



Western Asset Management

Cluster Munitions Investment Policy and Procedures

May 2021

Scope and General Principles

Western Asset Management¹ (Western Asset or the Firm) recognizes the importance of its role as an investment manager in making ethically sound investments on its clients' behalf. As a result, Western Asset has adopted the Cluster Munitions Investment Policy and Procedures (the Cluster Munitions Policy), in compliance with the global regulations with respect to investments in companies involved in the manufacturing of cluster munitions. The Cluster Munitions Policy is applicable to all Western Asset managed accounts.

The Firm's investment staff are prohibited from undertaking investments in any companies that are involved in the development, manufacture or trading in weapons identified by the December 2008 Convention of Cluster Munitions (the Oslo Convention). The Oslo Convention prohibits all use, stockpiling, production and transfer of cluster munitions. The Oslo Convention also explicitly prohibits all persons, businesses and corporate entities from knowingly financing cluster munitions.

Cluster Munitions Restricted Issuer List

Western Asset utilizes a combination of MSCI ESG research data and internal assessment to identify companies that are involved in the manufacturing of cluster munitions. MSCI ESG Research provides research on publicly traded companies involved in specific activities, including cluster munitions manufacturing, utilizing numerous sources such as company websites, media, NGO reports and government agencies. The company information is updated at least once annually, with ongoing reviews conducted more frequently. More specifically, MSCI's ESG Research Cluster Munitions screen identifies issuers involved in the production of cluster munitions, components and delivery platforms from a universe of companies, including all global equity issuers plus selected bond-issuing subsidiaries and selected corporate bond issuers.

Western Asset utilizes several MSCI ESG Research parameters to identify issuers engaging in cluster munitions manufacturing and components. Once prohibited issuers are identified, Western Asset's Legal and Compliance staff carry out an additional review, ensuring the results of the MSCI ESG Research screening is aligned with the Cluster Munitions Policy. As part of this review, any issuer that is an owner of or is owned by a "delivery platform" issuer is not included in the final list of prohibited issuers.

The Cluster Munitions Restricted Issuer List is maintained by the Firm's Legal and Compliance group, and is coded in Western Asset's Compliance Service portfolio compliance system (CS) for all managed accounts, irrespective of whether client guidelines specifically prohibit investments in cluster munitions.

In the event that a new issuer is added to the Cluster Munitions Restricted List within CS, the Legal and Compliance staff carry out a review of existing exposures in the issuer. Any pre-existing holdings are grandfathered and are disposed of at a time that is deemed, by the investment staff, to be in the best interest of the Firm's clients.

¹ Western Asset Management is a global asset management firm comprised of six legal entities operating as one firm. The entities include: Western Asset Management Company, LLC (the Pasadena and New York offices); Western Asset Management Company Distribuidora de Títulos e Valores Mobiliários Limitada (the São Paulo office); Western Asset Management Company Limited (the London and Zürich offices); Western Asset Management Company Pte. Ltd. (the Singapore office); Western Asset Management Company Ltd (the Tokyo office); and Western Asset Management Company Pty Ltd (the Melbourne office).

Policy Review

The Cluster Munitions Policy is reviewed by the Legal and Compliance group at least once annually.

Breaches

Any breaches of the Cluster Munitions Policy must be escalated and addressed in compliance with Western Asset's Error Correction Policy.

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