

## NEI Cluster Munitions Policy

### Policy

NEI Investments does not knowingly invest in companies involved in cluster munitions manufacturing. We take the following steps to avoid investment in these companies and discourage the manufacture of cluster munitions:

- We maintain an exclusion list of companies that are involved in cluster munitions manufacturing. Our portfolio management sub-advisors are instructed not to invest in these companies on NEI Investments' behalf.
- We review all our holdings on a quarterly basis to ensure that no instruments issued by the excluded companies have been purchased. If a holding of an excluded company is identified during the review, the sub-advisor is instructed to divest the holding.
- We engage companies that have been excluded, informing them that they have been excluded from our investment universe because of their involvement in the production of cluster munitions, and encouraging them to cease this activity.

This policy applies to all our products.

### Background

Cluster munitions open up in mid-air to release tens or hundreds of sub-munitions. Even when they work correctly, cluster munitions have wide area effect that fails to distinguish between combatants and non-combatants. Usually the fuse of each sub-munition is designed to activate as it falls so it will explode above or on the ground. But many are “duds” that fail to detonate on landing, leaving behind large quantities of unexploded ordnance. Like landmines, scattered sub-munitions can kill and injure civilians and obstruct economic development for years after the conflict. Children are particularly vulnerable: sub-munitions may look like toys, and children are more likely to be driven by curiosity to pick up strange objects; they may not be able to read or understand warning signs; and because they are smaller, they are more likely to die from the explosion. Over 90% of cluster munitions casualties are civilians.

International humanitarian law (IHL) is a legal framework applicable to situations of armed conflict. IHL can be defined as the laws and principles aiming to limit the effects of armed conflict for humanitarian reasons. IHL limits those effects principally by protecting persons who are not, or who are no longer, participating directly in hostilities and by restricting the means and methods of warfare. IHL prohibits all means and methods of warfare that fail to discriminate between those taking part in the fighting and those who are not ; that cause superfluous injury or unnecessary suffering; or that cause severe or long-term damage to the environment.

Cluster munitions are explicitly prohibited under IHL. The Convention on Cluster Munitions 2008 prohibits use, production, transfer and stockpiling of cluster munitions, as well as establishing a framework for cooperation and assistance on care and rehabilitation for survivors and their communities, clearance of contaminated areas, risk reduction education and destruction of stockpiles.<sup>1</sup> The Convention came into force in 2010.

Canada has joined the Convention, and the *Prohibiting Cluster Munitions Act* 2014 makes it an offence to use, make or transfer cluster munitions, as well as to “aid, abet or counsel”, “conspire”, or “receive, comfort or assist” in these activities.<sup>2</sup> In government commentary during the passage of the legislation, it was clarified on several occasions that direct and intentional investment in a commercial organization that produces cluster munitions would fall under the prohibition against aiding and abetting.<sup>3</sup>

<sup>1</sup> Convention on Cluster Munitions (2008). <http://www.clusterconvention.org/>

<sup>2</sup> Prohibiting Cluster Munitions Act (2014). [http://laws-lois.justice.gc.ca/eng/annualstatutes/2014\\_27/page-1.html](http://laws-lois.justice.gc.ca/eng/annualstatutes/2014_27/page-1.html)

<sup>3</sup> Senate introduction of Bill C-6. [http://www.parl.gc.ca/Content/Sen/Chamber/412/Debates/077db\\_2014-09-18-e.htm?Language=E#27](http://www.parl.gc.ca/Content/Sen/Chamber/412/Debates/077db_2014-09-18-e.htm?Language=E#27)