Schroder ISF Global Energy Transition exclusions policy

UN Global Compact violations: Human Rights, Labour Rights, Environment, Anti-corruption

We recognise the importance of companies respecting and protecting human rights, ensuring decent working conditions and upholding labour rights, promoting greater environmental responsibility and having robust anti-corruption measures and practices in place. Through our ESG integration and active ownership process we take into consideration how companies are interacting with all their stakeholders (customers, suppliers, environment, regulators, employees and communities) and the contribution this might have (both negative and positive) to their long-term success. We consider the UNGC principles within this framework, in addition to a broader range of issues. That analysis also informs our engagement with companies; where we consider companies' business practices may be unsustainable we regularly engagement management teams to better understand their plans, and to promote more responsible behaviour.

Weapons

We fully support the international convention on Cluster Munitions and Anti-Personnel Mines:

– The Convention on Cluster Munitions (2008): prohibits the production, stockpiling, transfer and use of cluster munitions
– The Anti-Personnel Landmines Treaty (1997), also known as The Ottawa Treaty (1997): prohibits the production, stockpiling, transfer and use of anti-personnel landmines

We will not knowingly hold any security that will derive revenue from these sources.

We exclude any company that generate any revenues from any form of weapons, including nuclear weapons, biological weapons and military weapons. More specifically we will not invest in any company with any revenue (0% revenue threshold) from:

- Weapons Percentage of Revenues (>0%)
- Weapons – Bio/Chem Percentage of Revenues (>0%)
- Weapons – Nuclear Percentage of Revenues (>0%)
- Cluster Munitions (Any)
- Depleted Uranium Manufacturer (Any)
- Landmines (Any)
- Non-Detectable Fragments (Any)

Issued: 12 September 2019

Tobacco

The World Health Organisation has estimated that tobacco use (smoking and smokeless) is currently responsible for the death of about seven million people across the world each year, with more than 10% of deaths due to the effects of second-hand smoke.

We exclude any company that generates any revenues (0% revenue threshold) from any form of tobacco-related activity (including production, distribution and sales).

Fossil fuels

The scale of the threat facing the fossil fuel industry is significant. Meeting international climate change targets to limit the rise in temperatures to 2°C will require more change and more disruption than we have seen so far and fossil fuel producers are in the cross hairs.

Coal producers will bear the brunt of decarbonisation's impact. Coal is the most carbon intensive fossil fuel, generating twice as much carbon as gas to produce the same amount of energy. We excludes any company that generates any revenues from thermal coal.

While conventional oil and gas are less carbon intensive than coal, they are major contributors to global greenhouse gas emissions and their use will have to fall significantly in the future. The We exclude any company that generates any revenues from conventional oil and gas extraction

Unconventional oil and gas, such as tar sands, oil shale and shale gas, Arctic onshore and offshore, require more energy-intensive production methods compared to conventional oil and gas. There are also health and environmental impacts through air, water, land and soil pollution.

We exclude any company that generates any revenues from fossil fuels, including both conventional and unconventional oil and gas extraction and coal. More specifically we will not invest in any company with any revenue (0% revenue threshold) or reserves from:

- Total Coal Reserves (Any)
- Thermal Coal Reserves (Any)
- Natural Gas Reserves (Any)
- Oil Reserves (Any)
- Oil & Natural Gas Reserves (Any)
- Thermal Coal Percentage of Revenues (>0%)
- Oil and Gas Extraction and Production Percentage of Revenues (>0%)
- Oil and Gas Distribution and Retail Percentage of Revenues (>0%)
- Oil and Gas Petrochemicals Percentage of Revenues (>0%)
- Oil and Gas Pipelines and Transportation Percentage of Revenues (>0%)
- Oil and Gas Refining Percentage of Revenues (>0%)
- Oil and Gas Trading Percentage of Revenues (>0%)
- Oil Sands Percentage of Revenues (>0%)

Nuclear energy

Nuclear energy is essentially a zero greenhouse gas emission source of power generation and for this reason a number of countries have included it as part of their climate change action plan. However, we recognise there are environmental and health and safety concerns relating to potential accidents and the disposal of long-lived, radioactive nuclear waste.

We will not invest in companies that generate any revenue from the sale of nuclear power generation. More specifically we will not invest in any company with any revenue (0% revenue threshold) from:

- Nuclear Power Uranium Mining Percentage of Revenues (>0%)
- Nuclear Power Utility Percentage of Revenues (>0%)

Biodiversity

Biodiversity – the variety of plants and animals, and where they live – is critical for our everyday lives. It provides us with food, water, clean air, shelter and medicines. Loss of biodiversity and changes to ecosystems can increase the risk of infectious diseases in animals, plants and humans.

We recognise that deforestations, changes in land use, increasing agricultural intensity, over-population, climate change and pollution contribute to biodiversity loss and we therefore take these factors into consideration in our ESG analysis of companies and engage with companies where we believe their practices are unsustainable.

Water use

Water is critical to human and ecosystem health, necessary in many industrial processes, indispensable in food and energy production, an important vehicle for disposing of wastes, and integral to many forms of recreation. While ~70% of the earth's surface is covered in water, less than 1% of this is water available for consumption by people and business, and the supply of clean, fresh water is decreasing. At the same time, there is an increasing demand for water through agriculture, a growing global population and economic development. Supply side and demand side pressure means that water is increasingly becoming a material risk for companies that are struggling to source scarce, clean water. Understanding and managing water risk may be fundamental to a company's ability to continue as a going concern.

As a result, the water intensity of companies' operations, scarcity in the regions in which they operate and their strategies to manage their use all feature in our ESG analysis of companies. We also engage companies with direct or indirect exposure.

Taxation

Taxes are probably the clearest form of companies' social contribution. They are reinvested by the state into society, providing vital public services. We believe it is important that companies behave responsibly and conduct their tax affairs in an open and transparent way. Responsible tax payment is reflected in the tools available to our analysts when examining ESG performances and is regularly included in our engagement with companies.

Oppressive regimes

Oppressive regimes are commonly associated with systematic human rights abuses, and often an absence of the rule of law, a lack of freedom of expression and land rights abuses. Through our ESG integration and active ownership process we seek to understand whether companies operate or have supply chains in countries governed by oppressive regimes.

We comply with the sanctions regimes issued by the EU, the UN, Her Majesty's Treasury (HMT), and the Office of Foreign Asset Control (OFAC) in the United States.

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