



GROUP  
CONTROVERSIAL  
WEAPONS POLICY.

EVERY  
DAY  
MATTERS.®



Legal &  
General

# Controversial Weapons Policy

## Context

Our purpose, wherever we operate as a company, is to improve the lives of our customers by building a better society for the long-term, and by doing so, creating value for our shareholders. In achieving our purpose, we appreciate that not just our financial results, but the way we conduct our business, will be judged by others in deciding whether we are a reputable company. Being at the centre of financial flows of money is a great responsibility; it provides the means for influencing how the economic system can be used to change peoples' lives for the better, through the assets that we own ourselves and those we manage on behalf of our clients.

Legal & General Group has a strong track record of putting our balance sheet into areas of the economy and society that need our longest and deepest forms of capital to thrive. We also have strong views on areas of the economy that should be limited in their investment because of what they do and the negative impact that they have upon economies and societies at large. We believe that we play a strong signalling role in this regard, to other investors and to our clients. We draw on our commitment to the UN Global Compact, knowledge from NGO's and Not for Profit Organisations to inform our own business and investment activities.

## Background

Legal & General Group has determined that from this date forward, the company and its subsidiaries should seek to avoid investments in companies involved in controversial weapons. 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.

Legal & General's Controversial Weapons Policy has been adopted on the grounds of principle and in recognition of our support for international Conventions and Treaties that deem the use of such weapons to be unacceptable. In many jurisdictions these international legal instruments<sup>1</sup> prohibit the production, stockpiling, transfer and use of certain controversial weapons.<sup>2</sup> Their direct and indirect financing may also be prohibited by country-specific legislation.

Through implementation of Legal & General's Controversial Weapons Policy we are committed to supporting our clients to comply with national and international regulation and to avoid where possible investments in companies producing weapons that contravene one of the key principles of International Humanitarian Law.<sup>3</sup>

## Policy scope

### Weapons

The policy applies to companies involved in the production of **cluster munitions, anti-personnel landmines, and biological and chemical weapons**.<sup>4</sup> 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

<sup>1</sup> Each State signifies its agreement to become legally bound by a Treaty, through a process of ratification. Once a treaty is ratified, the signing country has committed itself to providing the means by which the Convention's principles may be implemented.

<sup>2</sup> The Conventions on cluster munitions, anti-personnel landmines, biological and chemical weapons prohibit their production, stockpiling, transfer and use. Nuclear weapons are also classified as controversial, however The Treaty on the Non-Proliferation of Nuclear Weapons (1968) does not prohibit their use, and rather it limits the spread of nuclear weapons to the so-called Nuclear Weapons states (USA, Russia, UK, France and China).

<sup>3</sup> The Principle of Distinction between Civilian Objects and Military Objectives: States must never use weapons that cannot distinguish between civilian objects and military targets [https://ihl-databases.icrc.org/customary-ihl/eng/print/v1\\_rule7](https://ihl-databases.icrc.org/customary-ihl/eng/print/v1_rule7)

<sup>4</sup> These Conventions have all been ratified by the UK government and thus deemed illegal under UK legislation. Although the UK government has ratified the Treaty on the Non-Proliferation of Nuclear Weapons, this does not render their production and use illegal under UK law. Nuclear weapons are not covered by this policy.

- **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

### Excluded Companies

Legal & General's exclusion list has been developed in conjunction with a third-party service provider. As a result publically 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, or research and development** of the core weapons system (as opposed to systems integration and testing of the weapons)
- The activities are carried out by the company and not by a parent owner or a subsidiary.
- Where the parent has ownership above 50% the parent will be excluded

The **current list** of companies under exclusion from investment is as follows:

#### Legal & General Group Controversial Weapons Exclusion List

Hanwha Corporation	Air Weapons Complex
Motovilikha Plants JSC	Arab Organization for Industrialization
Orbital ATK, Inc.	Avibrás Indústria Aeroespacial S/A
Poongsan Corporation	CASC
S&T Dynamics Co. Ltd.	China North Industries Corporation
Textron	China Poly Group Corporation
Ashot Ashkelon	Day & Zimmermann
China Spacesat	Defense Industries Organization
Norinco International Cooperation Ltd.	DRDO
Aerospace Long-March International Trade (ALIT)	Global Industrial & Defence Solutions
Aeroteh S.A.	IMI Systems Ltd.
Splav SRPA	Indian Ordnance Factories
Tactical Missiles Corporation JSC	Israel Aerospace Industries Ltd
Yugoimport SDPR	Kaha Company for Chemical Industries
Ordtech Military Industries (OMI)	MKEK
Pakistan Ordnance Factories (POF)	National Development Complex
Roketsan	
Romarm S.A.	
Rostec	

## Our scope of exclusions

### Legal & General Group

Legal & General Group and its subsidiary companies from this date forward choose not to **hold equity, provide debt financing, provide business to business insurance and pension products or be a landlord to companies** involved with controversial weapons as listed above.

The policy applies to all **shareholder funds** across the Legal & General Group.

It does not include joint ventures where we are less than 50% shareholder, for example in India First Life or our With Profits fund.

The Group has 12 months from the date of this policy to remove any existing investment exposures to these companies.

### Legal & General Investment Management

LGIM manages funds on behalf of its clients. LGIM is currently undergoing a consultation period to establish how the policy can be best reflected within LGIM in relation to our clients' assets. This consultation also applies to LGIM's subsidiary LGIMA. The policy will be updated once the consultation is complete.

## Implementation Process

Legal & General 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 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.

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

### Process of Appeal

Should a company in our exclusion list or any interested party have further information to challenge or add to this exclusion list please contact us at [ethics@landg.com](mailto:ethics@landg.com). Otherwise this policy will be reviewed by the Group CFO on a yearly basis.

## Disclaimer

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Authorised and regulated by the Financial Conduct Authority.

Legal & General Investment Management does not provide advice on the suitability of its products or services.

Ultimate holding company - Legal & General Group plc.

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