



## Investment policy regarding manufacturers of outlawed and controversial weapons

LAIQON AG with its licensed associated subsidiaries considers outlawed and controversial weapons to be fundamentally harmful to society. Reasons for this include their reckless effects on the civilian population during use in conflicts. This is particularly true for weapons and weapon systems outlawed by international conventions, including those considered internationally prohibited under the Oslo Convention<sup>1</sup> and Ottawa Convention<sup>2</sup>. This includes manufacturers of cluster munitions, anti-personnel mines, biological<sup>3</sup> or chemical weapons<sup>4</sup>.

The positioning of the parent company LAIQON AG<sup>5</sup> as a financial services provider with a clear focus on sustainability therefore sets rules and minimum standards for its subsidiaries regarding ethical and sustainable investing. The Investment Policy Regarding Manufacturers of Outlawed and Controversial Weapons (hereinafter "Policy") specifies these rules and their applicability.

Companies involved in the production of nuclear weapons (as manufacturers of controversial weapons) in any form are subject to product-specific rules that may exclude such companies from the investment universe. This also includes, for example, depleted uranium. The analysts and portfolio managers of licensed legal entities within LAIQON Group are also required to refer to the position of LAIQON or on behalf of the relevant company on controversial weapons in company dialogues on the basis of this policy. The determination of involvement in outlawed or controversial weapons is based on internationally recognized ESG databases. The subsidiaries of LAIQON Group are aware that the assessment of possible links to controversial ones is highly complex and may entail individual due diligences or dialogues with the companies. This also applies to individual sub-components of controversial or outlawed weapons or so-called "dual-use" goods. In such cases, LAIQON Group and its legal entities rely primarily on the assessment of ESG data providers or external expert sources; however, it allows for justified exceptions, provided these do not contradict the documented investment limits.<sup>6</sup>

Consequently, LAIQON is committed with this policy to also exclude such manufacturers of controversial weapons from the product and solution offerings of the collective asset management as best as possible throughout the Group. An investment in companies that are demonstrably related to controversial or outlawed weapons is therefore either outside the specified investment limits of the product and solution offerings or may be internally prohibited. Companies related to weapons and weapons systems outlawed by international conventions must be avoided as a target investment, provided that this is in line with the respective legal entity's fiduciary responsibility. This also applies to indirect investments via third-party funds and

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<sup>1</sup> The Convention on Cluster Munitions (so-called "Oslo Convention") is an international treaty prohibiting the use, development, production, acquisition, stockpiling, retention, and transfer of cluster munitions. It has been in force since August 1, 2010 ([https://www.auswaertiges-amt.de/de/aussepolitik/sicherheitspolitik/abruestung-ruestungskontrolle/uebersicht-konvalles-node/streumunition-node#:~:text=The%20%C3%9CConvention%20%C3%BCon%20StreamMunitions%20\(%20sog.August%202010%20in%20force\)](https://www.auswaertiges-amt.de/de/aussepolitik/sicherheitspolitik/abruestung-ruestungskontrolle/uebersicht-konvalles-node/streumunition-node#:~:text=The%20%C3%9CConvention%20%C3%BCon%20StreamMunitions%20(%20sog.August%202010%20in%20force).)).

<sup>2</sup> Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction, September 18, 1997. (<https://www.auswaertiges-amt.de/blob/254406/d9a89f0ba4a17fd2adb316c61876f22f/ottawa-uebereinkommen-data.pdf>)

<sup>3</sup> <https://www.un.org/disarmament/biological-weapons/>

<sup>4</sup> <https://www.opcw.org/chemical-weapons-convention>

<sup>5</sup> LAIQON AG does not hold any license regarding the provision of financial services. The license pursuant to §34f has been revoked by LAIQON AG at the end of 2022. However, employees or governance bodies of LAIQON AG may propose respective positions regarding sustainability in collaboration with the respective legal entities.

<sup>6</sup> Examples here: <https://www.dontbankonthebomb.com/>. Facing Finance or exitarms (<https://exitarms.org/>)



ETFs. In this case, analysts and fund managers are encouraged to obtain information about the composition of the fund via the respective management company or via the European ESG Template (EET).

On the sales side, employees within LAIQON Group should point out to both institutional clients in mandates and private clients in individual asset management the possibility of excluding manufacturers of outlawed or controversial weapons from the investment universe. For the latter, this can be done via bespoke sustainability concepts whose investment strategy takes into account the adverse impacts on sustainability factors (Principal Adverse Impacts, or PAI)<sup>7</sup>. This also applies to third-party funds insofar as the availability of data (for example, via the EET) or a corresponding review via external providers makes it possible to do so. A large part of the product and investment solutions of the LAIQON Group follows the sustainability preferences concept of the German target market<sup>8</sup>, is subject to the BaFin guideline for sustainable investment funds<sup>9</sup> or follows external standards through awarding bodies of independent product certificates. These can be awarded, for example, through the Forum Nachhaltige Geldanlagen<sup>10</sup> or the Austrian Eco-Label.

First and foremost, LAIQON's licensed legal entities act in the fiduciary interest of our investors and clients. If an existing investment demonstrably begins an engagement with controversial or outlawed weapons (for example, via corporate acquisitions), the issuer is either divested from the holdings in a market-friendly manner as part of the passive investment limit violation<sup>11</sup>, or the analysts and fund managers may contact the company to validate and verify this engagement. In this case, validation is also carried out via the above-mentioned data sources.

Based on the data available from external ESG data providers, the analysts and portfolio managers continuously monitor further developments regarding controversial weapons and permanently adjust their assessments, for example, with regard to possible other weapon systems used (such as companies in connection with white phosphorus or so-called lethal autonomous weapon systems).<sup>12</sup>

After this guideline comes into force, no so-called grandfathering will take effect, but the portfolios of individual or collective asset management will be subjected to a review and provided with individual options for action, if necessary. Individual constellations of asset management services based on external advisors will be reviewed separately.

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<sup>7</sup> The corresponding disclosure on this is made at company and product level via PAI 14 ("Engagement in Controversial Weapons (Anti-Personnel Mines, Cluster Munitions, Chemical and Biological Weapons)").

<sup>8</sup> Available here: [https://www.bvi.de/service/muster-und-arbeitshilfen/mindeststandard-zur-zielmarktbestimmung/index.php?elD=tx\\_nawsecuredl&u=0&g=0&t=1682419750&hash=298db443aed54620acd059c7381773241a44dfe6&file=/fileadmin/sites/extranet/Recht/MiFID\\_II/210521\\_DK\\_BV\\_DDV\\_Zielmarkt\\_aktualisiert.pdf](https://www.bvi.de/service/muster-und-arbeitshilfen/mindeststandard-zur-zielmarktbestimmung/index.php?elD=tx_nawsecuredl&u=0&g=0&t=1682419750&hash=298db443aed54620acd059c7381773241a44dfe6&file=/fileadmin/sites/extranet/Recht/MiFID_II/210521_DK_BV_DDV_Zielmarkt_aktualisiert.pdf)

<sup>9</sup> Available here: [https://www.bafin.de/SharedDocs/Downloads/DE/Konsultation/2021/dl\\_kon\\_13\\_21\\_WA4\\_Leitlinien\\_Investmentvermoegen.pdf;jsessionid=8736D9236462D024EEB786FBB22DB5E7.2\\_cid503?\\_\\_blob=publicationFile&v=6](https://www.bafin.de/SharedDocs/Downloads/DE/Konsultation/2021/dl_kon_13_21_WA4_Leitlinien_Investmentvermoegen.pdf;jsessionid=8736D9236462D024EEB786FBB22DB5E7.2_cid503?__blob=publicationFile&v=6)

<sup>10</sup> Available here: <https://fng-marktbericht.org/methodik-inhalt>

<sup>11</sup> If applicable and specified in the investment guidelines. Otherwise, a regular process of controversy management based on RepRisk data takes effect.

<sup>12</sup> See for example here: <https://autonomousweapons.org/>

**Latest status: as of May 2023**



The Sustainability Committee of LAIQON AG, with representatives of the relevant legal entities, has approved this guideline and reviews its timeliness on an ongoing and case-by-case basis.



**Released and authorized by the executive directors of the respective legal entities**

- LAIQON AG
- SPSW Capital GmbH
- MFI Asset Management GmbH.
- LAIC Asset Management GmbH
- BV Bayerische Vermögen GmbH
- Lange Asset & Consulting GmbH
- Growney GmbH



## Definitions

1. PAI: Principal Adverse Impacts (principal adverse impacts of investment decisions on sustainability factors); defined, inter alia, in Commission Delegated Regulation (EU) 2022/1288 of April 6, 2022, supplementing European Parliament Regulation (EU) 2019/2088.
2. Outlawed weapons: includes weapons systems 6-8 listed below. These are excluded, for example, by the German target market association concept for sustainability preferences, or have to be disclosed when considering significant adverse impacts on sustainability factors at the product and company level (PAI Indicator #14).
3. Controversial weapons: includes weapon systems 9, 10 and 11 mentioned below. These are typically excluded by awarding bodies of sustainability certificates for financial products.
4. Anti-Personnel Mines: Landmines can be broadly divided into two groups: Anti-personnel mines and anti-vehicle mines. The former are aimed directly at people, the latter at vehicles of all kinds. Anti-personnel mines are usually triggered by the typically unintentional touch of the victim. Mines directed against vehicles either respond to simply being driven over or are triggered by sensors that respond to engine heat, engine noise, or ground vibration. Both types of mines kill and injure in an indiscriminate manner, meaning they do not distinguish between "friend or foe"<sup>13</sup>. Under the Ottawa Treaty, only anti-personnel mines are considered prohibited.
5. Engagement with outlawed / controversial weapons: unlike known screenings for controversial sectors, an analysis by engagement with outlawed or controversial weapons does not work on the basis of revenue, but on the degree of involvement. Here, for example, the activities of individual parts of the group can already be the deciding factor in highlighting a company with a connection to controversial weapons - irrespective of how high the company's revenue generated with it is.
6. Cluster munitions: means conventional munitions designed to disperse or release explosive submunitions weighing less than 20 kilograms each and includes such explosive submunitions. (Dublin, 19 - 30 May 2008 Convention on Cluster Munitions, CCM / 77, 30 May 2008 (excerpt))
7. Biological weapons: For the United Nations, biological weapons are "any deliberately applied [...] infectious agent that causes disease or death in humans, animals, or plants."<sup>14</sup>
8. Chemical Weapons!: Chemical warfare agents are chemicals that, through their chemical action on the metabolic processes of the human or animal body, can cause death, temporary incapacitation, or permanent damage to humans or animals.<sup>15</sup>
9. Depleted uranium: Depleted uranium is a waste product produced during the enrichment of uranium for use in nuclear power plants or in the manufacture of nuclear weapons. It is about 60 percent less radioactive than uranium in its natural state. Uranium has a very high density and is about 1.7 times as dense as lead. It is so hard that it does not change

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<sup>13</sup> Source: <https://www.handicap-international.de/de/landminen/index>

<sup>14</sup> Source: <https://sicherheitspolitik.bpb.de/de/m6/layers/biological-weapons/infotext>

<sup>15</sup> Source: <https://sicherheitspolitik.bpb.de/de/m6/glossary>



shape when it hits a target. Thus, depleted uranium is used to give shells and bombs more penetrating power<sup>16</sup>

10. Nuclear weapons: Nuclear weapons (also called atomic weapons) are weapons of mass destruction whose effects are based on nuclear fission or nuclear fusion. Their production requires either more than 90 percent highly enriched uranium from uranium enrichment plants or plutonium separated from spent nuclear fuel rods in reprocessing plants. The category of nuclear weapons does not include so-called radiological weapons ("dirty bombs"), in which radiological material is dispersed by detonating conventional explosives. This does not result in a nuclear chain reaction.<sup>17</sup>
11. White phosphorus: The military uses white phosphorus primarily to disguise ground operations. It creates a dense smoke screen but can also be used as an incendiary weapon. White phosphorus ignites on contact with oxygen and continues to burn at temperatures up to 816 degrees Celsius until either nothing is left or the oxygen supply is cut off. White phosphorus causes severe burns on contact with the skin<sup>18</sup>.

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<sup>16</sup> Source: <https://www.n-tv.de/politik/Uran-Munition-fuer-die-Ukraine-Umstritten-aber-nicht-wegen-Radioaktivitaet-article24012296.html>

<sup>17</sup> Source: <https://sicherheitspolitik.bpb.de/de/m6/layers/nuclear-weapons/nuclear-powers/infotext>

<sup>18</sup> Source: <https://www.hrw.org/de/news/2009/03/25/israel-einsatz-von-weissem-phosphor-eindeutig-kriegsverbrechen>