

ISS ESG GLOBAL SANCTIONS

ISS ESG's Global Sanctions Screening helps institutional investors and other users 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 publicly-listed entities designated under Australia, Canada, European Union, Hong Kong, Japan, Switzerland, United Kingdom, United States (OFAC), and United Nations sanctions regimes or programs. For a number of sanctions programs, ISS ESG also identifies bond-issuing sanctioned entities, as well as majority-owned equity- and bond-issuing subsidiaries of sanctioned entities. ISS ESG'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 Cuba, Iran, North Korea, Sudan, Syria, Israeli Anti-Boycott, and Northern Ireland Fair Employment Practices. Under Country Screening, ISS ESG identifies countries that have ratified different international treaties and conventions on corruption, the environment, human rights, international humanitarian law, and labour rights. Countries under UN and EU sanctions are also identified as well as the types of sanctions to which they are subject.

Outputs

For National and Multilateral Sanctions, ISS ESG provides covered designated entities lists which feature relevant designated entities and their subsidiaries along with the corresponding sanctions regime(s) under which they fall. This information is quantitative in nature.

For US State-Level Sanctions, ISS ESG provides a written summary of involvement as well as assessments 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.

For Country Screening, ISS ESG lists the ratifying countries for each treaty. For UN and EU sanctioned countries, ISS ESG 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 entities are added to or removed from the different sanctions programs. The National and Multilateral Sanctions research process can be broken down as follows:

- Research: Different sanctions lists are reviewed to identify designated entities with publicly listed equities or bonds. ISS ESG 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.
- Quality assurance: All changes to the designated entities' lists are peer-reviewed.
- Final lists are shared with clients.

US 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 ESG's US 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. In some cases, under applicable legislation, 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.

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 sanctions regulations are monitored to ascertain changes in sanctions assessments.
- 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 ESG's State-level Sanctions Screening primarily leverages company reported and third party information. Should disclosure be deemed 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 ESG's National and Multilateral Sanctions lists and Country Screening results incorporate only disclosed information and do not use estimates.

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