



LA FRANÇAISE

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Exclusion policy for controversial weapons

La Française has decided not to apply exclusion criteria based on specific business activities or sectors **other than controversial arms**. The group believes in the exercise of free judgement and opposes to the application of rigid generalisations. We also think that perceptions of some activities or products, such as casinos or GM crops, is a cultural or in some cases personal issue and we cannot as asset managers, indeed we should not, impose a single line on the inevitably diverse or contradictory views of our different clients.

Nevertheless:

- We can exclude certain business activities or products if our customers so require in their investment mandates.
- Our internal analysis and demanding standards mean that in practice we have no or very little exposure to companies engaged in controversial activities.

Exclusion policy for controversial arms

La Française group does not oppose arms in general and recognises the need for the arms industry but wishes to exclude investments in so-called controversial arms. These are defined as weapons that have a disproportionate and indiscriminate impact on civilians and can remain dangerous for years after the end of a conflict. They include anti-personnel mines (APM) and cluster munitions whose effects on populations and territory can continue long after peace has been restored and which therefore often have disproportionate effects, principally and indiscriminately killing or injuring civilian populations.

The La Française group therefore applies an exclusion policy for controversial arms to APMs and cluster munitions. In this, we are following France's adherence to:

- The Ottawa Convention in 1997 (ratified 1998) on the use, stockpiling, production and transfer on anti-personnel mines and their destruction.
- The Oslo Convention of 2008 (ratified in 2009) prohibiting the use, production, stockpiling and transfer of cluster munitions. The treaty does not prohibit so-called "smart" cluster bombs, i.e. those with electronic auto-deactivation or self-destruct mechanisms.



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Definition

- Anti-personnel mines (APM): an anti-personnel mine is a mine designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more such persons.

<http://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/desarmement-et-non-proliferation/la-france-et-l-elimination-des-2086/>

- Cluster munitions: The Oslo Convention defines a cluster bomb as “a conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms”. Used for the first time in the second world war, cluster munitions have since been dropped in at least 32 countries or territories. Once deployed, these weapons disperse a large number of sub-munitions – i.e. mini-bombs – over an area of several football fields. They are supposed to explode on impact but in practice an estimated 5-40% fail to do so, transforming contaminated areas into effective minefields.

<http://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/desarmement-et-non-proliferation/la-france-et-l-elimination-des-armes-a-sous-munitions/>

Definition of involvement

a) Any company involved in the development, production, use, maintenance, sale, distribution, import or export, stockpiling or transport of anti-personnel mines or cluster munitions and their key components;

b) Any company owning 50% or more of a company as defined by (a) above. In addition, information on holding companies owning 20% or more of a company meeting definition (a) above is reported in research notes.

Scope

The controversial arms exclusion covers proprietary investment and investment management on behalf of funds for whose investment management La Française is responsible. The scope also covers all asset classes (equities, bonds, derivatives) worldwide and both listed and unlisted companies.

Sources of information and updates



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La Française uses the services of a non-financial research agency, Sustainalytics, which provides a list of listed and unlisted companies involved in controversial arms. This list is updated quarterly.

Implementation within La Française

The list of companies involved is notified quarterly by our supplier to Internal Control which inputs the list of banned securities to the LightTrade software. These will then not appear on our system and cannot be traded (bought) by any asset management companies belonging to the La Française group.

If we are already invested in a company that subsequently appears on the list of companies involved in the controversial arms trade, we undertake to sell the security as quickly as possible though without excessive haste that would prejudice the interests of our clients.