

• **SECTOR AND EXCLUSION
POLICY
CONTROVERSIAL WEAPONS**

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- **1. INTRODUCTION**

Sector and exclusion policies are at the very heart of Ostrum Asset Management's CSR strategy.

As part of its Corporate Social Responsibility policy, Ostrum Asset Management defines sector and exclusion policies that are in line with its shareholders' philosophy and comply with the goals and pledges outlined specifically by the company to align with its Responsible Asset Management strategy, and with national and international regulations.

Sector and exclusion policies defined and implemented by Ostrum Asset Management aim to identify issuers excluded from the company's investment scope based on their operations, geographical locations, the way they work, their reputation, breach of international standards, etc.

The list of issuers covered by the sector and exclusion policies is updated at least once each year.

Find out more about Ostrum Asset Management's CSR initiatives at www.ostrum.com.

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- **2. SCOPE FOR APPLICATION**

Ostrum Asset Management decided to extend the scope of application for its controversial weapons policy to all funds where it is financial manager. However, there are differences between the scope of application for cluster bombs and anti-personnel mines and other types of exclusion:

- The ban on investment in issuers associated **with cluster bombs and anti-personnel mines** applies to all funds where Ostrum Asset Management is the investment manager, whether main or delegated manager. This policy therefore applies to all open-ended funds, dedicated funds and mandates **on new investments as well as existing stocks.**
- Investment bans on issuers involved in **chemical weapons, biological weapons, nuclear weapons (outside the Treaty on Non-Proliferation) and depleted uranium weapons, as well as any other exclusion determined by Ostrum Asset Management as part of its controversial weapons policy** (and excluding cluster bombs and anti-personnel mines), apply to all open-ended funds¹, dedicated funds and mandates where Ostrum Asset Management is the financial management company, but – as regards mandates – **this policy only applies to new investments, not existing ones.**

Following Seeyond's merger through absorption into Ostrum Asset Management and the transfer to Ostrum AM of NIM Solutions' institutional insurance portfolio management and structured management activities (1 January 2023), the funds that were managed by Seeyond and NIM Solutions will fall within the scope of application of this policy as of 1 January 2023.

¹ With the exception of trackers, structured funds existing at 1 January 2023, and excluding specific constraints related to our clients' contractual documentation.

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- **3. DETAILED DESCRIPTION**

Ostrum Asset Management excludes from all its portfolios companies involved in the use, development, production, sale, distribution, stockpiling or transport of the following weapons categories:

- **Anti-personnel mines;**
- **Cluster bombs;**
- **Chemical weapons;**
- **Biological weapons;**
- **Nuclear weapons (outside the framework set by the Treaty on Non-Proliferation);**
- **Depleted uranium weapons.**

These pledges comply with the Ottawa Treaty, the Oslo Convention, the Chemicals Weapon Convention, the Biological Weapons Convention, the Treaty on the Non-proliferation of Nuclear Weapons.

3.1. IDENTIFYING ISSUERS COVERED BY THE POLICY

Ostrum Asset Management relies on non-financial data providers that specialise in identifying controversial weapons and on the expertise of its teams (analysts, portfolio managers and members of the ESG Strategy team), who are responsible for monitoring and updating the list of issuers covered by sector and exclusion policies. Teams also check the quality of data provided by external providers where appropriate via a Controversial Weapons Committee, which meets at least once per year.

Ostrum Asset Management also reserves the right to exclude issuers in the Defence sector or subcontractors from other sectors that are not covered in the categories mentioned above, when weapons they manufacture *“are considered to cause unnecessary or unjustifiable suffering to combatants or to affect civilians indiscriminately”*, in line with the United Nations’ principles.²

In this case, Ostrum Asset Management will conduct its own investigation through its Controversial Weapons Committee and engage directly with issuers to dialogue on the question where necessary.

² Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons (1980). Available [here](#)

3.2. ISSUERS COVERED

All companies, listed or unlisted, which are proven to be involved in the use, development, production, sale, distribution, stockpiling or transport of anti-personnel mines or cluster bombs, chemical weapons, biological weapons, nuclear weapons (outside the Treaty on Non-Proliferation), depleted uranium weapons. Ostrum Asset Management defines issuers involved in weapons production as any manufacturers of finished weapons and companies producing crucial components specifically designed for these weapons.

3.3. UPDATING THE LIST OF ISSUERS COVERED BY THE POLICY

Ostrum Asset Management updates the list of issuers covered by this policy at least once a year and as often as necessary, for example in the event of a major incident involving a controversial issuer.

The updating of the list of issuers covered takes into account the various elements of analysis available and the results of engagement initiatives with issuers.

The list of issuers covered is reviewed and confirmed by the Controversial Weapons Committee, which has a specific governance team that includes Defence sector specialists, Portfolio Management, ESG Strategy and representatives from the Risk and Compliance departments.

If a security held in a portfolio is identified as to be excluded from the investment universes following an update to the exclusion lists (post-investment identification), **the securities must be sold within one month of the distribution of the updated lists.** This period is granted in order to best manage the sale in the interest of the holder.

Any exemption from this period must be approved by the Investment Officers and the Risk department, and **the security may not be held for more than three months after the update to the distributed lists, or after 15 December of the current calendar year.**

3.4. POLICY COMMUNICATION

All parties involved are informed of the contents of the policy via various media:

- General information on sector and exclusion policies is published on the Ostrum Asset Management website.³
- Ostrum Asset Management's exclusion policies are distributed by client services to clients of dedicated funds and mandates to confirm their application to these portfolios.

³ <https://www.ostrum.com/fr/notre-documentation-rse-et-esg>

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- **4. LEGISLATIVE REFERENCES -
BACKGROUND AND ISSUES AT
STAKE**

Ostrum Asset Management refers to a set of international standards and legal references to define its exclusion categories and their scope of application.

The Ottawa Treaty (1999) and the **Oslo Convention** (2010) prohibit the production, use, stockpiling, sale and transfer of anti-personnel mines and cluster bombs.

These weapons can affect those not involved in conflict:

- Anti-personnel mines are triggered by the presence, proximity or contact of a person and are designed to incapacitate, injure or kill one or several people;
- Cluster bombs are designed to scatter or let off explosive cluster munitions in all directions.

Financing can be seen as an incentive to produce such weapons. The scope of the ban is interpreted differently depending on the country. In France “any informed decision to provide direct or indirect financial support for the production or sale of cluster bombs would be considered as assistance, encouragement or incentive punishable under criminal law”⁴.

The Chemicals Weapons Convention (1993), officially known as the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (the Chemical Weapons Convention or CWC) is an international disarmament treaty.

In France, Article L2342-60 of the French Defence Code⁵ bans and punishes obtaining financing to produce or use chemical weapons or ammunition.

The Biological Weapons Convention (1972), officially known as the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction.

Article L2341-2 of the French Defence Code⁶ bans any financing to develop, manufacture, hold, store, transport, acquire, sell, import, export, or conduct trade or brokerage in microbiological agents, other biological agents and biological toxins, regardless of their origin and production method, and types and quantity not designed for prophylactic, protective or other peaceful purposes.

The Treaty on the Non-Proliferation of Nuclear Weapons (1968) is built on three commitments: (1) disarmament; (2) nuclear non-proliferation. Nuclear-weapon States pledge not to transfer nuclear weapons to third parties. Non-nuclear States commit not to acquire weapons and to place their nuclear installations under the IAEA safeguard system; (3) peaceful use of nuclear energy and nuclear applications.

⁴ Act No. 2010-819 of 20 July 2010

⁵ Article L2342-60, Defence Code

⁶ Article L2341-2, Defence Code

ADDITIONAL NOTES

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Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.



Ostrum Asset Management

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