



21/05/2024

EXCLUSION POLICY

CONTROVERSIAL WEAPONS

SOMMAIRE

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1. PRINCIPLES

As of May 2009 Groupama Asset Management implemented a strict exclusion policy regarding investment in recognised companies involved in activities related to controversial weapons.

Are included the activities of production, storage, distribution et marketing, on an initial perimeter of the following weapons:

- ***Cluster munitions as defined by the 2008 Oslo Treaty;***
- ***Antipersonnel Landmines (APMs) as defined by the 1997 Ottawa Convention;***
- ***Depleted uranium weapons banned by certain national legislations (Mahoux Law of 2006).***

Groupama Asset Management has reinforced since July 2023 this policy to cover the following types of weapons:

- ***Chemical Weapons as defined by the Chemical Weapons Convention (Paris, 1993);***
- ***Biological Weapons as defined by the Biological and Toxin Convention (1972);***
- ***Incendiary/White phosphorus Weapons ;***
- ***Nuclear weapons (outside of the non-proliferation treaty of 1968).***

This policy is an integral part of Groupama Asset Management's responsible investment strategy. It belongs to the sustainability risk process. The full process is available on the corporate website of Groupama Asset Management in the ESG Methodology document:

<https://www.groupama-am.com/wp-content/uploads/2023/03/ESG-Methodology.pdf>.

Perimeter of application

The exclusion policy applies to all portfolios managed directly by Groupama AM, included client dedicated portfolios, unless requested otherwise by the client. It does not apply to funds of funds invested in external funds not managed by Groupama AM, to funds which portfolio management is delegated funds to external asset managers not to feeders funds of master funds managed by external managers.

The exclusion is materialized through a pre trade constraint in the portfolio order management system.

2. LEGAL CONTEXT

The controversial weapons are not defined by a single or common definition.

However, some treaties or conventions may define certain weapons as controversial. Of those ratified by France, only some have been transcribed into national law.

Thus, France signed in 1981 with ratification in 1988 the Convention on Certain Conventional Weapons (CCAC) which calls for the prohibition or at least the limitation of the use of certain types of weapons whose use causes excessive traumatic effects or considered to be indiscriminately striking.

France is also a signatory to the Oslo treaty on cluster munitions. This treaty has been transcribed into national law.

The French law of July 2010 does not explicitly prohibit the financing of this type of weapon but specifies: "it is prohibited to assist, encourage or incite anyone to engage in one of the prohibited activities"*. The legislator added that "any financial support, direct or indirect, knowingly of a manufacturing activity or trade in cluster munitions would constitute assistance, encouragement or inducement falling within the scope of the law criminal...".

France has also signed the Ottawa Convention (Anti-Personnel Mines) or the Biological and Toxin Weapons Convention and the Chemical Weapons Convention (CWC). The latter two have been transposed into national law:

- "The development, manufacture, possession, storage, transport, acquisition, sale, import, export, trade and brokerage of microbiological agents, other biological agents and biological toxins, whatever their origin and method of production, of types and in quantities not intended for prophylactic, protective or other peaceful purposes" *;
- "The use of chemical weapons, their development, their manufacture, their storage, their possession, their conservation, their acquisition, their transfer, their import, their export, their transit, their trade and their brokering are prohibited" **.

France is also a signatory to the nuclear weapons non-proliferation treaty.

The Association Française de Gestion (AFG) has included in its recommendations a policy of exclusion of companies involved in cluster bombs and MAP since 2012.

*Law n°2010-819 of July 20, 2010

** Last version : LOI 2011-266 of 14/03/2011

3. EXCLUSION POLICY APPLICATION

- ✓ Groupama Asset Management uses an external research service provider, ISS Ethix. An annual review is done with the service provider.
- ✓ The service provider's analysis is based on definitions of controversial weapons contained in the international texts cited above. This search allows the categorization of the companies identified within the lists (red, amber, green). Two categories are distinguished: red categories (confirmed involvement) and amber categories (strong presumptions of involvement) in connection with activities in the different types of weapons covered by the policy.
- ✓ The external service provider continuously informs Groupama AM of companies involved in activities related to controversial weapons.
- ✓ The ESG Strategy team updates the internal list of companies involved in controversial weapons by adding/removing companies placed in the red and orange categories.
- ✓ The list is then communicated to all the Management and Research teams, to the Risk teams for the implementation of effective exclusion controls and to Compliance.
- ✓ Companies placed in the red category (involvement in controversial weapons confirmed) are excluded from the investment scope. Existing positions are sold as soon as possible, respecting the interest of holders.
- ✓ The list of companies placed in the amber category (involvement in controversial weapons not confirmed but strong presumptions exist) is communicated for information purposes at the same time as the list of companies in the red category. These companies are not excluded from the scope of investment.
- ✓ The exclusion list is reviewed with each change in the red category coming from the service provider and the various information systems are updated as needed.
- ✓ PAI (Major Adverse Impact): the list is also used to support PAI 14 – Exposure to Controversial Weapons.

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