

● **SECTOR AND EXCLUSION
POLICY
CONTROVERSIAL WEAPONS**

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Regulatory references (Main References)

Legislative and Regulatory References

In defining its exclusion categories and their scope of application, Ostrum Asset Management refers to a base of international conventions and the Code of Defense:

- **Ottawa Convention** on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines, and on their destruction, transcribed into French law by Articles L2343-1 to L2343-12 of the Code of Defense, which prohibits “the development, production, manufacture, acquisition, stockpiling, preservation, offer, sale, import, export, transfer and use of anti-personnel mines.”
- **Oslo Convention** on clusters bombs transcribed into French law by Articles L2344-1 to L2344-11 of the Code of Defense, which prohibits “the development, production, manufacture, acquisition, stockpiling, preservation, offer, sale, import, export, trade, brokerage, transfer and use of submunitions. It is also prohibited to assist, encourage or incite anyone to engage in any of the abovementioned prohibited activities.”

These weapons can affect civilian population not involved in conflicts:

- Anti-personnel mines are designed to explode in response to contact, proximity or presence of a person and are intended to incapacitate, injure or kill one or more persons
- Clusters bombs are designed to disperse or release submunitions with no predetermined direction.

Financing may be considered as encouraging the production of such weapons. In France, during preparatory work for transcribing Oslo Convention into French law, the Commission stated that “any direct or indirect financial assistance, knowingly, to a manufacturing or trade activity of clusters bombs would constitute assistance, encouragement or incitement within the scope of criminal law.”¹

- **The Chemicals Weapons Convention (Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction)**² is an international disarmament treaty.

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

- **The Biological Weapons Convention** of 10 April 1972 (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 Code 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 (in force in France since 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.

The Convention on Certain Conventional Weapons of 10 October 1980 aims to limit or prohibit the use of weapons considered excessively injurious or with indiscriminate effects. Protocol I prohibits non-detectable fragments (radiographically non-detectable fragments). Protocol III governs the use of incendiary weapons (including white phosphorus), partially prohibiting their use, notably against civilians or in civilian areas. Protocol IV prohibits the use and transfer of blinding laser weapons.

Professional standards

- N/A

¹ Rapport fait au nom de de la commission de la Défense Nationale et des forces armées sur le projet de loi adopté par le Sénat tendant à l'élimination des armes à sous-munitions

² Signée le 13 janvier 1993, entrée en vigueur le 29 avril 1997 et publiée par décret n°97-325 du 8 avril 1997 : articles L2342-1 à L2342-84 du Code de la Défense

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1. INTRODUCTION

1.1. OBJECTIVE

Sectoral and exclusion policies are at the heart of Ostrum Asset Management's CSR strategy

Within the framework of its Corporate Social Responsibility (CSR) strategy, Ostrum Asset Management defines sectoral and exclusion policies in line with the philosophy of its shareholders, enabling alignment with Ostrum Asset Management's ambitions and commitments, consistent with its Responsible Management strategy and with national and international regulations.

The sectoral and exclusion policies defined and deployed by Ostrum Asset Management aim to identify issuers excluded from Ostrum Asset Management's investment universe due to their activity, geographic footprint, operations, reputation, violations of international standards, etc.

The list of issuers targeted by sectoral and exclusion policies is updated at least once a year.

Find all Ostrum Asset Management CSR initiatives at www.ostrum.com.

1.2. CONTEXT

Prohibited weapons such as anti-personnel mines, cluster munitions, chemical and biological weapons, nuclear weapons, non-detectable fragments, and blinding laser weapons often cause immeasurable human suffering and violations of fundamental rights. Many international treaties, such as the Ottawa Convention on the prohibition of anti-personnel mines and the Chemical Weapons Convention, aim to prohibit their use and limit their production. Despite these efforts, some companies continue to participate in activities related to these weapons, raising significant ethical and moral concerns for Ostrum Asset Management.

Against this backdrop, our commitment not to invest in companies associated with production or marketing of these weapons responds to an ethical and societal obligation. By adopting this policy, we strengthen our position as a responsible actor.

1.3. SCOPE

Following Ostrum Asset Management's policy overhaul and the creation of two typologies of armament, the scope of application is as follows:

1.3.1. PROHIBITED WEAPONS

Investment prohibitions and divestments of existing holdings in issuers associated with prohibited weapons covered by the Ottawa Convention, Oslo Convention, Chemical Weapons Convention, Biological Weapons Convention, Nuclear Non-Proliferation Treaty, and Protocols I and IV of Convention on Certain Conventional Weapons (hereafter "Prohibited Weapons") apply to direct investments across all open funds where Ostrum Asset Management is the main management company or discretionary manager, excluding index management funds.

In the context of dedicated or mandatory funds or delegated management entrusted to Ostrum Asset Management, the policy on prohibited weapons applies under the same conditions.

1.3.2. CONTROVERSIAL WEAPONS

Investment prohibitions and divestments of existing holdings in issuers associated with controversial weapons as covered by Protocol III of Convention on Certain Conventional Weapons and depleted uranium weapons (hereafter “Controversial Weapons”) apply to direct investments across all open funds where Ostrum Asset Management is the lead manager or discretionary manager, unless otherwise instructed by the leading management company and excluding index funds.

In the context of dedicated fund or mandates, Ostrum Asset Management applies this policy to direct investments, subject to its clients’ consent to account for it in portfolio management.

In the case of delegation of management entrusted by Ostrum Asset Management to a management company, the applicability of the policy is discussed between the parties, taking into account, among other things, the domiciliation location of the delegate.

2. DETAILED DESCRIPTION

2.1. DISTINCTION BETWEEN PROHIBITED WEAPONS AND CONTROVERSIAL WEAPONS

Ostrum Asset Management distinguishes formally prohibited weapons by international conventions and treaties from controversial weapons whose use remains partly or wholly unregulated by international law.

2.1.1. PROHIBITED WEAPONS

Ostrum Asset Management excludes from all its portfolios entities involved in the use, development, production, commercialization, distribution, storage or transport of the following weapons:

- **Anti-personnel mines** – Ottawa Convention;
- **Clusters munitions** – Oslo Convention;
- **Chemical weapons** – Convention on the prohibition of Chemical Weapons ;
- **Biological weapons** – Convention on the prohibition of Biological Weapons;
- **Nuclear weapons** (outside the framework of the NPT) – The Treaty on the Non-Proliferation of Nuclear Weapons
- **Non-detectable fragments** – Convention on Certain Conventional Weapons, Protocol I
- **Blinding laser weapons** – Convention on Certain Conventional Weapons, Protocol IV

2.1.2. CONTROVERSIAL WEAPONS

Ostrum Asset Management excludes (except as noted in 1.3.2) from all portfolios entities involved in the use, development, production, commercialization, distribution, storage or transport of the following:

- **Incendiary bombs** (including white phosphorus) – Convention on Certain Conventional Weapons, Protocol III, which limits or partially prohibits their use;
- **Depleted uranium weapons**

Although no binding international prohibition currently exists, the indiscriminate nature of these weapons and their recurrent use in armed conflicts justify heightened vigilance. However, certain issuers involved in Controversial Weapons may, on an exceptional basis, undergo a collegiate assessment by Ostrum Asset Management's Controversial Weapons Committee. This Committee brings together sector experts from the Defense sector, Managers/Directors (or their representatives) of Asset Management, Sustainable Transitions Direction, Risk, and Compliance. This procedure may lead to a reasoned exemption decision.

2.2. IDENTIFICATION OF TARGETED ISSUERS

Ostrum Asset Management relies on both specialized non-financial data providers that identify Prohibited and Controversial Weapons and on its internal expertise (analysts, fund managers, and members of the Sustainable Transitions Direction) responsible for monitoring and updating the list of issuers targeted by the sectoral and exclusion policies. If needed, the latter will verify the reliability of data provided by external providers via a Controversial Weapons Committee that meets at least once a year.

2.3. TARGETED ISSUERS

All companies, listed or private, for which there is proven involvement in the use, development, production, commercialization, distribution, storage or transport of anti-personnel mines, clusters munitions, chemical weapons, biological weapons, nuclear weapons (outside the NPT), blinding laser weapons, non-detectable fragments, incendiary bombs (including white phosphorus), or depleted uranium weapons.

For issuers involved in weapons production, Ostrum Asset Management includes both finished weapon producers and component producers whose characteristics make them essential and specifically dedicated to these weapons.

The involvement can be direct or indirect through a majority stake in the shareholding of these companies.

Sovereign issuers are not covered by this policy.

2.4. UPDATING THE LIST OF TARGETED ISSUERS

Ostrum Asset Management updates the list of issuers targeted by this policy at least annually and as needed in case of major developments concerning a controversial issuer, for example.

The updating of the targeted issuer list takes into account the various available analytical elements and the results of engagement actions conducted with issuers.

The targeted issuer list is reviewed and confirmed by the Controversial Weapons Committee.

If a security held in a portfolio is identified as to be excluded from investment universes following the update of exclusion lists (post-purchase identification), the securities must be divested within one month after the publication of the updated lists. This deadline is provided to best manage the sale in the holder's interest. Any exception to this deadline must be approved by the Portfolio Management and Risk Directors and cannot extend the holding of the security beyond three months after the updating of the lists, nor beyond December 15 of the current calendar year.

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Our sector and exclusion policies are available on Ostrum Asset Management website: <https://www.ostrum.com/en/our-csr-and-esg-publications#statutory-exclusion-policies>.



Ostrum Asset Management

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