neb. Rev. Stat. §87-304(c), the UDTPA applies to deceptive trade practices conducted in whole or in part within the State of Nebraska. As per Neb. Rev. Stat. §59-1602, the CPA applies to deceptive acts or practices in the conduct of any “trade or commerce,” defined in Neb. Rev. Stat. §59-1601 as “directly or indirectly affecting the people of the State of Nebraska.”
48. At all times relevant to this Complaint, Defendant engaged in trade affecting consumers in Nebraska insofar as it provides proxy advisory services, including publication of research reports, to (a) Nebraska residents, in exchange for a fee and (b) institutional investors with whom Nebraska residents have invested, in exchange for a fee.
49. This Court has personal jurisdiction over Defendant because the conduct and injuries from which the Complaint arose took place in Nebraska, as ISS’ research and advertising are distributed within the state, and harmed Nebraska residents.
50. This Court has jurisdiction over the subject matter of this action under Neb. Rev. Stat. §§87-301 *et seq.* and 59-1601 *et seq.* because Defendant, at all times relevant to this Complaint, transacted business within the State of Nebraska.
51. The Attorney General, as Nebraska’s Chief Law Enforcement Officer, is expressly authorized to enforce Nebraska’s consumer protection laws, including the UDTPA and CPA. Neb. Rev. Stat. §§87-301 *et seq.* and 59-1601 *et seq.* In addition to his express statutory authority, the Attorney General has standing to bring a legal action, in the name of the state, when the object of that action is a suit to vindicate the public interest.

52. This action is an exercise of Nebraska’s historic police powers to remedy deception, fraud and or/deceit in trade or commerce. This action does not allege violations, or seek to enforce any rights or obligations, beyond the protections found in the UDTPA, such as under ERISA or the federal securities laws. It also does not challenge ISS’ First Amendment rights, where no protection is afforded to deceptive commercial speech.
53. Venue for this action properly lies in Lancaster County, Nebraska, pursuant to Neb. Rev. Stat. §87-806 and Neb. Rev. Stat. §59-1608.01.

FACTS

A. ISS Wields Immense Influence Over Corporate America as Half of a Proxy Adviser Duopoly

54. As owners of the companies in which they invest, shareholders possess governance rights allowing them to vote on the most important corporate decisions, such as electing directors to the board, executive compensation, and approving proposals put forth by other shareholders.
55. Institutional investors hold 70 percent of all public shares in the United States which typically makes their votes outcome determinative. Given that institutional investors regularly hold shares in hundreds of companies, most become clients of a proxy adviser, who recommends how they should vote on the numerous shareholder voting proposals (known as “proxies”) received each year.
56. In addition, ISS offers a service whereby institutional investors can delegate voting authority to it based on its recommendations – known as “robovoting.”
57. ISS along with another proxy adviser Glass Lewis dominate the proxy adviser market – controlling a reported 97%. Given this dynamic, ISS sits at a center of power in terms of an ability to influence corporate behavior. According to its website, ISS has “approximately 4,200 clients includ[ing]

many of the world’s leading institutional investors” who “rely on ISS’ expertise to help them make informed investment decisions.”

58. Several studies confirm ISS’ influence, including a 2021 Manhattan Institute study finding that 114 institutional investors with assets under management of more than \$5 trillion voted in lockstep agreement with ISS (or Glass Lewis) in 2020.¹⁹

B. ISS Has Abused Its Power and Influence to a Degree Causing Alarm Throughout Government and Among Respected Business Leaders.

59. The abuses by ISS when wielding its power and influence, as detailed in this complaint, have reached a fever pitch throughout all of government and corporate America.
60. Siren calls include the following:
 - a. A December 11, 2025 Presidential Executive Order titled, “Protecting Americans From Foreign-Owned and Politically-Motivate Proxy Advisers.” Directing a variety of actions from the SEC and other regulators, the Order notes, “These proxy advisors regularly use their substantial power to advance and prioritize radical politically-motivated agendas – like ‘diversity, equity and inclusion’ and ‘environmental, social, and governance’ – even though investor returns should be the only priority.”
 - b. Numerous Congressional inquiries and hearings, including a May 2025 letter from the Senate Banking Committee to ISS expressing concern over ISS’ “ideologically driven recommendations untethered from economic analysis” and “conflicts of interest and market coercion.”
 - c. A November 2025 public statement from SEC Chairman Paul Atkins: “These particular advisory companies play a role, the charges of conflicts

¹⁹ Paul Rose, *Proxy Advisors and Market Power: A Review of Institutional Investor Robovoting*, MANHATTAN INST. REP. 4, 10 (Apr. 22, 2021), <https://media4.manhattan-institute.org/sites/default/files/proxy-advisors-market-power-review-investor-robotvoting-PR.pdf>.

of interest are really legion, and so we have to address this issue overall.”²⁰

- d. Concerns expressed by corporate leaders, including JPMorgan CEO Jamie Dimon who recently called for their elimination and stated: “They [the proxy advisers] are incompetent,” their data is “wrong,” and “they are owned by NGOs [non-governmental organizations].” As such, JPM’s asset management business announced in January 2026 that it will no longer remain a client of ISS.

C. ISS Actively Markets Its Advisory Services as Objective, Independent and Based on Rigorous and Competent Analysis

61. When offering its proxy advisory services on its website and elsewhere, ISS regularly trumpets the supposed objectivity of its research. For example, the “About ISS” section of its website boasts, “Its approximately 4,200 clients include many of the world’s leading institutional investors who rely on ISS’s *objective* and *impartial* offerings” (emphasis supplied).
62. ISS repeats this verbiage in numerous public materials, including its annual “Proxy Voting Guidelines” document. Similarly, in an FAQ document on its website, ISS touts that it goes to great lengths to “safeguard” the “integrity and impartiality” of its research. A “Business Practices & Principles” document appearing under a “Compliance” banner on its website boasts “All aspects of our research, and all proxy voting policies and recommendations, are based on fair, thorough, independent, and objective analysis, without regard to any economic or other inappropriate pressure.”
63. ISS is also vocal in assuring investor clients that it properly manages conflicts of interest. As stated in an annual brochure published on its website, ISS maintains a Code of Ethics whose goal “is to eliminate

²⁰ MORNINGS WITH MARIA, *New Rules Could Shake Up Corporate America as White House Moves to Curb Shareholder Power*, at 01:28 (Fox Business, Nov. 14, 2025), <https://www.foxbusiness.com/video/6385104260112>.

conflicts wherever possible, and to manage and disclose those conflicts that cannot be eliminated.” The Code of Ethics, which appears under a “Compliance” banner on the website, speaks to firewalls between research and consulting “developed to mitigate the potential conflict of interest and help ensure the objectivity of ISS’ Research Offerings.”

D. ISS’ Advisory Services Are Not as Advertised – Rather They are Marred by ESG Ideological Considerations, Close Coordination With ESG Activists, Illegal Consideration of Race and Ethnicity, and an Admitted Lack of Competence

64. ISS offers its clients several different types of research reports on a subscription basis. Offerings include specialty research, including on Climate. By contrast, its universal offering – for those who are ideological neutral – is the benchmark research report.
65. Since at least 2019, ISS’ benchmark research has been materially tainted by ideological considerations devoid of financial analysis – namely E&S factors.
66. With clear pressure applied behind the scenes by ESG activists, ISS has made corporate support and progress towards specific E&S goals a central focus of its benchmark reports, absent any analysis to financial returns. At the fore, ISS has been transfixed on climate change issues, regularly advising shareholder clients to punish companies that do not sign on to “The Paris Agreement” which entails a commitment to become net zero in their carbon emissions by 2050, without any apparent shareholder cost-benefit analysis. This approach adds a political and social agenda, to the neglect of the best financial interests of the company and its shareholders, hurting investors, including those in Nebraska.
67. In this regard, ISS benchmark research reports have been molded as follows:
 - a. Beginning in 2022, a “Climate Accountability” policy whereby ISS recommends that investors vote against directors at companies which, in

ISS's view, have not done enough to lower GHG emissions – going so far as to base this determination on company commitments to be “net zero” by 2050;

- b. Beginning in 2021, a “Say on Climate” policy whereby ISS recommends investors vote to require companies to annually publicly disclose detailed plans to lower GHG emissions and progress to date;
 - c. For the Relevant Time Period, a full-page “Climate Awareness Scorecard” in each report grading the company on numerous factors related to management of greenhouse gas (“GHG”) emissions;
 - d. For the Relevant Time Period, a prominent “QualityScore” report card in each report grading the company on each of the E, S and G components of ESG; and
 - e. Beginning in 2021, a “Racial and/or Ethnic Diversity” policy whereby ISS recommends that investors vote against directors at companies not having, in ISS's view, a racially and/or ethnically diverse board of directors.
68. ISS continued to give full force and effect to these policies in recent years notwithstanding its own knowledge of a disconnect with investor interests. As per its review of the 2022 proxy season, ISS documents show that it found that the “overall level of support” for E&S proposals “declined” and stood at 35 percent.²¹ Its review of the 2023 proxy season found, “Support for E&S proposals continues to decline,” with climate-related proposals “garnering average shareholder support of 23.5 percent. This marks a significant decrease in support compared to recent years.”²²
69. Similarly, in a March 11, 2024 interview on CNBC's Squawk Box television program, Lorraine Kelly, ISS' Global Head of Investor Stewardship stated, “On the ESG shareholder proposals this year, we have

²¹ KATHY BELYEU, ET AL., ISS, UNITED STATES – ENVIRONMENTAL & SOCIAL ISSUES 2 (2022) (on file with Plaintiff).

²² KATHY BELYEU, ET AL., ISS, UNITED STATES – ENVIRONMENTAL & SOCIAL ISSUES 2, 9 (2023) (on file with Plaintiff).

seen record numbers of them in terms of the volume., but we are seeing less investor support. So there is a disconnect there. It is at 16% as of last year.”

70. Deeming themselves to be a form of climate police force, during the relevant time period, ISS has turned its benchmark research reports into climate report cards for each issuer, literally.
71. Each is graded on a variety of climate metrics via two types of prominent report cards – a “Quality Score,” which grades on disclosure and a “Climate Awareness Scorecard,” which grades on risk, including levels of scope 1, 2 and 3 greenhouse gas emissions. In materials presented to investors, ISS describes the scorecard as “A tool for informed voting on climate risk,” accompanied by a prompt reading, “From Analysis to Action.”²³ A sample of each report card follows:

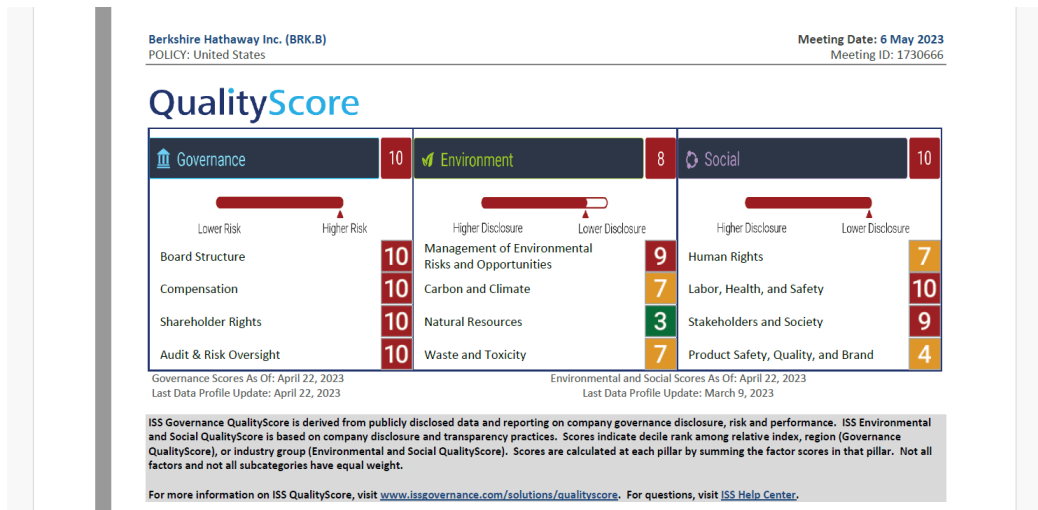


Figure 1: ISS uses a “QualityScore” report to grade companies on their ESG disclosures and risks.

²³ ISS, *A Heated Proxy: Considering Climate When Casting the Ballot 5* (Oct. 6, 2020) (unpublished slideshow) (on file with Plaintiff).

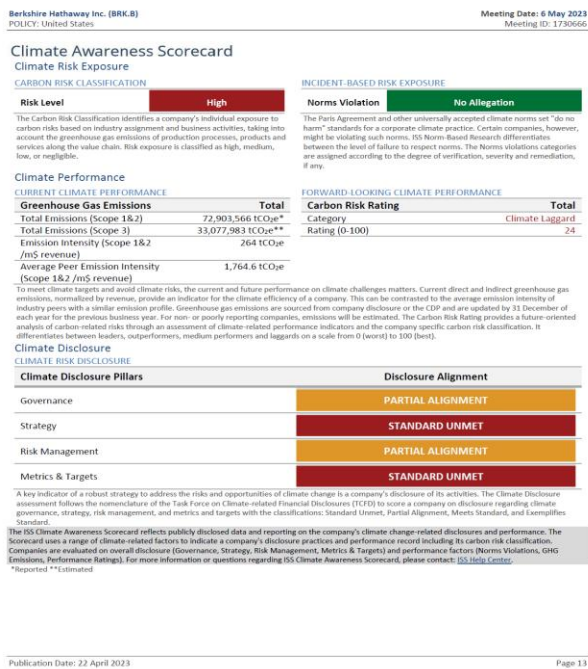


Figure 2: “ISS uses a Climate Awareness Scorecard” to grade companies on risk levels, using greenhouse gas emissions as a metric.

72. Next, ISS has deceived its investor clients by not disclosing at all or making obfuscated disclosures concerning its close involvement with ESG activists.
73. ISS makes no disclosure in its research reports or elsewhere that it itself is an ESG activist – namely a member of the Interfaith Center for Corporate Responsibility (“ICCR”).
74. As stated prominently on ICCR’s website, the ICCR is “a faith-based organization which uses strategic investment to promote left-of-center social change” Also as stated on its website, ICCR’s goals are wholly inconsistent with that of an investment adviser fiduciary: “Our guiding principle as shareholders is that sustainable **corporations must look beyond the next earnings report to account for the full impact of their business on society**” (emphasis in the original). The ICCR could not be clearer in its pro-ESG stance stating on its website, “The ICCR also

advocates for environmentalism, pressuring corporations to move to a low-carbon energy system and phase out fossil fuels.”

75. ISS’ activist role is made plain in annual invoices sent from the ICCR to ISS, such as the one for 2024, each reading the same and stating, “By paying the above mentioned membership dues at the Affiliate level for 2024, Institutional Shareholder Services, Inc. will renew its membership in ICCR and continue to be a part of the growing network of organizations joined together to hold corporations accountable for their impacts on people and the planet.”²⁴
76. ICCR proudly displays ISS’ membership on its website:

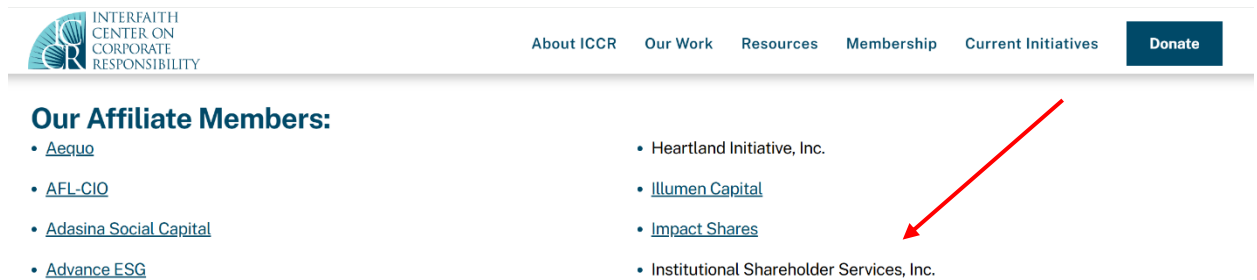


Figure 3: ISS is listed as an Affiliate Member of the ESG-focused Interfaith Center on Corporate Responsibility.

77. Through a variety of mediums, including meetings, webcasts, conferences and email, ISS is regularly influenced by ESG activist groups. Examples include:
- a. The “Say on Climate” deck mentioned in paragraph 17 of this Complaint wherein the TCI crafts ISS’s policy and public statements related thereto. ISS adopted this policy even though, as noted in email among its most

²⁴ E-mail from Penelope Davis, Operations Associate, ICCR, to Fatou Samateh, Associate Director, Head of Product Marketing, ISS (Apr. 4, 2024, at 15:47) (on file with Plaintiff).

senior ranks, “There appears to be no significant groundswell of support for say-on-climate among asset owners or managers in the US.”²⁵

- b. Regular use of a ClimateAction 100+ Excel scorecard as a key input tool in framing ISS’ own climate scores and recommendations.
 - c. ISS regularly (i) attends meetings with ESG activists, such as an annual lengthy meeting with As You Sow, (ii) attends meetings with activist groups such as the UN group overseeing its “Principles for Responsible Investment,” (iii) receives weekly emails from Climate Action 100+, and (iv) regularly participates in pro-ESG webcasts, sponsored by several activists, including Ceres.
78. ISS purports to rely on proprietary annual surveys and roundtables to help shape its benchmark research product.
79. As to surveys, the record demonstrates that ISS skews survey questions and responses to favor its own ideological bent.
80. For example, ISS launched its “Global Benchmark Policy Survey” for 2025 on August 1, 2024. The comment period ended on September 5, 2024.
81. In a public document announcing results, “2024 ISS Global Benchmark Policy Survey – Summary of Results,” (“Summary of Results Document”), ISS states that it received 325 survey responses – 199 from investors and 126 from non-investors. Following the survey, ISS continued its pro-climate posture and made no climate-related changes to its policies for 2025.
82. ISS has produced only a fraction of the survey responses that it claimed to have received. Of these, at least 10 are carbon copies from ESG activists,

²⁵ E-mail from Patrick McGurn, Senior Analyst, ISS, to Georgina Marshall, Global Head of Research, ISS, et al. (Mar. 11, 2021, at 7:11 PM) (on file with Plaintiff).

working in obvious coordination. There is no mention by ISS in the Summary of Results Document of this fact.

83. At the same time, ISS gives no weight to a survey submission by 16 Republican state treasurers – collectively managing billions in pension assets – taking issue with ISS’s emphasis on environmental and social factors in its benchmark research reports.
84. The detailed letter from the state treasurers raises numerous apparent problems including, “it appears that no financial analysis is being performed before the benchmark policy recommends ‘for’ on environmental and social proposals,” excessive reliance on the views of known ESG activists such as ClimateAction100+, and policies holding companies to sign on the requirements of the Paris Agreement are “facially imprudent and ineffective at driving shareholder value.”
85. It appears this letter (and a second similar one sent by state treasurers) was simply ignored as it led to no policy change or even discussion, no less mention, in the Summary of Results Document.
86. There are numerous other influential anti-E&S comment letters received by ISS during the relevant time period that have been simply brushed aside. As but one example, the Society for Corporate Governance, an association representing approximately 1,000 public companies, which chose to submit one letter rather than multiple carbon copies from members, wrote to ISS on August 31, 2022 detailing several points including, “It is inappropriate for unregulated entities to drive capital allocation decisions or environmental and social goals not tied to shareholder value.”²⁶
87. The survey is also structured in a biased manner.

²⁶ Letter from Society for Corporate Governance to Global Policy Board, ISS, at 24–25 (Aug. 31, 2022) (on file with Plaintiff).

88. For 2025, it only posed three climate-related questions: 1) do you believe Scope 3 GHG emission reduction targets should be disclosed?, 2) if you answered “yes” to the first question, what targets do you favor?, and 3) what factors do you consider most relevant when addressing proposals to lower GHG emissions?
89. These questions present no opportunity to suggest that ISS is off course on its climate-related views. “Scope 3” emissions relate to emissions by upstream suppliers and downstream customers, as opposed to scope 1 and 2 emissions, which relate to emissions by the issuer itself. Only the most ardent ESG activists look to impose Scope 3 related measures.
90. While bypassing any questions concerning Scope 1 and 2, or any of its policies related thereto, ISS skewed the outcome to virtually ensure no pullback on its policies and only potential advancement to capture Scope 3 measures.
91. In addition, the last question is of the same ilk – it assumes respondents agree with ISS’ premise that investors’ starting point should be agreement to favor GHG-reduction measures.
92. The Society for Corporate Governance, among others, has flagged for ISS the biased nature of its surveys, to no avail. For example, an August 21, 2020 letter that it sent to ISS notes the survey’s climate change questions are “biased,” as they “make[] no mention of the material of the risk on a company-specific, or even an industry-specific, basis,” “[they are] premised on subjective assessments that lack common criteria,” and they “fail[] to recognize that a valid response would depend on a fact-and-circumstances-specific analysis of the issue.”
93. The roundtables have also been designed to stack the deck towards ESG activism.
94. First, ISS handpicks invitees and favors ESG activists. For example, the 2022 roundtable featured nine participants, eight of whom are ESG advocates according to their biographies or firm profiles, including the

Head of Investment Stewardship at Soros Fund Management LLC, an ESG Stewardship Analyst from Geode Capital Management, and the Chief Advocacy Officer from Trillium Asset Management, one of the most vocal ESG activists.

95. Similar to the surveys, ISS frames leading questions to roundtable participants designed to promote ESG activism.
96. For example, the first discussion item for the 2022 roundtable was: “For companies considered to be significant greenhouse gas (GHG) emitters, what actions or lack of actions may be considered to demonstrate such poor climate change risk management that rise to the level of ‘material governance failure,’ which would call for an ISS recommendation against a director or directors?”²⁷
97. ESG activists also improperly influence the questions to be posed at roundtables. For example, a senior ISS analyst wrote to Marc Goldstein, ISS’ US Head of Research, “After a meeting this morning with the Net Zero Asset Managers Group, I added some more questions to the climate accountability section [in the talking points to be used at the roundtable].”²⁸
98. In short, ISS has put its own ideological interests ahead of its benchmark clients by neglecting any effort to determine if its views harm the bottom line of the companies in which they are invested.
99. The impact is magnified given numerous studies, ignored by ISS, showing ESG-related investments underperform the broader market. According to Oliver Wyman, a leading global management consulting firm, in 2022, many ESG funds suffered a 3 to 4 percent underperformance compared

²⁷ ISS, *2022 ISS E&S Policy Roundtable Discussion Items 1* (2022) (unpublished document) (on file with Plaintiff).

²⁸ E-mail from Kathy Belyeu, Associate Vice President, E&S Research, ISS, to Marc Goldstein, Head of U.S. Research, ISS (Sept. 3, 2021, at 9:51 AM) (on file with Plaintiff).

with broad equity markets.²⁹ Yahoo Finance reported that in 2023, ESG funds faced their worst year on record.³⁰ Morgan Stanley reported that in 2024, traditional funds offered four times the return of sustainable funds.³¹

100. The toll of ISS' ideological bent is not lost on its own employees. As stated by an ISS analyst in an email to ISS' Head of U.S. Research, "Ultimately though, with all these new policies, it would appear companies can't win anymore. Whether its from an ESG standpoint, governance, or some principle-based viewpoint. At some point, directors won't even care what the ISS vote is because ISS votes against everyone for one reason or another!"³²

E. ISS Nowhere Discloses That It Is Providing Investment Advice Devoid of Any Financial Analysis to Determine Whether Such Advice Is in Shareholder Client's Best Financial Interests

101. The evidentiary record is devoid of any showing of financial analysis by ISS when preparing climate and DEI-related recommendations; rather, the record shows the opposite – that ISS is driven by ideological communications untethered to financial consequences on the company their shareholder clients have invested in.
102. For example, in January 2021, the ISS benchmark research team scheduled a conference call "[T]o review and discuss the general approach to take on the new Say on Climate proposals that are being filed this proxy season."³³ This came weeks after ISS receipt of the October 2020 TCI

²⁹ Huw van Steenis, et al., *The Next Phase of Climate-Aware Investing*, OLIVERWYMAN 2 (Sept. 2023), <https://tinyurl.com/4b9unerv>.

³⁰ Grace O'Donnell, *ESG Funds Faced Their Worst Year on Record in 2023*, YAHOO! FINANCE (Feb. 6, 2024), <https://tinyurl.com/3fe85b3n>.

³¹ *Sustainable Fund Returns Lag Peers' in Second Half of 2024*, MORGAN STANLEY (Mar. 4, 2025), <https://tinyurl.com/43sfb344>.

³² E-mail from Daniel Radakovich, Corporate Governance Analyst, ISS, to Marc Goldstein, Head of U.S. Research, ISS, et al. (Nov. 11, 2021, at 12:27 PM) (on file with Plaintiff).

³³ E-mail from Enver Fitch, Vice President, ESG Research, ISS, to Kathy Belyeu, Associate Vice President, E&S Research, ISS, et al. (Jan. 5, 2021, at 6:10 PM) (on file with Plaintiff).

“Say on Climate” deck referenced above that sets out a “Guide for proxy advisers” to address the issue.

103. Both internal ISS email and the TCI deck show no financial analysis, including a cost-benefit analysis, related to such proposals.
104. TCI’s influence on ISS is apparent from internal ISS email.
105. Acting in response to a TCI shareholder Say on Climate vote proposal at a certain company during this time period, a senior ISS analyst emailed her team, “I would prefer not to look like we are following the agenda of a proponent [TCI] just because they brought the proposal. I would rather frame it as something that we agree would be good for shareholders.”³⁴
106. ISS’ policy is to favor such Say on Climate proposals with a stated reason as set out in an October 2020 report: “adopting this practice will showcase the company’s goodwill to undertake environment-friendly measures”³⁵
107. An April 6, 2011 email lists in detail the factors underlying ISS’ Say on Climate analysis: “whether the company commits to net zero targets, if targets have been approved by Science-Based Targets Initiative (sic), term of targets (integration into short-term business practices), TCFD reporting commitment (transparency), and ultimately, whether the company’s climate disclosure ‘meets market standards.’”³⁶
108. Omitted is any financial analysis.
109. ISS has taken a similar approach with respect to “Vote No” campaigns – i.e., votes to remove directors deemed not doing enough to reduce GHG emissions.

³⁴ E-mail from Kathy Belyeu Associate Vice President, E&S Research, ISS, to Catherine Salmon, Managing Director, ISS, et al. (Mar. 19, 2021, at 12:13 PM) (on file with Plaintiff).

³⁵ ISS, ISS PROXY ANALYSIS & BENCHMARK POLICY VOTING RECOMMENDATIONS – AENA S.M.E. SA 6 (Oct. 14, 2020).

³⁶ E-mail (Apr. 6, 2011) (on file with Plaintiff).

110. The Benchmark E&S team has looked to whether the company set a firm “net zero” goal and to its ISS climate scorecard rating (which the record shows the Benchmark team did not understand for a material portion of time) when forming its vote recommendation.
111. The ISS mindset is on display from the first “Vote No” situations to arise, when Kathy Belyeu, a senior ISS analyst, sends an internal email on April 12, 2021 to many including Georgina Marshall, ISS’ Global Head of Research, stating, “At Marathon [Oil], I propose recommending against directors. They are rated as a climate laggard and have not set a net zero goal,” and “I propose recommending against directors at Berkshire Hathaway. It has not set a net-zero commitment and is rated a ‘laggard’ according to climate awareness scorecard. (sic).”³⁷
112. In another email, ISS admits there is no proof its “Vote No” mindset aligns with that of its clients.
113. An April 14, 2021 email from ISS analyst Kathy Belyeu to colleagues, in relation to a “Vote No” proxy, states, “I think what I need immediately is a gut check – am I using the best data we have and using reasonable standards? (I know that one is hard because it is based on the *presumed preference* of U.S. clients.)” (Emphasis supplied.)
114. ISS has also regularly looked to material published by ESG activists, such as Climate Action 100+, to frame their views.³⁸
115. ISS maintains and regularly references an internal Excel spreadsheet housing Climate Action 100+ data on a catalog of issuers showing whether each has committed to be GHG net zero by 2050 and whether each has set shorter-term, medium-term and long-term reduction targets.

³⁷ E-mail from Kathy Belyeu, Associate Vice President, E&S Research, ISS, to Georgina Marshall, Global Head of Research, ISS (Apr. 12, 2021, at 2:41 PM) (on file with Plaintiff).

³⁸ See ISS, PROXY VOTING GUIDELINES BENCHMARK POLICY RECOMMENDATIONS 17 n.10 (Dec. 13, 2022) (on file with Plaintiff).

116. Again, no financial analysis is involved.
117. By contrast, as specified in its Proxy Voting Guidelines, the driving force behind its “Vote No” recommendations since 2021 has been “Appropriate GHG emissions reduction targets” and not shareholder financial considerations.
118. Since 2022, inserting its ideological considerations as the guiding force, ISS has defined “Appropriate GHG emissions reduction targets” with pinpoint precision as “medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company’s operations (Scope 1) and electricity use (Scope 2). Targets should cover the vast majority of the company’s direct emissions.”³⁹
119. Whether this would negatively affect earnings at companies under coverage, including energy companies, has been of no concern to ISS.
120. The benchmark research team also regularly looks to a company’s “Carbon Risk Rating” which they publish in each report.
121. ISS maintains a “Methodology” document underlying formation of each company’s CRR, which is also devoid of financial analysis.⁴⁰
122. In a similar vein, ISS’ policy to vote against director candidates, no matter how well-qualified, if ISS does not subjectively view the Board as racially or ethnically diverse lacks any analysis to determine financial ramifications for the company and its shareholders.
123. An internal ISS memorandum captures feedback received by ISS from investors during a June 2023 “Investor Forum Working Group.” A section headed “Inappropriate expression of subjective views,” further evidences ISS’ favoring of ideological considerations over financial analysis:

³⁹ ISS, PROXY VOTING GUIDELINES BENCHMARK POLICY RECOMMENDATIONS 17 (Dec. 13, 2022) (on file with Plaintiff).

⁴⁰ See ISS, CARBON RISK RATING – METHODOLOGY (Feb. 2021) (on file with Plaintiff).

“Investors are concerned about the subjective nature of some of the reasoning behind the stance taken on individualized positions – notably around E&S proposals, anti-ESG proposals, and matters relating to corporate strategy.”

F. ISS’ Representations Concerning its Advisory Services Fail to Fully and Fairly Disclose Conflicts of Interest

124. ISS does not fully and fairly disclose at least two material conflicts of interest to its clients: (1) conflicts between its research arm and a parallel consulting business that it runs and (2) conflicts between its research arm and ISS’ ESG activist owners.
125. ISS runs a consulting business known as ISS Corporate Services (“ICS”).
126. This business sells consulting services on a variety of governance topics, including calling the same companies covered by its research and offering these consulting services to improve their ESG scores.
127. This is no different than a health inspector selling cleaning services on the side.
128. The conflict is so rife and material that it causes open concern for corporate America. For example, CNX, a Pennsylvania-based corporation, wrote to ISS on October 4, 2023 in an effort to “establish[] productive engagement” entering the next proxy season given stated concerns by CNX that it was receiving climate-related shareholder proposals that it believed “would add no shareholder value.” Putting its concern with the conflict on full display, CNX noted:

CNX observes that, in the past, ISS has been criticized for a conflict of interest between its investor-advising services and the corporation-advising services of ICS, which ISS has itself recognized. CNX believes in good faith that ISS does not expect that CNX is required to purchase advising services from ICS in order to engage with ISS on the

governance and ESG practices that will best serve CNX's shareholders whose interests ISS already must prioritize.⁴¹

129. The consulting services are lucrative. ICS' top ten clients alone paid it in excess of seven million dollars in 2024.
130. As an SEC-registered investment adviser, ISS is subject to regulation under the 1940 Investment Advisers Act.
131. The Act, and related case law and SEC guidance, make clear that investment advisers must fully and fairly disclose actual conflicts of interest and may not hide behind vague references that a conflict "may" exist when one in fact does exist.
132. A 2019 SEC Release makes crystal clear "disclosure that an adviser 'may' have a particular conflict, without more, is not adequate when the conflict actually exists."⁴² A long line of SEC Enforcement cases underscore this requirement.⁴³
133. The extent of ISS' disclosure of this conflict of interest is boilerplate language in fine print at the end of each research report stating, "The issuer that is the subject of this proxy analysis *may* be a client of ISS or ICS" (emphasis supplied).
134. Use of "may" aside, this disclosure also fails by omitting to mention detail that would actually disclose the conflict – i.e., that ICS offers ESG consulting services. The vague reference to ICS does not sufficiently disclose to the reader that the consulting services offered tie to the very issues reviewed by the research arm.

⁴¹ Letter from Nick Deiliis, CNX, to ISS, at 1, 3 (Oct. 4, 2023) (on file with Plaintiff).

⁴² *Commission Interpretation Regarding Standard of Conduct for Investment Advisers*, Investment Advisers Act Release No. 5248, 84 Fed. Reg. 33,669, 33,676 (July 12, 2019).

⁴³ *See, e.g., In re Robare Grp., Ltd.*, Investment Advisers Act Release No. 4566, 2016 WL 6596009 (Nov. 7, 2016) (finding an adviser's disclosure that it *may* receive a certain type of compensation insufficient when it did in fact receive such compensation and the receipt thereof posed a conflict of interest).

135. ISS also does not disclose that consulting clients get apparently favored treatment. In this regard, as reflected in an internal ISS memorandum, ISS received the following feedback during a June 2023 “Investor Forum Working Group”: “The investors observed examples where it appears that companies who are also ISS consulting clients have had greater opportunities to engage on, and respond to, recommendations than companies which do not purchase additional research and services.”⁴⁴
136. ISS also makes no disclosure of the fact that it is wholly owned by ESG activists.
137. In the same fine print boilerplate found at the back of each report, and in a brochure mailed annually to clients, ISS discloses its foreign ownership – “the principal ultimate owner is Deutsche Boerse AG with the remainder ultimately owned by private equity firm General Atlantic.”
138. This information does not convey that each is an ESG activist.
139. On November 9, 2022, Deutsche Boerse joined the “Net Zero Financial Service Providers Alliance,” an activist group committed to the goal of global net zero GHG emissions by 2050 or sooner. At the time, the CEO of Deutsche Boerse is quoted as saying, “Capital markets play a critical role in achieving this sustainable transformation [related to climate change] – and as leading European market infrastructure provider and global powerhouse, Deutsche Boerse takes pride in fulfilling its role as key catalyst.”⁴⁵
140. Similarly, ISS fails to disclose that its other owner, General Atlantic, is also a devoted ESG activist, which manages investment funds devoted to the cause. As seen on its website, two of the four investment strategies

⁴⁴ Memorandum from the ISS Investor Engagement Working Group 2 (July 21, 2023) (on file with Plaintiff).

⁴⁵ Press Release, COP27: Cboe Global Markets and Deutsche Börse Join the Net Zero Financial Service Providers Alliance (Nov. 9, 2022), <https://sseinitiative.org/all-news/cop27-cboe-global-markets-and-deutsche-borse-join-the-net-zero-financial-service-providers-alliance>.

offered by General Atlantic are “Climate” and “Sustainable Infrastructure”:

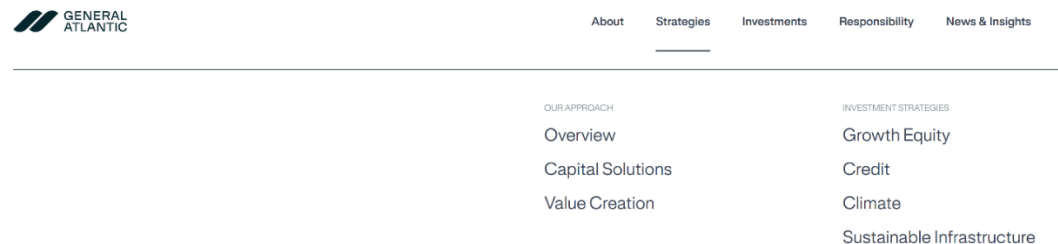


Figure 4: General Atlantic, one of ISS’s owners, displays Climate and Sustainable Infrastructure as investment strategies on its website.

141. General Atlantic even issues a “BeyondNetZero Annual Report” covering its efforts “in enabling the reduction and avoidance of greenhouse gases.”

G. Contrary to its Public Statements, ISS’ Client Advice Concerning ESG Topics Lack Competence and Diligence

142. ISS claims on its website that its research is based on “high-quality data” and “analytics.”
143. Internal ISS emails show a lack of expertise and lack of confidence in data on topics that were repeatedly covered in numerous research reports:
- a. In opining on whether shareholders of an oil company should vote against seating a director based on GHG emission concerns, “I wish we had a better process (and *one that didn’t rely so heavily on the opinions of non-experts, frankly*).”⁴⁶ (Emphasis supplied.)
 - b. “We are trying to determine if a company is ‘demonstrably poor’ in its climate risk management. There’s a lot in that phrase we need to clarify

⁴⁶ E-mail from Kathy Belyeu, Associate Vice President, E&S Research, ISS, to Anna Spiro, ISS (Apr. 14, 2021, at 7:51 AM) (on file with Plaintiff).

that we could use help with. *I think we will cast around in darkness for the next few months*” (emphasis supplied).

- c. “ISS ESG data probably isn’t accurate.”⁴⁷ (Emphasis supplied.)
 - d. For companies on a focus list prepared by activist Climate Action 100+, ISS notes in its benchmark reports for each: “On company emissions reductions targets, ISS is reporting whether the company has stated medium or long-term targets [and] whether they cover 90% of Scope 1 & 2 emissions.” As to this disclosure, an internal ISS email states, “The 90% coverage threshold comes from a pre-existing ESRD dataset [e.g., internal ISS data] *with no scientific or guidance based rationale*, cf. following comment from Damien (from data governance): ‘*I’m afraid that we don’t have a scientific rationale for the 90% threshold.*’⁴⁸ (Emphasis supplied.)
 - e. An ISS internal memorandum summarizing feedback received from investors during a June 2023 “Investor Forum Working Group has a section entitled, “Inaccurate Analysis,” states, “Investors were able to give numerous examples of factual errors in the analysis, and called out the analysis on the US market as particularly prone to inaccuracy this year. In addition, ISS at times did not ‘connect the dots’ within disclosures, and harshly penalised companies when the underlying action was not in conflict with policies.”⁴⁹
144. In April 2021, after months of issuing reports providing ESG recommendations, the E&S Benchmark team sent internal emails to ESG specialists abroad demonstrating a fundamental lack of understanding with the Climate Awareness Scorecards the benchmark team was publishing in each of its reports and relying on to form views.

⁴⁷ E-mail from Daniel Radakovich, Corporate Governance Analyst, ISS, to Marc Goldstein, Head of U.S. Research, ISS, et al. (Apr. 15, 2022, at 5:48 PM) (on file with Plaintiff).

⁴⁸ E-mail from Livia Wack, ISS, to Chris Miller, ISS, et al. (Oct. 14, 2024, at 4:00 PM) (on file with Plaintiff).

⁴⁹ Memorandum from the ISS Investor Engagement Working Group 5 (July 21, 2023) (on file with Plaintiff).

145. For example, the following basic questions were posed:
- a. Is the Climate Awareness Scorecard’s laggard rating at [4 companies] still current?
 - b. If so, what are the main drivers for that laggard score?
 - c. Is the CRR [climate risk rating] a tool that compares companies to peers? If so, which peers?
146. These questions demonstrate an unawareness of (i) frequency of updating, (ii) how the methodology works, and (iii) whether the rating is absolute or relative.

H. ISS Fails to Disclose That Certain of its ESG Recommendations are Based on Illegal Factors

147. Beginning in 2022, ISS enacted a policy whereby it uniformly recommends a “no” vote for the person serving as the Chair of the Nominating Committee of the Board as well as other directors on a case-by-case basis, no matter how well-qualified, if ISS does not deem the Board racially or ethnically diverse in its subjective view.
148. This policy was applied broadly to thousands of companies. By the terms of the policy, ISS applied it to all companies in the Russell 3000 and S&P 1500 indices, effective for all shareholder meetings on or after February 1, 2022.
149. The impact of this policy was sharp. For example, looking at 2024 alone, an internal ISS email notes, “A total of 87 US companies failed the ISS racial/ethnic diversity rules and received adverse recommendations on directors in 2024.”⁵⁰

⁵⁰ E-mail from Andrew Linberg, ISS, to Gabriel Alsina, ISS, et al. (Feb. 12, 2025, at 11:53 PM) (on file with Plaintiff).

150. As per ISS’ training materials, ISS staff were instructed to scour public information as well as to directly ask corporate issuers for information concerning the race and ethnicity of board members.⁵¹
151. ISS’ databases categorized all directors according to the following categories: Asian, Black / African American, Caucasian/ White, Hispanic / Latin American, Indian / South Asian, Middle Eastern – North African, Native American / Alaskan Native, and Native Hawaiian / Other Pacific Islander.⁵²
152. ISS issued a press release on February 11, 2025 announcing it was abandoning this policy after three years of use.
153. ISS’s cessation of consideration of director skin color followed a January 21, 2025 Presidential Executive Order aimed at, and titled, “Ending Illegal Discrimination and Restoring Merit-Based Opportunity,” underscoring that reverse discrimination violates civil rights laws.
154. Reverse discrimination violates civil rights laws to the same extent as any form of discrimination. For instance, 42 U.S.C. §1981, designed to protect all races, provides that “[a]ll persons within the jurisdiction of the United States shall have the same right ... to make and enforce contracts.”
155. ISS nowhere discloses to its advisory clients that its recommendations based on race and ethnicity violate civil rights laws, including 42 U.S.C. §1981.

J. ISS’ Disclosure Violations are Compounded By ISS’ Offering of Its Proxy Exchange Platform

156. In addition to offering proxy research and recommendations, ISS offers clients use of its ProxyExchange platform service, which ISS describes as

⁵¹ See ISS, *New Board Composition Policy – Racial and/or Ethnic Diversity on the Board* (2021).

⁵² ISS, *New Board Composition Policy – Racial and/or Ethnic Diversity on the Board* (2021).

“an end-to-end proxy voting solution” that “outsourc[es] the processing and management portions of the proxy process to a reliable partner.”⁵³

157. Using ProxyExchange, clients can choose to allow ISS to cast its proxy votes for them following strict adherence to ISS’ benchmark research recommendations.
158. As large clients can face thousands of proxy votes each year, many sign up for this service – according to ISS, the “vast majority” of its clients do so. This service is regularly referred to in the media as “robovoting.”
159. Through use of this platform, ISS may cast votes according to its own ideological preferences without *any* communication to the client about its rationale (accurate or not).
160. As of May 2021, ISS had 180 employees working in the Operations group that oversees casting of these votes.⁵⁴ This number grew to 190 by year-end 2023.⁵⁵

K. The Undisclosed Defects in ISS’ E&S Research are on Display in a Representative Sample – a Report on Warren Buffett and Berkshire Hathaway

161. In a benchmark report covering a May 1, 2021 Berkshire Hathaway shareholder meeting, ISS advised on, among other things, whether shareholders should reelect Warren Buffett to the Board of Directors.
162. After two activists, Majority Action and Ceres, pushed ISS for an “against” vote on climate grounds, ISS’ senior E&S analyst lobbied internally for the same.

⁵³ ISS, PROXY VOTING AND PROXY EXCHANGE DATABANK 6 (2020) (on file with Plaintiff).

⁵⁴ ISS, DUE DILIGENCE QUESTIONNAIRE 10 (Feb. 2022) (on file with Plaintiff).

⁵⁵ ISS, DUE DILIGENCE QUESTIONNAIRE 8 (Mar. 2025) (on file with Plaintiff).

163. After internal review, ISS slightly raised its recommendation to a “cautionary for,” (and an “against” in all of its specialty reports that year and since) criticizing Mr. Buffett and Berkshire Hathaway for not supporting ISS’ ideological causes:
- “[A] cautionary vote FOR board chairman Buffett is warranted because the company’s subsidiary BHE is laggard in its industry as it does not set near-term and long-term GHG emissions targets, commit to being net-zero by 2050, or report its climate-related risks and opportunities along TCFD guidelines.”
164. No analysis was undertaken concerning the likely effect on Berkshire Hathaway’s stock should Mr. Buffett be removed from the board – notwithstanding all of Mr. Buffett’s success including over a 50% stock price rise in the preceding five years.
165. A senior ISS official emailed internally at the time – “We’ll probably touch the stove for a moment with our cautionary FOR on Buffett, but it is line with the other climate risk-driven recs that we’ve made this year”⁵⁶ – demonstrating how its benchmark research had drifted away from shareholder interests to ideological concerns.
166. Further underscoring the ideological basis for the recommendation, the senior ISS E&S analyst working on the report emailed her team, after lobbying from Ceres, “[N]ice confirmation that Ceres supports the Majority Action Vote No effort.”⁵⁷
167. Another ISS employee internally emailed in response to the report, each of the following:

⁵⁶ E-mail from Patrick McGurn, Senior Analyst, ISS, to Marc Goldstein, Head of U.S. Research, ISS, et al. (Apr. 15, 2021, at 5:03 PM) (on file with Plaintiff).

⁵⁷ E-mail from Enver Fitch, Vice President, ESG Research, ISS, to Kathy Belyeau, Associate Vice President, E&S Research, ISS, et al. (Apr. 16, 2021, at 1:19 PM) (on file with Plaintiff).

- a. “I find it difficult to believe this is the correct policy application as we left out key material information to arrive at that conclusion.”⁵⁸
 - b. “In any event, the ISS report leaves out critical information on governance and strategy.”
 - c. “In particular, we failed to mention the stated fact that: [list of Berkshire Hathaway climate efforts that ISS neglected to cover].”
 - d. “[T]he climate accountability policy should not have been triggered.”
168. The 2023 “Investor Working Group” internal memorandum included client feedback to ISS on its recommendation on the vote for Warren Buffett noting that ISS was “ignoring the key element of value creation at the company.”⁵⁹

L. ISS Begins to See the Errs of Its Ways

169. Years after adopting its extreme climate policies, ISS appears to understand it has not served its investor clients’ interests. A January 2025 internal email written by a senior employee questioning ISS’ climate policies states:
- a. “The November 2021 SEC guidance change [since nullified climate disclosure rules] has allowed proponents to develop and construct far more prescriptive requests, which they have unabashedly taken advantage of. Upon a deeper dive, the asks of these proposals may be viewed as unrealistic, if not impossible, and as a result, may run counter to long-term shareholder interests.”

⁵⁸ E-mail from Daniel Radakovich, Corporate Governance Analyst, ISS, to Marc Goldstein, Head of U.S. Research, ISS, et al. (Apr. 15, 2022, at 5:48 PM) (on file with Plaintiff).

⁵⁹ Memorandum from the ISS Investor Engagement Working Group 2 (July 21, 2023) (on file with Plaintiff).

- b. “It is recognized that overall [investor] support levels may be buoyed by European and progressive funds, however, the U.S. market has always thrived as an energy and industrial power.”
 - c. “There does not appear to be broad investor support for the more prescriptive proposals. There are strong company arguments against their adoptions (sic) and economic realities that come into play from a shareholder perspective.”
 - d. “[Targets consistent with the Paris Climate Agreement] would require an almost immediate reduction of hydrocarbon emissions, and in many cases, impossible to achieve without leaving the developing world behind. There are also geopolitical risks that reprioritized investor risk and national economic realities.”
 - e. “ISS appears to give significant weight to disclosure of European / international peers and EU / international regulation, along with several third-party activist groups.”
 - f. “Despite European regulations, customer preferences, and economic conditions being materially different than that of the U.S. market, it appears that the ISS analyses rely heavily on European or UK peers to set the bar for U.S. companies.”
170. In response, for 2026, ISS has taken one small step to reverse course.
171. Instead of defaulting to voting in favor of proxies calling for disclosure of GHG emissions and related reports on efforts to manage the same, as it has done for years, ISS will now analyze each proxy on a case-by-case basis.
172. All other problematic aspects of ISS’ ESG-related policies remain in force.

CAUSES OF ACTION

Count 1: Violation of the UDTPA

(Neb. Rev. Stat. §87-301, *et seq.*)

173. The State of Nebraska re-alleges the facts above and incorporates them herein by reference.
174. The UDTPA forbids deceptive trade practices as defined under the Act, including:
- (a) Us[ing] deceptive representations ... in connection with goods or services;
 - (b) Represent[ing] that good or services have ... characteristics ... that they do not have; and
 - (c) Represent[ing] that goods or services are of a particular standard, quality, or grade ... if they are of another.
- Neb. Rev. Stat. §87-301(a)(4), (5) and (8).
175. Defendant's representations and advertisements, many – but not all – of which are identified in this Complaint, regarding the integrity and quality of its research are deceptive in violation of Neb. Rev. Stat. §87-301(a)(4), (5) and (8).
176. By way of example, Defendant breached these provisions by:
- a. Representing that its research is “objective and impartial,” when in fact it is tainted by ESG considerations, lacking in any financial analysis to determine whether such considerations benefit stock price (i.e., shareholder value), follow from close coordination with ESG activists, and fail to fully and fairly disclose material conflicts of interest.

- b. Representing that its research is based on “high-quality data” and “analytics,” when in fact is benchmark research team was publishing climate-related advice and recommendations without expertise, blindly utilizing data provided by ESG activists without applying a critical eye or seeking data providing contrary views, and failing to conduct any financial analysis whatsoever.
 - c. Representing that its goal “is to eliminate conflicts wherever possible, and to manage and disclose that conflicts that cannot be eliminated,” when it failed to fully and fairly disclose in its research reports that certain issuers covered were paying it lucrative consulting fees for its advice on the very issues addressed in reports and that its owners are ESG activists.
 - d. Failing to disclose that certain of its recommendations illegally took race and ethnicity into account.
177. ISS’ client base includes residents of this state. Accordingly, each of Defendant’s deceptive trade practices were directed at Nebraska residents.
178. These violations of Neb. Rev. Stat. §87-301 impacted the public interest.

Count 2: Violation of the CPA
(Neb. Rev. Stat. §59-1601, *et seq.*)

179. The State of Nebraska re-alleges the facts above and incorporates them herein by reference.
180. The CPA makes illegal “... deceptive acts or practices in the conduct of any trade or commerce.” Neb. Rev. Stat. §59-1602.
181. Defendant, in the conduct of trade or commerce, engaged in deceptive acts or practices in violation of Neb. Rev. Stat. §59-1602 including, but not limited to, those set forth in paragraph 48 of this Complaint.
182. ISS’ client base includes residents of this state. Accordingly, each of Defendant’s deceptive trade practices were directed at Nebraska residents.

183. These violations of Neb. Rev. Stat. §59-1602 impacted the public interest.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff respectfully requests that this Court enter judgement against Defendants and enter an Order:

184. Finding that Defendant violated the UDTPA Neb. Rev. Stat. §87-301(a)(4), (5) and (8) and the CPA Neb. Rev. Stat. §59-1602 by engaging in the unlawful acts and practices alleged herein, and permanently enjoining Defendant from continuing to engage in such unlawful acts and practices;
185. Requiring Defendant to pay civil penalties pursuant to Neb. Rev. Stat. §§87-303.11 and 59-1614, and pay direct economic damages for each affected Nebraska resident pursuant to Neb. Rev. Stat. §87-806;
186. Requiring Defendant to pay restitution to affected Nebraska residents pursuant to Neb. Rev. Stat. §§87-303.05(1) and 59-1608(2);
187. Requiring Defendant to pay all costs and fees for the prosecution and investigation of this action pursuant to Neb. Rev. Stat. §59-1608;
188. Enjoining Defendant from committing or continuing to commit further deceptive acts or practices pursuant to Neb. Rev. Stat. §87-303.05(1);
189. Enjoining Defendant from committing or continuing to commit further unfair or deceptive acts or practices pursuant to Neb. Rev. Stat. §59-1608(1); and
190. Granting any such further relief as the Court may deem appropriate.

JURY DEMAND

The State demands a trial by jury on all issues so triable.

DATED: May 20, 2026

**STATE OF NEBRASKA ex rel.
MICHAEL T. HILGERS, Attorney
General, Plaintiff.**

MICHAEL T. HILGERS, #24483
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