

Global Sanctions Screening

ISS STOXX's Global Sanctions Screening helps institutional investors to identify entities that are subject to different national, multilateral and US state-level sanctions, and to keep track of countries that have ratified international treaties and conventions or are subject to UN and EU sanctions.

Under National and Multilateral Sanctions, Global Sanctions Screening identifies entities with publicly-listed equities/outstanding bonds and designated under Australia, Canada, European Union, France, Hong Kong, Japan, the Netherlands, Singapore, Switzerland, United Kingdom, United Nations sanctions, and United States (OFAC) regimes or programs. ISS STOXX also identifies majority-owned equity- and bond-issuing subsidiaries of sanctioned entities. Furthermore, ISS STOXX flags publicly-listed entities that have OFAC designated individuals as member of its board of directors or C-level executive. Publicly-listed entities that are part of the party to OFAC civil penalties and enforcement are tracked by ISS STOXX as well. Lastly, ISS STOXX also tracks publicly-listed entities that are part of the US Arms Export Control Act Debarred Party List, the Committee on Foreign Investment Blocked Entity List, and the US Department of Commerce's Bureau of Industry and Security Entity List.

ISS STOXX's State-Level Sanctions Screening identifies issuers with scrutinized business operations which are business activities that may trigger particular actions by investors based on each client's defined practices requirements or as may be required by applicable US state-level sanctions legislation. State-level sanctions cover corporate involvement in Belarus, Cuba, China, Iran, North Korea, Russia, Sudan, Syria, Israeli Anti-Boycott, and Northern Ireland Fair Employment Practices.

Under Country Screening, ISS STOXX identifies countries that have ratified different international treaties and conventions on corruption, the environment, human rights, international humanitarian law, and labor rights. Countries under UN and EU sanctions are also identified as well as the types of sanctions they are subject to.

Outputs

For National and Multilateral Sanctions, ISS STOXX provides covered designated entities lists which feature relevant designated entities and their subsidiaries along with the corresponding sanctions regime under which they fall. For the OFAC-related and other lists, ISS STOXX also separately identifies the entities flagged under these lists.

For US State-Level Sanctions, ISS STOXX provides a written summary of involvement as well as assessment of business activities corresponding to US State-Level Sanctions criteria. The types of involvement covered are mostly qualitative in nature but certain quantitative information such as revenue or investment information are collected as well.

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Methodology and Research Process

For Country Screening, ISS STOXX lists the ratifying countries for each treaty. For UN and EU sanctioned countries, ISS STOXX provides a written summary and an assessment of applicable sanctions (arms embargo, commodities embargo, asset freeze/travel ban, public bond trading ban).

Research Process

The National and Multilateral Sanctions lists are updated on an ad-hoc basis as designated or covered entities are added to or removed from the different sanctions lists. The National and Multilateral Sanctions research process can be broken down as follows:

- **Research:** The Australia, Canada, European Union, France, Hong Kong, Japan, the Netherlands, Singapore, Switzerland, United Kingdom, United Nations sanctions, and the US OFAC lists are reviewed to identify designated entities with publicly-listed equities or bonds. ISS STOXX also checks, to the extent available, subsidiaries of sanctioned entities as some sanctions programs require that majority-owned subsidiaries of designated entities be flagged as well. The US Arms Export Control Act Debarred Party List, the Committee on Foreign Investment Blocked Entity List, and the US Department of Commerce's Bureau of Industry and Security Entity List are likewise reviewed and publicly-listed entities are flagged by ISS STOXX. For the Designated Board Members/C-Suite list, ISS STOXX evaluates personal information of directors/C-level executives of publicly listed entities and individuals designated by the US OFAC to identify matches. Entities found to have an OFAC designated board member or C-level executive are flagged by ISS STOXX.
- **Quality assurance:** All changes to the designated entities' lists and other lists are peer-reviewed.
- **Final lists are shared with clients.**

State-Level Sanctions assessments are updated annually as well as on an ad-hoc basis in case of relevant corporate actions (e.g., mergers, acquisitions) or media reports. ISS STOXX's State-Level Sanctions Screening research process can be broken down as follows:

- **Risk assessment:** Potentially involved companies are identified by going through data from third party business information providers, media articles, NGO reports, and other sources.
- **Research:** Each company identified as "potentially involved" is further assessed to confirm involvement, and more importantly, if such involvement meets the criteria of a particular state's legislation (which may vary from state to state). To this end, corporate disclosure such as regulatory filings, sustainability reports, press releases, investor presentations, company websites, and other company disclosures are reviewed. Third-party information such as government sources, industry databases and reputable newspapers are cross-referenced as supplemental to company disclosures. Certain quantitative assessments such as percentage of revenue from or amount of investment in a US state-sanctioned country are also made based on estimates or disclosed quantitative information if available. Divestment could be triggered if a company meets certain revenue or investment thresholds.
- **Quality assurance:** All significant changes as well as new assessments are peer-reviewed.
- **Final list of companies meeting state-level sanctions criteria is shared with clients.**

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Methodology and Research Process

Under Country Screening, treaties and conventions data are updated on a quarterly basis while sanctions assessments are updated as sanctions regulations are amended. The Country Screening research process can be broken down as follows:

- **Research:** The lists of ratifying parties of the different international treaties and conventions are reviewed to identify changes in the ratification status of countries. EU and UN regulations are monitored to ascertain changes in measures imposed on sanctioned countries.
- **Quality assurance:** All significant changes to the treaties and conventions data as well as sanctions assessments are peer-reviewed.
- **Final lists and assessments** are shared with clients.

Use of Estimated Data

ISS STOXX's State-level Sanctions Screening primarily leverages company reported and third party information. Should disclosure be insufficient or inadequate, information regarding the degree of involvement of an issuer in certain activities will be estimated. In some instances, reported information is used to model or calculate certain data factors. Approximately 10% of the total State-level Sanctions data factors are based on estimates.

ISS STOXX's National and Multilateral Sanctions lists and Country Screening are purely based on disclosed information and do not use estimates.

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