



SARASIN  
& PARTNERS

# GUIDE TO **ETHICAL EXCLUSIONS 2024**

**This document is intended for retail investors.  
You should not act or rely on this document but  
should contact your professional adviser.**

## INTRODUCTION

Many of our clients have some form of ethical screening policy operating over their investment portfolio, and you may well be considering whether ethical exclusions are right for you.

This guide is designed to help you discuss and navigate the ethical options and decide the best course of action for your portfolio.

We have long experience of working with our clients to implement their ethical concerns in investment portfolios. We undertake research on each issue and consider the data provided by the companies themselves, together with data from third parties to inform us on the judgements that have to be made.

While we are able to operate on a bespoke basis, we have developed a set of parameters with clear definitions for each ethical issue to help clients implement their policies accurately.

Our approach is both quantitative and qualitative and considers the materiality of each exclusion based upon the percentage of revenues for the overall business involved in the production and distribution of ethically unacceptable products, such as gambling, tobacco, alcohol, adult entertainment, armaments and the extraction of thermal coal or the production of oil from tar sands. We have pre- and post-trade systems that allow us to manage portfolios within these defined parameters and we regularly review the stocks excluded for each factor.

The exclusionary policies described in this document apply to a range of Sarasin & Partners investment strategies. A summary matrix is included on page 15.

# CLUSTER BOMBS AND LANDMINES

Prohibited under international treaties

The United Nations Convention on Cluster Munitions is an international treaty that prohibits the use of cluster bombs, a type of explosive weapon which scatters sub-munitions (bomblets) over an area. The convention was adopted in 2008.

The Ottawa Treaty (Anti-Personnel Mine Ban Convention) aims to eliminate anti-personnel landmines (AP-mines) around the world. To date, there are 162 States party to the treaty while 34 UN states including the United States, Russia and China are non-signatories.



## RESTRICTIONS

	RESTRICTION	DEFINITIONS USED
Cluster munitions (Manufacturer)	Excluded for all portfolios managed by Sarasin & Partners.	Companies that manufacture cluster munitions, whole weapon systems, components or delivery platforms.
Landmines (Manufacturer)		Companies that manufacture landmines, whole systems or components.

Excluded for all portfolios managed by Sarasin & Partners.

# ADULT ENTERTAINMENT

The adult entertainment exclusion policy applies a wide definition to exclude all producer, distributor, retailer and ownership categories of adult entertainment. We apply a materiality threshold at 5% of revenues.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
Adult entertainment-related revenues	5% of revenues for activities connected to adult entertainment.	Companies with industry-related revenues, including producer, distributor, retailer and ownership categories.
Adult entertainment producer		Companies that produce, direct or publish adult entertainment materials that fall into the following categories: producer of X-rated films, producer of pay-per-view programming or channels, producer of sexually explicit video games, producer of books or magazines with adult content, live entertainment of an adult nature, producer of adults-only material on the internet.
Adult entertainment distributor		Companies that distribute sexually explicit products and services, including X-rated movies and videos, printed materials, television programmes, and online products. This includes companies providing cable channels and television for adult viewing only. Companies in the hospitality industry are also included if they offer 'adults-only' films for in-room viewing through pay-per-view services.

0.0% of MSCI AC World Index excluded if these exclusions are applied

# ALCOHOL

The alcohol exclusion policy excludes both alcohol producers and companies with alcohol-related revenues using the definitions below. We apply a materiality threshold set at 5% of revenues for producers and 10% of revenues for any company with alcohol-related activities.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
Alcohol producers	5% of revenues from alcohol producers.	Companies that manufacture alcoholic products including brewers, distillers, and vintners. This also includes companies that own or operate wine vineyards.
Alcohol-related revenues	10% of revenues for any company with alcohol-related products or services.	Companies with alcohol-related revenues, including producer, distributor, retailer, licensor or supplier categories.

**1.0% of MSCI AC World Index excluded if these exclusions are applied**

# ARMAMENTS

The armaments exclusion policy distinguishes between the manufacture of whole weapon systems (zero exposure) and companies with revenues related to weapons production, where a 10% materiality threshold is applied.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
<b>Weapons producers</b>	Zero exposure to the manufacture of whole weapon systems.	Companies that produce conventional, biological/chemical or nuclear weapons. Excludes companies that manufacture components of weapons systems and support services and systems.
<b>Weapons-related revenues</b>	10% of revenues from any company with activities connected to weapons systems, including components and services designed for weapons use products or services designed for weapons use.	Companies that derive revenues from components of weapon systems, support systems and services designed for weapons use.

**2.1% of MSCI AC World Index excluded if these exclusions are applied**



# CIVILIAN FIREARMS

The civilian firearms exclusion policy excludes producers of automatic and semi-automatic firearms. It excludes companies with revenues related to civilian firearm production and related revenues, where a 5% materiality threshold is applied.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
<b>Automatic or semi-automatic firearm producer</b>	Zero exposure to the manufacture of automatic and semi-automatic civilian firearms.	Companies that manufacture firearms which automatically eject the cartridge case of a fired shot and load the next cartridge from the magazine allowing the gun user to fire more than one round of ammunition for every pull of the trigger. The screen includes all types of weapons that are automatic or fully automatic, as well as weapons that allow selective fire.
<b>Civilian firearm producers and related revenues</b>	5% of revenues from any company with activities related to the manufacture, production or distribution of firearms or small arms ammunition intended for civilian use.	Companies that derive revenue from the manufacture, production or distribution of firearms or small arms ammunition intended for civilian use.

**1.6% of MSCI AC World Index excluded if these exclusions are applied**

# GAMBLING

The gambling exclusion policy excludes exposure to gambling using the definitions given below. We set the materiality threshold at 5% of revenues for direct gambling operations and 10% of revenues for any gambling-related activities.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
<b>Gambling operations</b>	5% of revenues from gambling operations.	Companies that own or operate gambling facilities such as casinos, racetracks, bingo parlours, or other betting establishments, including: horse, dog, or other racing events that permit wagering; lottery operations; online gambling; pari-mutuel wagering facilities; bingo; pachislot and pachinko parlors; slot machines; jai-alai; mobile gambling; and sporting events that permit wagering.
<b>Gambling-related revenues</b>	10% of revenues for any company with gambling.	Companies with gambling-related revenues through the operation, support, licensing or ownership categories.

**0.4% of MSCI AC World Index excluded if these exclusions are applied**



# PREDATORY LENDING

The predatory lending exclusion policy excludes companies that generate revenues from the provision of controversial lending activities. We apply a materiality threshold set at 5% of revenues.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
<b>Predatory lending related revenues</b>	5% of revenues for activities connected to predatory lending	Predatory lending is defined as the “imposition of unfair and abusive loan terms on borrowers” by engaging in deception, fraud or manipulation through aggressive sales tactics, and taking unfair advantage of a borrower’s lack of understanding about complicated transactions. Examples of products and services associated with predatory lending include payday loans, instalment loans, pawn loans, title loans, tax refund anticipation loans, doorstep loans and check cashing.

**0.0% of MSCI AC World Index excluded if these exclusions are applied**

# TOBACCO

The tobacco exclusion policy applies a zero tolerance approach to tobacco producers. It excludes all tobacco producers and applies a materiality threshold of 10% of revenues for any company with tobacco-related activities, such as distributors, retailers and suppliers.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
<b>Tobacco producers</b>	Zero exposure to any revenues from tobacco producers.	Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves.
<b>Tobacco-related revenues</b>	10% of revenues for any company with tobacco-related products or services.	Companies with tobacco-related revenues, such as distributors, licensors, retailers or suppliers (e.g. machinery, paper, filters).

**0.6% of MSCI AC World Index excluded if these exclusions are applied**

# EXTRACTION OF THERMAL COAL

Thermal coal is mainly used in power generation. It is burned for steam to run turbines to generate electricity. Emissions from burning coal are seen as the single greatest threat to climate change. Coal mining is also a source of methane, another global warming gas. We set the materiality threshold to this activity at 5% of revenues.

We do not exclude metallurgical coal (coking coal), which is used in the process of iron and steel production. We do not exclude companies that buy electricity generated from thermal coal.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
Thermal coal	5% of revenues from the extraction of thermal coal.	Any company that derives more than 5% of revenues from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers) and revenue from coal trading.

0.5% of MSCI AC World Index excluded if these exclusions are applied

# PRODUCTION OF OIL FROM TAR SANDS

Some oil companies have expanded the scope of their operations to search for oil from less conventional sources with higher pollution, such as oil from tar sands. We set the materiality threshold to this activity at 5% of revenues. We do not exclude companies that derive revenue from non-extraction activities

(e.g. exploration, surveying, processing, refining), ownership of oil sands reserves with no associated extraction revenues or revenue from intra-company sales. We do not exclude companies that buy electricity generated from tar sands.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
Tar sands	5% of revenues from the production of oil from tar sands.	Companies that own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. This factor does not include revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of oil sands reserves with no associated extraction revenues; or revenue from intra-company sales.

0.2% of MSCI AC World Index excluded if these exclusions are applied

## FOSSIL FUEL EXTRACTION

Fossil fuels are carbon-rich deposits which are formed from geological processes acting on the remains of organic matter. The four fossil fuels are petroleum, natural gas, coal and Orimulsion.

In the presence of oxygen, fossil fuels can be burned to generate energy. A by-product of their combustion is carbon dioxide (CO<sub>2</sub>). The increasing volume of CO<sub>2</sub> in the earth's atmosphere is a major

contributing factor to human-induced global warming. As of 2020, fossil fuels supplied 84% of the world's energy.

Aside from climate change, there are diverse externalities associated with fossil fuels. These include: damage to terrestrial and marine ecosystems; the production of hazardous waste; premature deaths among human populations from air pollution and employee safety issues.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
<b>Oil &amp; gas extraction</b>	5% of revenues from the extraction and production of oil and gas.	Companies that derive revenues from the extraction and production of oil and gas.
<b>Oil &amp; gas refining</b>	5% of revenues derived from refining oil and gas.	Companies that derive revenues from refining oil and gas.
<b>Oil &amp; gas sectors*</b>	Zero exposure to companies in the oil and gas sector.	Using GICS sectors, companies that are classified in the oil & gas sector.

\*This exclusion is applied for the Sarasin Climate Active Endowments Ex-Energy Fund.

**4.1% of MSCI AC World Index excluded if these exclusions are applied**

# SANCTITY OF LIFE

The sanctity of life is fundamental to the teachings of a number of religions. Many religions state that human life is sacred, holy and precious and man has no right to destroy life. Abortifacients are substances or medications that cause abortions but also carry health risks.

Contraceptives prevent pregnancy. We do not exclude companies that engage in stem cell research using cells derived from fetal cell lines or with cells derived from adults.



## RESTRICTIONS

	EXCLUSION	DEFINITIONS USED
Abortion providers	Zero exposure to companies that provide abortions.	Companies that own or operate a facility where an abortion has been performed within the last three fiscal years.
Abortifacients – Intended and multiple use	Zero exposure to companies that manufacture abortifacients marketed for their ability to induce abortions. 5% of revenues derived from multiple use abortifacient products.	Companies that manufacture abortifacients that are specifically marketed for their ability to induce abortions.
Contraceptives	5% of revenues derived from contraceptives.	Companies that derive revenues from the manufacturing or licensing of contraceptives.
Stem cell research	Zero exposure to companies that engage in stem cell research.	Companies that engage in stem cell research using human embryos or fetal tissues but not companies that engage in research using fetal cell lines or adult stem cells.

4.4% of MSCI AC World Index excluded if these exclusions are applied

# ETHICAL RESTRICTIONS

	 NUCLEAR POWER	 LITTERING	 NUCLEAR POWER	 ALCOHOL	 GAMBLING	 GUN/ARMED FORCES	 GAMBLING	 NUCLEAR POWER	 TOBACCO	 GAMBLING	 NUCLEAR POWER	 NUCLEAR POWER	 NUCLEAR POWER
Responsible Corporate Bond	X	X	X	X	X	X	X	X	X	X	X	X	X
Responsible Global Equity	X	X	X	X	X	X	X	X	X	X	X	X	X
Growth: Endowments: and Income & Reserves CILFs*	X	X	X	X	X	X	X	X	X	X	X	X	X
Climate Active Endowments CILF*	X	X	X	X	X	X	X	X	X	X	X	X	X
Climate Active Endowments Ex-Energy*	X	X	X	X	X	X	X	X	X	X	X	X	X
IE Diversified Endowments*	X	X	X	X	X	X	X	X	X	X	X	X	X

X Exclusionary policy applied

\*These funds are for registered charity investors only



## GUIDANCE NOTES

All exclusions are monitored on a best endeavours basis.

Restricted stocks are coded into our pre-trade compliance system to prevent portfolio managers from buying them.

Each restriction is monitored and applied separately. It is not possible to apply a percentage threshold to revenues in respect of an amalgamation of ethical categories, as accurate data is not disclosed to allow meaningful analysis to take place.

We use external agencies for data provision.

The Sarasin & Partners Ethical Committee reviews the data and discusses all securities that the raw data suggests are excluded or close to exclusionary thresholds. The Ethical Committee investigates the data further as it deems appropriate and makes the final decision as to whether each security is restricted or permitted for investment.

The exclusions, criteria and thresholds set out in this document form part of a dynamic and flexible approach to ethical screening, and are therefore subject to change at any time without notice.

We review criteria at each quarterly meeting.

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