

APRIL 2024

Context and Background

Controversial weapons are those that have an indiscriminate and disproportional humanitarian impact on civilian populations; the effects of which can be felt long after military conflicts have ended

- The definition includes antipersonnel landmines, cluster munitions, chemical and biological weapons, and nuclear weapons. Nuclear weapons are not a part of our exclusions, because their use is not prohibited within the 'nuclear weapon states'¹
- A number of international conventions and treaties² have been developed to prohibit or limit the use and availability of these weapons
- Where a country has signed and ratified a convention, the production, stockpiling, transfer and use of that weapon is illegal
- In some jurisdictions, the direct and indirect financing of these weapons is also prohibited by country-specific legislation
- Additionally, we do not deem these companies to be a good investment based on their reputational risk profile.

Policy Scope

The policy applies to active equity, fixed income and alternative managers that the 7IM Investment Management team invest in.

It applies to companies involved in the production of cluster munitions, antipersonnel landmines, and biological and chemical weapons. We expect our active managers to apply screening and exclude companies where there is evidence of non-compliance with the following treaties:

- 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
- The Biological Weapons Convention (1975): prohibits the production, stockpiling, transfer and use of biological weapons.
- The Chemical Weapons Convention (1977): prohibits the production, stockpiling, transfer and use of chemical weapons

With respect to passive managers, we are not in the position to include them in this policy. We have not seen enough evidence of passive managers or index providers excluding, companies involved in controversial weapons, and therefore, we believe the current cost of implementing is too high for our end clients to bear. To encourage the launch of eligible products in the future, we will continue to engage with passive managers and index providers.

It should be acknowledged that companies that are involved in the activities above are not prevalent in public equity markets. Therefore, the potential to inadvertently allocate to one of these companies is very low.

However, until we can formally agree on restrictions with our passive providers or index providers, our passive investments will not be formally included in this policy.

¹ See the treaty on the 'Non-Proliferation of Nuclear Weapons' (1968), which limits the spread of nuclear weapons to the so-called Nuclear Weapons states (USA, Russia, UK, France and China).

² "Treaty" and "convention" are interchangeable terms for a legally binding document of international law.

Implementation

Prior to investment, we will ask for a commitment from all of our active managers to commit to these exclusions. In instances where we were invested prior to the policy being put in place they will be given 12 months to comply.

Monitoring

We will incorporate a check using one of our third party data providers to monitor our holdings on an ongoing basis. If we find through our monitoring activities that a fund has a holding that leads us to breach the policy, we will firstly engage with the fund manager to understand whether our information is correct and whether there is justification for the holding. If we do not deem the reason to be satisfactory, we will set the Manager a three-month deadline to remove the controversial holding and if the deadline is not met, we will make plans to exit the fund.