SESAMm

UNSEEN EXPOSURES: CONTROVERSIAL BUSINESS INVOLVEMENT IN PUBLIC AND PRIVATE MARKETS

Balancing Regulatory Compliance, Data Challenges in Private Markets, and AI-Driven Solutions

Executive Summary

Screening for controversial business involvement has become a practical necessity for European investors. The Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy have established clear expectations: funds that promote environmental and social (E/S) characteristics or pursue sustainable objectives must provide evidence that they avoid financing activities like to controversial weapons, thermal coal, upstream oil and gas, and other high-risk sectors.

The challenge is operational, not theoretical. Public issuers provide uneven disclosures, while private companies disclose even less information. Secondary teams often inherit legacy exposure with limited time to verify details. Although traditional sources and ratings can be helpful, they are frequently outdated or incomplete when it matters most.

This report translates the EU rulebook into working exclusion logic and demonstrates how to apply it consistently across public equity, private equity, and private credit. We outline typical exclusion categories and thresholds used by asset managers, and then examine the differences in screening public versus private markets, where opacity and time constraints raise the bar for diligence. From there, we delve into two distinct case studies to illustrate how early, evidence-based classification helps prevent non-compliance and reputational damage.

We conclude by outlining SESAMm’s AI-enabled business involvement workflow. This process involves uploading portfolios, applying policy thresholds, classifying companies with auditable evidence, and exporting decisions in just a few hours. The outcome is simple and defensible: faster investment committee decisions, fewer surpises, and portfolios that comply with both regulations and mandates.

Regulatory Landscape

Almost all European funds classified under SFDR Articles 8 or 9 now have formal policies that exclude controversial weapons. Currently, about 92% of these funds have such policies, up from 76% in 2022. This shift reflects the alignment of regulatory expectations and investor demands to avoid the most egregious activities. However, fewer funds (31% of Article 8 and 48% of Article 9) explicitly exclude conventional military contracting, a nuance that has shifted with geopolitical pressures.

SFDR and Article 8/9 Funds

The EU's Sustainable Finance Disclosure Regulation (SFDR) imposes transparency requirements on asset managers regarding ESG characteristics of their funds. Products classified as Article 8 promote environmental or social characteristics, while Article 9 funds have sustainable investment as their objective. In practice, Article 8/9 funds are expected (by both regulators and market norms) to avoid financing certain controversial activities. For instance, most Article 8 and Article 9 funds categorically exclude companies involved in controversial weapons (such as cluster munitions or chemical weapons). Many investors also exclude sectors that conflict with sustainability goals, such as coal mining, tobacco, or adult entertainment, in order to adhere to the "do no significant harm" principle.

> "Most Article 8 and Article 9 funds categorically exclude companies involved in controversial weapons"

While SFDR itself doesn't prescribe specific exclusion lists, it requires disclosing exposures to sectors like fossil fuels and armaments via Principal Adverse Impact (PAI) indicators. As a result, in 2025 nearly 100% of Article 8/9 funds state that they will not invest in companies producing internationally banned weapons, and a growing share also limit exposure to conventional defense and other controversial industries. This trend is driven by both **regulatory guidance** and **investor preference**. Fund managers know that failing to screen out highly controversial businesses can jeopardize both the fund's SFDR status and its appeal to ESG-conscious clients.

EU Taxonomy and EU Climate Benchmarks Regulation

Complementing SFDR's disclosure regime, the EU Taxonomy defines which economic activities can be considered environmentally sustainable. While the Taxonomy is intended as a **classification tool** (and not an exclusion list), in practice, it effectively **bars many polluting or harmful activities from being labeled "sustainable"**. For example, the Taxonomy's technical criteria make most coal and crude oil activities ineligible. Thermal coal mining is explicitly incompatible unless it remains below very low revenue thresholds. Even natural gas and nuclear energy are only included under strict transitional conditions, while solid fossil fuels are essentially out of scope.

As a result, an oil major or coal-fired utility will have little to no revenue aligned with the Taxonomy. This means that **Article 9 funds or EU Paris-Aligned Benchmark portfolios must exclude or significantly limit such investments**.

The EU Climate Benchmark regulations mandate the exclusion of companies that derive significant portions of their revenue from coal, oil, and gas. Any company generating 10% or more of its revenue from oil exploration or 1% or more from coal mining would not meet the criteria for the Paris-Aligned Benchmark. For instance, Chevron Corporation, as a major oil & gas producer, far exceeds these thresholds and, therefore, cannot be part of a Taxonomy-aligned or Article 9 portfolio. The Taxonomy's influence extends beyond climate: it embeds Do-No-Significant-Harm assessments for pollution, biodiversity, etc., implicitly discouraging investment in companies with severe environmental controversies. In short, the EU Taxonomy provides the regulatory rationale for excluding unsustainable activities (fossil fuel extraction, unsustainable forestry, etc.). This reinforces investors' controversial involvement screens on climate and environmental grounds.

Controversial Activities & Exclusion Criteria

When we speak of "controversial business involvement," we refer to company activities that are ethically problematic or carry significant sustainability risks – to the point that many investors choose to exclude or limit those companies in ESG-screened portfolios. SESAMm categorizes such activities and aligns them with **typical exclusion thresholds** used in the industry. Below, we outline key controversial activity categories, along with how they are defined and the common criteria for exclusion:

Adult & Violent Content and Exploitation

Involvement in pornography, sexual services, or platforms facilitating exploitation (including sex trafficking). These activities are typically firmly excluded with 0% tolerance. Even minor involvement (e.g., advertising revenue from adult content) is often deemed unacceptable for many investors. Investors assess not only a company's own content production but also any facilitation of exploitation or lack of safeguards.

Fossil Fuels & Nuclear

Companies engaged in coal mining, oil & gas exploration/production, or power generation from coal, oil, gas, or nuclear. Many sustainable investment policies set **strict revenue thresholds** for certain industries. For example, they may exclude any company with 5% to 10% or more of its revenue coming from thermal coal or oil production. The EU Paris-Aligned Benchmark is even stricter, allowing for less than 1% of revenue from coal. For coal-fired power, there are typically caps in place, such as excluding companies that generate 30% or more of their power or 50% or more of their revenue from coal power.

Unconventional oil and gas sectors, including tar sands and Arctic drilling, often have tolerance thresholds of 0% to 5%. This means that any significant involvement in these areas results in exclusion. The treatment of nuclear power varies: some funds exclude it entirely (0% revenue allowed), while others permit up to approximately 10% to 15% of revenue from nuclear energy, depending on their investment stance. The highest risk in this category is for companies expanding fossil fuel capacity or without transition plans. Investors use these thresholds to balance climate objectives with materiality. For instance, an integrated utility with 5% coal might be tolerable if it's retiring coal plants, whereas a pure-play coal miner is excluded outright.

Gambling & Betting

Companies that operate casinos, betting shops, lotteries, or online gambling platforms. Common exclusion policies typically set a **revenue threshold** of around 5–10%. This means that if more than 5% of a company's revenue comes from gambling, it is excluded. Many "sin stock" screens take an even harder line: if gambling is a company's core business, then a 0% tolerance applies. For example, a hotel chain that derives 5% of profit from a casino subsidiary might sneak under some fund policies (with disclosure), but a pure casino operator like Crown Resorts would be off-limits for most ESG funds. Involvement assessments also consider qualitative factors: regulatory fines, exposure of vulnerable populations, and responsible gaming measures. High-profile scandals, such as money laundering at a casino, can lead to immediate exclusion, regardless of revenue share.

Predatory Lending

Companies primarily offering high-interest, short-term loans, such as payday lenders or other exploitative credit services. While not always explicitly listed in regulations, ESG policies increasingly flag predatory lending as incompatible with responsible investment. Any significant involvement in payday loans or similar services can trigger exclusion. Investors examine evidence of **exploitative practices** to confirm the exclusion, for instance, repeat regulatory sanctions for usury or consumer abuse. Even without formal rules, the risk factors considered include the scale of such lending, fines or legal cases, and public condemnation. For example, World Acceptance Corporation (a U.S. installment lender) and Mariner Finance (consumer finance) have been cited for predatory tactics; an ESG-minded LP or Article 8 fund would likely steer clear.

Sanctions & Exclusions

This covers companies (or entities) that appear on **international sanctions lists** or official exclusion lists (from UN, EU, OFAC, etc.). The policy here is straightforward: a 0% tolerance. If a company is directly sanctioned or is owned by, partnered with, or materially supporting a sanctioned entity, it is essentially uninvestable for regulated investors.

Similarly, many development finance institutions and pension funds maintain exclusion lists for companies involved in egregious misconduct. Investors evaluate the level of involvement: direct operations or significant subsidiaries in sanctioned countries pose the highest risk. For example, Russia’s Rosatom, a state nuclear company, has had top executives and units sanctioned by the U.S. and U.K., warranting blanket exclusion in many portfolios. Even if a company isn’t sanctioned yet, the specter of sanctions (e.g. working in North Korea or Iran) often leads investors to pre-emptively exclude it to avoid sudden portfolio compliance violations.

Severe Environmental & Industrial Risks

Companies linked to major environmental incidents or persistently harmful practices, such as oil spills, toxic waste leaks, catastrophic industrial accidents, or extremely high emissions. Unlike product-based exclusions, this is often a **behavioral screen**: there may be no fixed threshold, but any company responsible for a severe disaster or chronic pollution might be off-limits for a period of time. Investors assess factors like the scale of the incident (amount of damage, people or ecosystems affected), regulatory penalties, and remediation efforts. For example, a chemical company responsible for a major explosion might be flagged as “do not invest” until it demonstrates improved safety. Repeated environmental violations can land a company on exclusion lists even if its sector isn’t controversial per se.

Severe Human Rights & Labor Violations

Companies involved in serious abuses of human rights or labor standards, such as forced labor, child labor, human trafficking, dangerous working conditions, or systemic discrimination. **Zero tolerance** is typically applied to proven core violations. For instance, any evidence of forced labor in a company's supply chain (e.g. use of Uyghur forced labor in textiles, or slave labor on fishing vessels) can trigger immediate exclusion by ESG investors. Risk assessment looks at scale and recurrence of abuses, the number of people affected, and whether the company was complicit or negligent. This category has become paramount under new regulations, such as the U.S. import bans on goods made with forced labor and the EU's proposed ban on products of forced labor. Investors increasingly use tools to detect early signs of labor rights issues, for example, controversies around a company's overseas suppliers or lawsuits by workers. These are often material ESG risks and can presage financial and legal troubles.

Tobacco, Alcohol & Recreational Drugs

Companies producing tobacco products, alcoholic beverages, or recreational cannabis. These are classic "sin" sectors with well-established exclusion practices. **Tobacco** is often absolute. Many responsible investment policies exclude tobacco manufacturers entirely (0% revenue tolerance), given the clear public health harm. While broad ESG indices allow a tiny tolerance (e.g. <5% of revenue) for conglomerates with a small tobacco segment, dedicated tobacco companies like Philip Morris International or BAT are almost universally screened out of Article 8/9 funds. **Alcohol** is treated with a threshold approach: funds might exclude companies deriving >5–10% of revenue from alcohol sales. This excludes pure-play alcohol makers while allowing diversified food/beverage companies with a minor alcohol segment. Recreational cannabis policies, on the other hand, vary.

Recreational cannabis is legal in some jurisdictions and sometimes considered separately. Often, if a policy exists, it's a low tolerance (0–10%) for companies involved in non-medical cannabis, though this is an evolving area. The risk factors assessed include regulatory sanctions and whether the activity is core or incidental.

Weapons & Military Equipment

Companies involved in manufacturing or selling weapons, military systems, or related components. This category is usually subdivided by weapon type because the **tolerance varies**.

- **Controversial weapons**: These include cluster munitions, anti-personnel mines, biological and chemical weapons, and nuclear warheads. These weapons are typically banned with a strict zero-tolerance policy. Any company even remotely associated with these weapons, such as those supplying essential components for nuclear warheads, would be disqualified from participating in an Article 8/9 fund.

- **Nuclear weapons**: These are considered controversial by most EU investors, even among countries permitted by treaty, and many investors exclude any involvement in this area.

- **Conventional weapons**: These include firearms, bombs, defense electronics, and similar items. Many funds set thresholds for exclusion, commonly eliminating companies if more than 5-10% of their revenue comes from weapons. Some funds apply an "if it's their core business" rule: for example, a defense contractor like Lockheed Martin, which derives most of its revenue from weapons, would be excluded. In contrast, a large conglomerate with a minor defense division might be allowed to remain included as long as it stays below the revenue cutoff.

- **Civilian firearms**: Like other weapons, civilian firearms like handguns typically have a low tolerance as well - 5% revenue or if the company is a dedicated gun manufacturer.

Investors also consider exposure to conflict zones or sanctioned markets when assessing defense companies. Notably, since 2022 there’s been debate in Europe about investing in defense for security reasons, but as of 2025 **the majority of Article 9 funds still refuse to hold any weapons makers**. Overall, weapons are one of the most discussed controversial categories currently, with the strictest exclusions applied to the worst kinds (cluster munitions = zero tolerance globally).

Each of the above categories can impose constraints on both public and private market investing. The exact thresholds and definitions might differ by institution, but the trend is toward **codifying these screens**. The challenge, of course, lies in determining whether a given company crosses those lines, especially when companies may not fully disclose these involvements, or when dealing with thousands of private companies where information is sparse.

Interestingly, we observe that this type of screening exercise is rapidly expanding beyond regulation. While SFDR and the EU Taxonomy anchor the core exclusion set in Europe, investor practice is widening to include mandate- and values-driven criteria. Asset owners are increasingly requesting bespoke screens that reflect stakeholder expectations or reputational guardrails, even in the absence of regulatory requirements. Examples include excluding pork-related activities for portfolios aligned with Islamic finance principles, or applying aviation constraints in climate-oriented strategies where high lifecycle emissions or weak transition plans conflict with the fund's narrative. Other emerging themes include cryptocurrency activities or controversial biotechnology research exclusions. These additions are typically codified as clear revenue thresholds or as qualitative rules.

Screening Challenges: Public vs. Private Markets

Screening a portfolio for controversial business involvement is a vastly different exercise for **public assets** compared to **private assets**. ESG teams at LPs and GPs must contend with these differences, especially as regulations like SFDR push similar expectations onto private market funds. Below we outline key challenges and contrasts:

Data Availability and Transparency

Public companies typically provide more data. However, it is crucial to recognize that heavily depending on self-reported information, common in public company analysis, can present its own challenges. In any case, public companies publish annual reports, share segment revenues, and are covered by ESG rating agencies. For instance, a public company like Philip Morris International will openly report it derives close to 100% of revenue from tobacco, making it straightforward to flag for exclusion. In contrast, private companies often lack such transparency. A mid-market private firm might not disclose its business mix publicly at all. Private equity GPs traditionally relied on questionnaires, simple web searches, or due diligence calls to determine if a target company had any “sin” activities – a process That is **manual and not always reliable**. Private companies have no obligation to report involvement in controversial areas, so GPs may discover issues only after investment (if at all). For example, a GP could acquire a small chemicals manufacturer only to later learn it was supplying components for munitions. This opacity means LPs investing in private funds often press GPs to prove they have done a thorough ESG screening. SFDR Article 8/9 funds that include private assets face the challenge of demonstrating the same level of screening rigor as in public markets, without the luxury of readily available data.

> “Private companies have no obligation to report involvement in controversial areas, so GPs may discover issues only after investment (if at all).”

Coverage by Third-Party ESG Providers

The public markets are well-served by ESG data and controversy research providers, which maintain lists of involvement (e.g. a database of companies involved in cluster weapons, gambling, etc.). Private markets have a **coverage gap**. LPs in a private equity fund cannot assume that an external rating or dataset will flag a problematic private company. Hence, private market investors often resort to internal efforts or niche providers to vet companies. This disparity is evident in practical terms: our analysis found that certain controversial activities (like predatory lending and adult content platforms) are more prevalent in the private domain (e.g. payday lenders or pornography websites which are rarely publicly listed) yet traditional ESG datasets might completely miss them. Without an alternative data approach, an Article 8 private debt fund could unknowingly finance a highly controversial company simply because the company wasn't on any public "exclusion list" data.

LP/GP Constraints and Mandates

Many LPs, such as European pension funds or endowments, have their own exclusion lists and expect their GPs to adhere to them. In public markets, an asset owner can directly screen its holdings. In private markets, LPs rely on GPs to implement these screens in sourcing and due diligence. This dynamic introduces challenges: GPs may find a target company attractive financially, but if an LP's policy bars, say, fossil fuel exploration, the GP must consider dropping that deal. With SFDR, if a GP markets a fund as Article 8 or 9, they **must ensure that the underlying investments meet the criteria**. For example, a GP running an Article 8 private equity fund in 2025 will have to show that it's not investing in companies that conflict with the fund's promoted ESG characteristics (often spelled out as exclusions for weapons, tobacco, etc.). Some GPs have learned this the hard way.

Anecdotally, LP due diligence questionnaires now commonly include detailed questions on how the GP screens for controversial sectors and what processes they use if a portfolio company is later found to violate those norms. Secondaries investors have an extra wrinkle: they need to rapidly assess a portfolio of dozens to hundreds of companies they didn't originally diligence. If any hidden controversial exposure is in there (e.g. a secondary buyer taking over a portfolio that unknowingly includes a sanctioned Russian entity or a cluster munitions manufacturer), it poses significant risk. Thus, secondaries teams increasingly use accelerated ESG screening tools to X-ray a portfolio for red flags before purchase.

Dynamic vs. Static Nature of Private Investments

In public markets, portfolios can be adjusted quickly. Iif a company in an ESG fund is revealed to have a controversy, the manager can divest relatively fast. In private equity, once you own a company, you can't just sell overnight due to a scandal; you are often locked in for years. This means **pre-investment screening is absolutely critical for private assets**. A misstep puts the GP in a bind: either try to remediate as an active owner or face reputational damage with LPs. Moreover, private companies can change or grow into new controversial areas without public announcement. A defense startup might pivot into developing autonomous weapons or a fintech might start offering high-interest loans - and the GP must catch that development. While public companies issue press releases and are tracked by analysts, a private company's shift might only be discoverable via news, NGO reports, or industry chatter. This underscores the need for **ongoing monitoring** even after the initial check.

In summary, public markets benefit from transparency and established frameworks for screening, while private markets face a tougher task of information discovery. As we'll see, technology – particularly AI-driven text analysis – is emerging as a key ally in filling these data gaps, enabling both LPs and GPs to screen for controversial involvement across vast universes of companies, public or private. Before diving into the tech solution, we discuss below two examples of companies exposed to controversial business activities.

Case Study 1: Chevron Corporation - Fossil Fuels and Environmental Risk

Company Overview

Chevron Corporation is one of the world's largest integrated oil and gas companies, operating across exploration, production, refining, and transport in the U.S., Australia, Nigeria, Angola, Kazakhstan, and the Gulf of Mexico. It is deeply involved in hydraulic fracturing in the U.S., Canada, and Argentina and has maintained long-standing exposure to oil sands projects, including historically a 20% stake in Canada's Athabasca Oil Sands (sold in late 2024 for $6.5 billion). From a business-involvement perspective, Chevron's activities represent **full fossil fuel dependence**, far exceeding any exclusion thresholds under Article 8/9 frameworks, commonly 5–10% of revenue for oil and gas, or below 1% for Paris-Aligned products. In short, even before considering controversies, the company's core revenue profile alone qualifies it as a clear exclusion under fossil fuel policies.

Controversies

SESAMm’s screening also identifies a sustained pattern of **severe environmental and human rights** issues spanning decades:

- **Environmental incidents**: repeated oil spills, including the 2019 Kern County spill of 800,000 gallons, leading to $13 million in fines (2024), and a 2011 offshore spill in Brazil settled for $130 million.

- **Compliance and safety violations:** refinery fires and petrochemical infractions, including a 2012 Richmond refinery explosion that hospitalized thousands, Clean Air Act settlements in 2022, and hazardous waste penalties in 2021.

- **Human rights allegations**: legacy cases such as Lago Agrio in Ecuador (toxic dumping and illness among communities) and the 1998 Nigeria incident, where Chevron was accused of aiding military violence against protesters on company property.

Screening Outcome

Chevron is flagged for **significant involvement in Fossil Fuels & Nuclear** and **significant severity in Environmental and Human Rights** categories. The combination of fossil revenue dependence and repeated high-impact controversies makes it incompatible with Article 8/9 funds and most responsible investment mandates.

Screening Takeaway

Chevron illustrates how business-involvement data and controversy monitoring intersect: one validates the other. Even without the environmental scandals, Chevron fails exclusion tests on fossil exposure alone. With both factors combined, the result is a straightforward exclusion case supported by hard evidence and regulatory alignment.

Case Study 2: Crown Resorts - Gambling and Governance Failures

Company Overview

Crown Resorts is Australia's largest casino operator, running flagship properties in Melbourne, Perth, and Sydney. Its business model centers entirely on gambling & betting, making it a **textbook case of significant involvement** - essentially 100% exposure to an exclusion category that many funds ban or cap at ≤5–10% of revenue. Following a string of governance scandals, Crown was acquired by Blackstone in 2022 and delisted, offering a strong private-market example of why business involvement screening must extend beyond public companies.

Controversies

SESAMm's AI screening captures a sequence of serious ESG and regulatory failures:

- **International illegality**: 2016 arrests of 18 employees in China for promoting gambling in violation of Chinese law.

- **Money laundering & crime links**: laundering through casino accounts and continued partnerships with junket operators later tied to organized crime.

- **Regulatory sanctions**: inquiries in New South Wales, Victoria, and Western Australia declared Crown "unsuitable" to hold licenses; regulators imposed monitoring and fines totaling A$200 million+.

- **Predatory behavior**: evidence of loan-sharking within casino premises, and failure to protect patrons from exploitation.

Screening Outcome

Crown is classified as **significant involvement in Gambling & Betting**, with additional flags under **Sanctions & Exclusions**. It also shows **limited exposure to Predatory Lending** and minor environmental issues.

Screening Takeaway

Crown demonstrates how a company's core business model (gambling) can intersect with **multi-dimensional ESG risks** (AML, governance, and social harm). In private markets-where disclosures are minimal, AI-driven screening enables investors to detect red flags early, determine whether engagement or exclusion is appropriate, and avoid inheriting reputational or regulatory liabilities.

SESAMm's AI Solution Automating Controversial Business Involvement Screening in Public and Private Assets

The above case studies illustrate how data-driven insights can reveal the scope and severity of controversial involvements. SESAMm's platform operationalizes this through a new **AI agent** approach that **scans and analyzes vast amounts of information**. Below we provide an overview of SESAMm's business involvement screening capabilities, and how they address investors' needs for automation, thresholding, and flexible outputs.

Comprehensive Coverage through Big Data

SESAMm leverages its AI engine to monitor over 30 billion articles and 10 million new documents daily across news sites, blogs, NGO sites, regulatory releases, and more. This enormous data lake includes sources in multiple languages and local outlets worldwide. The benefit is that **even obscure references to a company or its suppliers get picked up**. For example, if a small company in Southeast Asia is flagged by an NGO for sexual exploitation, SESAMm raises an alert based on the local information directly. SESAMm's knowledge graph covers millions of public and private companies globally, meaning users can **screen entities far beyond the usual indices**. Importantly, private companies and subsidiaries are in the graph – enabling LPs to screen PE portfolios or banks to screen private credit exposures with the same depth as public equities.

Customizable Exclusion Frameworks

SESAMm's business involvement screening gives investors **control over what to screen and how to classify it**. Users can request **customization of exclusion categories to mirror their own policy**, whether based on regulation (e.g., SFDR, EU Taxonomy) or internal mandates (e.g., faith-based or reputational constraints). In addition to standard ESG categories like fossil fuels or weapons, investors can add custom topics such as pork-related activities for Sharia-compliant portfolios. This flexibility allows ESG, compliance and secondaries teams to tailor the tool to their precise needs, reflecting both regulatory and values-based exclusions.

Threshold-Based Classification

SESAMm's business involvement screening module is built around the concept of **threshold-based flags**. The AI utilizes **structured data** (if available) and **unstructured signals** (e.g. a news report that "Company X gets 20% of revenue from coal") to determine involvement levels. The **output for each company is a clear classification**: No Involvement, Limited Involvement, or Significant Involvement for each category. These classifications correspond to thresholds – limited might mean some involvement but below the exclusion threshold, significant means above threshold or core business. By encoding the thresholds in the system, SESAMm ensures **consistency with the investor's policy**. This is crucial for automation: rather than an analyst manually checking revenue percentages and news, the system does it automatically and provides clear justification.

Rapid Portfolio Screening Process

The system is designed for **fast, self-contained screening**. A user simply uploads a list or portfolio, for instance, the holdings of a secondary transaction or a GP's investment universe, and within hours receives a complete file summarizing involvement across all exclusion categories. The output includes company-level classifications, summaries of supporting evidence, and references to sources. This enables investors to integrate the results directly into due diligence workflows, risk committees, or regulatory reporting, with no ongoing manual data maintenance required.

Cost and Resource Efficiency

Automating this process **saves substantial analyst time**, particularly for rating agencies and secondaries investors managing high volumes of entities. Rating agencies can use the pre-classified results as a baseline input for their own ESG or credit assessments, **reducing the manual data-gathering burden**. LPs and GPs can run large private company universes in-house without additional research teams. In **secondaries**, where a full portfolio review can take days of analyst effort, SESAMm's workflow compresses that timeline to just a few hours, enabling ESG validation to fit seamlessly into transaction schedules. The solution is already deployed by **major secondaries teams in Europe and the U.S., who rely on it to screen hundreds of portfolio lines before closing deals**.

Auditability and Verification

Each classification is **fully transparent**. Analysts can drill down into the evidence behind a flag, including links to original articles, filings, or corporate statements, and verify the AI's reasoning. Automatic translation ensures accessibility across languages. This transparency builds trust in the results and provides auditable documentation for LP reporting or regulator reviews.

SESAMm's new AI-driven screening transforms how investors identify and manage controversial business involvement, including in private markets. It **combines the speed and scale of automation with the precision of investor-defined criteria**, ensuring that every exclusion aligns with each fund's policy and values. The result is a transparent, auditable process that replaces weeks of manual review with hours of analysis, empowering ESG teams to uphold both regulatory obligations and reputational standards. As exclusion frameworks expand beyond regulation to reflect broader ethical and client-driven demands, this flexibility becomes essential to keep portfolios aligned and defensible.

Company	Sanctions & Exclusions	Fossil Fuels & Nuclear	Human Rights & Labor Violations	Sources	Summary
Chevron Corporation	No Involvement	Significant Involvement	Significant Involvement	Link, Link Link, Link	Chevron has significant involvement in fossil fuels as a core...
Phillip Morris	No Involvement	Limited Inolvement	Significant Involvement	Link, Link Link, Link	Philip Morris has significant involvement in tobacco with...
Delta Air Lines	No Involvement	Significant Involvement	No Involvement	Link, Link Link, Link	Delta Air Lines shows significant involvement in fossil fuels via its ownership of Monroe Energy's...
Entain Plc	Limited Inolvement	No Involvement	Limited Inolvement	Link, Link Link, Link	Limited involvement in Sanctions/Exclusions due to UK and Australian regulatory...

Beyond Public Markets and Compliance – The Evolving Frontier of Exclusions

Controversial business involvement screening is moving beyond its origins as a compliance exercise.

Under frameworks like SFDR and the EU Taxonomy, investors must prove that their portfolios not only promote sustainability but also exclude activities fundamentally at odds with environmental, social, or ethical principles. This marks a shift from static disclosure toward dynamic accountability, and it has broadened both the scope and ambition of ESG screening.

Historically, exclusions focused on a narrow range of activities - weapons, tobacco, or fossil fuels - and primarily applied to public equities. Today, that universe has expanded dramatically. Private markets, secondaries portfolios, and private credit exposures are now expected to undergo the same scrutiny as listed assets. This reflects not only regulatory alignment but also diversifying investor expectations, as institutions incorporate reputational, cultural, and mission-based constraints into their investment frameworks.

Modern exclusion policies increasingly include areas not yet covered by regulation but relevant to ethics, faith, or social impact. Examples range from pork-related activities in Sharia-compliant portfolios to emerging debates over cryptocurrency mining and trading, and even biotechnology topics such as human cloning or genetic manipulation that raise profound ethical questions. These additions illustrate how business involvement screening is evolving from a rule-based checklist into a reflection of each investor's worldview and stakeholder commitments.

This evolution, however, brings complexity. Private assets and novel sectors often lack standardized data or public disclosures. ESG, compliance and deal teams must process incomplete information, document decisions, and adapt quickly to new mandates - all without expanding headcount. The result is a growing need for automation that can adapt to human nuance.

SESAMm's AI-powered business involvement screening meets that need. By allowing investors to screen based on their own exclusion categories and thresholds, it translates varied mandates - from regulatory to reputational - into a single, automated process. A list of hundreds of companies, public or private, can be screened in hours with auditable, evidence-backed outputs. Rating agencies use it to streamline their analysis; LPs and secondaries teams use it to accelerate portfolio reviews that once took days.

As ESG investing matures, the leaders will be those who can implement exclusions transparently, efficiently, and in alignment with evolving norms. The next frontier is no longer just regulatory compliance - it is the ability to anticipate what clients and society will expect tomorrow, and to operationalize those expectations across all asset classes. SESAMm's technology makes that possible: a platform that keeps pace with both policy evolution and moral expectations, bringing consistency and clarity to an increasingly complex ESG landscape.