



LGIM(H) Controversial Weapons Policy



Through the implementation of this controversial weapons policy, Legal & General Investment Management (Holdings) Limited ('LGIM(H)') and its subsidiaries will exclude from its investments those companies involved in the manufacture and production of cluster munitions, anti-personnel landmines, and biological and chemical weapons.

This step is being taken for three equally-important principal reasons:

- Firstly, we want to help our clients meet their regulatory obligations; in certain jurisdictions it is illegal to invest in the debt and equity of these companies
- Secondly, in many more jurisdictions it is illegal to use these weapons; therefore as a responsible investor we do not want to be financing them
- Thirdly, the market for such weapons is very limited and involvement brings reputational risk. We believe it makes business and investment sense for companies to reconsider their involvement

The policy will be applied to active fixed income and equity funds, certain index funds and client-specific portfolios. LGIM may inform companies on the exclusion list of the policy and will encourage them to reconsider their involvement in the production of these weapons. The policy will be reviewed on an annual basis and LGIM(H) will consider options for strengthening the policy over time.

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 treaties (2) 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
 - Through the implementation of the present Controversial Weapons Policy ("CWP"), the LGIM(H) Board is committed to supporting its clients to meet their regulatory obligations
 - LGIM(H)'s CWP has also been adopted in recognition of the Board's support for international Conventions that deem the use of such weapons to be unacceptable.
 - Additionally, we do not deem these companies to be a good investment based on their reputational risk profile.
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.

Policy scope

Weapons

The policy applies to companies involved in the production of cluster munitions, antipersonnel landmines, and biological and chemical weapons. Screening will be carried out and exclusions applied 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

Additional weapons exclusions

Where funds are distributed in jurisdictions that prohibit the financing of depleted uranium, additional exclusion rules will be applied.

Excluded companies

LGIM(H)'s exclusion list has been developed in conjunction with a third-party service provider. Publicly listed, private and state-owned companies will be excluded on the following basis:

- The company is involved in the core weapons system, or components/services of the core weapons system, considered tailor-made and essential for the lethal use of the weapon
- The company is involved in the production, maintenance/service, sale/trade, or research and development of the core weapons system.

The restriction relates solely to the corporate entity, rather than a company's parent owner.

LGIM(H) may inform companies on the exclusion list of the policy and will encourage them to reconsider involvement in the production of these weapons.



Excluded instruments

- LGIM(H) and its subsidiaries will not hold equity or fixed income instruments in companies on the exclusion list

Application to LGIM(H) subsidiaries

The policy applies to the discretionary investment management decisions taken by subsidiaries of LGIM(H) for their segregated clients and those subsidiaries include:

- Legal & General Investment Management Limited ('LGIM') located in London
- Legal & General Investment Management America Inc ('LGIMA') located in Chicago ✓
- Legal & General Investment Management Asia Limited ('LGIMAsia') located in Hong Kong

The LGIM(H) subsidiaries detailed above are appointed investment managers to a number of pooled investment product providers which are also subsidiaries of LGIM(H) and this policy shall apply to those pooled investment product providers and will need to be noted by those companies' boards of directors, a list of the non-U.S. providers and their authorised collective investment schemes can be found in the appendix to this policy. A list of the U.S. collective investment schemes is available upon request.

Pooled funds:

- The policy applies to all investments made within active equity and fixed income funds, managed on behalf of our clients, over which we have full discretion
- The policy does not apply to index funds. However an index's methodology and rules may preclude investment in controversial weapons. As part of any new index fund launches, LGIM(H) subsidiaries will encourage initiatives to construct or utilise indices that do not include any excluded companies
- The policy applies to multi-asset funds; however where these funds buy an index fund then there may be an economic exposure to issuers within the policy.

The policy will be applied to any directly held securities purchased through these funds. The policy will apply to all active pooled funds as part of multi-asset strategy both on a pooled and segregated basis

- Where a unit linked life fund provided by PMC or an LGAS Workplace Savings fund wraps an externally managed fund, the policy will not apply to that externally managed fund; however the external manager may have their own controversial weapons policy
- LGIM(H) subsidiaries may manage pooled funds that implement strategies other than those described above, and which may implement this policy in LGIM(H)'s sole discretion

Segregated mandates:

- Every effort should be made to apply this policy to all new segregated investment guidelines from April 2020
- It is acknowledged that:
 1. the client has ultimate discretion as to whether to adopt the policy in a segregated mandate;
 2. segregated portfolios comprising derivative and/or currency hedging overlays may have economic exposure to indices that are not applying the policy;
 3. the policy shall not be applied to the investment guidelines of segregated index mandates unless the policy is included in a customised index

Implementation process

LGIM has engaged a third-party service provider to identify companies involved in the production of controversial weapons as outlined in this policy, and to support in the development of an exclusion list. The list is reviewed bi-annually and where new companies are identified or should companies be removed from the list, we will seek to divest holdings within the following 90 days, although we may not always be able to do so.

Internally, we implement processes and monitor compliance of the policy. We welcome oversight from external stakeholders.

Process of appeal

For any queries about the policy, please contact:

InvestmentStewardship@lgim.com

The policy will be reviewed by LGIM's Chief Investment Officer on an annual basis.



Appendix 1 – List of Product Providers whose pooled funds are subject to this policy

- **Legal and General Assurance (Pensions Management) Limited** and its unit linked life funds;
- **Legal and General Assurance Society Limited** and its unit linked life funds;
- **Legal & General (Unit Trust Managers) Limited** as management company for:-
 - Legal & General Authorised Contractual Scheme and its various sub-funds;
 - Legal & General Investment Management Funds ICVC and its various sub-funds;
 - Legal & General Investment Funds ICVC and its various sub-funds;
 - Legal & General Multi-Index Funds and its various sub-funds;
 - Legal & General Unit Trust Managers I and its various sub-funds;
 - Legal & General Unit Trust Managers II and its various sub-funds;
 - Legal & General Unit Trust Managers III and its various sub-funds; and
 - A range of standalone UK FCA authorised unit trusts.
- **LGIM Managers (Europe) Limited** as management company for:-
 - Legal & General Common Contractual Fund and its various sub-funds;
 - Legal & General ICAV and its various sub-funds;
 - Legal & General QIAIF ICAV and its various sub-funds;
 - Legal & General SICAV* and its various sub-funds;
 - Legal & General UCITS ETF Plc and its various sub-funds;
 - LGIM Liquidity Funds Plc and its various sub-funds; and
 - LGIM (Ireland) Risk Management Solutions Plc and its various sub-funds;

*The policy notes that this umbrella scheme adopted its own controversial weapons policy on 17 May 2017. The policy shall continue to apply to the Legal & General SICAV. However to the extent there is any discrepancy or conflict between the policy and the Legal & General SICAV controversial weapons policy, the Legal & General SICAV controversial weapons policy shall prevail in relation to the Legal & General SICAV only.

Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative



Important information

Unless otherwise stated, references herein to "LGIM", "we" and "us" are meant to capture the global conglomerate that includes Legal & General Investment Management Ltd. (a U.K. FCA authorized adviser), LGIM International Limited (a U.S. SEC registered investment adviser and U.K. FCA authorized adviser), Legal & General Investment Management America, Inc. (a U.S. SEC registered investment adviser) and Legal & General Investment Management Asia Limited (a Hong Kong SFC registered adviser). The LGIM Stewardship Team acts on behalf of all such locally authorized entities.

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

© 2020 Legal & General Investment Management Limited. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording, without the written permission of the publishers. Legal & General Investment Management Ltd, One Coleman Street, London, EC2R 5AA Authorised and regulated by the Financial Conduct Authority.

CC422MAY