

Policy Statement - Extractives

1. What we believe

The extractives sector is significantly exposed across the spectrum of ESG issues including labour conditions, societal care, and indigenous rights. The sector is also a strategic asset by many governments, particularly in emerging market jurisdictions, leading to bribery, corruption, and subordination of environmental concerns. However, as the supplier of key inputs to meet the demand for the development of sustainability-focused products and renewable energy infrastructure, the extractives sector should form part of a robust engagement strategy that focuses the protection of people and planet.

2. What we expect

Relevant expectations will be considered on an impact potential basis as indicated by our priority matrix.

2.1. Climate emergency

We expect all companies to limit and reduce their greenhouse gas emissions and intensity resulting from their own processes, their supply chains, and the use of their products. We therefore expect companies to meet the standards set out in our climate change policy.

2.2. Environment

We expect companies to mitigate the impact their activity and products have on the environment. Companies should seek to protect the environmental value of the regions in which they operate by seeking sustainable improvements to their activities. Issues such as tailings management; product lifecycles; biodiversity; and land, water and air usage should be measured, monitored and improved upon.

2.3. Societal care

Consultation with local communities is required where mining may have a major impact upon the social and physical environment and upon local people. Respect for the views of local communities should be the basis on which the consultations are made. We expect companies to respect the international council on mining and metals indigenous peoples position statement.

2.4. Workers rights

We expect companies to treat their workers with dignity and respect, to meet local laws and international agreements, to recognise the right to unionising, to pay a fair wage, and to value diversity and inclusion. Companies must maintain a clear and effective policy to eliminate accidents, and to safeguard the health and safety of its workers. Companies need to be aware of the risk of the illicit use of forced labour or child labour, as well as avoiding racial or sexual discrimination.

2.5. Modern Slavery

We expect companies to respect the universal declaration on human rights, the UN guiding principles on human rights, the ten UN global compact principles, and the voluntary principles on security and human rights. We further expect companies to take a systemic approach to integrating human rights due diligence throughout their supply chain.

2.6. Corporate governance and transparency

We support the view that good governance is about the relationship between investors and the companies in which they invest so as to reassure themselves of the strength and appropriateness of the governance regime in place. We therefore expect companies to meet the standards set out in our corporate governance policy.

2.7. Health risks

We expect companies to take steps to limit the negative health impacts associated with working in and around its mining operations. Companies should measure and seek to reduce the negative impact of its operations on both physical and mental health of workers. We also expect companies to enhance positive contributions to the health and wellbeing of its employees, contractors, and the local community. Where a mining operation is located in or near a poor community, we expect mining companies to take steps in limiting exposure to disease, domestic violence and substance abuse. We further expect mining companies to be considerate operators of road vehicles and to promote road safety in their employee training.

2.8. Government and policy making

Where not in contravention of the UN principles on human rights, we expect companies to respect a country's political process and to not restrict the individual rights and freedoms of its employees and contractors. We further expect companies to be transparent where it supports political parties, candidates, or campaigns and to disclose where it engages with government on public policy and legislation. It is also our position that companies have an ethical obligation to obey the spirit, as well as the letter of the law on tax. We expect companies to have a publicly available and transparent tax policy, that outlines the company's position on tax compliance, tax planning, and tax reporting.

2.9. Equality and diversity

We expect companies to pursue better representation of race, gender, ethnic origin, neurodiversity, and sexual orientation across all areas of operations – including Board and C-suite level. Companies should develop policies and procedures that actively promote inclusion and diversity in the recruitment and hiring process. Companies should also adopt corporate culture practices that promote an understanding and inclusion of minorities.

2.10. War and conflict

We expect specific attention to be paid to conflict sensitive areas where there is a consistent record of egregious human rights abuse. Special measures should be considered in such circumstances. These would include ensuring conformity with any home state government's advice for commercial activity in the specific conflict area; an independently facilitated human rights impact assessment or conflict impact assessment is commissioned and undertaken at an early stage of project development. We actively seek not to invest in any company that is directly or materially involved in activities that are in breach of international law or is complicit in violations of human rights as defined by the United Nations Universal Declaration of Human Rights. This includes the provision of (or expectation of access to) services (such as water, gas or electricity, transportation, or agricultural land) when that provision materially disadvantages one community in favour of another.

3. How we measure

Our expectations will form the basis of a research and monitoring template. This template will identify a company's exposure and risk to the issues outlined in this policy and will output a scorecard for the company. It will utilise external research providers such as Sustainalytics, TPI, CDP, as well as in-house analysis and company-own reporting. Companies will be graded A-E, with A being a leader, and D being a laggard. Companies with egregious scores will be graded E and will be excluded. Details on our research and monitoring can be found on our website.

4. What we aim to do

Considering institutional goals, stakeholder value preference, significance of potential outcomes, portfolio impact, an action plan will be made and executed. This may include engagement, public activism, re-evaluation, referral, or divestment.

Though we will aim to engage across all expectations outlined in this policy, particular focus will be given to the climate emergency. We will seek to meet with companies to discuss the key opportunities and hurdles they face in the transition to a low carbon economy, encouraging verified emissions reductions targets, and challenging companies through AGMs or voting strategies in areas where they fail to meet expectations.

This document and its outcomes will be reviewed annually to ensure the expectations and engagement activities meet both stakeholder priority and sector reality.