

# PENGANA INTERNATIONAL ETHICAL POSITION STATEMENTS

## ADULT CONTENT



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We will not invest in companies whose primary business activity is the production of pornography.

Production of pornography is linked to sex trafficking, sexual exploitation and modern-day slavery worldwide. For children and young people, pornography is linked to unrealistic attitudes about sex and less progressive views of gender roles.

Threshold: 5% of revenue from production, 15% aggregate revenue from production, distribution and retail.

## ALCOHOL



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We will not invest in alcohol producers.

Alcohol can have serious negative health, legal and social consequences. Excessive alcohol consumption affects productivity, increases pressures on relationships and finances, and plays a role in a large number of domestic violence incidents. Alcohol consumption accounts for almost 10% of deaths worldwide amongst 15-49-year-old, and in a 2004 report, the World Health Organisation (WHO) estimated that in industrialised countries, the social and economic costs of alcohol abuse ranges between 1% and 6% of Gross Domestic Product.

Threshold: 5% of revenue from production, 15% aggregate revenue from production, distribution and retail.



Ethical questions about treatment of animals are prevalent in industries such as agriculture, medicine, and cosmetics.

We believe that there is a direct link between financial performance of an agribusiness and improving animal welfare. Healthy livestock reduces mortality rates and improves resistance to diseases, which in turn reduces reliance on antibiotics and improves product quality, giving producers the ability to command higher prices. When assessing an agribusiness, we not only look for companies with sound governance practices such as adherence to codes of conduct, third party certified welfare standards and/or industry guidelines; we also look for forward looking management practices, investment in new R&D and strategies or policies to manage emissions, water and other natural resources.

We are cognisant of the inherent conflict between the benefits to humans of medical research based on animal testing and the detriment to animals of such practices. We acknowledge that testing on animals may be necessary (due to regulatory requirements or lack of viable alternatives) and will invest when the benefits to humans outweigh the harm caused to animals. In our research we will look favourably at companies that provide quality, humane care to the animals, that adhere to relevant ethical guidelines and that practice the principles of the 3 R's (Replacement, Reduction and Refinement).

We will not invest in any company involved in animal testing for cosmetics. With over 20,000 safe chemical ingredients available to cosmetic producers and reliable alternative research methods (e.g. in-vitro methods such as lab-grown cells from human skin, computer-based methods or tests on human skin donated to research), there is no justification for animal testing in the cosmetics industry. We view the European Union's ban on the use of animals for cosmetic product and formulation testing and the ban on the import or sales of cosmetics that have been newly tested on animals as the benchmark for governments worldwide.

Threshold: Screens out companies involved in non-medical testing

## FOSSIL FUELS (COAL, COAL SEAM GAS, OIL)



We will not invest in companies with the global industry classification standard (GICS) 101020 "Oil, Gas and Consumable Fuels".

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels and according to a 2017 report by CDP (formerly the Carbon Disclosure Project), the fossil fuel industry and its products accounted for 91% of global industrial greenhouse gases in 2015, and about 70% of all greenhouse gas emissions caused or influenced by humans.

The United Nations' Intergovernmental Panel on Climate Change's 2018 Report catalogues the effects of increased greenhouse gas emissions: increases in mean temperatures, increases in heavy precipitation in some regions and increases in drought in other regions, rising global sea levels, increases in ocean acidity and decreases in ocean oxygen levels; with vast detrimental impacts on biodiversity and ecosystems, including species loss and extinction.

A 2015 US Department of Defence report stated that climate change is an "urgent and growing threat to our national security", attributing it as a causal factor in aggravating existing problems threatening the social and political stability of a number of countries; including social tensions, refugee flows, poverty, conflicts over food security and water supply.

Threshold: Companies with the global industry classification standard (GICS) 101020 "Oil, Gas and Consumable Fuels", 15% or more aggregate revenue from Thermal Coal, Conventional Oil & Gas Refining, Unconventional O&G

## GAMBLING



We will not invest in the gambling industry.

Problem gambling can lead to severe negative financial, emotional and social outcomes, not just for the gambler but for their families. Problem gambling has a high social financial cost, due to mental health issues arising from the addiction, lower work productivity or job losses, relationship breakdowns and crime.

Threshold: 5% of revenue from gambling operations, 15% aggregate revenue from gambling related activities.

## GMO



We will not invest in companies that produce Genetically Modified organisms (GMOs).

We acknowledge that Genetically Modified (GM) crops can alleviate the pressures on global food production and that the benefits of yield increases has a direct impact on farm income, with the majority of the benefit going to farmers in developing countries.

GM crops have been used to generate renewable fuels. Most biofuel is in the form of ethanol generated from starch and sugar found in sugarcane and corn grain, and current production can only meet a small fraction of global fuel requirements. Various breakthroughs have the potential to make the extraction process more efficient and cheaper.

GM crops also have the potential to reduce pesticide usage and bio-fortify food to address vitamin deficiencies.

There are however several contentious issues surrounding GM crops.

Negative consequences of cross-pollination are difficult to contain: GM crops only approved for animal feeding have been known to cross-pollinate with conventional crops intended for human consumption or cross-pollinate with GM-free crops, threatening the integrity of organic crops and exposing farmers to liability for breach of patent laws, as the GM crop is the intellectual property of the company that developed it.

Genetic modification encourages monocultures, reducing the genetic diversity of plants and animals, a direct threat to biodiversity.

Pesticide resistant GM crops encourage the over-use of pesticides. Long term exposure to pesticides has been linked to a wide range of health problems from kidney failure to Parkinson's disease and cancer. Pesticides leeching into ground water can contaminate our drinking water supply and over-use damages beneficial insect populations like pollinators, prey insects and predator insects that protect crops by eating pests that do harm crops. Over-use of pesticides and herbicides also leads to resistance developing in the target pest/weed.

Lack of consistent and transparent labelling requirements worldwide mean that often consumers are unable to make informed choices.

Threshold: 5% or more revenue from the development or growth of Genetic Engineering – agriculture, 15% or more aggregate revenue from the consumption, use or retail of Genetic Engineering - agriculture

## HUMAN RIGHTS ABUSES AND EXPLOITATION



We will not invest in companies with systemic and unaddressed human rights issues.

The UN's Universal Declaration of Human Rights affirms an individual's rights, encompassing principles such as equal pay, the eradication of slavery and torture and the right to an adequate standard of living and working conditions. Human rights issues can be present in any industry, but industries with prominent supply chain risks include companies that engage with suppliers in countries with a poor record of civil liberties, treatment of workers in manufacturing companies based in countries with weak labour laws or issues in the mining, agricultural and energy sectors relating to native land rights, unfair trade or unsafe working conditions, particularly in developing countries.

Although reporting on human rights issues in a company's supply chain is still generally weak and lacking in a standardised approach, there is an increasing recognition that companies have a human rights responsibility.

## MINING



Although mining can positively impact local communities through increased employment and infrastructure, mining is associated with environmental and social damage, poor trade practices and human rights abuses. Mining in fragile, conflict ravaged countries or countries with poor political and governance structures can be particularly problematic, linking the mining sector to allegations of instability and corruption.

Screen : Global industry classification standard (GICS) 151040 "Metals and Mining"

## NUCLEAR



We do not invest in nuclear power or uranium mining.

We believe that the benefits of reduced carbon emissions from nuclear energy are outweighed by the negatives such as the negative impacts on the environment of the nuclear cycle, from uranium mining to the fact that there is no satisfactory solution to dealing with nuclear waste that remains hazardous for hundreds of thousands of years, the potential for accidents or terrorism, or the potential for horizontal nuclear proliferation.

Threshold: 5% or more of revenue classified as Nuclear Power Supplier, 15% or more aggregate revenue from nuclear power related activities.

## OLD GROWTH FOREST LOGGING



We will not invest in companies that log old growth forests.

Old growth forests are forests that have reached maturity without having their growing cycles disturbed. Forests provide the habitat for over 50% of all terrestrial species and are in general an important component of the global carbon cycle, but old growth forests in particular have incredible biodiversity, a common indicator of ecological health. Biodiversity not only helps modulate climate, protect water systems and creates healthy soil but researchers have shown that large, older trees are important 'carbon sinks' as they not only store carbon dioxide, they sequester carbon more and faster than younger and smaller trees, carbon that would otherwise contribute to climate change.

Threshold: Companies involved in Palm Oil production or Serious or systematic logging related controversies

## TOBACCO



We will not invest in any company involved in the manufacture and/or production of tobacco or cigarettes.

While the negative health impacts of tobacco have been well documented, environmental and labour issues are also a major concern. A 2017 World Health Organisation (WHO) report catalogued the impact on the environment of the life cycle of tobacco manufacturing and, while research into the environmental impact of tobacco still being in its infancy, the picture presented is damning.

Tobacco growing is a direct cause of (mainly tropical) deforestation, land degradation, intense use of fertilizers and soil depletion. According to the WHO, "tobacco cultivation and curing are part of one of the most environmentally destructive agricultural practices in low- and middle-income countries", also affecting local farmer and community health.

The manufacturing process is tobacco's greatest direct impact on the environment, ranging from carbon dioxide pollution from its manufacture and transport, to the amounts of water and energy consumed to chemicals used in the preparation and treatment of the tobacco leaf. The post-use waste is staggering: cigarette butts are the largest single type of litter by count, cigarette filters are not biodegradable and leech toxic chemicals and heavy metals into our soil and waterways.

Finally, in 2011 there were approximately 1.3 million children working in tobacco cultivation, according to the UN's International Labour Organization.

Threshold: Tobacco growers, producers or licensors of tobacco products , 15% or more aggregate revenue from tobacco products

## WEAPONS



We do not invest in weapons manufacturers. In addition to not investing in companies that cause harm to humans, the power of industry lobbies in the political sphere lead to situations not aligned with the best interest of the public.

Threshold: All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), 5% or more revenue from the production, of firearms, ammunitions, nuclear warheads (including development and maintenance), military weapon systems and/or their integral, tailor-made components: 15% or more aggregate revenue from the production, distribution and retail of firearms and ammunitions.

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