



# Institutional Shareholder Services

## Modern Slavery Statement

### 2022



INSTITUTIONAL SHAREHOLDER SERVICES INC.

[ISSGOVERNANCE.COM](https://www.issgovernance.com)

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## Introduction

This Institutional Shareholder Services (ISS) Modern Slavery Statement is made under both the United Kingdom's Modern Slavery Act 2015 (MSA 2015) and the Australian Modern Slavery Act 2018 (Cth) (MSA 2018) and details actions taken by ISS to identify and address modern slavery risks in our operations and supply chain for the year ending December 31, 2022. Appendix 1 outlines which sections of the statement reference the mandatory Australian and recommended UK reporting criteria, respectively.

Our report reflects our strong commitment to protect and promote human rights throughout our operations and supply chain, in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs). Our actions to address modern slavery risks form part of our broader commitment to our values of integrity, empowerment, and collaboration. Our values are inspired by a collective sense of responsibility that prioritises the wellbeing of our people and stakeholders.

This statement is made on behalf of Institutional Shareholder Services Inc. and our controlled subsidiaries in Australia and the UK. A list of these subsidiaries can be found in Appendix 2. As our subsidiaries generally use the same group policies and procedures, engage in similar business activities, and largely share the same suppliers, this statement provides a consolidated description of the group's activities.

This joint statement has been reviewed and approved by the Institutional Shareholder Services Inc. Board of Directors.



Gary Retelny

President, CEO and Board Member

29 June 2023

### Our consultation process

ISS' Corporate Responsibility (CORE) Council is comprised of members of ISS' Leadership Team, including the Chief Financial Officer, Global Head of Human Resources, General Counsel, Global Head of Communications, and Head of ISS Corporate Solutions and is led by ISS' Head of Corporate Responsibility. The ISS Leadership Team oversees the controlled entities within the ISS group. The CORE Council leads our approach on sustainability matters across the ISS group and advises on actions taken to identify and address modern slavery risks in our operations and supply chain. The policies and procedures outlined in this statement are group-wide and apply to our controlled entities in Australia and the U.K. (see Appendix 2). Information related to ISS' CORE Council can be found on the [ISS CORE website](#).

## Progress in Addressing Modern Slavery Risks

**In 2022, we focused on continuing to identify and understand modern slavery risks. To that end, we...**

- submitted our first Communication on Progress as a signatory of the United Nations Global Compact;
- reviewed our corporate responsibility policies through ISS' CORE Council;
- continued the risk assessment of our Tier 1 (direct) vendors;
- published our first Sustainability Report<sup>1</sup>, with a chapter (“Procurement”) covering our suppliers and assessment of risks (including those pertaining to modern slavery);
- made a submission in June 2022 to the public consultation on proposed modern slavery legislation in New Zealand and took part in the Responsible Investment Association Australasia’s (RIAA) group discussions relating to the review of Australia’s Modern Slavery Act;
- launched the ISS Modern Slavery Scorecard, an ISS ESG product offering that helps subscribing clients identify, evaluate, and act on modern slavery risks;
- leveraged our Modern Slavery Scorecard for our internal supply chain risk assessment;
- expanded ISS ESG's Collaborative Engagement Services, which include the Norm-Based Engagement which encompasses controversies with adverse social impact, including allegations of Modern Slavery;
- created a learning course on the Modern Slavery Scorecard, which provides an overview of the modern slavery landscape, available to all ISS employees via ISS’ internal training platform.

**In 2023, we are prioritising and further acting on modern slavery risks. We aim to...**

- finalise our supply chain risk assessment and prioritise high-risk vendors for further due diligence;

### How we understand modern slavery

Modern slavery is an umbrella term for some of the most severe human rights abuses, including forced labour, the worst forms of child labour and human trafficking. According to the [International Labour Organization](#), modern slavery refers to “situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception, and/or abuse of power.”

<sup>1</sup> See [ISS Sustainability Report 2022](#).

- review and strengthen our processes to mitigate and remediate modern slavery risks in our supply chain;
- train select employees on modern slavery risks.

## Our Business

ISS is majority owned by Deutsche Börse AG. The remainder of ISS is held by a combination of Genstar Capital, a San Francisco-based private equity firm, and ISS management.

ISS has more than 35 years’ experience working with institutional investors, companies, and other stakeholders, globally, providing corporate governance, responsible investment, fund intelligence, media, events, and other solutions that help investors manage portfolio company risks and seize investment opportunities. As a global company active in the financial markets, we are focused on building for long-term growth and increasing the value of the services provided to our clients by placing quality and independence at the core of our organisation, products, and business solutions.

Through our dedicated responsible investment arm, ISS ESG, we provide data and analytics across a range of sustainable investment areas of focus, including climate change, human rights, labour standards, corruption, controversial weapons, and more. ISS’ solutions enable clients to develop and integrate responsible investing policies into their strategy and execute upon these policies with actionable data, services, engagement, voting, and reporting.

ISS has built a culture that seeks to uphold the well-being of our people, clients, and other stakeholders and is rooted in the pillars of integrity, collaboration, empowerment, flexibility, and diversity. ISS takes its responsibility to its stakeholders seriously. As a company, we advance corporate responsibility with our organisational programs and policies, and we are committed to positively impacting the environment and society leading by example. ISS is a signatory to the Principles for Responsible Investment (PRI), the United Nations Global Compact (UNGC), and a member of the RIAA along with several other industry networks.

Further information about our business can be found on [our website](#).

*Signatory of:*



## Our Operations

As a global company, ISS has approximately 3,000 employees across 25 offices in 15 countries.<sup>2</sup> ISS is headquartered in Rockville, Maryland in the United States.

**35+** years of experience providing corporate governance and responsible investment solutions for institutional investors, companies and other stakeholders globally.

**600+** dedicated ESG professionals.

## Our Business Units

### ISS GOVERNANCE

Provider of objective governance research and recommendations, and end-to-end voting solutions.

### ISS ESG

Innovative and high-quality ESG research, ratings, index, screening, data, analytics and advisory services.

### ISS CORPORATE SOLUTIONS

Solutions to help companies design and manage their ESG programs to align with company goals, reduce risk, and manage the needs of diverse stakeholders.

### ISS MI MARKET INTELLIGENCE

Provides critical research, data, insight, workflow, media, and events solutions to global asset managers, insurance companies and distributors.

<sup>2</sup> The figures within this section are as of June 29, 2023.



## Our Supply Chain

All products and services developed by ISS are done so in-house by salaried employees. Our suppliers and subcontractors (referred to as vendors) support our core business through the supply of items such as information technology hardware and software, data, office equipment and facilities management, and marketing, media, and event services.

ISS' primary procurement categories by spend include:

**1,000+** vendors



Information Technology



Office Space (rented)



Data/Processing



Professional Services

## Identifying and understanding modern slavery risks

Considering the nature of our business – namely, as a research and data provider that does not make or offer tangible goods – and because our services are being produced and delivered by in-house salaried professionals, we believe there to be a **very low** risk of modern slavery within our business.

However, we acknowledge that we may be exposed to such a risk through our supply chain. In 2022, we continued the risk assessment of our vendors and expect it to be finalised during the second half of 2023. This section outlines the risk assessment framework and process followed.

### Our Risk Framework

For the risk assessment conducted in 2022, we followed the same risk framework used when we commenced such an evaluation in 2021. The risk framework for modern slavery leverages, in part, our own product offering to clients, the Modern Slavery Scorecard, which seeks to provide a holistic assessment of a company's modern slavery risk exposure and mitigation efforts (see Other Relevant Information for more details).

We continue to recognise there are significant difficulties in obtaining comprehensive data on modern slavery due to reasons including poor visibility into working conditions in global supply chains, barriers to survivors reporting exploitation, and the hidden and criminal nature of modern slavery. Our risk framework situates modern slavery within the context of broader human and labour rights in order to capture potential drivers of exploitation.

Our risk framework assesses both actual and potential human rights impacts, in line with the UN Guiding Principles on Business & Human Rights (UNGPs). We assess systemic geographic, industry, and business factors that are more likely to enable modern slavery, along with where risk has materialised into impact, through involvement in modern slavery incidents. Our risk framework focuses on risks to people, rather than risks to our business, although we consider that the two will often overlap. For example, our assessment of location risk prioritises modern slavery vulnerability factors, rather than the size or revenue of the vendor's operations, as this may exclude smaller operations or operations in countries where the risks to people are more severe.



## Assessing Risk in our Operations

We consider the risk of modern slavery in our operations to be **very low**, based in part on the following:

- The majority of our office locations are in countries not considered to be high risk for modern slavery.
- ISS has strong systems in place to identify, mitigate, and address risks across our business units (see Risk Mitigation in our Operations).
- ISS Business Integrity Hotline, a 24-hour anonymous hotline available to all employees, has not received a complaint concerning modern slavery in calendar year 2022.

According to our risk framework, three of our office locations are in countries – India and the Philippines – that are considered more vulnerable than others to modern slavery. We consider that our robust policies and procedures to safeguard employees mitigate this risk. Although initially planned for 2022, a deeper analysis of these locations is now intended to take place during the second half of 2023.

## Assessing Risk in our Supply Chain

We continued undertaking the risk assessment of our Tier 1 vendors (i.e., those that directly supply us with goods or services) and we are planning to expand the assessment and finalise it during the second half of 2023.

Our risk assessment follows a four-stage process:

### 1. Map

As a starting point, we are focusing on Tier 1 vendors with whom we spend over USD 10,000 annually. This materiality threshold has helped us to identify vendors where we believe we are more likely to have leverage to mitigate any identified risks.

Our goal is to assess **500+** vendors, representing approximately **98%** of total spend.

### 2. Understand

Using our risk framework, we are drawing on a range of indicators to understand the risk profiles of our Tier 1 vendors. We assess whether our vendors are exposed to risks based on:

- The location of their operations.
- The nature of their industry's supply chain and sourcing practices.
- Their links to products with well-established reports of forced labour or child labour.
- Their involvement in, or links to, modern slavery controversies.

### 3. Prioritise

Once the risk assessment is finalised, we intend to prioritise the following vendors for further risk analysis and due diligence:

- Vendors that are at-risk for modern slavery and are not well prepared to address those risks and/or;
- Vendors that are involved in, or linked to, an alleged or verified, severe, ongoing modern slavery or labour rights controversy.

### 4. Continuous improvement

We are committed to reviewing and refining our supply chain risk assessment annually. Some of our goals include:

- Regularly re-assessing vendors' risk, recognising that risk is continually evolving.
- Expand the risk assessment beyond modern slavery risks to get a holistic view of our suppliers' sustainability risks.

- Incorporate our risk framework into screening of new vendors, in line with our expectation that our vendors demonstrate ethical business practices (as listed in the [Vendor Sustainability Policy](#)).

## Mitigating Modern Slavery Risks

Mitigating modern slavery risks is part of our wider commitment to corporate social responsibility and which aligns with our responsibility to our people, our engagement with vendors, and our business supporting clients.

ISS is a signatory to the United Nations Global Compact, the world’s largest corporate sustainability initiative. ISS is committed to contributing to upholding and advancing the Global Compact principles, including the elimination of forced labour and child labour, and embedding these principles as part of our strategy, our vision, culture, and our day-to-day operations, and reporting our progress to such ends.

## Risk Mitigation in our Operations

### Our policies and procedures

We are committed to safe, healthy, and non-discriminatory workplaces, underpinned by values of integrity, diversity, empowerment, collaboration, and flexibility.

We recognise that strong labour standards, where employees feel comfortable to raise concerns, is fundamental to mitigating risks of exploitative work. We consider that the risk of modern slavery in our operations to be **very low**, given the nature of our work and our robust employee policies and procedures.

 CORE Policy	 General Code of Conduct	 Freedom of Association Statement	 Diversity & Equal Opportunities Policy	 Business Integrity Hotline
<ul style="list-style-type: none"> <li>• This policy sets forth corporate social responsibility principles regarding our People, Environment and Business Operation, that apply globally across ISS and our subsidiaries.</li> <li>• Our CORE Policy is implemented by our Corporate Responsibility team and CORE Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Our business practices are guided by our General Code of Conduct to ensure that we comply with the highest standards of integrity, with regards to bribery, corruption, information and data security, workplace safety and whistleblowing procedures.</li> <li>• All newly hired employees are required to complete a compliance training session on the General Code of Conduct. Employees are required to certify having read, understood and agreed with the ISS policies and procedures. Subsequent training on the General Code of Conduct occurs on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>• ISS respects the right of all employees to freely form or join trade unions of their choice and to bargain collectively.</li> <li>• A non-discriminatory policy applies to union membership and activity, as well as activities carried out by elected employee representatives as part of their mandate in areas such as employment, promotion transfer or dismissal.</li> </ul>	<ul style="list-style-type: none"> <li>• ISS is an equal opportunity employer. We accept our responsibility to make employment decisions without regard to race, age, sex, sexual orientation, religion, disability, or any other classification protected by federal, state, and local laws and ordinances.</li> <li>• Our equal opportunity policy applies to hiring, placement, promotion, transfer, demotion, layoff, termination, recruitment advertising, pay, and other forms of compensation, training, and general treatment during employment.</li> </ul>	<ul style="list-style-type: none"> <li>• The Business Integrity Hotline is available 24 hours per day, 7 days per week for employees to anonymously raise issues of concerning conduct, whether by an employee, a manager, a client, a consultant, an agent, a supplier or a third party.</li> </ul>

View our policies at [ISS CORE’s](#) website dedicated to our reporting efforts.

## Our Collaboration and External Engagement

We have continued to publish bespoke thought-leadership research, collaborate with our clients, academic institutions, and non-governmental organisations, and participate in industry networks to share key findings of our research, understand best practice, and contribute to policy and market developments in responsible investment.

Our 2022 bespoke thought-leadership research on modern slavery includes:

- [Corporate Controversies That Defined 2022](#)
- [Decoding ESG: What are the Investor Implications of Modern Slavery?](#)
- [Driving Improvements in Modern Slavery Reporting: The Role for Australian Investors](#)
- [Forced Labour: An Emerging Concern for Investors?](#)
- [The Rapidly Changing World of Human Rights Regulation: A Resource for Investors](#)
- [The 2022 US Trafficking in Persons Report: Key Takeaways for Investors](#)

Our participation in relevant industry networks includes, among others:

- United Nations Global Compact – Signatory
- Principles for Responsible Investment (PRI) – Signatory
- Interfaith Centre for Corporate Responsibility – Affiliate Member
- Responsible Investment Association Australasia – Member. ISS ESG participates in the Human Rights Working Group and provides a quarterly presentation on an overview of emerging human rights challenges for investors. In 2022, ISS ESG joined the group's discussions relating to the review of Australia's Modern Slavery Act. Following these discussions, the investor members of the working group collectively filed a joint submission.

## Risk Mitigation in our Supply Chain

ISS strives to create long-term partnerships with our suppliers. We promote sustainable business practices with our vendors by advocating for stewardship of the environment, fair labour practices, the protection of human rights, and business ethics.

We expect our vendors to comply with all applicable laws, the ILO Declaration on Fundamental Principles and Rights at Work and the Universal Declaration of Human Rights and the principles set out in our Vendor Sustainability Policy.

### Our expectations of vendors

- Vendors will not use or employ child labour.
- Vendors will not use any forced, compulsory or involuntary labour, which includes slavery, human trafficking and other forms of work done against the worker's will.
- Vendors will respect employees' rights to freedom of association and collective bargaining.
- Vendors will not discriminate in their recruitment or employment practices.
- Vendors will foster a culture and workplace that does not tolerate harassment.
- Vendors will provide a safe and healthy working environment.
- Vendors will ensure that working hours, rest periods and wages are in accordance with local regulations and sector practice.

View our [Vendor Sustainability Policy](#).

ISS reserves the right to assess a vendor's compliance against these expectations and the accuracy of the information given by the vendor. ISS also reserves the right to terminate or alter business relationships in case vendors are not willing or able to implement requested improvements to align with our policy.

We have continued assessing and prioritising our Tier 1 vendors, based on our risk framework, for further due diligence. During the second half of 2023, we intend to finalise the risk assessment and will review our internal procurement processes and look to strengthen our due diligence with any high-risk vendors.

## Assessing the Effectiveness of our Actions

In 2021, we focused on identifying and understanding the modern slavery risks that face our industry, global locations, and supply chain. We recognise that effectively tackling modern slavery will require concerted effort, collaboration, and change. Initially planned for 2022 and moved to 2023, we will focus on strengthening our approach to modern slavery and setting Key Performance Indicators (KPIs) to assess the effectiveness of our response.

### STRATEGIC PLANNING

We are committed to embedding our approach to modern slavery across our businesses. Initially planned for 2022, the priority to establish goals, with attached KPIs, to guide our future actions awaits the finalisation of the risk assessment, which we expect will take place during the second half of 2023. These goals will be developed in consultation with ISS' CORE Council and business units to ensure they are met company wide.

### REVIEW OF POLICIES AND PROCEDURES

The policies and procedures outlined in this statement will be reviewed on an annual basis.

### GRIEVANCE REPORTING

All reports of modern slavery (or incidents that may indicate risk of modern slavery) made via our Business Integrity Hotline will be given immediate attention, reviewed, evaluated, and, when and where appropriate, remediated.

### MONITORING AND REPORTING ON PROGRESS

The effectiveness of the key actions outlined in this statement will be tracked by relevant teams and reported to our CORE Council. Some of our KPIs are expected to include:

- # of vendors identified as high-risk and poor performing and prioritised for further due diligence.
- # of grievances raised via our Business Integrity Hotline.
- # of grievances resolved and in what timeframe.

## Other Relevant Information

### ISS ESG's Modern Slavery Solutions

ISS ESG developed in 2021 and launched in 2022 the [Modern Slavery Scorecard](#) to help investors identify, evaluate, and act on modern slavery risks. Our assessment of our own supply chain risk also draws, in part, on our Modern Slavery Scorecard.

The Modern Slavery Scorecard provides holistic insights into the risk exposure and management of approximately 7,800 companies<sup>3</sup>, through three components, assessing:

- Modern slavery risk in a company's operations and supply chain;
- A company's disclosure and performance in managing modern slavery risks in its operations and supply chain; and
- Potential involvement in modern slavery or labour rights controversies, including forced labour, child labour, underpayment of wages, violations of union rights and hazardous working conditions.

### ISS ESG Collaborative Engagement Services

ISS ESG's **Collaborative Engagement Services** allow investors to participate in joint outreach and dialogue with companies on material sustainability-related themes, and exercise active ownership in line with established standards. ISS ESG facilitates the engagement on behalf of the participating clients to promote positive change such as enhanced disclosure, a push for improved sustainability performance, or mitigation of ESG risks. The service includes **Norm-Based Engagement** (covering controversies with adverse environmental and social impacts – including modern slavery allegations) and **Thematic Engagement** (covering biodiversity, water, net zero, and gender equality).

Participating clients may opt-in/opt-out of specific Norm-Based Engagements and select theme(s) depending on their focus areas. The services leverage ISS ESG proprietary data and research to identify engagement target companies and set engagement objectives, as well as the expertise of ESG engagement specialists and topic experts. On behalf of the participating clients, ISS ESG drafts engagement letters, manages correspondence with companies, organizes and moderates engagement meetings – in which participating clients may join – and analyses company responses. For non-responding companies, ISS ESG implements a robust reminder and escalation process. Participating clients are provided with outcome-based reporting which includes specific engagement metrics and ISS ESG commentary on the dialogues. For the Norm-Based Engagement service, subscribing clients have access to a dedicated online platform to manage engagements, monitor dialogue, and perform reporting duties. For Thematic Engagement, the information is provided through regular PDF and Excel reports.

<sup>3</sup> [ISS ESG Modern Slavery Scorecard](#), as of January 2023.

In 2022, ISS ESG facilitated on behalf of clients engagements with a number of companies in connection with allegations of benefitting, through its supply chain, from the use of state-sponsored forced labour of Uyghur and other Muslim minority groups.

## Looking Forward

In 2023, we are focused on building on the work we've done to identify and understand modern slavery risks across our business. We plan to:

- Finalise a risk assessment of our Tier 1 vendors for modern slavery risk and consider further enhanced due diligence with those identified as high-risk.
- Review and strengthen our processes to mitigate and remediate modern slavery risks in our supply chain.
- Continue to build capacity, train, and consult across ISS, including with our leadership, procurement, HR, and research teams, to identify, mitigate, and address modern slavery risks.

## Appendix 1: Modern Slavery Act reporting criteria

THE UK MSA RECOMMENDS A REPORTING ENTITY INCLUDE INFORMATION ABOUT:	THE AUSTRALIAN MSA REQUIRES A REPORTING ENTITY INCLUDE INFORMATION ABOUT:	ISS MODERN SLAVERY STATEMENT PAGE REFERENCES
	The identity of the entity.	3, 5
Its structure, its business and its supply chains.	Its structure, operations and supply chains.	5, 6, 7, 8
Its policies in relation to slavery and human trafficking.		11, 12, 13
Its due diligence processes in relation to slavery and human trafficking in its business and supply chains.	Actions taken to assess and address those risks, including due diligence and remediation processes.	12, 13, 14
The parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk.	Risks of modern slavery practices in its operations and supply chains, and any entities that it owns or controls.	9, 10, 11, 12
Its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against performance indicators it considers appropriate.	How it assesses the effectiveness of such actions.	15
Training about slavery and human trafficking available to its staff.		4
	The process of consultation with any entities that it owns or controls.	3
	Any other information that it considers relevant.	16, 17

## Appendix 2: Controlled Entities in Australia and the United Kingdom (as of December 31, 2022)

### UK <sup>4</sup>

- Institutional Shareholder Services UK Limited;
- ISS Europe Limited;
- Asset International Financial Information UK Holdings Limited;
- AI Financial Information UK Limited;
- Intelligent Financial Systems Limited; and
- Matrix-Data Limited

### Australia

- Institutional Shareholder Services (Australia) Pty. Ltd (ABN: 88 081 368 327);
- Asset International Australia Pty Ltd (42 147 440 140);
- Rainmaker Information Pty Limited (86 095 610 996);
- Data Management & Integrity Systems Pty Limited (43 109 186 781); and
- Financial Standard Pty Limited (57 604 552 874).

<sup>4</sup> In the first half of 2022, the operations of ISS' UK entities were consolidated under Institutional Shareholder Services UK Limited.