

Exclusion policy for impact investing funds



September 2020

1. Introduction

RobecoSAM and Robeco believe that some products and business practices are detrimental to society and incompatible with sustainable investment strategies. Therefore, certain exclusion criteria are applied to all assets under management of all funds over which RobecoSAM and Robeco have full discretion, including sub-advised funds.

In all funds, managed by RobecoSAM and Robeco, ESG considerations are taken into account and the [general exclusion policy](#) applies as standard. Funds where the general exclusion policy is applied qualify for the product category “Sustainability inside”.














All other funds either fall into the product categories “Sustainability focused” or “Impact investing”. For these product categories, stricter exclusions apply.

In summary, there are three levels of exclusions as follows:

- The general exclusion policy applies to all “Sustainability inside” funds (all assets under management of all funds over which RobecoSAM and Robeco have full discretion)
- Additional exclusion criteria apply to all “Sustainability focused” funds
- Further additional exclusion criteria apply to all “Impact Investing” funds

All RobecoSAM-branded funds fall under the “Impact investing” product category, which also includes the RobecoSAM thematic products. This document details all exclusion criteria relevant for these strategies.

Overview of exclusion criteria:

	Exclusion criteria	Exclusion sub-area	Company revenue threshold	
	Controversial behavior	Own operations, supply chain: UNGC Principles and OECD Guidelines	0%	Sustainability inside
	Controversial weapons*	Anti-personnel mines, cluster munitions, chemical and biological weapons, depleted uranium weapons, and nuclear weapons	0%	
	Tobacco	Production Key parts	0% 50% ¹ / 5% ² / 3)	Sustainability focused
	Palm oil	Non-RSPO certified production	80% ¹ / 20% ² / 3)	
	Thermal coal	Coal mining Coal based energy production	25% ¹ / 10% ^{2,3}	
	Oil Sands	Production	25% ¹ / 10% ^{2,3}	
	Arctic Drilling	Production	10% ¹ / 5% ^{2,3}	
	Military contracting	Weapon systems, Tailor-made components	5%	Impact investing
	Firearms	Production	0%	
	Nuclear power	Electric utilities	30%	
	Alcohol	Production Retail	5% 10%	
	Gambling	Production, services	5%	
	Adult entertainment	Production, services, print	5%	

Source: RobecoSAM / Maximum percentage of company revenue threshold. / *Sustainability inside products do not exclude companies based in countries that are part of The Treaty on the Non-Proliferation of Nuclear Weapons (1968). / 1) Sustainability inside / 2) Sustainability focused / 3) Impact investing

Detailed explanations of all the exclusion criteria follow in Chapter 2. Furthermore, for specific discretionary mandates, RobecoSAM offers various other exclusion criteria to suit clients’ needs.

2. Exclusion criteria for the “Impact investing” product category

General exclusion criteria

Global Compact breaches	RobecoSAM follows Robeco’s monitoring of UNGC breaches for controversial behavior and applies an enhanced engagement process for listed companies that have severely breached the UNGC principles (which are outlined in Enclosure 1). If this enhanced engagement, which may last up to three years, does not lead to the desired change, RobecoSAM will exclude that company from its investment universe. The enhanced engagement process is led by Robeco.
Controversial weapons	<p>RobecoSAM deems anti-personnel mines, cluster munitions, chemical and biological weapons, depleted uranium weapons, and nuclear weapons to be controversial weapons. Exclusion is applied to listed companies that are manufacturers of certain products that do not comply with the following treaties on controversial weapons:</p> <ol style="list-style-type: none">1. The Ottawa Treaty (1997), which prohibits the use, stockpiling, production and transfer of anti-personnel mines.2. The Convention on Cluster Munitions (2008), which prohibits the use, stockpiling, production and transfer of cluster munitions.3. The Chemical Weapons Convention (1997), which prohibits the use, stockpiling, production and transfer of chemical weapons.4. The Biological Weapons Convention (1975), which prohibits the use, stockpiling, production and transfer of biological weapons.5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States (USA, Russia, UK, France and China). <p>In addition to applicable rules and regulations in this respect, RobecoSAM funds will not invest in securities of listed companies that are producers of such controversial weapons or strategic parts thereof, or that gain revenues out of selling or transporting them.</p> <p>RobecoSAM also applies this restriction to companies “involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.”</p>
Tobacco	RobecoSAM excludes companies involved in the production (>0% of their revenues) of tobacco or significant components of cigarettes such as filters (5% or more of their revenues). We do not exclude retailers that sell such products.
Palm oil	RobecoSAM excludes palm oil producing companies with less than 80% of land (ha) for palm oil cultivation certified according to the RSPO standard. This exclusion is also valid for holding companies and conglomerates which derive more than 20% of annual revenues from a subsidiary that has not obtained the necessary RSPO certifications.

Military contracting	RobecoSAM excludes companies that generate 5% or more of their revenues from selling weapon systems and/or integral, tailor-made components for weapons to the military. The exclusion does not apply to companies that provide non-weapons related products and/or services to the military or defense industry. For example, telecommunications services, data management, software, or transportation of other non-weapon related supplies.
Firearms	RobecoSAM excludes companies involved in the manufacture of firearms or arms ammunition to civilian, military, and law enforcement customers.
Thermal coal	RobecoSAM excludes mining companies that generate 10% or more of their revenues from thermal coal, and power producers that generate 10% or more of their revenues from power generated using thermal coal.
Nuclear power	RobecoSAM excludes electricity utilities that generate more than 30% of their power from nuclear sources.
Oil sands	Companies that derive 10% or more of their revenues from oil sands are excluded as they are among the most carbon intensive means of crude oil production.
Arctic drilling	Arctic drilling poses higher risks of spills compared to conventional oil and gas exploration and has potential irreversible impacts on the sensitive arctic ecosystem. Companies that derive 5% or more of their revenues from arctic drilling, are excluded from our funds.

Additional exclusion criteria for "Impact investing" products only

Alcohol	RobecoSAM excludes companies that generate 5% or more of their revenues from the production of alcoholic beverages as well as the supply of specialized equipment and specialized raw materials required for the production of alcoholic beverages. Companies that generate 10% or more of their revenues from retail sales of alcoholic beverages through liquor stores, bars or pub chains, and/or restaurants, supermarkets and convenience stores, are also excluded.
Gambling	RobecoSAM excludes companies that generate 5% or more of their revenues from owning and/or operating gambling establishments (e.g. casinos, race tracks, online gambling), manufacturing specialized equipment used exclusively for gambling (e.g. slot machines, roulette wheels), and/or supporting products and services supplied to gambling operations.
Adult Entertainment	RobecoSAM excludes companies that generate 5% or more of their revenues from the production (e.g. print, online, TV), operation, and/or distribution (e.g. pay-per-view adult channels) of adult entertainment.

Enclosure 1 United Nations Global Compact Principles

Human rights

Businesses should

- (1) support and respect the protection of internationally proclaimed human rights; and
- (2) ensure that they are not complicit in human-rights abuses.

Labor standards

Businesses should uphold

- (3) the freedom of association and the effective recognition of the right to collective bargaining;
- (4) the elimination of all forms of forced and compulsory labor;
- (5) the effective abolition of child labor; and
- (6) the elimination of discrimination in respect of employment and occupation.

The environment

Businesses should

- (7) support a precautionary approach to environmental challenges;
- (8) undertake initiatives to promote greater environmental responsibility; and
- (9) encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Businesses should

- (10) work against corruption in all its forms, including extortion and bribery.

Important legal information:

No warranty This publication is derived from sources believed to be accurate and reliable, but neither its accuracy nor completeness is guaranteed. The material and information in this publication are provided "as is" and without warranties of any kind, either expressed or implied. RobecoSAM AG and its related, affiliated and subsidiary companies disclaim all warranties, expressed or implied, including, but not limited to, implied warranties of merchantability and fitness for a particular purpose. Any opinions and views in this publication reflect the current judgment of the authors and may change without notice. It is each reader's responsibility to evaluate the accuracy, completeness and usefulness of any opinions, advice, services or other information provided in this publication.

Limitation of liability All information contained in this publication is distributed with the understanding that the authors, publishers and distributors are not rendering legal, accounting or other professional advice or opinions on specific facts or matters and accordingly assume no liability whatsoever in connection with its use. In no event shall RobecoSAM AG and its related, affiliated and subsidiary companies be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of any opinion or information expressly or implicitly contained in this publication.

Copyright Unless otherwise noted, text, images and layout of this publication are the exclusive property of RobecoSAM AG and/or its related, affiliated and subsidiary companies and may not be copied or distributed, in whole or in part, without the express written consent of RobecoSAM AG or its related, affiliated and subsidiary companies.

No offer The information and opinions contained in this publication constitutes neither a solicitation, nor a recommendation, nor an offer to buy or sell investment instruments or other services, or to engage in any other kind of transaction. The information described in this publication is not directed to persons in any jurisdiction where the provision of such information would run counter to local laws and regulation.
© 2020 RobecoSAM AG