

## Sustainability policies

# Armaments Industry policy of the Sarasin Group

### 1. Introduction

The Sarasin Group<sup>1</sup> recognises the right of democratic states to use armed force to defend themselves in an emergency in order to safeguard national security. Nevertheless, there are a number of weapons that are heavily criticised by the international community of states on humanitarian grounds and/or due to the large number of potential civilian casualties (even years after the actual conflict ends) and therefore serve neither to secure peace nor to promote the sustainable development of the international community. In this document the Sarasin Group describes which armaments are to be classified as controversial and how the Group deals with this issue.

### 2. Principles

The Sarasin Group believes that the following armaments should be classified as controversial: biological and chemical weapons, cluster munitions and anti-personnel mines. With the aim of regulating the topic of controversial armaments for the entire Group, and in accordance with our own understanding of sustainability, our corporate culture and the convictions of the international community of states, the Sarasin Group hereby pledges allegiance to the following principles<sup>2</sup>:

- The Sarasin Group will not invest its own funds in the securities of companies that are active in the domain of controversial armaments.
- The Sarasin Group will not provide customers with portfolio management services or investment advice about companies active in the domain of controversial armaments. The client may, however, acquire securities in this domain at his own risk and without any investment advice ("execution only" service).
- The Sarasin Group does not offer any services relating to capital markets or mergers & acquisitions for companies active in the domain of controversial armaments.
- The Sarasin Group does not accept the securities of companies that are active in the domain of controversial armaments as collateral for loans.
- In addition to companies active in the domain of controversial armaments, the sustainable investment products developed by the Sarasin Group do not invest in any companies generating more than 5% of their total turnover from the manufacture of products and/or the provision of services for the military. Sarasin's sustainable investment products also exclude the top 30 companies with the highest revenues generated from military contracts.<sup>3</sup>

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<sup>1</sup> The Sarasin Group includes Bank Sarasin & Co. Ltd and all the Swiss and international subsidiaries in which it has a majority shareholding.

<sup>2</sup> At the time of introducing this policy, all the principles defined herein have been adhered to.

<sup>3</sup> In addition, there are a number of other sectors that are excluded from the Sarasin Group's sustainable investment universe due to the nature of their business. These include, for example, companies active in the areas of agrochemicals, chlorine products, genetic engineering and pornography.

### 3. Definitions

#### **Armaments industry**

The generally accepted and practically applicable definition is: the armaments industry is an industry in which armaments and derivative products are manufactured for and purchased by the armed forces, private security organisations or the police forces of a country.

#### **Armaments**

Part of the definition of the armaments industry is the concept of armaments. Armaments are taken to mean: all that which is generally referred to as arms, weapons and weapon systems, including product-specific components, partial systems, spare parts, maintenance, operation, intermediation and advice that is designed for and can be used in armed conflicts and represent a substantial contribution to that end.

#### **Controversial armaments**

Controversial armaments are those types of weapons that have become controversial because of their humanitarian impact and/or the large numbers of civilian casualties they cause, often for many years after the conflicts in which they were deployed have ended. The Sarasin Group distinguishes four types of controversial weapons: biological and chemical weapons, cluster munitions and anti-personnel mines.

**1. and 2. Biological and chemical weapons:** the manufacture, trade and use of these weapons have been denounced in international treaties such as the Biological Weapons Convention and the Chemical Weapons Convention. Both these Conventions prohibit the use of either type of weapon for the purpose of inflicting physical injury through their inherent biological or chemical properties. They do not, however, prohibit the use of chemical substances in the manufacture of smoke or light producing munitions.

**3. Cluster munitions:** these are large munitions that open while still airborne to disperse various submunitions, usually counted in hundreds. These submunitions are themselves small bombs or grenades. In some cases, the submunitions can also be landmines. This type of armament is controversial because the submunitions from cluster bombs have a high level of non-detonation. Leaving large numbers of undetonated submunitions effectively creates minefields that cover large areas. The launch systems also fall within the definition, as in most cases they can be used to fire both conventional and cluster munitions.

In December 2008 over a hundred countries signed the Oslo Convention on Cluster Munitions; in doing so, they undertook to bring an end to the use, development, production, acquisition and storage of cluster munitions. The Convention came into force in August 2010. However, the major producers and possessors of this type of fragmentation munitions (including the USA, Russia, China, Pakistan, Brazil, India, Israel and several Arabic states) have never signed the Convention.

As far as the definition of cluster munitions is concerned, the Sarasin Group follows the definition formulated in the Oslo Convention on Cluster Munitions. But Bank Sarasin's policy on this subject goes further, or is more specific than the Convention, at least in terms of involvement and also, for instance, as far as launch systems and component parts for cluster munitions are concerned.

**4. Anti-personnel mines** (a type of landmine): a mine is a weapon that is placed under, on, or in the vicinity of the ground or some other surface. Anti-personnel mines are designed to explode when a person or a vehicle is close to the mine or actually touches it. Such mines are controversial because they make no distinction between the footstep of a soldier and

that of a civilian. Worldwide, around 26,000 civilians are killed or wounded by landmines every year. Children are thought to account for between 8,000 and 10,000 of these casualties. (N.B.: anti-tank mines (landmines) are not by definition controversial.) The Ottawa Treaty, which prohibits the manufacture and possession of anti-personnel mines, has been ratified by 156 countries. Notably, China, Russia and the USA have not signed up to the Treaty and these countries are the largest producers in the world.

In some cases, the manufacture, sale and maintenance of the controversial weapons described above is prohibited by national legislation and/or international treaties such as the Ottawa Treaty or the Chemical Weapons Convention. It is possible that the list will be extended to include other types of armaments and munitions in the future.

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The Sarasin Group has its roots as a leading Swiss private bank. As an international financial service provider committed to sustainability, the Group is now represented in more than 20 locations in Europe, the Middle East, and Asia. By the end of December 2011 it managed total client assets of CHF 96.4 billion and employed approximately 1,700 staff. Its majority shareholder is the Dutch Rabobank.

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Bank Sarasin is a leading Swiss private bank whose many years of banking experience has made it consciously opt for sustainability as a key component of its corporate philosophy. It provides a high level of service and expertise when acting as investment advisor and asset manager for private and institutional clients. Within Switzerland, Sarasin has offices in Basel (head office), Berne, Geneva, Lucerne, Lugano, and Zurich. Bank Sarasin & Co. Ltd is listed on the SIX Swiss Exchange.

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