

Modern Slavery Solution

Methodology and Research Process

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ISS STOXX's Modern Slavery Solution corecard provides a holistic assessment of companies' modern slavery risk exposure, risk mitigation, and involvement in modern slavery controversies. The assessment considers both company-specific and industry-based risk profiles and the quality of a company's disclosures on upholding labor standards for its employees and workers in its supply chain.

Outputs

The Modern Slavery Solution corecard provides a qualitative analysis across three components:

Modern Slavery Risk: An assessment of a company's exposure to modern slavery risk in its operations and supply chain, considering geographic context (e.g., corruption, inequality, poverty, and government instability), industry structure (e.g., outsourcing to countries with poor labor protections), and links to products with well-established reports of child labor and forced labor.

The Modern Slavery Risk component includes:

- Modern Slavery Risk Overall Classification (High risk, Medium risk, Low risk)
- Location Risk Classification (High risk, Medium risk, Low risk)
- Supply Chain Risk Classification (High risk, Medium risk, Low risk)
- Controversy Exposure (High, Medium, Low)
- Several granular data points identifying high risk countries of operation and links to at-risk products.

Modern Slavery Disclosure & Performance: An assessment, on a scale from 0 (Laggard) to 100 (Leader), of a company's preparedness to identify and mitigate modern slavery risks. The assessment covers operational and supply chain indicators, including policies and procedures on fair business practices, monitoring and non-compliance of suppliers, training, living wages, working hours and respect for union rights.

Modern Slavery Controversies: Identifies involvement in, or links to, modern slavery and labor rights controversies.

The Modern Slavery Controversies component includes:

- Modern Slavery Controversies Overall Flag and Modern Slavery Controversy Score ranging from 10 to 1

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- Details on a company's most concerning modern slavery controversy, based on recency, severity, remediation, and verification by an independent body
- Counts of modern slavery and labor rights controversies in a company's operations or supply chain

Research Process

The Modern Slavery Solution corecard is derived from ISS STOXX proprietary as well as reputable third-party data:

- ISS STOXX's Sovereign Rating informs the Modern Slavery Risk component.
- ISS STOXX's Corporate Rating informs the Modern Slavery Risk and Disclosure & Performance components.
- ISS STOXX's Norm-Based Research informs the Modern Slavery Risk and Controversies components.
- Reputable external sources, such as the U.S. Department of Labor List of Goods Produced by Child Labor or Forced Labor and the United Nations Commodity Trade Statistics Database (UN Comtrade) inform the Modern Slavery Risk component.
- The underlying ISS STOXX data sets build on both qualitative and quantitative data and are reviewed periodically. For more details regarding data collection in the underlying products, please refer to the respective product methodologies.

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Use of Estimated Data

The Modern Slavery Solution relies on estimated data in two components:

Modern Slavery Risk: The Modern Slavery Location Risk assessment uses a company's country of operation information (based on the country of incorporation of its subsidiaries) and country-level social and governance indicators to estimate risk. The Modern Slavery Supply Chain Risk assessment models risk based on industry-level indicators, including the materiality of supply chain risks to the industry and its links to at-risk products. The country and industry-level indicators are based on publicly available information, such as governmental and international institutions, reputable news sources, as well as recognized international or local nongovernmental organizations.

Modern Slavery Disclosure & Performance: The Disclosure & Performance Score is derived from a small number of Corporate Rating indicators. In the Corporate Rating, some types of indicators allow for estimations if no (precise) reported data is available but assumptions with medium to high certainty can be made. The overall share of estimated data across Corporate Ratings data lies between 5-10%.

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For more details regarding the use of estimated data within those other solutions, please refer to the respective descriptions.

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