



# Controversial Weapons Divestment Policy

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## 1. Introduction

One of the core tenets of the Hostplus ESG Policy is to engage with investee companies, rather than divest from them. However, one exception to this approach relates to companies involved in certain types of Controversial Weapons which are weapons that have one or more of the following characteristics<sup>1</sup>:

- The weapon is indiscriminate (i.e. there is an increased risk of civilian casualties);
- The weapon can be classified as a weapon of mass destruction with a single incident resulting in a large number of deaths;
- The weapon is considered to be excessively injurious (i.e. it causes an inordinate amount of pain and suffering); or
- The weapon may have long term health impacts on the populations in areas where they are used.

Controversial Weapons are subject to several international treaties and conventions which govern their use. Australia is a signatory to these treaties/conventions and it is therefore illegal to produce Controversial Weapons domestically. However, it is still possible for an Australian-based entity to invest in, or provide finance to, overseas-based companies involved in Controversial Weapons.

Due to the nature of these weapons and their impact, particularly on civilian populations, Hostplus has determined that a policy of explicitly banning them from our investment portfolios is warranted.

## 2. Purpose

The purpose of this Policy is to formally outline Hostplus' commitments in relation to the exclusion of Controversial Weapons from its investment portfolios wherever practicable. This Policy is consistent with Hostplus' operational and investment strategies, policies and processes. It resides within the Investment Policies and Procedures Statement which forms an integral part of the investment governance framework of our fund.

This Policy supersedes Hostplus' Disinvestments in Cluster Munitions Companies Policy dated 31 July 2013.

## 3. Approach

As part of its commitment under this Policy, Hostplus will implement an investment restriction for its investment managers to exclude ownership in companies and the provision of financing to companies directly or indirectly involved in the development, production, maintenance or sale of the following types of Controversial Weapons:

- Cluster Munitions
- Anti-personnel mines
- Depleted Uranium
- Biological Weapons
- Chemical Weapons

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<sup>1</sup> Source: MSCI

- Blinding Laser Weapons
- Non-Detectible Fragments Weapons
- Incendiary Weapons

#### **4. Application**

The exclusion of Controversial Weapons set out in this Policy will apply to all of Hostplus' investments in which the Fund has a high degree of control over investment exposures. It may not be practicable to exclude Controversial Weapons in respect of investments held via pooled fund vehicles, securitised financial instruments, such as collateralised loan obligations, and fund-of-fund structures. Notwithstanding this, Hostplus will work with the investment managers which control those investments to exclude exposure to Controversial Weapons.

#### **5. Implementation**

In order to implement this Policy, Hostplus will engage a service provider which will provide an up to date list of companies involved in Controversial Weapons (using the criteria and definitions outlined in this Policy) on a quarterly basis. This "Exclusions List" will then be provided to Hostplus' investment managers with an instruction to avoid exposure to the companies on the list.

As part of the initial implementation of this Policy, Hostplus will engage with its managers to determine which portfolios already have exposure to any of the companies on the Exclusions List. For those managers that have exposure, Hostplus will instruct the manager to sell down the holding within a reasonable timeframe.

Hostplus will regularly monitor exposure to the list of companies on the Exclusions List to validate the Fund's compliance with this Policy.