

abrdn Position Statement – Controversial Weapons

September 2021

Purpose

This position statement describes how we minimise our exposure to controversial weapons, namely cluster munitions and anti-personnel landmines (APLs).

Scope

This position applies to all of our managed funds.

Variance

Where a jurisdiction applies standards that are more rigorous than those outlined by this position statement, those standards must be met locally.

Overview

- We acknowledge and support, both legally and on principle, international legislation prohibiting involvement with cluster munitions and APLs, as these are weapons prohibited under international conventions.
- We support the principles enshrined in both the Convention on Cluster Munitions 2008 and the Convention on Anti-Personnel Mines 1997, which ban these weapons as defined by the conventions.
- We try to ensure compliance with all laws relevant to our clients' investments, regarding the financing or proliferation of cluster mines and APLs. We also strive to avoid investing in these weapons. We follow this statement in order to comply fully with international conventions and treaties regarding controversial weapons, and will respond quickly to any legislative changes in this area.

Approach

- We do not (and will not) knowingly invest in (or finance) the development, production, assembly, acquisition, repair, sale, use, possession, transport, transfer, stockpiling or conservation of cluster munitions or APLs. This covers our direct and indirect investments.
- We maintain a list of assets with known exposure to cluster munitions and/or APLs, and we prohibit our funds from investing in these. We retain the right to release information regarding constituents of the lists as we deem appropriate.

Scope

To adhere to our position statement on controversial weapons, we will not knowingly subscribe to, or support the issue of, any financial instrument issued by any legal entity (including a fund) involved in cluster munitions and/or APLs.

As we manage both direct and indirect investments, and have both active and passive holdings, there may be instances where we inadvertently take indirect exposure to potential issuers involved in controversial weapons. This includes circumstances where we cannot exercise full discretion in choosing an investment (through agreement with the client) or tracking an index, or where another manager has discretion over the underlying investments.

"If we become aware that an underlying fund is actively investing in a way that materially breaches our position, then we will sell these investments."

Application

Prior to investing directly, we consider the business of the legal entity concerned. When investing in indirectly managed funds, we consider the investment objective and policy of these funds as stated in the fund prospectus or other offering document. We also consider the extent to which the funds' objectives or policies (as applicable) include involvement in manufacturing or distributing cluster munitions and/or APLs.

We maintain a list of entities that we view as prohibited investments under this statement (the prohibited-investment list). We also keep a list of companies or entities that we view as potentially sensitive. This could be due to wider involvement with technology or armaments that could be used in activity breaching the aforementioned conventions on cluster munitions or APLs, as implemented into applicable law (the watch list). Our legal and environmental, social and governance (ESG) investment teams regularly review each list.



Controversial Weapons – Cont.

Oversight

Our prohibited investment list and watch list are based on research by our ESG investment team and third-party research on controversial weapons. Discretion as to whether or not to prohibit investment in companies or entities lies entirely with our ESG investment team, which is supported by our legal and compliance teams.

Transparency on the prohibited/watch lists

Our controversial weapons position statement is published on our website abrdn.com

As part of this statement, we don't release the entire list of companies and entities contained in our prohibited investment or watch lists, as these are our intellectual property. However, our ESG investment team is always available to confirm (in agreement with our legal team) certain names on the list in response to client queries, requests for proposal, or similar stakeholder engagements.

Definitions of cluster munitions and APLs

Cluster munitions

Under the Convention on Cluster Munitions 2008, cluster munitions (or cluster bombs) are defined as a conventional munition designed to disperse or release explosive submunitions, each weighing less than 20 kilograms and including those explosive submunitions. Explosive submunitions are defined as a conventional submunition that is dispersed or released by a cluster munition and is designed to function by detonating an explosive charge prior to, on or after impact.

A cluster munition or explosive submunition is not defined by the convention as:

- (a) a munition or submunition designed to disperse flares, smoke, pyrotechnics or chaff, or a munition designed exclusively for an air-defence role
- (b) a munition or submunition designed to produce electrical or electronic effects
- (c) a munition that, in order to avoid indiscriminate area effects and the risks posed by unexploded submunitions, has all of the following characteristics:
 - a. each munition contains fewer than 10 explosive submunitions
 - b. each explosive submunition weighs more than four kilograms
 - c. each explosive submunition is designed to detect and engage a single target object
 - d. each explosive submunition is equipped with an electronic self-destruct mechanism
 - e. each explosive submunition is equipped with a self-deactivate feature

APLs

APLs are defined by the 1997 convention as mines "designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons". Mines that are not covered by the treaty include those that are remotely triggered or are anti-vehicle mines.

Legal sources:

Cluster munitions:

The Convention on Cluster Munitions 2008 ("CCM") clusterconvention.org/files/2011/01/Convention-ENG.pdf

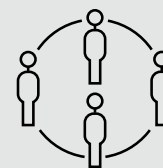
Anti-personnel Landmines:

The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction 2008 (also known as the Anti-Personnel Mine Ban Treaty, the Ottawa Treaty or the Mine Ban Treaty) legal.un.org/avl/ha/cpusptam/cpusptam.html

Sustainable investing at abrdn

As a leading global asset manager, we believe that investing sustainably can help generate long-term value for our clients. How and where the world chooses to invest has critical implications for the wellbeing of society and our planet. Equally, investments that could have negative social and environmental impacts can pose risks for the investment performance we can deliver for our clients.

Environmental, social and governance (ESG) considerations are an integral part of our decision-making when investing your capital. By understanding how ESG factors affect our investments, we believe that we can generate better outcomes for our clients, society and the wider world.



To help us achieve this

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Our dedicated, 20-strong ESG investment team works closely with colleagues across all asset classes.

ESG

Dedicated ESG asset-class analysts provide an additional layer of expertise.

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