

Modern Slavery Solution

Methodology & Research Process

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ISS STOXX Modern Slavery Solution provides a holistic assessment of companies' exposure to modern slavery risks, their management policies and measures for risk mitigation, and potential impacts by assessing companies' 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. The solution provides a forward-looking perspective.

Outputs

The Modern Slavery Solution 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 child and forced labor prevention, freedom of association and collective bargaining, suppliers' compliance monitoring, living wages, non-regular employment, and whistleblower mechanisms.

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
- 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 is derived from several ISS STOXX proprietary upstream solutions as well as reputable third-party data:

- ISS STOXX's Sovereign Rating informs the Modern Slavery Risk component. The Sovereign Rating assessment is based on data and information collected from public sources as well as from third-party providers. Issuer's countries of operations are identified through ISS STOXX Geospatial Asset dataset (The data collection process leverages public, officially reported data and satellite imagery) and third-party sources.
- ISS STOXX's Corporate Rating informs the Modern Slavery Risk and Disclosure & Performance components. The corporate assessment is based on data and information collected from both public and non-public sources.
- ISS STOXX's Norm-Based Research informs the Modern Slavery Risk and Controversies components. The controversy research and assessment process is incident driven and based on stakeholder allegations and public, reported data sources.
- Reputable external sources, such as the World Bank Income Group Classification, 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 datasets build on both qualitative and quantitative data and are reviewed periodically. The Corporate Rating and Norm-Based Research solutions integrate criteria from international agreements and frameworks, such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, into the methodologies of related metrics and datapoints. For more details regarding the data collection and assessment processes in the underlying products, please refer to the respective product methodologies.

Update Cycle and Methodology Revision Process

Data Update Cycle

Most components of the Modern Slavery Solution receive continuous updates through the respective internal sources from which they are derived. This includes aspects derived from the Corporate Rating, Sovereign Rating, Norm-Based Research, and Geospatial Asset Database. As a result, there may be daily changes in the Risk Assessment, Disclosure & Performance, and Controversies components of the Modern Slavery Solution.

These underlying data sets that feed into Modern Slavery Solution have own defined data update cycles. Further details about each solution's data update process can be found in the respective product methodologies.

Methodology Revision Process

The Modern Slavery Solution has an annual methodology review process to identify potential shortcomings of the underlying methodology and define accommodating enhancements. At the same time, ad-hoc methodology revision can be carried out in case of relevant changes from upstream solutions, regulatory developments, or client use cases.

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%.

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

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