

## Exclusion of controversial sectors and activities remains at the core of ESG Investing

Exclusion is an investment approach that systematically excludes companies, sectors, or countries from the permissible investment universe involved in or associated with certain activities based on specific criteria, including weapons, pornography, tobacco and animal testing. Exclusions can be applied at the individual fund or mandate level, but increasingly also at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical- or values-based exclusions, as exclusion criteria are typically based on active choices made by asset managers or asset owners.

Though exclusions have been used for decades as the first step towards ESG investing, today mere exclusions are not enough. Fund managers are being required to step forward with a positive contribution, rather than limit themselves to 'doing no harm'.

The tables below provide an overview of the sectors which are often excluded by asset managers, as well as a sample of international standards that relate to these sectors. The tables may serve as a guideline for investment managers who are about to start implementing ESG strategies into their investment process. They could also be useful for those investment managers who are already integrating ESG, to compare their guidelines against those of their peers.

Excluded sectors	Commonly excluded activities
Adult entertainment (also referred to as Pornography)	Publication, printing or distribution of newspapers or magazines or distribution of films or videos classified as pornographic
Alcohol	Production, supply, distribution and retail sale of alcoholic beverages
Animal treatment	Testing for non-medical purposes Sale or manufacture of animal fur products
Coal	Coal mining extraction Coal power generation Thermal coal extraction
Controversial weapons	Production, development, sale or distribution of controversial weapons, including anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons

Excluded sectors	Commonly excluded activities
Oil and Gas (Conventional and Unconventional)	Extraction, refining, power generation, distribution of conventional oil and gas, shale gas, oil sands, shale oil, arctic drilling
Gambling	Direct exposures (gambling companies), indirect exposures (casinos)
Genetically Modified Organism (GMO)	Involved in the deliberate release of genetically modified organisms (animals or plants) used for instance in medical or industrial applications
Nuclear Energy	Involved in the uranium fuel cycle, treatment of radioactive waste or supply of specialist nuclear related equipment or services for the construction or running of a nuclear plant or its facilities
Tobacco	Production or sale of tobacco products

Investment managers may accept a threshold of sales revenue (usually 5% to 10%) from certain activities of individual companies.

International standards	Description
Anti-Personnel Landmines Convention	<p>The 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction is the international agreement that bans anti-personnel landmines. It is usually referred to as the Ottawa Convention or the Anti-Personnel Mine Ban Treaty.</p> <p>In accordance with its article 15, the Convention was opened for signature in Ottawa, Canada, by all States from 3 December 1997 until 4 December 1997, and remained open thereafter at the United Nations Headquarters in New York until its entry into force. In December 1997, a total of 122 governments signed the treaty in Ottawa, Canada. In September of the following year, Burkina Faso became the 40th country to ratify the agreement, triggering entry into force six months later - on 1 March 1999.</p> <p>Today, the treaty is still open for ratification by signatories and for accession by those that did not sign before March 1999.</p>

International standards	Description
<p>Universal Declaration of Human Rights (UDHR)</p>	<p>UDHR is a milestone document in the history of human rights, as it sets out, for the first time, the fundamental human rights to be universally protected. Drafted by representatives with different legal and cultural backgrounds and from all regions of the world, the declaration was proclaimed by the United Nations General Assembly in Paris on 10 December 1948 as a common standard of achievements for all peoples and all nations.</p>
<p>International Labour Organization (ILO)</p>	<p>The only tripartite U.N. agency, since 1919, the ILO brings together governments, employers and workers from 187 member States , to set labor standards, develop policies and devise programs promoting decent work for all women and men.</p> <p>Since 1919, the International Labor Organization has maintained and developed a system of international labor standards aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity. In today's globalized economy, international labor standards are an essential component in the international framework, ensuring that the growth of the global economy provides benefits to all.</p>
<p>Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises</p>	<p>The OECD Guidelines for multinational enterprises are recommendations made by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context, consistent with applicable laws and internationally recognized standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting.</p>

International standards	Description
<p>United Nations Global Compact (UNGC)</p>	<p>The Ten Principles of the UN Global Compact are:</p> <p><b>Human Rights</b></p> <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p> <p><b>Labor</b></p> <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p>Principle 4: the elimination of all forms of forced and compulsory labor;</p> <p>Principle 5: the effective abolition of child labor; and</p> <p>Principle 6: the elimination of discrimination in respect of employment and occupation.</p> <p><b>Environment</b></p> <p>Principle 7: Businesses should support a precautionary approach to environmental challenges;</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility; and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p> <p><b>Anti-Corruption</b></p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p>