

Policy **banned & controversial weapons**



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Raiffeisen Capital Management stands for Raiffeisen Kapitalanlage GmbH, or short Raiffeisen KAG.



1 | Objective of this policy

Banned weapons are subject to a company-wide exclusion at Raiffeisen KAG.

Raiffeisen Kapitalanlage-Gesellschaft m.b.H. (henceforth referred to as Raiffeisen KAG) takes a clear position on the issue of banned or controversial weapons: investments in such weapon systems are essentially excluded from portfolios managed by the company. The Controversial Weapons Policy of Raiffeisen KAG extends to all investable companies that are active in the field of the weapons listed below. For portfolios that do not have environmental and/or social characteristics and do not aim to be sustainable investments (Article 6 of the Disclosure Regulation / Regulation (EU) 2019/2088), there are specific thresholds for nuclear weapons.

2 | Scope

This policy applies to direct investments of the entire range of Raiffeisen KAG's mutual funds. In the management of special funds, any agreements concluded with the investor are taken into account.

In the case of an outsourcing of fund management, there might be a deviation from this rule.

In individual cases, Raiffeisen KAG also offers individual asset management for institutional clients. In this case, any agreements concluded with the client are taken into account.

3 | Overview of controversial weapons

The United Nations has decided to ban certain weapon systems, which are deemed to be inhumane. The associated self-imposed ban on using or agreement not to use certain weapons or munitions in war is based on the socially motivated objective of limiting human suffering as well as on the fear of total mutual destruction, as in the case of nuclear weapons for instance.

Controversial weapons are forbidden by international conventions. The broader definition of controversial weapons also includes weapons and munitions that function in a similar way to banned weapons or represent essential components of banned weapons.

In particular, Raiffeisen KAG considers the following to be controversial weapons:

- Cluster munitions,
- Chemical or biological weapons,
- Nuclear weapons and uranium munitions,
- Landmines, and
- Phosphorus munitions.



In the context of weapons, the term “dual use” refers to products which are used in weapons systems or military goods, but were originally not developed for military purposes. For example, this includes helicopter engines, general software, or mechanical components for trucks.

4 | International conventions

The 1968 Treaty on the Non-Proliferation of Nuclear Weapons is a treaty which stipulates a ban on the spread of nuclear weapons and the obligation of nuclear disarmament. The Nuclear Non-Proliferation Treaty was signed by the USA, France, the UK, China, and Russia (as the Soviet Union at that time). An extremely small number of countries have refused to become parties to the treaty, including Israel, India, and Pakistan. Based on the Nuclear Non-Proliferation Treaty, Raiffeisen KAG classifies nuclear weapons not as prohibited weapons but as controversial weapons.

The Geneva Protocol bans the use of smothering, poisonous, or similar gases as well as bacteriological agents. It was adopted in 1925 based on experiences from the First World War. The 1972 Biological Weapons Convention and the 1993 Chemical Weapons Convention contain provisions on arms limitations and disarmament obligations.

The 1997 Ottawa Convention is an international treaty on the ban of anti-personnel mines. The treaty prohibits the use, production, storage, and transfer of these weapons.

Cluster munitions were first used by the Russian army in 1943. The first calls for a ban on cluster munitions came in 1974. The convention on cluster munitions, often referred to as the Oslo Convention on Cluster Munitions or the Convention on Cluster Munitions, finally entered into force in August 2010. This international treaty stipulates a ban on the use, production, and transfer of certain kinds of conventional cluster munitions.

At present, there is only a draft convention on the issue of uranium munitions. Thus, uranium munitions are considered to be controversial weapons but not banned weapons.

5 | Criticism of controversial weapons

Controversial weapons are one of the most widely monitored issues in relation to the criteria for sustainable investments and are often seen as the minimum standard for exclusion criteria.

Criticisms of controversial weapons cover a wide range of topics, such as pollution at the environmental level, the injury and inhumane killing of people at the social level, and the risk of misuse at the governance level.

The argument of “defence”, which is cited in relation to investments in weapons, is not applicable in relation to controversial weapons.

Cluster munitions are not used in a targeted manner, and the explosions occur over a large area, with no distinction between military and civilian targets. Some of the smaller warheads often do not



detonate immediately and remain as unexploded ordnance. These unexploded submunitions often continue to pose a lethal threat to the civilian population long after the end of the conflict and hinder the development of the affected regions, both economically and in social respects.

Chemical and biological weapons are relatively cheap and easy to produce. Even small amounts of chemical and biological weapons can kill or injure large numbers of people.

Nuclear weapons possess enormous destructive power and are therefore controversial, despite their deterrent function. They are also indiscriminate and do not distinguish between military and civilian targets. They fall into the category of weapons of mass destruction, as the potential radioactive fallout leads to long-term contamination of the affected regions and thus has extremely negative health consequences for the entire population.

Depleted uranium is used as material for uranium munitions. They may be linked to long-term health damage. The combustion of uranium projectiles spreads uranium particles over large areas, and long-term health damage may occur when these particles are inhaled or come into contact with the skin. Furthermore, this poisonous metal can contaminate water and food sources.

Landmines or anti-personnel mines are deemed to be controversial because they are indiscriminate weapons. They can be triggered by military or civilian victims, and can also prevent civilians from accessing food, water, and medical treatment. Additionally, there are long-term risks related to unexploded anti-personnel mines.

6 | Summary

Raiffeisen KAG is committed to excluding prohibited weapons. Investments in controversial weapons systems such as cluster munitions, chemical or biological weapons, nuclear weapons and uranium munitions, landmines and phosphorus bombs are, in principle, excluded from portfolios managed by the company.

With regard to portfolios that do not have environmental or social characteristics and do not aim for sustainable investment (Article 6 of the Disclosure Regulation / Regulation (EU) 2019/2088), a turnover threshold of 5% at company level is introduced in relation to nuclear weapons. This applies to investments in companies based in NATO member states, provided they comply with the provisions of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).

With this policy, Raiffeisen KAG is acting in conformity with the majority of asset managers with an ESG orientation at the European level, as well as internationally.

Raiffeisen KAG's assessments in relation to this issue will be monitored on an ongoing basis and updated or adapted as necessary.



You can find Raiffeisen KAG's sustainability policies on the website rcm-international.com under "Our Topics/Sustainability/Policies & Reports".

**Raiffeisen Capital Management is the umbrella
brand name for the following companies:**

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
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