

Utrecht, October 2009. IKV Pax Christi and Netwerk Vlaanderen have strived to achieve the highest level of accuracy in our reporting. However, at this point, there is still a marked lack of official information available in the public domain about the use, production, transfer, and stockpiling of cluster munitions, as well as about investments in companies that produce cluster munitions. The information in this report therefore reflects official information available in the public domain known to IKV Pax Christi and Netwerk Vlaanderen. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others, in the spirit of dialogue, and in the common search for accurate and reliable information on an important subject. If you believe you have found an inaccuracy in our report or if you can provide additional information, please contact us.

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Germany, 15 October 2008. DM 1348 bomblets from 155 mm artillery delivered cluster munitions after dismantling of the fuze and burning of the explosives at Nammo Buck.

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STATE-OF-THE-ART REPORT:

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Executive Summary

The Convention on Cluster Munitions (CCM) categorically bans the use, production, stockpiling and transfer of cluster munitions. 94 countries signed the convention at the Oslo Signing Conference held 3 – 4 December 2008. The convention has not entered into force yet, as entry into force requires 30 ratifications. It has been open for signature at the United Nations in New York since December 2008. The Cluster Munition Coalition (CMC) is an international coalition working to protect civilians from the effects of cluster munitions by promoting universal adherence to, and full implementation of, the Convention on Cluster Munitions. The CMC has a membership of around 300 civil society organisations from more than 80 countries.¹

Article 1c of the CCM states, *“Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.”* It seems obvious that financing the production of cluster munitions constitutes ‘assistance’ or ‘encouragement’, as the Cluster Munition Coalition also points out in its policy paper.² However, state parties’ implementation of this convention might not automatically result in a ban on investments in cluster munitions. The process to ban cluster munitions is in a crucial phase. Many countries that have signed the convention are now incorporating it into their national legislation. The CCM will enter into force six months after 30 countries have ratified the convention.

“Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.”

Even before the CCM opened for signature, there was an international consensus on problems stemming from the indiscriminate nature of cluster munitions. This means that from a moral perspective financial institutions should not have needed the CCM to terminate their investment in companies producing cluster munitions. Some financial institutions took this step and banned all investments in cluster munitions; others persisted in supporting the production of these indiscriminate weapons.

“When they finance companies that produce cluster munitions, financial institutions assist these companies to produce an indiscriminate weapon.”

This publication by IKV Pax Christi and Netwerk Vlaanderen presents a state-of-the-art report on financial institutions’ investment in companies that develop or produce cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on legislative measures to prohibit investment in cluster munitions. We emphasize that, at this point, there is still a lack of official information available in the public domain about the production of cluster munitions and investments in cluster munitions producers. This is the reason that the

information in this report is by no means exhaustive. The methodology used is discussed in the methodology part of this executive summary and in the beginning of each chapter.

We hope that this information will stimulate states, financial institutions and civil society to further the convention’s goal to halt the unacceptable humanitarian harm to which cluster munitions give rise. In 2006, Handicap International reported that civilians make up 98% of all cluster munitions’ victims³. Ending the human suffering directly attributable to cluster munitions requires national legislation that reflects the spirit of the CCM. Governments must present clear guidelines by introducing and enforcing legislation that prohibits investment in cluster munitions producers. When no such legislation is in place, financial institutions have a moral obligation to act on their own and disinvest from cluster munitions. When they finance companies that produce cluster munitions, financial institutions assist these companies to produce an indiscriminate weapon that has been the object of opprobrium in states and civil society worldwide.

We have identified many of the financial institutions that, even now - nearly a year after the Convention on Cluster Munitions opened for signature - still invest in cluster munitions producers. You will find these financial institutions in the first part of the report, the Hall of Shame.

“It is impossible for a financial institution to be sure that the financial services provided to a company will not be used for the production of cluster munitions.”

Hall of Shame

The Hall of Shame contains a list of financial institutions that still invest in cluster munitions producers. The first step in our research was to identify which companies are involved in the production of cluster munitions. To identify these companies, research company Profundo, The Netherlands, called upon a variety of sources including reports by NGOs

and exclusion lists maintained by financial institutions banning investment in cluster munitions, information published by the companies themselves, contracts with the US government and, correspondence between the companies and investors. From this longer list we then selected a short list, the so called *Red Flag List*, which we included in our research. It is important to note that the list of companies used in this study is by no means an exhaustive list of cluster munitions producers.

An investor is defined as someone financially involved in a cluster munitions manufacturer. We consider any financial link to be an investment regardless of: the investor’s importance for the cluster munitions manufacturer; the investment’s importance for the investor’s portfolio; the contribution of cluster munitions production to the company’s total turnover; or the cluster munitions producer’s other activities. We choose this definition because it is impossible for a financial institution to be sure that the financial services provided to a company will not be used for the production of cluster munitions. It is common practice for weapon producers to finance their cluster munitions facilities from their general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities. There is no way to prevent a company from (legally) reallocating capital within the group. Including clauses to a general corporate loan contract prohibiting companies from using borrowed or invested funds to manufacture cluster munitions, or restricting a company’s use of financing to civilian projects does not prevent the money from being used to manufacture cluster munitions.

The 138 financial institutions that we have identified as having financial links to the companies on our Red Flag List are listed in a table at the end of this summary. The table also contains the various types of involvement that these companies engage in. Research institute Profundo, The Netherlands, provided the list of financial institutions which they derived from Stock exchange filings and other publications of the financial institutions and the CM producers, as well as databases, filled with information supplied by financial institutions.¹

FOCUS: Public Pension Funds and Sovereign Wealth Funds

In Chapter 2 special attention is given to sovereign wealth funds and public pension funds, since the importance of these investment funds is growing. These funds are particularly interesting because most of them are state owned. This becomes even more important when the sovereign wealth fund’s or public pension fund’s home country has ratified the Convention on Cluster Munitions. Moreover, sovereign wealth funds and public pension funds sometimes hold a substantial stake in the capital of companies. This gives them considerable voting power at the annual meeting, and sometimes even one or more seats on the board of directors.

For our research we selected major sovereign wealth funds and public pension funds, targeting 15 funds, chosen for their importance and country of origin (to ensure a broad geographical spread). We have listed all the

¹ Stock exchange filings for US companies are mostly derived from 10K-Wizard, a commercial variant of the Edgar-database which is free of charge. Information in this database is provided by the companies themselves to the US *Securities and Exchange Commission (SEC)*. Other databases used are for example the Thomson ONE database and archives from trade journals, such as Euroweek.

shareholdings that we were able to document, including shareholdings under the 1% threshold. For the rest, the same research criteria are used as for the financial institutions described in the Hall of Shame.

Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they have assets. Some funds are very transparent and publish a list with shares on their website. We have found information on assets for five of the funds, two of which own or manage assets in the companies on the Red Flag List.

Hall of Fame and Runners-up

The second part of our research, the Hall of Fame, focuses on the financial institutions that have disinvested from producers of cluster munitions.

Many financial institutions adjusted their policy after the CCM opened for signature. To identify financial institutions with a policy on cluster

munitions, Netwerk Vlaanderen, Belgium, researched a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, worldwide campaigners and other public sources. As the investment policy is usually stipulated by the banking group and as a banking group directly or indirectly supervises its subsidiaries, we have researched the policy of the group. The list of financial institutions provided in this report is by no means exhaustive. Fortunately there are much more financial institutions that deserve a place in the Hall of Fame and we will update and increase this list frequently. Any other financial institutions banning cluster munitions will be welcomed wholeheartedly. Our research will be updated regularly, and we welcome additions from all interested parties.

We have identified 30 financial institutions with a policy on cluster munitions that was available in the public domain in English and/or Dutch. 14 financial institutions from this group of 30 made it into our Hall of Fame. They have barred all investment in producers of cluster munitions. We provide a list of Hall of Fame members at the end of the executive summary.

16 financial institutions from the group of 30 do have a policy on cluster munitions, but show certain shortcomings. Creating a Runners-up category allowed us to highlight these financial institutions that took steps to ban investments in producers of cluster munitions, but whose course of action on cluster munitions has certain flaws. We commend these financial institutions for their efforts while pointing out ways they can strengthen their endeavour and thereby make it into our Hall of Fame. The most common shortcomings are:

- Only taking the financial institutions' own involvement into account, not that of their clients
- Exempting project finance for civil purpose
- Exempting funds following an index
- Covering only project financing for cluster munitions

"Experience with the legislation in Belgium, Ireland and Luxembourg can serve as model for ways signatory states, states party to the CCM and states that are not party to the CCM, can prohibit investments in cluster munitions producers by national law."

Countries' Best Practices

The Cluster Munition Coalition believes that the prohibition on assistance includes a prohibition on investments in cluster munitions.ⁱⁱ Belgium and Luxembourg had prepared legislation even before the CCM opened for signature. Lebanon, Mexico, Norway, Ireland and Rwanda have identified investment as a prohibited form of assistance under the CCM. It is important that, in the upcoming months, more states confirm that article 1c includes a ban on investments in cluster munitions.

ⁱⁱ "Investment in Civilian Suffering To Be Halted by future Cluster Munitions Convention", CMC policy paper, available at <http://www.stopclustermunitions.org/wp/wp-content/uploads/2009/09/disinvestment-policy-paper.pdf>, last check 8 October 2009.

Experience with the legislation in Belgium, Ireland and Luxembourg can serve as model for ways signatory states, states party to the CCM and states that are not party to the CCM, can prohibit investments in cluster munitions producers by national law.

Recommendations

- **States** that have signed the CCM should make clear that as article 1c of the convention prohibits assistance, it prohibits investment in cluster munitions.
- **States** should provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in producers of cluster munitions, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in producing cluster munitions. Because any investment facilitates production, no exceptions should be made for third-party financial services, for funds that follow an index or for civilian project financing for a company also involved in cluster munitions. Policies should not be narrowed to refusing project financing for cluster munitions.
- **Financial institutions** should inform the producing company that it has decided to end investment because of the company's involvement with cluster munitions. The financial institution can set clear deadlines with a limited time frame within which the company must cease production of cluster munitions if it wishes the disinvestment decision to be reversed. When a company persists in producing cluster munitions after the set deadline, the financial institution will disinvest until the company terminates production of cluster munitions. New applications for investment will be declined until the company has halted all activities related to the production of cluster munitions.
- **Financial institutions** should apply their disinvestment policy to all activities: commercial banking, investment banking and asset management. All such activities aid and abet a company's production of cluster munitions. When this new course of action requires a change in investment fund management, investors should be notified of this and given a deadline for withdrawing from these funds. After this deadline, management strategy will change and shares and obligations in companies involved in cluster munitions will be sold.

Methodology questions and answers

Are all companies that produce cluster munitions included in this research?

No. There is still a marked lack of official information available in the public domain about the production of cluster munitions. We have chosen to include only these companies that meet the following criteria:

Certainty that the company manufactures cluster munitions, the evidence is available and clear.
No evidence that the company will cease the manufacture of cluster munitions in the next 12 months.
Clear evidence of production of cluster munitions in the last two years (meaning since January 2007), or involvement in a planned production or development phase (even if this involvement is yet to be confirmed). In addition, we viewed marketing efforts (exhibitions, new product brochure, advertising on websites, etc.) in the previous year as evidence of ongoing involvement in cluster munitions production.
Financial links to the company available through official information in the public domain. If financial links could not be found through the financial information available to us, we decided that a company would not be included in this report. It was for example more difficult to link state-owned companies to financial institutions. That is why the Red Flag List has only one state-owned company.

Sources of information on companies producing cluster munitions:

Information published by the companies themselves, contracts with the US government and correspondence between the companies and investors. All producing companies on the Red Flag list were contacted to verify our data, and if additional information was provided, we included this in our report. Research by Profundo, The Netherlands.

Are all financial institutions investing in producers of cluster munitions listed in the Hall of Shame?

No. The list in the Hall of Shame is not an exhaustive list of financial institutions investing in producers of cluster munitions. We apply different thresholds to different companies for investment in shares and bonds. Due to the difference in the structure of shareholdings between companiesⁱⁱⁱ we chose a lower 0.1% limit for Hanwha Corporation, Poongsan, and Singapore Technologies and 1% for ATK, L-3 Communications, Lockheed, Roketsan and Textron. This threshold is a pragmatical tool adopted for this research. Not applying this threshold would provide us with a list of financial institutions that is too long to include in this report. A financial institution might be investing in a cluster munitions producer, but as long as they have shares below 0,1% in Hanwha Corporation, Poongsan, and Singapore Technologies and/or 1% for ATK, L-3 Communications, Lockheed, Roketsan and Textron, you will not find them on our list. Also since the Red Flag List of producing companies is not exhaustive, a financial institution might be investing in a producing company not included in our research. Moreover, there is still a marked lack of transparency in the public domain about financial institution's investments. Transparency on what credits were given to whom is for example almost non-existing. It is therefore very hard to find out whether a financial institution has given a loan to a controversial company.

ⁱⁱⁱ The Asian companies seem to have a few large (local) shareholders and a group of foreign shareholders that hold a percentage of shares under 1%. That's why we've lowered the threshold for Hanwha, Poongsan and Singapore Technologies Engineering.

Sources of information for the Hall of Shame

A variety of sources including reports by NGOs and exclusion lists maintained by financial institutions banning investment in cluster munitions. We also drew upon stock exchange filings and other publications of the financial institutions and the CM producers, as well as commercial databases filled with information supplied by financial institutions. Since these databases consists of information that is provided by the financial institutions directly, we trust that this information is correct and have not contacted all financial institutions in the Hall of Shame before publication of this report. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others. Research by Profundo, The Netherlands.

Are all financial institutions with a policy to disinvest from producers of cluster munitions listed in the Hall of Fame and Runners-up category?

No. The Hall of Fame and the Runners-up category are far from comprehensive. We believe that the financial institutions listed are only a tip of the iceberg. For this research it was impossible to research the policies of all the financial institutions worldwide. The Hall of Fame can be seen as an invitation to financial institutions that have a comprehensive policy to ban investment in cluster munitions, to provide us with their policy and to publish it on their website in order for us to include them in either the Runners-up category or the Hall of Fame.

We have chosen to limit our research to policies available in the public domain, since we believe that financial institutions should be accountable for their policy. We limited ourselves to policies that were available in Dutch and/or English. There are probably many more financial institutions that deserve a place in our Hall of Fame or Runners-up category. The lists of financial institutions disinvesting from cluster munitions' producers presented in this report is a first attempt to provide an overview and we welcome additional information.

For the Hall of Fame we have checked all shareholdings of these financial institutions, also those under the 1% threshold, to be sure that these financial institutions don't have any involvement in cluster munitions producers.

Sources of information for the Hall of Fame and Runners-up

A variety of sources was used: NGO reports, screening agency information, financial institutions' reports and websites, worldwide campaigners and other public sources. As the investment policy is usually stipulated by the banking group and as a banking group directly or indirectly supervises its subsidiaries, we have researched the policy of the group. The list of financial institutions provided in this report is not exhaustive. All financial institutions included in these lists have been contacted before publication to check our research findings and clarify their policy. Only public policies and written comments are taken into account in this study. A policy is public when a financial institution has published the policy and/or a summary of the policy on its website or in publications like the annual report, the sustainable development report, etc. Research by Netwerk Vlaanderen, Belgium^{iv}.

Were all the financial institutions in the Hall of Shame contacted in order to check the information before publication of this report?

No. All data in the Hall of Shame have been collected from a.o. stock exchange filings and other publications of

^{iv} Note that the researchers can't be held responsible if the published policy is no longer valid and/or if the financial institution did not (sufficiently) answer our questions about the policy.

the financial institutions, as well as commercial databases filled with information supplied by financial institutions. Since these databases consists of information that is provided by the financial institutions directly, we trust that this information is correct and have not contacted all financial institutions in the Hall of Shame before publication of this report. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others, in the spirit of dialogue, and in the common search for accurate and reliable information on an important subject. If you believe you have found an inaccuracy in our report or if you can provide additional information please contact us.

Why is there a special chapter on Sovereign Wealth Funds and Public Pension Funds?

We chose to do so, because the importance of these funds is growing. Moreover, most of these funds are state owned, which makes them particularly interesting. Finally, these funds sometimes hold a substantial stake in the capital of companies, which gives them considerable voting power at the annual meeting and sometimes even one or more seats on the board of directors. For this additional research, we have selected 15 major sovereign wealth funds and public pension funds, chosen for their importance and country of origin (to ensure a broad geographical spread). Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they have assets. We have found information on assets for five of the funds, two of which own or manage assets in the companies on the Red Flag List.

How can a financial institution be listed in the Hall of Shame and in the Runners-up Category at the same time?

The Runners-up category shows financial institutions that took steps to ban investments in producers of cluster munitions, but whose policies have loopholes. A financial institution can be applauded in the Runners-up category for its policy, while at the same time it can be listed in the Hall of Shame for its investments. Checking whether this involvement is actually in breach with their policy, or whether it is resulting from the loopholes in their policy, was beyond the scope of this report. It would require more detailed information on the investments found (investments for own account or for third parties, which investment fund was involved, is it a financial link through a fund following the index) to be able to give correct information on the implementation of the policies of those financial institutions listed in the Runners-up category.

Do all financial institutions in the Runners-up category have the same loopholes in their policy?

No. The Runners-up category shows financial institutions that took important steps to ban investments in producers of cluster munitions, but whose course of action on cluster munitions has flaws of different kinds. The Runners-up category is a very diverse category, where the scope of the policies differs greatly. Financial institutions are listed in the Runners-up category for many different reasons. It is important to note that, as in the Hall of Fame, we welcome any financial institution that has a publicly available policy in English and/or Dutch, and is not listed yet, to provide us with this policy for our update. We also welcome financial institutions listed already, to provide us with updates or improvements of their policy, and possibly move up to our Hall of Fame.

Why does this research not make an exemption for funds tracking an index?

During our research and the conversations we had with financial institutions about this issue, many financial institutions pointed out that it is simply impossible to exclude producers from cluster munitions from funds following an index. Still, some financial institutions do have a policy that includes index funds. These examples have convinced us that it is possible to exclude producing companies from funds following an index. Although it might be difficult, and for sure more time and/or money consuming, we feel that if it is possible it should be done. We invite financial institutions that see no possibility to meet this criteria to show clear evidence why this is not possible in their case. Until that time, we have chosen to list financial institutions that make an exception for funds following an index in the Runners-up category, and not in the Hall of Fame.

Researched time frame

- A company is listed as a producer of cluster munitions if we have found involvement in the production of (key components of) cluster munitions between January 1, 2007 – until October 1, 2009.

- A financial institution is listed as an investor if we have found investments between January 1, 2007 – Until August 1, 2009. This research will be updated. The first update is expected in December 2009. As the investment policy is usually stipulated by the banking group and as a banking group directly or indirectly supervises its subsidiaries, we have researched the policy of the group.

- Policies of financial institutions listed in the Hall of Fame and Runners-up category are updated until October 10 2009. This research will be updated. The first update is expected in December 2009. As the investment policy is usually stipulated by the banking group and as a banking group directly or indirectly supervises its subsidiaries, we have researched the policy of the group.

Summary tables

Hall of Shame

The following overview summarises the types of financial relationships that financial institutions have with producers of cluster munitions on our Red Flag List.

Key: **B** = ownership or management of (convertible) bonds, **L** = provision of loan facility, **S** = ownership or management of shares, **X** = underwriting of share issues, **Y** = underwriting of bonds issues.

| Financial Institution | Country of origin | Cluster munitions producers | | | | | | | |
|--|-------------------|------------------------------|----------------------|-------------------------|----------------------|------------------------|-------------------|------------------------------------|--------------|
| | | Alliant Techsystems ATK (US) | Hanwha (South Korea) | L-3 Communications (US) | Lockheed Martin (US) | Poongsan (South Korea) | Roketsan (Turkey) | Singapore Technologies (Singapore) | Textron (US) |
| Aberdeen Asset Management | United Kingdom | | | | | | | S | |
| Alaska Permanent Fund Corporation (APFC) | United States | S | | | S | | | S | S |
| Acadian Asset Management | United States | | | | | S | | | |
| Alexandra Investment Management | United States | B | | | | | | | |
| Allianz | Germany | | | | | | | S | |
| Allstate Corporation | United States | B | | | | | | | |
| ANZ Bank | Australia | | | | L | | | | |
| Argent Funds Group | United States | B | | | | | | | |
| Aristeia International Limited | United States | B | | | | | | | |
| Arnhold & S Bleichroeder Advisers | United States | S | | | | | | | |
| Aronson, Johnson & Ortiz | United States | | | S | | | | | |
| AXA | France | | | S | S | | | S | |
| Balanced Equity Management | Australia | | | | | | | S | |
| Banco Bilbao Vizcaya Argentaria | Spain | | | | L | | | | |
| Bank of America | United States | L,S | | S | L | | | | L,Y |
| Bank of New York Mellon | United States | L | | S | L | | | | L |
| Bank of Tokyo-Mitsubishi UFJ | Japan | L | | | L | | | | L,X,Y |
| Barclays | United Kingdom | S | S | S | L,S | | | S | L,S,X,Y |
| Bayerische Landesbank | Germany | | | | L | | | | |
| Bear Sterns | United States | | | | L | | | | |
| BlackRock | United States | | | S | | | | S | |
| BMO Financial Group | United States | | | | L | | | | L |
| BNP Paribas | France | | S | | L | | | | L,Y |
| Caisse de Depot et Placement du Québec | Canada | | | | | S | | | |
| Calamos Holdings | United States | B | | | | | | | |
| California Public Employees' Retirement System (CalPERS) | United States | S | S | S | S | S | | S | S |

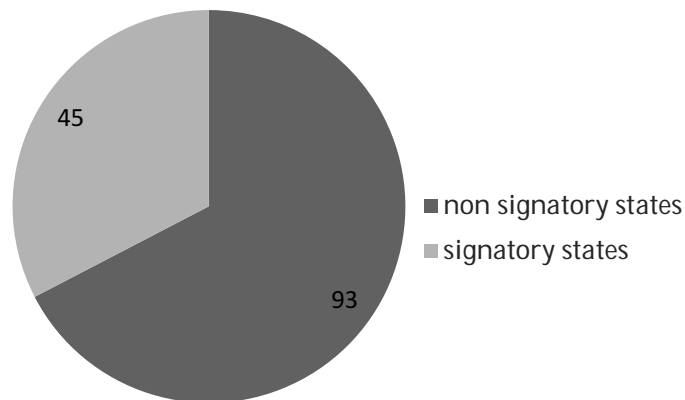
| Financial Institution | Country of origin | Cluster munitions producers | | | | | | | |
|--------------------------------------|-------------------|------------------------------|----------------------|-------------------------|----------------------|------------------------|-------------------|------------------------------------|--------------|
| | | Alliant Techsystems ATK (US) | Hanwha (South Korea) | L-3 Communications (US) | Lockheed Martin (US) | Poongsan (South Korea) | Roketsan (Turkey) | Singapore Technologies (Singapore) | Textron (US) |
| Calyon | France | L | | | L | | | | |
| Canada Pension Plan Investment Board | Canada | | S | | | | | | |
| Canadian Imperial Bank of Commerce | Canada | B | | | | | | | |
| Canyon Capital Advisors | United States | B | | | | | | | |
| Capital Group | United States | | | | S | | S | S | |
| Cheonan Bukil Education Foundation | South Korea | | S | | | | | | |
| CI Financial Corporation | Canada | S | | | | | | | |
| Citadel Group | United States | B | | | | | | | |
| Citigroup | United States | B | | | L,Y | | | L,X, Y | |
| Commerzbank | Germany | L | | | L | | | | |
| CQS | United Kingdom | B | | | | | | | |
| Credit Suisse | Switzerland | B | | | | | S | L,X, Y | |
| Daewoo Securities | South Korea | | Y | | | | | | |
| Daiwa Asset Management | Japan | | | | | | S | | |
| DBS | Singapore | | | | | | S | | |
| Deutsche Bank | Germany | B | | | | | Y | L,X, Y | |
| Dimensional Fund Advisors | United States | | | | S | | | | |
| Dongbu Securities | South Korea | | Y | | | | | | |
| Eagle Capital Management | United States | | | S | | | | | |
| Eaton Vance Corporation | United States | | | | S | | | | |
| Edgewood Management | United States | | | S | | | | | |
| Epoch Investment Partners | United States | S | | | | | | | |
| Export Import Bank of Korea | South Korea | | Y | | | | | | |
| Fidelity | United States | S | S | | S | | S | S | |
| General Electric (GE) | United States | L,S | | | | | | S | |
| Genesis Investment Management | United Kingdom | | | | S | | | | |
| Goldman Sachs | United States | L,S | | | Y | | | L,X, Y | |
| Grantham Mayo Van Otterloo & Co | United States | | | | | | S | | |
| Great-West Lifeco | United States | | | S | | | | | |
| Hanwha Securities | South Korea | | Y | | | | | | |
| Henderson Global Investors | United Kingdom | | | | | | S | | |
| HMC Investment Bank | South Korea | | Y | | | | | | |
| HSBC | United Kingdom | | | | | | | L,X, Y | |

| Financial Institution | Country of origin | Cluster munitions producers | | | | | | | |
|------------------------------------|-------------------|------------------------------|----------------------|-------------------------|----------------------|------------------------|-------------------|------------------------------------|--------------|
| | | Alliant Techsystems ATK (US) | Hanwha (South Korea) | L-3 Communications (US) | Lockheed Martin (US) | Poongsan (South Korea) | Roketsan (Turkey) | Singapore Technologies (Singapore) | Textron (US) |
| Hua Nan Bank | Taiwan | L | | | | | | | |
| Intesa San Paolo | Italy | | | | L | | | | |
| Invesco | United States | | | | S | | S | | |
| Janus Capital Group | United States | S | | | S | | | | |
| Jennison Associates | United States | | | | S | | | | |
| JP Morgan Chase | United States | B, L,S | | | L,Y | | | | L,X, Y |
| Kamunting Street Master Fund | United States | B | | | | | | | |
| KBC Bank | Belgium | B | | | | | | | |
| Kokusai Asset Management | Japan | | | | | | S | | |
| Kookmin Bank | South Korea | | Y | | | | | | |
| Korea Development Bank | South Korea | | Y | | | Y | | | |
| Korea Investment & Securities | South Korea | | Y | | | | | | |
| Lazard Capital Markets | United States | | | | | | | | Y |
| Legal & General | United Kingdom | | | | | S | | | |
| Legg Mason Global Asset Management | United States | | | S | | | | | |
| Linden Capital | Singapore | B | | | | | | | |
| Lloyds TSB Bank | United Kingdom | | | | L | | | | |
| Lord Abbet & Co | United States | S | | | | | | | |
| LSV Asset Management | United States | | | | | | | | S |
| Lydian Asset Management | United States | B | | | | | | | |
| Marsico Capital Management | United States | | | | S | | | | |
| Mellon Capital Management | United States | | | | | | | | S |
| Meritz Securities | South Korea | | Y | | | | | | |
| Merrill Lynch | United States | L | | | | | | | L,X, Y |
| Metzler Investments | Germany | | | | | | S | | |
| MFS Investment Management | United States | | | | S | | | | |
| Mirae Asset Securities | South Korea | | Y | | | | | | |
| Mizuho Bank | Japan | L | | | L | | | | |
| Morgan Stanley | United States | | | | L | | Y | | L,Y |
| Natixis | France | S | | | | | | | |
| National City Bank | United States | L | | | | | | | |
| National Pension Service | South Korea | | S | | | | | | |
| Neuberger Berman | United States | S | | | | | | | |
| Newton Investment Management | United Kingdom | | | | | | S | | |
| Northern Trust | United States | L | | S | L,S | | | | |
| Nuveen Investments | United States | | | | S | | | | |
| Old Mutual | United Kingdom | | | S | | | | | |

| Financial Institution | Country of origin | Cluster munitions producers | | | | | | | |
|--|-------------------|------------------------------|----------------------|-------------------------|----------------------|------------------------|-------------------|------------------------------------|--------------|
| | | Alliant Techsystems ATK (US) | Hanwha (South Korea) | L-3 Communications (US) | Lockheed Martin (US) | Poongsan (South Korea) | Roketsan (Turkey) | Singapore Technologies (Singapore) | Textron (US) |
| OppenheimerFunds | United States | | | | S | | | | |
| People's Bank (People's United Bank) | United States | L | | | | | | | |
| Platinum Grove Asset Management | United States | B | | | | | | | |
| PPM America | United States | | | | | | | | S |
| Principal Financial Group | United States | S | | | | | | | |
| Prudential Asset Management | United Kingdom | | | | | | | S | |
| Pzena Investment Management | United States | | | S | | | | | |
| Regions Bank | United States | L | | | | | | | |
| Royal Bank of Scotland | United Kingdom | L | | | L | | | | |
| Russell Investment Group | United States | | | | | S | | | |
| Riyad Bank | Saudi Arabia | | | | L | | | | |
| Sandelman Partners | United States | B | | | | | | | |
| Schroder Investment Management | United Kingdom | | | | | | | S | |
| Scotiabank | Canada | | | | L | | | | L |
| Shinhan Bank | South Korea | | Y | | | | | | |
| Shin Heung Securities | South Korea | | Y | | | | | | |
| SK Securities | South Korea | | | | | Y | | | |
| Société Générale | France | B | | | | | | | L |
| Standard Life | United Kingdom | S | | | | | | | |
| State Street | United States | S | | S | L,S | S | | S | S |
| Sumitomo Mitsui Banking Corporation | Japan | | | | L | | | | |
| SunTrust Bank | United States | | | | L | | | | |
| Teachers Insurance & Annuity Association | United States | | S | S | | | | | S |
| Temasek Holdings | Singapore | | | | | | | S | |
| T Rowe Price Group | United States | S | | | S | | | | |
| UBS | Switzerland | | | | L | S | | S | L,X, Y |
| Union Investment Group | Germany | | | | | | | S | |
| United Overseas Bank | Singapore | L | | | | | | | |
| Universal Investment Gesellschaft | Germany | | | | | | | S | |
| US Bank | United States | L | | | L | | | | |
| Vakifbank (Türkiye Vakıflar Bankası) | Turkey | | | | | | S | | |
| Vanguard Group | United States | B,S | S | S | S | | | S | S |
| Vaughan Nelson Investment Management | United States | S | | | | | | | |
| Veritas Asset Management | United Kingdom | | | | | | | S | |

| Financial Institution | Country of origin | Cluster munitions producers | | | | | | | |
|---------------------------------------|-------------------|------------------------------|----------------------|-------------------------|----------------------|------------------------|-------------------|------------------------------------|--------------|
| | | Alliant Techsystems ATK (US) | Hanwha (South Korea) | L-3 Communications (US) | Lockheed Martin (US) | Poongsan (South Korea) | Roketsan (Turkey) | Singapore Technologies (Singapore) | Textron (US) |
| Vicis Capital | United States | B | | | | | | | |
| Wachovia Bank | United States | | | | L | | | | L, Y |
| Wellington Management Company | United States | S | | | S | | | | |
| Wells Fargo Bank | United States | | | | L | | | | |
| WestLB | Germany | | | | L | | | | |
| Westwood Holdings Group | United States | S | | | | | | | |
| William Street Commitment Corporation | United States | | | | L | | | | L |
| Woori Investment & Securities | South Korea | | Y | | | | | | |

Country of origin of Financial Institutions in the Hall of Shame



Hall of Fame and Runners-up category

| Financial Institution | Country of origin* | Is the policy published? | Does the policy exclude cluster munitions producers? | Does the policy exclude all cluster munitions producers (no exceptions for certain types?) | Does the policy apply to all the products of the financial institution? | Are all company's activities excluded? |
|---------------------------------|--------------------|--------------------------|--|--|---|--|
| HALL OF FAME | | | | | | |
| ABP | The Netherlands | X | X | X | X | X |
| AP1 – 4 | Sweden | X | X | X | X | X |
| AP7 | Sweden | X | X | X | X | X |
| ASN Bank | The Netherlands | X | X | X | X | X |
| Banca Etica | Italy | X | X | X | X | X |
| Ethias | Belgium | X | X | X | X | X |
| Folksam | Sweden | X | X | X | X | X |
| Norway Pension Fund | Norway | X | X | X | X | X |
| NPRF | Ireland | X | X | X | X | X |
| NZ Super Fund | New Zealand | X | X | X | X | X |
| PGGM | The Netherlands | X | X | X | X | X |
| Philips Pension Fund | The Netherlands | X | X | X | X | X |
| Storebrand | Norway | X | X | X | X | X |
| Triodos Bank | The Netherlands | X | X | X | X | X |
| RUNNERS-UP | | | | | | |
| AXA | France | X | X | X | | X |
| BNP Paribas | France | X | X | unknown | | X |
| Co-operative Financial Services | United Kingdom | X | X | X | | X |
| Crédit Agricole | France | X | X | X | unknown | unknown |
| Danske Bank | Denmark | X | X | X | | X |
| Dexia | Belgium | X | X | X | | |
| Fortis NL | The Netherlands | X | X | X | | X |
| ING | The Netherlands | X | X | X | | X |
| KBC | Belgium | X | X | X | | X |
| Nordea | Sweden | X | X | X | | X |
| Rabobank | The Netherlands | X | X | X | | X |
| Royal Bank of Canada | Canada | X | X | X | | X |
| Syntus Achmea | The Netherlands | X | X | X | | X |

* The countries of origin of all the financial institutions listed in the Hall of Fame and Runners-up category have signed the Convention on Cluster Munitions

Introduction Investing in Cluster Munitions: What's at stake?

Cluster munitions and the Oslo process

The third of December 2008 marked an important day for international humanitarian law. On that day, 94 countries gathered in Oslo to sign the Convention on Cluster Munitions (CCM), a Convention that categorically prohibits the use, production, transfer and stockpiling of cluster munitions. Reports of the suffering that cluster munitions have caused among civilian populations has alarmed people and drawn international opinion to the issue.

Cluster munitions pose a serious threat to civilian populations during and after a conflict. Cluster munitions are designed to blanket a large area containing one or more targets. They can be fired by artillery and rocket systems or dropped by an aircraft; they spread dozens, or even hundreds, of submunitions or bomblets over an area the size of a football field. Distribution of submunitions over such a broad area results in a large chance of civilian casualties during and after the attack. Many bomblets or submunitions fail to explode on impact. They remain on the ground like landmines that kill and injure civilians long after the conflict has ended.

"I lost both my legs when I found a cluster bomb I thought was a can of food. I was ten years old at the time and was walking home from a picnic with my cousin and four other members of my family. My cousin was killed instantly in the blast and the rest of us were injured."

Soraj Ghulam Habib, Herat, Afghanistan

The Oslo process started in February 2007. At the invitation of the Norwegian Government, 46 countries met after government talks in the traditional forum for weapons issues failed. The resulting Oslo Declaration called for a legally binding instrument by 2008 to prohibit the use, production, transfer and stockpiling of cluster munitions that cause unacceptable harm to civilians.⁴ At the ensuing international conferences, the number of supporting countries grew at steady pace; by December 2008 the CCM opened for signature.

The Oslo process was marked by an intensive co-operation between a broad range of actors whose common goal was to stop the humanitarian harm that cluster munitions cause. The achievements of the Mine Ban Treaty, the International Criminal Court and the Convention on the Rights of Persons with Disabilities were all milestones. The CCM is yet another strong example of how a broad partnership between governments, key international organisations and civil society actors, here united in the Cluster Munition Coalition (CMC), can produce a convention that can make a difference for civilians during and after a conflict.

Action against the weapon has started to change states' behaviour already. Many have started to destroy their stockpiles and/or announced their compliance with the convention. However, the CCM will have to enter into force in order to become legally binding on state parties. The convention will enter into force six months after thirty countries have deposited their ratification instrument with the Treaty Section of the United Nations Office of Legal Affairs in New York. So far, 100^v countries have signed and 23^{vi} have ratified the convention. The universalisation of the convention and the

^v By 14 October 2009 the following countries had signed the CCM: Afghanistan, Albania, Angola, Australia, Austria, Belgium, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Bulgaria, Burkina Faso, Burundi, Canada, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, DR Congo, Republic of Congo, Cook Islands, Costa Rica, Ivory Coast, Croatia, Cyprus, Czech Republic, Denmark, Ecuador, El Salvador, Fiji, France, Gambia, Germany, Ghana, Guatemala, Guinea, Guinea Bissau, The Holy See, Honduras, Hungary, Iceland, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Lao PDR, Lebanon, Lesotho, Liberia, Liechtenstein, Lithuania, Luxembourg, Madagascar, Malawi, Mali, Malta, Mexico, Republic of Moldova, Monaco, Montenegro, Mozambique, Namibia, Nauru, The Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Palau, Panama, Paraguay, Peru, Philippines, Portugal, Rwanda, Samoa, San Marino, Sao Tomé and Príncipe, Senegal, Sierra Leone, Slovenia, Somalia, South Africa, Spain, St. Vincent and Grenadines, Sweden, Switzerland, the former Yugoslav Republic of Macedonia, Togo, Tunisia, Uganda, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay and Zambia.

implementation of the Convention on Cluster Munitions are both critical steps toward enhancing the security of civilians during and after armed conflict and toward providing assistance to survivors.

Article 1c of the Convention on Cluster Munitions states: *"Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention"*.⁵ Financing is clearly an act of support: financing a cluster munitions producer facilitates production. Several states and civil society organisations have confirmed that the CCM prohibits investment in companies that produce cluster munitions.⁶

"Financing and investing are active choices, based on a clear assessment of a company and its plans. Investing in a cluster munitions producer therefore is a choice to support the production of these weapons that cause unacceptable harm." The CMC policy paper on disinvestment explains furthermore: "States signing on to the Convention on Cluster Munitions should realise that this also implies a ban on investments in cluster munitions manufacturers. Recognizing the danger posed by cluster munitions, states should be consistent furthermore and prohibit investments in producers of cluster munitions."⁷

As we will see in Chapter 3, several states have passed legislation prohibiting investment in companies that produce cluster munitions. We encourage other states to do the same and provide clear guidelines for financial institutions operating in these countries. In the end, however, financial institutions will have to be the ones to ensure that investments by state and non-state parties in companies that produce cluster munitions cease. This publication presents a state-of-the-art report on financial institutions' investments in companies that develop or produce cluster munitions and on legislative measures to prevent investments in cluster munitions. In presenting this information we want to encourage financial institutions, state actors and civil society to engage in a constructive discussion on, and work towards, a world free of cluster munitions.

Financial institutions' power and responsibility

A wide range of financial institutions operate in our globalised world. These include privately owned companies and state-owned institutions. Banks, insurance companies, investment funds, investment banks, pension funds, export credit agencies, multilateral financial institutions, government funds and many others play a crucial role in allocating financial resources. Since a large majority of companies and governments rely on the financial markets and financial institutions to find the operating capital, these financial institutions play a key role in every segment of human activity. In choosing which companies and projects they will finance and invest in, these institutions foster certain (business) evolutions.

Although some financial institutions have made an effort to disinvest from cluster munitions, many find it difficult to implement their policy or have no policy (yet) on investment in companies that produce cluster munitions. The Hall of Shame in Chapter 1 lists a whole range of examples of financial institutions investing, in or offering financial services to, cluster munitions producers. These investments raise serious ethical concerns for these financial institutions. These concerns rise from two arguments: the controversial character of cluster munitions and the complicity of the investor. Cluster munitions are widely acknowledged to be unacceptable weapons; 100 countries have agreed to ban these weapons by signing the CCM. Financial institutions should therefore avoid any involvement in the manufacture of these weapons. Financial institutions sometimes regard financing or providing financial services to companies as a neutral activity. But investing in a company clearly supports that company's objectives by raising the capital it needs to carry them out. In delivering a financial service to a company, a financial institution signifies its approval of this company's objectives. Financing a company involved in cluster munitions facilitates production of these weapons. Moreover, this support is indispensable. All financial institutions should follow the example of those that have already demanded that

^{vi} By 14 October 2009 the following countries had ratified the CCM: Albania, Austria, Burundi, Croatia, France, Germany, The Holy See, Ireland, Japan, Lao PDR, Luxembourg, Former Yugoslav Republic of Macedonia, Malawi, Malta, Mexico, Niger, Norway, San Marino, Slovenia, Sierra Leone, Spain, Uruguay and Zambia.

companies in their portfolio end their involvement in the production and/or development of cluster munitions, and that disinvest from companies that ignore this demand.

Fortunately, parallel to the Oslo process, more and more financial institutions have recognised their responsibility to withdraw support for companies manufacturing cluster munitions. These financial institutions have banned cluster munitions producers from their investment portfolio. Chapter 3 describes financial institutions' policies on investment in cluster munitions. Many financial institutions have stated in public that they will disinvest from cluster munitions producers; some of them have already done so. We applaud these efforts and feel they can serve as an example for other financial institutions. This report highlights those financial institutions whose investment guidelines take into account the civilian suffering that cluster munitions cause. The Hall of Fame shows great examples of financial institutions that have taken their responsibility and have implemented a comprehensive policy to disinvest from cluster munitions. The Runners-up category in the same chapter lists financial institutions that have taken the effort to install and implement a policy to disinvest from cluster munitions, but have some shortcomings in either the policy or the implementation thereof.

Our research

The goal of our research is to deliver a state-of-the-art report on the involvement of financial institutions worldwide in companies that produce and/or develop cluster munitions. This goal is rooted in the following two research questions.

1. Which financial institutions invest in companies that produce cluster munitions? Chapter 1 contains a list of companies and investors. Chapter 2 gives special attention to sovereign wealth funds (SWF) and public pension funds (PPF), since the importance of these investment funds is growing.
2. Who is disinvesting from companies that produce cluster munitions? Chapter 3 contains a list of investors that did so and a list of states that have passed legislation prohibiting this type of investment.

Profundo and Campagne tegen Wapenhandel (*Dutch Campaign against Arms Trade*) together performed the research on producing companies, Profundo the research on financial links and Netwerk Vlaanderen the research on the financial institutions' policies.

We hope that this information will stimulate states, financial institutions and civil society to further the convention's goal: halting the unacceptable humanitarian harm to which cluster munitions give rise.

Chapter 1

Hall of Shame: Financial Involvement and Investments

This first chapter answers our first research question:

Which financial institutions are financially involved in companies that produce cluster munitions?

The chapter is divided in three parts:

- The first part describes the companies selected for study.
- The second part gives a list of financial institutions investing in cluster munitions manufacturers.
- The third part looks more closely at a few sovereign wealth funds and public pension funds.

1.1 Red Flag List of Cluster Munitions Producers

1.1.0 Introduction and methodology

The goal of our research is to deliver a state-of-the-art report on the involvement of financial institutions worldwide in companies that produce and/or develop cluster munitions. Before we identify these financial institutions, it is important to have a clear understanding of what we mean by cluster munitions and how we define a producer of cluster munitions.

- **Definitions**

Our research project adopted the definition of cluster munitions and explosive submunitions in the *Convention on Cluster Munitions*:⁸

Cluster munitions means a conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, and includes those explosive submunitions. It does not mean the following:

- a. A munition or submunition designed to dispense 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:
 - i. Each munition contains fewer than ten explosive submunitions;
 - ii. Each explosive submunition weighs more than four kilograms;
 - iii. Each explosive submunition is designed to detect and engage a single target object;
 - iv. Each explosive submunition is equipped with an electronic self-destruction mechanism;
 - v. Each explosive submunition is equipped with an electronic self-deactivating feature;

Explosive submunition means a conventional munition that in order to perform its task is dispersed or released by a cluster munitions and is designed to function by detonating an explosive charge prior to, on or after impact;

We then define **producer of cluster munitions** as follows:

- Any company or group of companies that, itself or through a subsidiary, develops or produces cluster munitions and/or explosive submunitions according to the definition in the Convention on Cluster Munitions.
- Any company or group of companies that, itself or through a subsidiary, develops or produces key components for cluster munitions or explosive submunitions.

We consider a company or group of companies a cluster munitions producer when any part, however small, of its total turnover is derived from cluster munitions regardless of the nature of the company's other activities.

We do so, because most cluster munitions are made by companies that also produce other defence and/or civil products. Companies can easily reallocate capital within the company or group of companies; profit from one production line can be invested in other production lines; money for general corporate purposes can be used for all the company's activities, etc. Focussing solely on the financing of cluster munitions is impossible and undesirable given the companies' financial structures. Moreover, even if a company only gets 1% of its turnover from cluster munitions, this 1% can represent a considerable amount of money and can mean the production of large amounts of cluster munitions.

- **Selection and research**

To research the financial links to cluster munitions producers, we first drew up a list of companies that produce cluster munitions. To identify these companies, research company Profundo, The Netherlands, called upon a variety of sources including reports by NGOs and exclusion lists maintained by financial institutions banning investment in cluster munitions, information published by the companies themselves, contracts with the US government and, correspondence between the companies and investors. All producing companies on the Red Flag list were contacted to verify our data, and if additional information was provided, we included this in our report. Research by Profundo, The Netherlands.

At this point, there is still a lack of official information in the public domain about the production of cluster munitions. This is the reason that this list is not exhaustive. From this list we then selected a short list, a *Red Flag List*, based on the following criteria:

- Certainty that the company manufactures cluster munitions, the evidence is available and clear.
- No evidence that the company will cease the manufacture of cluster munitions in the next 12 months.
- Clear evidence of production of cluster munitions in the last two years (meaning since January 2007), or involvement in a planned production or development phase (even if this involvement is yet to be confirmed). This evidence is based on the abovementioned sources. In addition, we viewed marketing efforts (exhibitions, new product brochure, advertising on websites, etc.) in the previous year as evidence of ongoing involvement in cluster munitions production.
- Financial links to the company available through official information in the public domain. If financial links could not be found through the financial information available to us, we decided that a company would not be included in this report. It was for example more difficult to link state-owned companies to financial institutions. That is why the Red Flag List has only one state-owned company.

Using these criteria we narrowed our Red Flag List to eight companies: seven public and one state-owned. It is important to note that the list of companies used in this study is by no means an exhaustive list of cluster munitions producers. In the section below, we give a brief description of each company and how it is involved in the production and/or development of cluster munitions.

1.1.1 Alliant Techsystems (United States)

Alliant Techsystems (ATK) is the world's largest manufacturer of ammunition and a leading supplier of precision systems and electronic warfare. The company is also active in space and propulsion systems.⁹

Alliant Techsystems (ATK) is the designer and producer of the rocket motor of Textron's **Sensor Fuzed Weapon (SFW)**. We consider the SFW a cluster bomb under the definition of the Oslo Convention. ATK produces a key component for this cluster bomb.

"The BLU-108 submunitions released from the Sensor Fuzed Weapon (SFW) are propelled by an ATK designed and produced rocket motor. The SFW, a 1,000-pound class weapon, contains ten BLU-108 submunitions. The SFW was designed specifically to provide upward axial thrust and rotational torque to the BLU-108 submunition, releasing the skeet warheads at the end of motor burn. The upward thrust and rotational torque is achieved by utilising dual tangential nozzles in the ATK rocket motor."¹⁰

The most recent Textron SFW contract found is a "\$92,938,707 firm-fixed-price contract modification" dated 31 January 2007 and "provides for 291 Sensor Fuzed Weapons (SFW) Full Rate Production, Lot 12 option exercise."¹¹ This contract was supposed to be completed in March 2009.

1.1.2 Hanwha (South Korea)

Hanwha Corporation, the former Korea Explosives Corporation, is a world business leader in industrial explosives production, and in construction, trade, machinery, and pharmaceuticals.¹² The South Korean Company was officially designated a defence contractor in 1974. Since then, it has specialised in munitions, whose production process has been under strict government control and for which the Korean Government is the sole customer.¹³

Hanwha is one of South Korea's two producers of cluster munitions (Poongsan is the other). The company produces **130 mm Multiple Launch Rocket System** and **2.75" Multi-purpose submunitions (MPSM)**. The company confirmed its manufacture of these types of cluster munitions in a written answer to Norway's Government Pension Fund in 2007.¹⁴

The 130 mm MLRS is described on the company's website as a rocket "to launch multiple rockets into concentrated enemy encampments across a wide area."¹⁵

The 2.75-inch MPSM is identified on the company's website as the "HE MPSM K224 Warhead [that] contains 9 each multipurpose submunitions for use against personnel, material and light armour."¹⁶

1.1.3 L-3 Communications (United States)

L-3 Communications Corporation is a leading supplier of a broad range of products and services used in a substantial number of aerospace and defence platforms.¹⁷

L-3 Communications' Fuzing and Ordnance Systems division, the former BT Fuze Products¹⁸ produces cluster munitions and parts thereof, including fuzes.¹⁹ The company advertises the **M864E2 Projectile** on its website and produces **the self-destruct fuze for M101 submunition**.

According to the company's website, the M864E2 155mm Projectile "is used to deliver dual purpose armour defeating and antipersonnel grenades with XM1162 pyrotechnic Self-Destruct Fuzes for extended ranges ...".²⁰ Its features include, "72 dual purpose grenades (48 ea M42; 24 ea M46); Self-Destruct PyroFuzing with SD reliability, 99% primary, 95 SDF of which no more than 1 in 500 hazardous duds."²¹

The self-destruct fuze (GMLRS ESAD) for M101 submunition, 404 pieces of which are fit in each M-30 missile of the Lockheed Martin GMLRS (Guided Multiple Launch Rocket System), is also advertised on the website.²² "The M30

rocket will be placed in the war reserve inventory and will require the approval of a combat commander before they are used. After 2018, they can no longer be used. In future production, the warhead containing DPICM will be replaced by an alternative non-cluster munitions warhead."²³

Two facts lead us to assume that the production of the M101 submunition (DPICM) will end in the near future: the new US export law precludes the export of cluster munitions by the US (except for the CBU-97 and the CBU-95) AND the US Army will cease procurement of DPICMs and will only buy unitary rockets after the deliveries of the previously contracted DPICM rockets are complete, supposedly last summer. Still, since L-3 Communications has not publicly stated they will end the production of cluster munitions, and since L-3 still makes the M864E2 Projectile, we retain L-3 Communications on the list of cluster munitions producers. Moreover, the company advertises the M101 submunition on its website.

1.1.4 Lockheed Martin (United States)

Lockheed Martin is a global security company that is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.²⁴

Lockheed Martin produces the **M30 Guided Multiple Rocket Launcher System**, which has been developed and produced in a version with 404 M101 DPICM submunitions, and is advertised on Lockheed Martin's website.²⁵

As described on its website, the M30 GMLRS "... incorporates a GPS-aided inertial guidance package integrated on a product-improved rocket body. Small canards on the guided rocket nose provide basic manoeuvrability and enhance the accuracy of the system. It will carry a warhead payload of 404 Dual Purpose Improved Conventional Munition (DPICM) submunitions."²⁶

Lockheed Martin produces the M30 GMLRS at a facility in Camden, Arkansas. BT Fuze Products (formerly Bulova Technologies), a subsidiary of L-3 Communication, produces the self-destruct fuze for the M101 DPICM submunition.²⁷ In 1980, Lockheed Martin was assigned prime contractor for the L-3 Communications contract, which makes them responsible for the program.

The last export of this version will be to the United Arab Emirates, which, despite new US legislation on the export of cluster munitions, is allowed to precede with the export of 130 M30 Guided MLRS dual purpose improved conventional munitions (DPICM) rocket pods under a contract that was published in September 2006.²⁸

The US Army will cease procurement of DPICMs and only buy unitary rockets after the deliveries of previously contracted DPICM rockets are complete, supposedly last summer.²⁹ "The M30 rocket will be placed in the war reserve inventory and will require the approval of a combat commander before they are used. After 2018, they can no longer be used. In future production, the warhead containing DPICM will be replaced by an alternative non-cluster munitions warhead."³⁰

Two facts indicate that the M30 GMLRS will cease production soon: the new US export law precludes the export of cluster munitions by the US (except for the CBU-97 and the CBU-105) AND the US Army will cease procurement of DPICMs and will only buy unitary rockets after the deliveries of the previously contracted DPICM rockets are complete, supposedly last summer. Lockheed Martin has never publicly stated or confirmed that it has stopped or will stop the production of cluster munitions. Clearly, Lockheed Martin has loaded, assembled, packed, and delivered M30 rockets for the US Government in the past 2 years. Given the fact that Lockheed Martin has not publicly stated that they will end the production of cluster munitions, and still advertises the M30 GMLRS version with cluster munitions on its website, we have included them in our list.

1.1.5 Poongsan (South Korea)

Poongsan, a leading defence company in South Korea, develops military and sporting ammunition.³¹ It is the second South Korean cluster munitions company, after Hanwha.

The South Korean company Poongsan has been involved in the production of two types 155 mm artillery cluster munitions: **DP-ICM TP/K308** and **DP-ICM K310**.

Poongsan's website describes the Dual Purpose Improved Conventional Munitions (DP-ICM) TP/K308.³² It is a 155 mm artillery shell, said to contain 88 "bomblets", e.g. small, explosive submunitions that characterise cluster munitions.³³

Until recently, Poongsan also produced the DP-ICM K310 – a projectile with 49 submunitions with self-destruct fuze,³⁴ which is co-produced with Pakistan Ordnance Factories.³⁵ First production came off the line in April 2008.³⁶

1.1.6 Roketsan (Turkey)

Roketsan is a company that is part of the Turkish Armed Forces Foundation.

Roketsan has produced and continues to advertise on its website the **TRK-122 122 mm** rocket, which reportedly contains 56 M85 DPICM submunitions.³⁷ The company is therefore considered to be a current producer of cluster munitions.

Turkey sold 3,020 of these TRK-122 122 mm rockets to the United Arab Emirates in 2006 and 2007.³⁸ It is not known whether it has sold or produced any pieces thereafter.

1.1.7 Singapore Technologies Engineering (Singapore)

Singapore Technologies Engineering Ltd (ST Engineering) is an integrated engineering group specialising in innovative solutions and services in the aerospace, electronics, land systems and marine sectors.³⁹

Advanced Material Engineering Pte Ltd., a subsidiary of Singapore Technologies Kinetics - the land systems arm of Singapore Technologies Engineering⁴⁰ - produces cluster munitions. It produces at least two versions of the **155 mm High-Explosive (HE) Dual Purpose-Improved Conventional Munition (DP-ICM)**, cluster munitions with 64 submunitions that have a mechanical self-destruct fuze. Singapore Technologies claims that the dud rate has been reduced to 3%.⁴¹

On 26 November 2008, Singapore announced that it would impose an indefinite moratorium on the export of cluster munitions with immediate effect.⁴²

To AFP press agency a company spokeswoman was quoted as saying that:

"We do not produce cluster munitions for export, nor are we a subcontractor to anyone that does. [...] To date, we have never exported any cluster munitions."⁴³

1.1.8 Textron (United States)

Textron is a multi-industry company, consisting of numerous subsidiaries and operating units. One subsidiary is Textron Systems, which is active in the defence, homeland security and aerospace sector.⁴⁴

On its website Textron makes no secret of its production of cluster bombs and submunitions:

"Known as **CBU-97** and **CBU-105**, Textron Defence Systems' Sensor Fuzed Weapon (SFW) is the first and only

combat-proven smart area weapon of its kind in U.S. Air Force inventory designed to accurately detect and defeat multiple threat targets. Superior lethality makes it the standoff weapon of choice for anti-armour, anti-air defense and other air combat missions. The SFW, a 1,000-pound class weapon, contains our own BLU-108 submunition and Smart Skeet warheads. Equipped with dual-mode passive infrared and active laser sensors on each warhead, one SFW can simultaneously detect and engage many fixed and moving land combat targets within a 30-acre coverage area. Combat proven on April 2, 2003 in Operation Iraqi Freedom, SFW took out multiple Iraqi tanks in a single pass. SFW's 40 warheads are also equipped with timed self-de-activation modes for clean battlefield operation."⁴⁵

In the military press, Textron also claims that its "SFW leaves a clean battlefield".⁴⁶ Textron's claims of strike accuracy and the reliability of the self-destruct mechanisms have been contested.⁴⁷

The SFW has been sold to at least three countries; including the governments of the US and the United Arab Emirates.⁴⁸ The latter country signed a contract with Textron in November 2007, with deliveries planned to start from 2008.⁴⁹ Moreover, in September 2008 the US government "notified Congress of a possible Foreign Military Sale to India of [510] CBU-105 Sensor Fuzed Weapons as well as associated equipment and services. The total value, if all options are exercised, could be as high as \$375 million."⁵⁰

1.2 The Investments

1.2.0 Introduction and methodology

This section contains the results of our research on financial institutions investing in the eight companies on the Red Flag List. It answers the question: Which financial institutions are financially involved in companies that produce cluster munitions?

Before answering this question we will describe the various financial services that financial institutions offer and definitions used in our research.

- **How financial institutions get involved with cluster munitions producers**

Banks and other financial institutions provide various types of financial services to cluster munitions producers. The most important are commercial banking, investment banking and asset management.

Commercial Banking (Loans)

Commercial banking includes offering or participating in loans to cluster munitions producers via either general corporate finance or project finance.

Investment banking

Investment banking services include helping cluster munitions producers to sell shares and bonds to investors (asset managers, insurance companies, etc.), regardless of how the proceeds are used (most of the time for general corporate services), and offering financial advisory services.

Asset Management

Asset management means holding or managing shares or bonds that cluster munitions producers, issued either on the investors' behalf, or on behalf of third parties (which includes the development and/or sale of investment funds containing stocks or debt securities from cluster munitions producers).

Asset management can result in a financial institutions' direct and indirect involvement with cluster munitions producers.

Indirect involvement means that the financial institution buys shares and bonds of a company on behalf of a third party. Most of the time this means the third party, a person or an institution, is buying one or more shares of an investment fund that the financial institution markets. The financial institutions' asset managers manage this fund using an investment strategy.

Direct involvement means that the financial institution buys shares and bonds of a company on their own behalf

(for their own account). This means that the financial institution has become a shareholder or bondholder of this company.

- **Definitions**

Financial Institutions (FIs) include major banks, insurance companies, pension funds, sovereign wealth funds and asset managers from every country in the world.

Investments are loans and other forms of credits, underwriting of share and bond issues, investments in shares and bonds and other financial services. Investments can be on the institutions own behalf or for third parties.

- **Research**

We consider any kind of finance or investment link with a cluster munitions producer to be financial involvement with this producer.

We apply different thresholds to different companies for investment in shares and bonds. Due to the difference in the structure of shareholdings between companies^{vii} we chose a lower 0.1% limit for Hanwha Corporation, Poongsan, and Singapore Technologies and 1% for ATK, L-3 Communications, Lockheed, Roketsan and Textron. Since there are so many shareholders in ATK, L-3 Communications, Lockheed Martin, Roketsan and Textron that have less than 1% of the shares, listing all of them is beyond the scope of this report. Therefore we made a pragmatic choice to apply the above mentioned thresholds.

Research institute Profundo, The Netherlands, provided the list of financial institutions which they derived from Stock exchange filings and other publications of the financial institutions and the CM producers, as well a commercial databases, filled with information supplied by financial institutions.

We included all credits and underwriting found since 1 January 2007. We provide the portfolio for investments in shares and bonds by August 2009, which is the date research company Profundo concluded their research on financial links to companies that produce cluster munitions.

We define an investor as someone financially involved in a cluster munitions producer. The following factors are irrelevant to our definition: the investor's importance for the cluster munitions producer; the investment's importance for the investor's portfolio; the contribution of cluster munitions production to the company's total turnover; and the cluster munitions producer's other activities. We do this because it is impossible for a financial institution to be sure that the financial services provided to a company are not used for the production of cluster munitions. It is common that weapon producers finance their cluster munitions facilities from their general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities.

As mentioned above, the list in the Hall of Shame is not an exhaustive list of financial institutions investing in producers of cluster munitions. We apply different thresholds to different companies for investment in shares and bonds. Since the Red Flag List is not exhaustive, a financial institution might be investing in a producing company not included in our research. Transparency on what credits were given to whom is almost non-existing. It is therefore very hard to find out whether a financial institution has given a loan to a controversial company.

- **Results**

The results of the research on which financial institutions are involved in financing the selected producers of

^{vii} The Asian companies seem to have a few large (local) shareholders and a group of foreign shareholders that hold a percentage of shares under 1%. That's why we've lowered the threshold for Hanwha, Poongsan and Singapore Technologies Engineering.

cluster munitions on our Red Flag List are presented below.

We have provided the institution's name and country of origin for each financial relationship.

We list the types of financial relations with the various companies for each financial institution. We group these relations by type: loans, investment banking and asset management. We list financial activities chronologically for each subgroup.

We also provide the recipient company, the amount, date and (if known) the purpose for each financial relation. We provide the maturity date and interest rate for loans.

1.2.1 Aberdeen Asset Management (United Kingdom)

ASSET MANAGEMENT

In May 2009, Aberdeen Asset Management owned or managed 5.04% of the shares in **Singapore Technologies Engineering**, valued at US\$232 million.⁵¹

1.2.2 Acadian Asset Management (United States)

ASSET MANAGEMENT

In April 2009, Acadian Asset Management owned or managed 0.11% of the shares in **Poongsan Corp.**, valued at US\$0.3 million.⁵²

1.2.3 Alexandra Investment Management (United States)

ASSET MANAGEMENT

In July 2007, Alexandra Investment Management owned or managed 1.67% of five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$5.0 million.⁵³

1.2.4 Allianz (Germany)

ASSET MANAGEMENT

In May 2009, Allianz owned or managed 0.26% of the shares in **Singapore Technologies Engineering**, valued at US\$12 million.⁵⁴

1.2.5 Allstate Corporation (United States)

ASSET MANAGEMENT

In July 2007, Allstate Corporation owned or managed 1.33% of five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$4 .0 million.⁵⁵

1.2.6 ANZ Bank (Australia)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. ANZ Bank participated with US\$37.5 million to the 31-bank syndicate.⁵⁶

1.2.7 Argent Funds Group (United States)

ASSET MANAGEMENT

In July 2007, Argent Funds owned or managed 2.20% of five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$6.6 million.⁵⁷

1.2.8 Aristeia International Limited (United States)

ASSET MANAGEMENT

In July 2007, Aristeia International owned or managed 2.93% of five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$8.8 million.⁵⁸

1.2.9 Arnhold & S. Bleichroeder Advisers (United States)

ASSET MANAGEMENT

In June 2009, Arnhold & S. Bleichroeder Advisers owned or managed 5.14% of the shares in **Alliant Techsystems**, valued at US\$113 million.⁵⁹

1.2.10 Aronson, Johnson & Ortiz (United States)

ASSET MANAGEMENT

In June 2009, Aronson, Johnson & Ortiz owned or managed 1.38% of the shares in **L-3 Communications** Corporation, valued at US\$110 million.⁶⁰

1.2.11 AXA (France)

ASSET MANAGEMENT

In May 2009, AXA owned or managed 0.12% of the shares in **Singapore Technologies Engineering**, valued at US\$6 million.⁶¹

In June 2009, AXA owned or managed 1.95% of the shares in **Lockheed Martin**, valued at US\$527 million.⁶²

In June 2009, AXA owned or managed 5.91% of the shares in **L-3 Communications** Corporation, valued at US\$473 million.⁶³

1.2.12 Balanced Equity Management (Australia)

ASSET MANAGEMENT

In May 2009, Balanced Equity Management owned or managed 0.22% of the shares in **Singapore Technologies Engineering**, valued at US\$10 million.⁶⁴

1.2.13 Banco Bilbao Vizcaya Argentaria (BBVA) (Spain)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Banco Bilbao Vizcaya Argentaria contributed US\$37.5 million to the 31-bank syndicate.⁶⁵

1.2.14 Bank of America (United States)

LOANS

In March 2007, Bank of America arranged a banking syndicate to provide a US\$275 million five-year loan and a US\$500 million five-year revolving credit for **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.⁶⁶

In October 2007, **Textron** secured a US\$750 million eleven-month revolving credit facility from a banking syndicate. The proceeds were used to fund the acquisition of the American aerospace and defence company, United Industrial Corporation. Bank of America contributed US\$250 million to this facility.⁶⁷

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Among the 19 banks in the banking syndicate was Bank of America, who contributed US\$90 million to this facility.⁶⁸

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility will be used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Bank of America, one of the two banks arranging the 19-bank syndicate, contributed US\$160 million to this facility.⁶⁹

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bank of America, one of the two banks leading the 31-bank syndicate, contributed US\$86.25 million to this facility.⁷⁰

INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Bank of America, one of the three banks leading the 10-bank syndicate, underwrote US\$87.92 million.⁷¹

ASSET MANAGEMENT

In June 2009, Bank of America owned or managed 1.96% of **Alliant Techsystems** shares, valued at US\$43 million.⁷²

In June 2009, Bank of America owned or managed 1.44% of the shares in **L-3 Communications** Corporation, valued at US\$115 million.⁷³

1.2.15 Bank of New York Mellon (United States)

LOANS

In March 2007, Bank of New York (now part of Bank of New York Mellon) was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.⁷⁴

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Bank of New York and Mellon Bank (now both part of Bank of New York Mellon) were part of the 19-bank syndicate; they contributed US\$40 million to this facility.⁷⁵

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Bank of New York and Mellon Bank (now both part of Bank of New York Mellon), part of the 19-bank syndicate, contributed US\$55 million to this facility.⁷⁶

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bank of New York (now part of Bank of New York Mellon) contributed US\$37.5 million to the 31-bank syndicate.⁷⁷

ASSET MANAGEMENT

In June 2009, Bank of New York Mellon owned or managed 3.31% of the shares in **L-3 Communications** Corporation, valued at US\$265 million.⁷⁸

1.2.16 Bank of Tokyo-Mitsubishi UFJ (Japan)

LOANS

In March 2007, Bank of Tokyo-Mitsubishi was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.⁷⁹

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Bank of Tokyo-Mitsubishi, part of the 19-bank syndicate, contributed US\$60 million to this facility.⁸⁰

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Bank of Tokyo-Mitsubishi, part of the 19-bank syndicate, contributed US\$90 million to this facility.⁸¹

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bank of Tokyo-Mitsubishi contributed US\$75 million to the 31-bank syndicate.⁸²

INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ was part of the 10-bank syndicate underwriting US\$7.7 million.⁸³

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ was part of the 10-bank syndicate underwriting US\$14.625 million.⁸⁴

1.2.17 Barclays (United Kingdom)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Barclays, part of the 19-bank syndicate, contributed US\$90 million to this facility.⁸⁵

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Barclays, part of a 19-bank syndicate, contributed US\$130 million to this facility.⁸⁶

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Barclays Bank contributed US\$54.38 million to the 31-bank syndicate.⁸⁷

INVESTMENT BANKING

In January 2007, **Textron** Financial, a wholly-owned subsidiary of **Textron**, issued US\$255 million in three-year bonds. Barclays underwrote this issue for about US\$85 million.⁸⁸

In February 2007, **Textron** Financial, a wholly-owned subsidiary of **Textron**, issued US\$300 million in sixty-year bonds. Barclays underwrote this issue for about US\$60 million.⁸⁹

In April 2007, **Textron** Financial, a wholly-owned subsidiary of **Textron**, issued US\$60 million in three-year bonds. Barclays (United Kingdom) was the sole underwriter of this issue.⁹⁰

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$7.7 million.⁹¹

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$14.625 million.⁹²

In November 2007 **Textron** Inc. issued US\$350 million ten-year bonds. The proceeds were used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$12.32 million.⁹³

ASSET MANAGEMENT

In March 2009, Barclays owned or managed 0.26% of the shares in **Textron**, with a total value of US\$54 million.⁹⁴

In March 2009, Barclays owned or managed 0.31% of the shares in **Hanwha** Corp., valued at US\$5 million.⁹⁵

In May 2009, Barclays owned or managed 0.88% of the shares in **Singapore Technologies Engineering**, valued at US\$40 million.⁹⁶

In June 2009, Barclays owned or managed 4.95% of the shares in **L-3 Communications** Corporation, valued at US\$396 million.⁹⁷

In June 2009, Barclays owned or managed 3.72% of the shares in **Lockheed Martin**, valued at US\$1.004 million.⁹⁸

In June 2009, Barclays owned or managed 4.86% of the shares in **Alliant Techsystems**.⁹⁹

1.2.18 Bayerische Landesbank (Germany)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bayerische Landesbank contributed US\$37.5 million to the 31-bank syndicate.¹⁰⁰

1.2.19 Bear Sterns (United States)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Bear Sterns contributed US\$37.5 million to the 31-bank syndicate.¹⁰¹

1.2.20 BlackRock (United States)

ASSET MANAGEMENT

In May 2009, Black Rock owned or managed 0.17% of the shares in **Singapore Technologies Engineering**, valued at US\$8 million.¹⁰²

In June 2009, Black Rock owned or managed 3.01% of the shares in **L-3 Communications** Corporation, valued at US\$241 million.¹⁰³

1.2.21 BMO Financial Group (United States)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Bank of Montreal, part of the 19-bank syndicate, contributed US\$90 million to this facility.¹⁰⁴

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Bank of Montreal, part of the 19-bank syndicate, contributed US\$65 million to this facility.¹⁰⁵

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. BMO Financial Group contributed US\$26.25 million to the 31-bank syndicate.¹⁰⁶

1.2.22 BNP Paribas (France)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. BNP Paribas, part of the 19-bank syndicate, contributed US\$60 million to this facility.¹⁰⁷

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. BNP Paribas, part of a 19-bank syndicate, contributed US\$90 million to this facility.¹⁰⁸

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. BNP Paribas contributed US\$53.75 million to the 31-bank syndicate.¹⁰⁹

INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. BNP Paribas, one of ten banks underwriting the issue, underwrote US\$12.32 million.¹¹⁰

ASSET MANAGEMENT

In March 2009, Fortis Investments, now part of BNP Paribas, owned or managed 0.4% of the shares in **Hanwha** Corp., valued at US\$7 million.¹¹¹

1.2.23 Caisse de Depot et Placement du Québec (Canada)

ASSET MANAGEMENT

In July 2009, Caisse de Depot et Placement du Québec owned or managed 0.14% of the shares in **Poongsan** Holding, valued at US\$0.1 million.¹¹²

1.2.24 Calamos Holdings (United States)

ASSET MANAGEMENT

In July 2007, Calamos Holdings owned or managed 1.83% of five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$5.5 million.¹¹³

1.2.25 Calyon (Crédit Agricole) (France)

LOANS

In March 2007, Calyon was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.¹¹⁴

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Calyon contributed US\$55.00 million to the 31-bank syndicate.¹¹⁵

1.2.26 Canada Pension Plan Investment Board (Canada)

ASSET MANAGEMENT

In March 2009, Canada Pension Plan's Investment Board owned or managed 0.12% of the shares in **Hanwha Corp.** These shares are valued at US\$2 million.¹¹⁶

1.2.27 Canadian Imperial Bank of Commerce (Canada)

ASSET MANAGEMENT

In July 2007, Canadian Imperial Bank of Commerce owned or managed 6.5% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$19.5 million.¹¹⁷

1.2.28 Canyon Capital Advisors (United States)

ASSET MANAGEMENT

In July 2007, Canyon Capital owned or managed 3.96% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$11.9 million.¹¹⁸

1.2.29 Capital Group (United States)

ASSET MANAGEMENT

In March 2009, Capital Group owned or managed 4.91% of the shares in **Textron**. They are valued at US\$75 million.¹¹⁹

In May 2009, Capital Group owned or managed 5.99% of the shares in **Singapore Technologies Engineering**, valued at US\$276 million.¹²⁰

In June 2009, Capital Group owned or managed 4.59% of the shares in **Lockheed Martin**, valued at US\$1.239 million.¹²¹

1.2.30 Cheonan Bukil Education Foundation (South Korea)

ASSET MANAGEMENT

In March 2009, Cheonan Bukil Education Foundation owned or managed 1.83% of the shares in **Hanwha Corp.**, valued at US\$31 million.¹²²

1.2.31 CI Financial Corporation (Canada)

ASSET MANAGEMENT

In June 2009, CI Financial Corporation owned or managed 1.4% of **Alliant Techsystems** shares, valued at US\$31 million.¹²³

1.2.32 Citadel Group (United States)

ASSET MANAGEMENT

In July 2007, Citadel Group owned or managed 8.33% of five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$25 million.¹²⁴

1.2.33 Citigroup (United States)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Citigroup, one of the two organisers of the 19-bank syndicate, contributed US\$120 million to this facility.¹²⁵

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Citigroup, part of a 19-bank syndicate, contributed US\$130 million to this facility.¹²⁶

In October 2007, **Textron** secured a US\$750 million eleven-month revolving credit facility from a banking syndicate. The proceeds were used to fund the acquisition of the American aerospace and defence company, United Industrial Corporation. Citigroup contributed US\$250 million to this facility.¹²⁷

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Citigroup contributed US\$71.25 million to the 31-bank syndicate.¹²⁸

INVESTMENT BANKING

In March 2008, **Lockheed Martin** issued US\$500 million five-year bonds with a coupon rate of 4.12%. The proceeds were used for working capital and other general corporate purposes. Citigroup was a member of the issuing syndicate.¹²⁹

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Citigroup, part of the 10-bank syndicate, underwrote US\$7.7 million.¹³⁰

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Citigroup, part of the 10-bank syndicate, underwrote US\$14.625 million.¹³¹

In November 2007, **Textron** Inc. issued US\$350 million ten-year bonds. The proceeds were used for general corporate purposes. Citigroup, one of the three organisers of the 10-bank issuing syndicate, underwrote US\$87.92 million.¹³²

ASSET MANAGEMENT

In July 2007, Citigroup owned or managed 6.17% of five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$18.5 million.¹³³

1.2.34 Commerzbank (Germany)

LOANS

In March 2007, Commerzbank was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.¹³⁴

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Commerzbank contributed US\$26.25 million to the 31-bank syndicate.¹³⁵

1.2.35 CQS (United States)

ASSET MANAGEMENT

In July 2007, CQS owned or managed 3.33% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$10.0 million.¹³⁶

1.2.36 Credit Suisse (Switzerland)

LOANS

In April 2007, **Textron** amended its five-year US\$1.25 billion revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Credit Suisse, part of the 19-bank syndicate, contributed US\$60 million to this facility.¹³⁷

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Credit Suisse, part of a 19-bank syndicate, contributed US\$90 million to this facility.¹³⁸

INVESTMENT BANKING

In February 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$150 million in four-year bonds. Credit Suisse was the sole underwriter of this issue.¹³⁹

In February 2008, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$100 million five-year bonds. Credit Suisse was the sole underwriter of this issue.¹⁴⁰

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Credit Suisse, part of the 10-bank syndicate underwrote US\$7.7 million.¹⁴¹

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Credit Suisse, part of the 10-bank syndicate underwrote US\$14.625 million.¹⁴²

ASSET MANAGEMENT

In May 2009, Credit Suisse owned or managed 0.21% of the shares in **Singapore Technologies Engineering**, valued at US\$10 million.¹⁴³

In July 2007, Credit Suisse owned 1.60% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$4.8 million.¹⁴⁴

1.2.37 Daewoo Securities (South Korea)

INVESTMENT BANKING

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote US\$13.2 million.¹⁴⁵

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote US\$16.35 million.¹⁴⁶

1.2.38 Daiwa Asset Management (Japan)

ASSET MANAGEMENT

In May 2009, Daiwa AM owned or managed 0.70% of the shares in **Singapore Technologies Engineering**, valued at US\$32 million.¹⁴⁷

1.2.39 DBS (Singapore)

ASSET MANAGEMENT

In May 2009, DBS owned or managed 0.16% of the shares in **Singapore Technologies Engineering**, valued at US\$7 million.¹⁴⁸

1.2.40 Deutsche Bank (Germany)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Deutsche Bank, part of the 19-bank syndicate, contributed US\$90 million to this facility.¹⁴⁹

INVESTMENT BANKING

In November 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$400 million in three-year bonds. Deutsche Bank underwrote this issue for about US\$133 million.¹⁵⁰

In November 2007, **Textron** Inc. issued US\$350 million ten-year bonds. The proceeds were used for general corporate purposes. Deutsche Bank, part of the 10-bank syndicate underwrote US\$12.32 million.¹⁵¹

In January 2008, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$100 million in three-year bonds. Deutsche Bank was the sole underwriter of this issue.¹⁵²

In February 2008, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$25 million in three-year bonds. Deutsche Bank was the sole underwriter of this issue.¹⁵³

In April 2008, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$300 million in five-year bonds. Deutsche Bank underwrote this issue for about US\$100 million.¹⁵⁴

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Deutsche Bank, part of the 10-bank syndicate underwrote US\$7.7 million.¹⁵⁵

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Deutsche Bank, part of the 10-bank syndicate underwrote US\$14.625 million.¹⁵⁶

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for a total value of US\$500 million on the international capital markets. The issue was the first under the US\$1.2 billion medium-term note programme that the company set up in early July 2009. Singaporean investors took just under 45% of the issue, with Hong Kong buyers taking about 37% and most of the remainder allocated to UK accounts. Deutsche Bank is one of the two banks arranging the medium-term note programme and managing the first issue.¹⁵⁷

ASSET MANAGEMENT

In July 2007, Deutsche Bank owned or managed 8.59% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$25.8 million.¹⁵⁸

1.2.41 Dimensional Fund Advisors (United States)

ASSET MANAGEMENT

In April 2009, Dimensional Fund Advisors owned or managed 0.58% of the shares in **Poongsan Corp.**, valued at US\$1.5 million.¹⁵⁹

In April 2009, Dimensional Fund Advisors owned or managed 0.70% of the shares in **Poongsan Holding**, valued at US\$0.8 million.¹⁶⁰

1.2.42 Dongbu Securities (South Korea)

INVESTMENT BANKING

In February 2009 **Hanwha Corp.** issued 260 billion Korean Won (US\$175.5 million) in bonds. The issue was split into three tranches: 70 billion Korean Won in three-year bonds, 140 billion Korean Won in two-and-a-half-year bonds and 50 billion Korean Won in one-year bonds. The proceeds were used for general corporate purposes. Dongbu Securities participated in the issuing syndicate and underwrote US\$20.25 million.¹⁶¹

1.2.43 Eagle Capital Management (United States)

ASSET MANAGEMENT

In June 2009, Eagle Capital Management owned or managed 1.37% of the shares in **L-3 Communications Corporation**, valued at US\$110 million.¹⁶²

1.2.44 Eaton Vance Corporation (United States)

ASSET MANAGEMENT

In June 2009, Eaton Vance owned or managed 1.09% of the shares in **Lockheed Martin**, valued at US\$294 million.¹⁶³

1.2.45 Edgewood Management (United States)

ASSET MANAGEMENT

In June 2009, Edgewood Management owned or managed 1.59% of the shares in **L-3 Communications** Corporation, valued at US\$127 million.¹⁶⁴

1.2.46 Epoch Investment Partners (United States)

ASSET MANAGEMENT

In June 2009, Epoch Investment partners owned or managed 3.52% of **Alliant Techsystems** shares, valued at US\$77 million.¹⁶⁵

1.2.47 Export Import Bank of Korea (South Korea)

INVESTMENT BANKING

In May 2007, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for working capital. Export Import Bank of Korea participated in the issuing syndicate and underwrote US\$3 million.¹⁶⁶

1.2.48 Fidelity Group (United States)

ASSET MANAGEMENT

In March 2009, Fidelity Group owned or managed 1.13% of the shares in **Hanwha** Corp., valued at US\$19 million.¹⁶⁷

In March 2009, Fidelity Group owned or managed 14.41% of the shares in **Textron**, with a total value of US\$410 million.¹⁶⁸

In May 2009, Fidelity Group owned or managed 0.24% of the shares in **Singapore Technologies Engineering**, valued at US\$11 million.¹⁶⁹

In June 2009, Fidelity Group owned or managed 8.14% of **Alliant Techsystems** shares, valued at US\$179 million.¹⁷⁰

In June 2009, Fidelity Group owned or managed 2.42% of the shares in **Lockheed Martin**, valued at US\$653 million.¹⁷¹

1.2.49 General Electric (United States)

LOANS

In March 2007, General Electric Capital was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.¹⁷²

ASSET MANAGEMENT

In March 2009, General Electric Asset Management (GE AM) owned or managed 1.98% of the shares in **Textron**, with a total value of US\$30 million.¹⁷³

In June 2009, General Electric Company owned or managed 1.25% of **Alliant Techsystems** shares, valued at US\$28 million.¹⁷⁴

1.2.50 Genesis Investment Management (United States)

ASSET MANAGEMENT

In April 2009, Genesis IM owned or managed 0.10% of the shares in **Poongsan** Holding, valued at US\$0.1 million.¹⁷⁵

1.2.51 Goldman Sachs (United States)

LOANS

In March 2007, Goldman Sachs was part of a 19-bank syndicate providing a US\$275 million five-year loan and a US\$500 million five-year revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.¹⁷⁶

In October 2007, Textron secured a US\$750 million eleven-month revolving credit facility from a banking syndicate. The proceeds were used to fund the acquisition of the American aerospace and defence company, **United Industrial Corporation**. Goldman Sachs contributed US\$250 million to this facility.¹⁷⁷

INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs, one of the 3 organisers of the 10-bank syndicate, underwrote US\$87.92 million.¹⁷⁸

In March 2008, **Lockheed Martin** issued US\$500 million five-year bonds with a coupon rate of 4.12%. The proceeds were used for working capital and other general corporate purposes. Goldman Sachs managed the issuing syndicate.¹⁷⁹

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Goldman Sachs, one of the two leaders of the issuing syndicate, underwrote US\$211.5 million.¹⁸⁰

In April 2009, **Textron** issued shares totalling US\$217.4 million. The proceeds can be used for general corporate purposes. Goldman Sachs, one of the leaders of the 10-bank issuing syndicate, underwrote US\$77.9 million.¹⁸¹

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Goldman Sachs, one of the leaders of the 10-bank issuing syndicate, underwrote US\$211.5 million.¹⁸²

ASSET MANAGEMENT

In June 2009, Goldman Sachs owned or managed 3.22% of **Alliant Techsystems** shares, valued at US\$71 million.¹⁸³

1.2.52 Grantham, Mayo, Van Otterloo & Co (United States)

ASSET MANAGEMENT

In May 2009, Grantham, Mayo, Van Otterloo & Co owned or managed 0.32% of the shares in **Singapore Technologies Engineering**, valued at US\$15 million.¹⁸⁴

1.2.53 Great-West Lifeco (United States)

ASSET MANAGEMENT

In June 2009, Great-West Lifeco owned or managed 1.36% of the shares in **L-3 Communications** Corporation, valued at US\$109 million.¹⁸⁵

1.2.54 Hanwha Securities (South Korea)

INVESTMENT BANKING

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote US\$13.2 million.¹⁸⁶

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote US\$13.2 million.¹⁸⁷

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote US\$27 million.¹⁸⁸

1.2.55 Henderson Global Investors (United Kingdom)

ASSET MANAGEMENT

In May 2009, Henderson Global Investors owned or managed 0.22% of the shares in **Singapore Technologies Engineering**, valued at US\$10 million.¹⁸⁹

1.2.56 HMC Investment Bank (South Korea)

INVESTMENT BANKING

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. HMC Investment Bank, part of the issuing syndicate, underwrote US\$16.35 million.¹⁹⁰

1.2.57 HSBC (United Kingdom)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. HSBC, part of the 19-bank syndicate, contributed US\$60 million to this facility.¹⁹¹

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. HSBC, part of a 19-bank syndicate, contributed US\$90 million to this facility.¹⁹²

INVESTMENT BANKING

In January 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$255 million in three-year bonds. HSBC underwrote this issue for about US\$85 million.¹⁹³

In March 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$125 million in three-year bonds. HSBC was the sole underwriter of this issue.¹⁹⁴

In May 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$50 million in three-year bonds. HSBC was the sole underwriter of this issue.¹⁹⁵

In September 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$275 million in one-year bonds. HSBC was the sole underwriter of this issue.¹⁹⁶

In April 2008, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$300 million in five-year bonds. HSBC underwrote this issue for about US\$100 million.¹⁹⁷

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. HSBC, part of the 10-bank syndicate, underwrote US\$7.7 million.¹⁹⁸

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. HSBC, part of the 10-bank syndicate, underwrote US\$14.625 million.¹⁹⁹

1.2.58 Hua Nan Bank (Taiwan)

LOANS

In March 2007, Hua Nan Bank was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁰⁰

1.2.59 Intesa SanPaolo (Italy)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Intesa SanPaolo contributed US\$52.5 million to the 31-bank syndicate.²⁰¹

1.2.60 Invesco (United States)

ASSET MANAGEMENT

In May 2009, Invesco Aim owned or managed 0.77% of the shares in **Singapore Technologies Engineering**, valued at US\$35 million.²⁰²

In June 2009, Invesco owned or managed 1% of the shares in **Lockheed Martin**, valued at US\$270 million.²⁰³

1.2.61 Janus Capital Group (United States)

ASSET MANAGEMENT

In June 2009, Janus Capital owned or managed 1.19% of **Alliant Techsystems** shares, valued at US\$26 million.²⁰⁴

In June 2009, Janus Capital owned or managed 1.06% of the shares in **Lockheed Martin**, valued at US\$286 million.²⁰⁵

1.2.62 Jennison Associates (United States)

ASSET MANAGEMENT

In June 2009, Jennison Associates owned or managed 1.08% of the shares in **Lockheed Martin**, valued at US\$292 million.²⁰⁶

1.2.63 JP Morgan Chase (United States)

LOANS

In March 2007, JP Morgan Chase was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁰⁷

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. JP Morgan Chase, one of the two organisers of the 19-bank syndicate, contributed US\$120 million to this facility.²⁰⁸

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. JP Morgan Chase, one of the two organisers of the 19-bank syndicate, contributed US\$160 million to this facility.²⁰⁹

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. JP Morgan Chase, one of the two organisers of the 31-bank syndicate, contributed US\$86.25 million.²¹⁰

INVESTMENT BANKING

In November 2007, **Textron Inc.** issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. JP Morgan Chase, part of the 10-bank syndicate underwriting the issue, underwrote US\$12.32 million.²¹¹

In March 2008, **Lockheed Martin** issued US\$500 million in five-year bonds with a coupon rate of 4.12%. The proceeds were used for working capital and other general corporate purposes. JP Morgan Chase was part of the issuing syndicate.²¹²

In March 2008, **Textron Financial**, a wholly-owned subsidiary of Textron, issued US\$50 million in two-year bonds. JP Morgan Chase, one of two banks underwriting this issue, contributed about US\$25 million.²¹³

In May 2008, **Textron Financial**, a wholly-owned subsidiary of Textron, issued US\$25 million in fifteen-month bonds. JP Morgan Chase was the sole underwriter of this issue.²¹⁴

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. JP Morgan Chase, a leader of the 10-bank issuing syndicate, underwrote US\$77.9 million.²¹⁵

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. JP Morgan Chase, a leader of the 10-bank issuing syndicate, underwrote US\$211.5 million.²¹⁶

ASSET MANAGEMENT

In July 2007, JP Morgan Chase owned or managed 3.33% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$10 million.²¹⁷

In June 2009, JP Morgan Chase owned or managed 2.75% of **Alliant Techsystems** shares, valued at US\$61 million.²¹⁸

1.2.64 Kamunting Street Master Fund (United States)

ASSET MANAGEMENT

In July 2007, Kamunting Street Master Fund owned or managed 2% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$6 million.²¹⁹

1.2.65 KBC Bank (Belgium)

ASSET MANAGEMENT

In July 2007, KBC Bank owned or managed 1.83% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$5.5 million.²²⁰

1.2.66 Kokusai Asset Management (Japan)

ASSET MANAGEMENT

In May 2009, Kokusai AM owned or managed 0.14% of the shares in **Singapore Technologies Engineering**, valued at US\$6 million.²²¹

1.2.67 Kookmin Bank (South Korea)

INVESTMENT BANKING

In July 2007, **Hanwha** Corp. issued three-year bonds worth 20 billion Korean Won (US\$130.56 million). The proceeds were used for general corporate purposes. Hannuri Investment & Securities, now part of Kookmin Bank, underwrote US\$10.9 million of the issue.²²²

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Kookmin Bank, one of two leaders of the issuing syndicate, underwrote US\$26.3 million.²²³

In June 2008 **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for general corporate purposes. Kookmin Bank, one of two leaders of the issuing syndicate, underwrote US\$3 million.²²⁴

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Kookmin Bank, one of two leaders of the issuing syndicate, underwrote US\$32.7 million.²²⁵

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Kookmin Bank, part of the issuing syndicate, underwrote US\$6.75 million.²²⁶

1.2.68 Korea Development Bank (South Korea)

INVESTMENT BANKING

In May 2007, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for working capital. Korea Development Bank, leader of the issuing syndicate, underwrote US\$17 million.²²⁷

In July 2007, **Hanwha** Corp. issued 120 billion Korean Won (US\$130.56 million) three-year bonds. The proceeds were used for general corporate purposes. Korea Development Bank underwrote US\$54.4 million of the issue.²²⁸

In March 2008 **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Korea Development Bank, one of two leaders of the issuing syndicate, underwrote US\$26.3 million.²²⁹

In June 2008, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for general corporate purposes. Korea Development Bank was one of the two leaders of the issuing syndicate and underwrote US\$7 million.²³⁰

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Korea Development Bank, one of three leaders of the issuing syndicate, underwrote US\$32.7 million.²³¹

In October 2008, **Poongsan** Corp. issued three-year bonds worth 40 billion Korean Won (US\$31.6 million). Korea Development Bank was one of two leaders of the issuing syndicate.²³²

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Korea Development Bank, one of two leaders of the issuing syndicate, underwrote US\$27 million.²³³

1.2.69 Korea Investment & Securities (South Korea)

INVESTMENT BANKING

In July 2007, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$130.56 million). The proceeds were used for general corporate purposes. Korea Investments & Securities underwrote US\$21.8 million of the issue.²³⁴

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, part of the issuing syndicate, underwrote US\$21.8 million.²³⁵

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, one of three leaders of the issuing syndicate, underwrote US\$32.7 million.²³⁶

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Korea Investment & Securities, one of two leaders of the issuing syndicate, underwrote US\$60.75 million.²³⁷

1.2.70 Lazard Capital Markets (United States)

INVESTMENT BANKING

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Lazard Capital Markets, part of the 10-bank underwriting syndicate, underwrote US\$12.32 million.²³⁸

1.2.71 Legal & General (United Kingdom)

ASSET MANAGEMENT

In April 2009, Legal & General Investment Management owned or managed 0.14% of the shares in **Poongsan** Holding, valued at US\$0.2 million.²³⁹

1.2.72 Legg Mason Global Asset Management (United States)

ASSET MANAGEMENT

In June 2009, Legg Mason owned or managed 7.34% of the shares in **L-3 Communications** Corporation, valued at US\$587 million.²⁴⁰

1.2.73 Linden Capital (Singapore)

ASSET MANAGEMENT

In July 2007, Linden Capital owned or managed 1.67% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$5 million.²⁴¹

1.2.74 Lloyds TSB Bank (United Kingdom)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Lloyds TSB Bank contributed US\$48.75 million to the 31-bank syndicate.²⁴²

1.2.75 Lord. Abbet & Co. (United States)

ASSET MANAGEMENT

In June 2009, Lord Abbet & Co. owned or managed 1.64% of **Alliant Techsystems** shares, valued at US\$36 million.²⁴³

1.2.76 LSV Asset Management (United States)

ASSET MANAGEMENT

In March 2009, LSV Asset Management owned or managed 2.1% of the shares in **Textron**, valued at US\$32 million.²⁴⁴

1.2.77 Lydian Asset Management (United States)

ASSET MANAGEMENT

In July 2007, Lydian Asset Management owned or managed 7% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$21.0 million.²⁴⁵

1.2.78 Marsico Capital Management (United States)

ASSET MANAGEMENT

In June 2009, Marsico Capital Management owned or managed 4.49% of the shares in **Lockheed Martin**, valued at US\$1.212 million.²⁴⁶

1.2.79 Mellon Capital Management (United States)

ASSET MANAGEMENT

In March 2009, Mellon Capital Management owned or managed 1.37% of the shares in **Textron**, with a total value of US\$21 million.²⁴⁷

1.2.80 Meritz Securities (South Korea)

INVESTMENT BANKING

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Meritz Securities, part of the issuing syndicate, underwrote US\$13.5 million.²⁴⁸

1.2.81 Merrill Lynch (United States)

LOANS

In March 2007, Merrill Lynch was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁴⁹

In April 2007, **Textron** amended its five-year US\$1.25 billion revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Merrill Lynch, part of the 19-bank syndicate, contributed US\$60 million to this facility.²⁵⁰

In April 2007 **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Merrill Lynch, part of a 19-bank syndicate, contributed US\$90 million to this facility.²⁵¹

INVESTMENT BANKING

In January 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$255 million in three-year bonds. Merrill Lynch underwrote this issue for about US\$85 million.²⁵²

In February 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$300 million in sixty-year bonds. Merrill Lynch underwrote this issue for about US\$60 million.²⁵³

In July 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$10 million in thirty-year bonds. Merrill Lynch was the sole underwriter of this issue.²⁵⁴

In November 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$50 million in three-year bonds. Merrill Lynch was the sole underwriter of this issue.²⁵⁵

In November 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$400 million in three-year bonds. Merrill Lynch underwrote this issue for about US\$133 million.²⁵⁶

In March 2008, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$50 million in two-year bonds. Merrill Lynch, one of two underwriting banks, underwrote about US\$25 million.²⁵⁷

In April 2008, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$300 million in five-year bonds. Merrill Lynch underwrote this issue for about US\$100 million.²⁵⁸

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Merrill Lynch, part of the 10-bank syndicate, underwrote US\$7.7 million.²⁵⁹

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Merrill Lynch, part of the 10-bank syndicate, underwrote US\$14.625 million.²⁶⁰

1.2.82 Metzler Investments (Germany)

ASSET MANAGEMENT

In May 2009, Metzler Investments owned or managed 0.11% of the shares in **Singapore Technologies Engineering**, valued at US\$5 million.²⁶¹

1.2.83 MFS Investment Management (United States)

ASSET MANAGEMENT

In June 2009, MFS Investment Management owned or managed 3.80% of the shares in **Lockheed Martin**, valued at US\$1.026 million.²⁶²

1.2.84 Mirae Asset Securities (South Korea)

INVESTMENT BANKING

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Mirae Asset Securities, part of the issuing syndicate, underwrote US\$6.75 million.²⁶³

In July 2007, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$130.56 million). The proceeds were used for general corporate purposes. Mirae Asset Securities underwrote the issue for US\$10.9 million.²⁶⁴

1.2.85 Mizuho Bank (Japan)

LOANS

In March 2007, Mizuho Bank was part of a 19-bank syndicate providing a US\$275 million five-year loan and a US\$500 million five-year revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁶⁵

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Mizuho Bank contributed US\$71.25 million to the 31-bank syndicate.²⁶⁶

1.2.86 Morgan Stanley (United States)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Part of the 19-bank syndicate Morgan Stanley, who contributed US\$60 million to this facility.²⁶⁷

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Morgan Stanley contributed US\$51.25 million to the 31-bank syndicate.²⁶⁸

INVESTMENT BANKING

In February 2007, **Textron Financial**, a wholly-owned subsidiary of Textron, issued US\$300 million sixty-year bonds. Morgan Stanley underwrote this issue for about US\$60 million.²⁶⁹

In November 2007, **Textron Inc.** issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Morgan Stanley, part of the 10-bank syndicate underwrote US\$12.32 million.²⁷⁰

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for a total value of US\$500 million on the international capital markets. The issue was the first under the US\$1.2 billion medium-term note programme that the company set up in early July 2009. Singaporean investors took just under 45% of the issue, with Hong Kong buyers taking about 37% and most of the remainder allocated to UK accounts. Morgan Stanley is one of two banks arranging the medium-term note programme and managing the first issue.²⁷¹

1.2.87 Nataxis (France)

ASSET MANAGEMENT

In June 2009, Nataxis Global Associates owned or managed 5.11% of **Alliant Techsystems** shares, valued at US\$112 million.²⁷²

1.2.88 National City Bank (United States)

LOANS

In March 2007, National City Bank was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁷³

1.2.89 National Pension Service (South Korea)

ASSET MANAGEMENT

In March 2009, National Pension Service owned or managed 5% of the shares in **Hanwha Corp.** shares, valued at US\$85 million.²⁷⁴

1.2.90 Neuberger Berman (United States)

ASSET MANAGEMENT

In June 2009, Neuberger Berman owned or managed 5.88% of **Alliant Techsystems** shares, valued at US\$129 million.²⁷⁵

1.2.91 Newton Investment Management (United Kingdom)

ASSET MANAGEMENT

In May 2009, Newton IM owned or managed 0.70% of the shares in **Singapore Technologies Engineering**, valued at US\$32 million.²⁷⁶

1.2.92 Northern Trust (United States)

LOANS

In March 2007, Northern Trust was part of a 19-bank syndicate providing a US\$275 million five-year loan and a US\$500 million five-year revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁷⁷

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Northern Trust Company contributed US\$37.50 million to the 31-bank syndicate.²⁷⁸

ASSET MANAGEMENT

In June 2009, Northern Trust owned or managed 1.17% of the shares in **L-3 Communications** Corporation, valued at US\$94 million.²⁷⁹

In June 2009, Northern Trust owned or managed 1.20% of the shares in **Lockheed Martin**, valued at US\$324 million.²⁸⁰

1.2.93 Nuveen Investments (United States)

ASSET MANAGEMENT

In June 2009, Nuveen Investments owned or managed 1.14% of the shares in **Lockheed Martin**, valued at US\$308 million.²⁸¹

1.2.94 Old Mutual (United Kingdom)

ASSET MANAGEMENT

In June 2009, Old Mutual owned or managed 2.81% of the shares in **L-3 Communications** Corporation, valued at US\$225 million.²⁸²

1.2.95 OppenheimerFunds (United States)

ASSET MANAGEMENT

In June 2009, OppenheimerFunds owned or managed 1.03% of the shares in **Lockheed Martin**, valued at US\$278 million.²⁸³

1.2.96 People's Bank (People's United Bank) (United States)

LOANS

In March 2007, People's Bank was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁸⁴

1.2.97 Platinum Grove Asset Management (United States)

ASSET MANAGEMENT

In July 2007, Platinum Grove AM owned or managed 4.17% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$12.5 million.²⁸⁵

1.2.98 PPM America (United States)

ASSET MANAGEMENT

In March 2009, PPM America owned or managed 3.16% of the shares in **Textron**, with a total value of US\$48 million.²⁸⁶

1.2.99 Principal Financial Group (United States)

ASSET MANAGEMENT

In June 2009, Principal Financial Group owned or managed 1.30% of **Alliant Techsystems** shares, valued at US\$29 million.²⁸⁷

1.2.100 Prudential Asset Management (Singapore)

ASSET MANAGEMENT

In May 2009, Prudential Asset Management owned or managed 0.19% of the shares in **Singapore Technologies Engineering**, valued at US\$9 million.²⁸⁸

1.2.101 Pzena Investment Management (United States)

ASSET MANAGEMENT

In June 2009, Pzena IM owned or managed 1.60% of the shares in **L-3 Communications** Corporation, valued at US\$128 million.²⁸⁹

1.2.102 Regions Bank (United States)

LOANS

In March 2007, Regions Bank was part of a 19-bank syndicate providing a US\$275 million five-year loan and a US\$500 million five-year revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁹⁰

1.2.103 Royal Bank of Scotland (United Kingdom)

LOANS

In March 2007, Royal Bank of Scotland was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.²⁹¹

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Royal Bank of Scotland contributed US\$64.38 million to the 31-bank syndicate.²⁹²

1.2.104 Russell Investment Group (United States)

ASSET MANAGEMENT

In April 2009, Russell Investment Group owned or managed 0.10% of the shares in **Poongsan Corp.**, valued at US\$0.3 million.²⁹³

1.2.105 Riyadh Bank (Saudi Arabia)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Riyadh Bank contributed US\$37.50 million to the 31-bank syndicate.²⁹⁴

1.2.106 Sandelman Partners (United States)

ASSET MANAGEMENT

In July 2007, Sandelman Partners owned or managed 4% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$12.0 million.²⁹⁵

1.2.107 Schroder Investment Management (United Kingdom)

ASSET MANAGEMENT

In May 2009, Schroder IM owned or managed 0.16% of the shares in **Singapore Technologies Engineering**, valued at US\$7 million.²⁹⁶

1.2.108 Scotiabank (Bank of Nova Scotia) (Canada)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Scotiabank, part of the 19-bank syndicate, contributed US\$45 million to this facility.²⁹⁷

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Scotiabank, part of a 19-bank syndicate, contributed US\$65 million to this facility.²⁹⁸

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Scotiabank contributed US\$37.5 million to the 31-bank syndicate.²⁹⁹

1.2.109 Shinhan Bank (South Korea)

INVESTMENT BANKING

In May 2007, **Hanwha** Corp. issued US\$30 million in three-year bonds. The proceeds were used for working capital. Shinhan Bank participated in the issuing syndicate and underwrote US\$10 million.³⁰⁰

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Shinhan Bank participated in the issuing syndicate and underwrote US\$13.2 million.³⁰¹

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Shinhan Bank participated in the issuing syndicate and underwrote US\$6.75 million.³⁰²

1.2.110 Shin Heung Securities (South Korea)

INVESTMENT BANKING

In July 2007, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$130.56 million). The proceeds were used for general corporate purposes. Shin Heung Securities underwrote the issue for US\$10.9 million.³⁰³

1.2.111 SK Securities (South Korea)

INVESTMENT BANKING

In April 2007, **Poongsan** Corp. issued three-year bonds worth 50 billion Korean Won (US\$54.1 million). SK Securities lead the issuing syndicate.³⁰⁴

In October 2008, **Poongsan** Corp. issued three-year bonds worth 40 billion Korean Won (US\$31.6 million). SK Securities was one of two leaders of the issuing syndicate.³⁰⁵

1.2.112 Société Générale (France)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Société Générale, part of the 19-bank syndicate, contributed US\$40 million to this facility.³⁰⁶

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Société Générale, part of a 19-bank syndicate, contributed US\$45 million to this facility.³⁰⁷

ASSET MANAGEMENT

In July 2007, Société Générale owned or managed 1.33% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued in September 2006. The notes were valued at US\$4.0 million.³⁰⁸

1.2.113 Standard Life (United Kingdom)

ASSET MANAGEMENT

In June 2009, Standard Life owned or managed 2.32% of **Alliant Techsystems** shares, valued at US\$51 million.³⁰⁹

1.2.114 State Street (United States)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. State Street Bank contributed US\$37.50 million to the 31-bank syndicate.³¹⁰

ASSET MANAGEMENT

In March 2009, State Street Global Advisors owned or managed 3.03% of the shares in **Textron**, with a total value of US\$47 million.³¹¹

In April 2009, State Street owned or managed 0.22% of the shares in **Poongsan** Corp., valued at US\$0.6 million.³¹²

In May 2009, State Street owned or managed 0.19% of the shares in **Singapore Technologies Engineering**, valued at US\$9 million.³¹³

In June 2009, State Street Corporation owned or managed 2.39% of **Alliant Techsystems** shares, valued at US\$53 million.³¹⁴

In June 2009, State Street Corporation owned or managed 3.27% of the shares in **L-3 Communications** Corporation, valued at US\$226 million.³¹⁵

In June 2009, State Street Corporation owned or managed 19.06% of the shares in **Lockheed Martin**, valued at US\$5.146 million.³¹⁶

1.2.115 Sumitomo Mitsui Banking Corporation (Japan)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Sumitomo Mitsui Banking Corporation contributed US\$37.5 million to the 31-bank syndicate.³¹⁷

1.2.116 SunTrust Bank (United States)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. SunTrust Bank contributed US\$37.5 million to the 31-bank syndicate.³¹⁸

1.2.117 Temasek Holdings (Singapore)

ASSET MANAGEMENT

In February 2009, Temasek Holdings owned or managed a stake of 50.58% in **Singapore Technologies Engineering**.

1.2.118 Teachers Insurance & Annuity Association (TIAA-CREF) (United States)

ASSET MANAGEMENT

In March 2009, TIAA-CREF owned or managed 0.28% of the shares in **Hanwha Corp.**, valued at US\$5 million.³¹⁹

In March 2009, TIAA-CREF owned or managed 2.46% of the shares in **Textron**, with a total value of US\$37 million.³²⁰

In July 2009, TIAA-CREF owned or managed 1.48% of the shares in **L-3 Communications** Corporation, valued at US\$117 million.³²¹

1.2.119 T. Rowe Price Group (United States)

ASSET MANAGEMENT

In June 2009, T. Rowe Price owned or managed 6.96% of **Alliant Techsystems** shares, valued at US\$153 million.³²²

In June 2009, T. Rowe Price Associates Inc. owned or managed 1.79% of the shares in **Lockheed Martin**, valued at US\$483 million.³²³

1.2.120 UBS (Switzerland)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. UBS, part of the 19-bank syndicate, contributed US\$90 million to this facility.³²⁴

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. UBS, part of a 19-bank syndicate, contributed US\$90 million to this facility.³²⁵

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. UBS Bank contributed US\$37.5 million to the 31-bank syndicate.³²⁶

INVESTMENT BANKING

In February 2007, **Textron Financial**, a wholly-owned subsidiary of Textron, issued US\$300 million sixty-year bonds. UBS underwrote this issue for about US\$60 million.³²⁷

In November 2007, **Textron Financial**, a wholly-owned subsidiary of Textron, issued US\$400 million in three-year bonds. UBS underwrote this issue for about US\$133 million.³²⁸

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. UBS, part of the 10-bank syndicate, underwrote US\$7.7 million.³²⁹

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. UBS, part of the 10-bank syndicate, underwrote US\$14.625 million.³³⁰

ASSET MANAGEMENT

In April 2009, UBS Hana Asset Management, which is part of UBS, owned or managed 4.95% of the shares in **Poongsan Corp.**, valued at US\$12.4 million.³³¹

In May 2009, UBS owned or managed 0.43% of the shares in **Singapore Technologies Engineering**, valued at US\$20 million.³³²

1.2.121 Union Investment Group (Germany)

ASSET MANAGEMENT

In May 2009, Union Investment Group owned or managed 0.45% of the shares in **Singapore Technologies Engineering**, valued at US\$21 million.³³³

1.2.122 United Overseas Bank (Singapore)

LOANS

In March 2007, United Overseas Bank was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.³³⁴

1.2.123 Universal Investment Gesellschaft (Germany)

ASSET MANAGEMENT

In May 2009, Universal Investment Gesellschaft owned or managed 0.19% of the shares in **Singapore Technologies Engineering**, valued at US\$9 million.³³⁵

1.2.124 US Bank (United States)

LOANS

In March 2007, US Bank was part of a 19-bank syndicate providing a five-year US\$275 million loan and a five-year

US\$500 million revolving credit facility to **Alliant Techsystems**. ATK can also issue letters of credit under this facility for a total of US\$200 million.³³⁶

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. US Bank contributed US\$71.25 million to the 31-bank syndicate.³³⁷

1.2.125 Vakifbank (Türkiye Vakıflar Bankası) (Turkey)

ASSET MANAGEMENT

In December 2007, Vakifbank owned or managed 10% of the shares in **Roketsan**, valued at TRY 146 million (US\$125.6 million).³³⁸

1.2.126 Vanguard Group (United States)

ASSET MANAGEMENT

In July 2007, Vanguard owned or managed 2.28% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued September 2006. The notes were valued at US\$6.8 million.³³⁹

In March 2009, Vanguard owned or managed 0.46% of the shares in **Hanwha Corp.**, valued at US\$8 million.³⁴⁰

In March 2009, Vanguard owned or managed 3.96% of the shares in **Textron**, with a total value of US\$60 million.³⁴¹

In May 2009, Vanguard owned or managed 0.26% of the shares in **Singapore Technologies Engineering**, valued at US\$12 million.³⁴²

In June 2009, Vanguard owned or managed 3.52% of **Alliant Techsystems** shares, valued at US\$77 million.³⁴³

In June 2009, Vanguard owned or managed 3.5% of the shares in **L-3 Communications** Corporation, valued at US\$280 million.³⁴⁴

In June 2009, Vanguard owned or managed 2.86% of the shares in **Lockheed Martin**, valued at US\$772 million.³⁴⁵

1.2.127 Vaughan Nelson Investment Management (United States)

ASSET MANAGEMENT

In June 2009, Vaughan Nelson IM owned or managed 1.27% of **Alliant Techsystems** shares, valued at US\$28 million.³⁴⁶

1.2.128 Veritas Asset Management (United Kingdom)

ASSET MANAGEMENT

In May 2009, Veritas Asset Management owned or managed 0.21% of the shares in **Singapore Technologies Engineering**, valued at US\$10 million.³⁴⁷

1.2.129 Vicis Capital (United States)

ASSET MANAGEMENT

In July 2007, Vicis Capital owned or managed 3% of the five-year convertible notes with a coupon rate of 2.75% that **Alliant Techsystems** issued September 2006. The notes were valued at US\$9 million.³⁴⁸

1.2.130 Wachovia Bank (United States)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Wachovia Bank contributed US\$53.75 million to the 31-bank syndicate.³⁴⁹

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. Wachovia Bank, part of the 19-bank syndicate, contributed US\$60 million to this facility.³⁵⁰

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. Wachovia Bank, part of a 19-bank syndicate, contributed US\$90 million to this facility.³⁵¹

INVESTMENT BANKING

In February 2007, **Textron** Financial, a wholly-owned subsidiary of Textron, issued US\$300 million sixty-year bonds. Wachovia Bank underwrote this issue for about US\$60 million.³⁵²

In November 2007, **Textron** Inc. issued US\$350 million in ten-year bonds. The proceeds were used for general corporate purposes. Among the ten banks underwriting the issue was Wachovia Bank, who underwrote US\$12.32 million.³⁵³

1.2.131 Wellington Management Company (United States)

ASSET MANAGEMENT

In June 2009, Wellington Management Company owned or managed 1.52% of **Alliant Techsystems** shares, valued at US\$33 million.³⁵⁴

In June 2009, Wellington Management Company owned or managed 3.79% of the shares in **Lockheed Martin**, valued at US\$1.023 million.³⁵⁵

1.2.132 Wells Fargo Bank (United States)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. Wells Fargo Bank contributed US\$37.5 million to the 31-bank syndicate.³⁵⁶

1.2.133 WestLB (Germany)

LOANS

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. WestLB contributed US\$37.5 million to the 31-bank syndicate.³⁵⁷

1.2.134 Westwood Holdings Group (United States)

ASSET MANAGEMENT

In June 2009, Westwood owned or managed 1.29% of **Alliant Techsystems** shares, valued at US\$28 million.³⁵⁸

1.2.135 William Street Commitment Corporation (United States)

LOANS

In April 2007, **Textron** amended its US\$1.25 billion five-year revolving credit facility (concluded in March 2005) for the second time, extending the maturity date to April 2012. This facility is being used to support the issue of commercial paper. William Street Commitment Corporation, part of the 19-bank syndicate, contributed US\$60 million to this facility.³⁵⁹

In April 2007, **Textron** Financial Corporation amended its US\$1.75 billion five-year revolving credit facility (secured in April 2006), extending the maturity date to April 2012. This credit facility is being used to repay current debts, to support the issue of commercial paper and for general corporate purposes. William Street Commitment Corporation, part of a 19-bank syndicate, contributed US\$90 million to this facility.³⁶⁰

In July 2007, **Lockheed Martin** renewed its current US\$1.5 billion five-year revolving credit facility and extended it to end June 2012. William Street Commitment Corporation contributed US\$50.00 million to the 31-bank syndicate.³⁶¹

1.2.136 Woori Investment & Securities (South Korea)

INVESTMENT BANKING

In March 2008, **Hanwha** Corp. issued three-year bonds worth 120 billion Korean Won (US\$118.44 million). The proceeds were used for general corporate purposes. Woori Investment & Securities, part of the issuing syndicate, underwrote US\$13.2 million.³⁶²

In June 2008, **Hanwha** Corp. issued three-year bonds worth 170 billion Korean Won (US\$163.54 million). The proceeds were used for general corporate purposes. Woori Investment & Securities, part of the issuing syndicate, underwrote US\$16.35 million.³⁶³

In February 2009, **Hanwha** Corp. issued bonds worth 260 billion Korean Won (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Woori Investment & Securities participated in the issuing syndicate and underwrote US\$6.75 million.³⁶⁴

Chapter 2

FOCUS: Public Pension Funds and Sovereign Wealth Funds

2.1.0 Introduction and methodology

Special attention is given to sovereign wealth funds (SWF) and public pension funds (PPF), since the importance of these investment funds is growing.

Sovereign wealth funds have existed since at least the 1950s, but their total size, worldwide, has increased dramatically over the past 10–15 years. According to the International Monetary Fund (IMF), sovereign funds probably held at most \$500 billion in 1990, while they controlled an estimated \$3 trillion in September 2007.³⁶⁵ International Financial Services, London (IFSL) estimated in March 2009 that assets under SWF management increased by 18% in 2008 to reach \$3.9 trillion. IFSL projections are that SWFs are likely to double from their current level to around \$8 trillion by 2015.³⁶⁶

Pension funds are even bigger institutional investors. In 2007, the total assets of the world's largest 300 pension funds grew by over 14% to around US\$12 trillion. The size of this pool of assets has more than doubled over five years.³⁶⁷

These funds are particularly interesting because most of them are state owned. This becomes even more important when the SWF's or PPF's home country has ratified the Convention on Cluster Munitions.

Moreover, SWFs and PPFs sometimes hold a substantial stake in the capital of companies. This gives them considerable voting power at the annual meeting, and sometimes even one or more seats on the board of directors.

- **Definitions**

A **sovereign wealth fund** is a state-owned investment fund composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets. SWFs can be structured as a fund, pool, or corporation. Some funds also invest indirectly in domestic, state-owned enterprises. In addition, they tend to prefer returns over liquidity, thus they have a higher risk tolerance than traditional, foreign exchange reserves.³⁶⁸

A **pension fund** is an independent legal entity, consisting of a pool of assets bought with the contributions to a pension plan for the exclusive purpose of financing pension plan benefits.

A **public pension fund** is a pension fund that is regulated under public sector law.

- **Selection and research**

For our research we selected major SWFs and PPFs, targeting 15 funds, chosen for their importance and country of origin (to ensure a broad geographical spread).

Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they have assets. Some funds are very transparent and publish a list with shares on their website (e.g. Alaska Permanent Fund, Ireland National Pensions Reserve Fund and Calpers). We have found information on assets for five of the funds, two of which own or manage assets in the companies on the Red Flag List. Those five funds are described below.

These funds are only involved through asset management, since financing and investment banking are not part of their business operations.

We have listed all the shareholdings that we were able to document, including shareholdings under the 1% threshold. All other research criteria are equal to the research criteria used for the financial institutions in the Hall of Shame, which are described in section 1.2.0.

2.1.1 Alaska Permanent Fund Corporation (APFC) (United States – Alaska)

The state-owned Alaska Permanent Fund Corporation manages the funds of the Alaska Permanent Fund. This sovereign wealth fund was established when the Alaska Pipeline neared completion. At least 25% of the proceeds from mineral sales or royalties were placed in the fund. The principal may only be used for investments that generate income.³⁶⁹

ASSET MANAGEMENT

In March 2009, APFC owned 0.13% of the shares in **Alliant Techsystems**, valued at US\$2.8 million.³⁷⁰

In March 2009, APFC owned 0.06% of the shares in **Lockheed Martin**, valued at US\$15.8 million.³⁷¹

In March 2009, APFC owned 0.02% of the shares in **Singapore Technologies Engineering**, valued at US\$0.8 million.³⁷²

In March 2009, APFC owned 0.05% of the shares in **Textron**, valued at US\$0.7 million.³⁷³

2.1.2 California Public Employees' Retirement System (CalPERS) (United States)

The public pension fund CalPERS (California Public Employees' Retirement System) provides retirement and health benefits to California public employees and retirees.³⁷⁴

ASSET MANAGEMENT

In July 2007, CalPERS owned 0.15% of the shares in **Alliant Techsystems**, valued at US\$3.2 million.³⁷⁵

In June 2008, CalPERS owned 0.06% of the shares in **Hanwha**, valued at US\$1.7 million.³⁷⁶

In July 2007, CalPERS owned 0.3% of the shares in **L-3 Communications**, valued at US\$23.4 million.³⁷⁷

In July 2009, CalPERS owned 0.29% of the shares in **Lockheed Martin**, valued at US\$77.7 million.³⁷⁸

In June 2008, CalPERS owned 0.05% of the shares in **Poongsan Holding**, valued at US\$0.06 million.³⁷⁹

In June 2008, CalPERS owned 0.10% of the shares in **Singapore Technologies**, valued at US\$7.5 million.³⁸⁰

In July 2009, CalPERS owned 0.28% of the shares in **Textron**, valued at US\$4.2 million.³⁸¹

2.1.3 Ireland National Pension Reserve Fund (NPRF) (Ireland)

The Irish National Pension Reserve Fund was established to meet as much as possible of the cost of social welfare and public service pensions from 2025 onwards, when an ageing population is expected to increase benefit costs. It is under the management of the National Pension Reserve Fund Commission. The Minister of Finance appoints the commission's members.³⁸²

ASSET MANAGEMENT

No information was found on shareholdings in any companies listed on the Red Flag List.^{viii}

2.1.4 Pensioenfonds Zorg en Welzijn (PFZW) (The Netherlands)

PFZW is the second largest pension fund in the Netherlands. It is responsible for the pension policy and the pension capital for current and former employees in the care and welfare sector. PFZW has contracted PGGM to administer the pension scheme and to manage the assets.^{383 ix}

ASSET MANAGEMENT

No information was found on shareholdings in any of the companies listed on the Red Flag List.

2.1.5 Quebec Pension Plan (Canada)

The Québec Pension Plan is a public insurance plan to provide persons who work in Québec (or have worked in Québec) and their families with basic financial protection in the event of retirement, death or disability. The plan is financed by contributions from Québec workers and employers. Revenu Québec collects contributions. Caisse de dépôt et placement du Québec manages them.³⁸⁴

ASSET MANAGEMENT

No information was found on shareholdings in any of the companies listed on the Red Flag List.

^{viii} NPRF's 2008 Annual Report and Financial Statement shows investment in Textron: in December 2008 NPRF owned 0.002% of the shares in Textron, valued at US\$0.06 million. (National Pensions Reserve Fund Commission, Annual Report and Financial Statements 2008, Dublin, 30 June 2009, p. 23, available at <http://www.nprf.ie/Publications/AnnualReport2008.pdf>, last check 19 September 2009.) On 21 September 2009, NPRF confirmed in a written response to Netwerk Vlaanderen that it divested Textron after NPRF set a new policy based on the 2008 Cluster Munitions and Anti-Personnel Mines Act passed on 2 December 2008.

^{ix} Until recently, PGGM and PFZW formed a single entity. PGGM then became into a commercial organization. (PGGM's written response to Netwerk Vlaanderen on 29 July 2009).

Chapter 3

Disinvesting from Cluster Munitions Producers

This third chapter answers our second research question:

Who is disinvesting from companies that produce cluster munitions?

- The chapter is divided in three parts:
- The first part, the Hall of Fame, describes financial institutions with a clear and far-reaching policy on cluster munitions.
- The second part, the list of Runners-up, lists financial institutions with a policy that displays several shortcomings.
- Finally, the third part lists countries which took legislative initiatives to ban investment in cluster munitions.

3.1 Hall of Fame: Financial institutions pioneering in disinvestment

3.1.0 Introduction and methodology

As the previous chapter showed, many financial institutions display little responsibility when it comes to cluster munitions. They invest in producers of cluster munitions, despite an international consensus that cluster munitions are controversial and indiscriminate weapons. Some financial institutions either regard investment as a neutral activity or consider ethical decisions to be the government's responsibility. Others shift the responsibility to their clients by referring to ethical savings and/or investment products. This ignores the fact that clients do not always have a clear view on what companies are included in investment funds or what activities these companies are involved in. Moreover, this does not diminish the financial institutions' responsibility.

Cluster munitions are technically incapable of distinguishing civilians from military targets. This makes cluster munitions indiscriminate weapons, conflicting with international humanitarian law. The Convention on Cluster Munitions provides a strong legal basis to ban cluster munitions. In its wake, a growing group of financial institutions has come to accept responsibility and has implemented a clear and far-reaching policy on how to deal with cluster munitions producers. These financial institutions do not consider cluster munitions producers appropriate business partners. They do not condone business relations with cluster munitions producers, regardless of the nature of the business relation and regardless of the activity of the cluster munitions producer they want to invest in. Producing cluster munitions, regardless of their importance in a company's total turnover makes a company a no-go business partner for these investors. We welcome these initiatives and see them as examples for other financial institutions.

We have listed these financial institutions in our Hall of Fame.

- **Selection and research**

To identify financial institutions with a policy on cluster munitions, we researched a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, worldwide campaigns and other official sources available in the public domain. We were limited to policy statements available in English and/or Dutch and by access to information. The Hall of Fame is far from comprehensive. We believe that the financial institutions listed are only a tip of the iceberg. For this research it was impossible to research the policies of all the financial institutions worldwide however. The Hall of Fame can be seen as an invitation to financial institutions that have a comprehensive policy to ban investment in cluster munitions to provide us with their

policy and to publish it on their website in order for us to include them in either the Runners-up category or the Hall of Fame.

As the investment policy is usually stipulated by the banking group and as a banking group directly or indirectly supervises its subsidiaries, we have researched the policy of the group

We have contacted the financial institutions included in this list before publication to check our research findings and clarify their policy.

Financial institutions in the Hall of Fame must meet the following criteria:

- An investor must be transparent and accountable on its cluster munitions policy. This means that the investor itself has published the policy and/or a summary of it.
- Its policy must exclude investment in cluster munitions producers (recalling past investment and avoiding further investment).
- The policy must have an 'all-in' comprehensive scope:
 - no exception for any types of cluster munitions producers
 - no exception for any type of activities by cluster munitions producers
 - no exception for any type of financing or investment by the investor

We researched investments in the Red Flag companies for each financial institution in the Hall of Fame. This included shareholdings under the 1% threshold. We chose to do so because any involvement at all in a cluster munitions producer, after publication of a policy not to do so, is evidence of poor implementation. When we found involvement of financial institutions in the Hall of Fame, we contacted the company to confront them with our findings. Financial institutions where we found this involvement without a legal reason preventing it from instant withdrawal, can not be part of the Hall of Fame.

- **Results**

Below you will find the research findings on financial institutions with a clear and far-reaching policy to exclude producers of cluster munitions.

We provide the name and the country of origin for each financial institution listed, as well as a brief profile and a summary of its policy.

We list the financial institutions alphabetically within three main categories: ethical banks, government managed financial institutions and mainstream private financial institutions.

ETHICAL BANKS

Ethical banks are usually small, founded to serve as a source of capital for sustainable projects and companies. Sustainable energy, organic food, social projects and cultural activities are examples of sectors in which these banks invest. By their nature, these banks do not get involved in arms production. In addition, they have detailed procedures to avoid investing in 'unethical industries' like arms production, etc.

3.1.1 ASN Bank (The Netherlands)

ASN Bank is the largest ethical bank in The Netherlands. Its aim is to promote sustainable society by supporting socially responsible businesses.³⁸⁵

ASN uses absolute exclusion criteria for 'arms and security' for all of its investments. This means it excludes companies engaged in or benefiting from war crimes, or the manufacture of or trade in arms. The ASN Bank states that, as a result of this policy, it will refrain from providing any type of funding for or investment in companies that develop, manufacture, distribute or trade in arms. The term "arms" refers to all types of conventional weapons, ammunition, parts, supporting technologies and associated expertise. For a precise definition of "arms", ASN Bank uses the *Common Military List of the European Union*. This list contains an extensive summary of arms, parts and chemicals as well as ICT products and services. Furthermore, ASN Bank excludes companies that manufacture products that are primarily used in armaments in addition to having a civil application.³⁸⁶

Moreover, ASN Bank will refrain from investing in financial institutions that do not apply the same exclusion criteria or in financial institutions that lack transparency regarding their investments (i.e. when ASN cannot verify their compliance with the exclusion criteria).³⁸⁷

3.1.2 Banca Etica (Italy)

Banca Etica is an Italian co-operative bank that operates exclusively in the field of sustainable and alternative finance. Banca Etica has developed partnerships with institutes and organisations throughout Europe to develop civil economy, ethical finance and fair trade.³⁸⁸

Article 5 of its founding charter states that, "any financial relation with the economic activities that, even in an indirect manner, inhibit the human development and contribute to fundamental human rights violations are anyway excluded."³⁸⁹ According to Banca Etica, this article prohibits all involvement with the arms industry.³⁹⁰

3.1.3 Triodos Bank (The Netherlands)

Triodos Bank is an ethical bank active operating in the Netherlands, Belgium, the United Kingdom, Spain, and Germany. It had a total balance sheet of € 2.363 million in 2008.³⁹¹

The bank bars companies that produce or sell weapons, specifically designed components for weapons and weapons-related services from financing and investment. These include conventional and non-conventional weapons.³⁹²

Moreover, Triodos has a strict policy on banks: they are expected to apply zero tolerance to shareholdings, bonds and loans related to companies involved in producing cluster bombs (one exception covers passively managed funds directly related to indexes).³⁹³

Financial institutions often use bank secrecy as defence when accused of not being transparent. The ethical banks listed here show that banks can be transparent.

TRANSPARENCY

A salient characteristic shared by all three of these ethical banks is their transparency regarding their investments:

- ASN Bank's annual report includes the investment criteria and the names of the companies that it invested in over the past year. Moreover, the bank publishes the investment universe for each of its investment funds on its website, which includes a short description for each company in the portfolio.
- Banca Etica is completely transparent about its financing operations: its website contains a list of all loans approved during the previous year.
- Triodos Belgium, Spain and Britain are transparent about companies receiving credit. Triodos offers complete insight into its funds' investment universe as well.

When they select financing and investment recipients, financial institutions determine which businesses they will support. Because most other financial institutions do not make their choices public, it's impossible for clients to know what their money supports. In fact, everyone, not just customers, has the right to know about these important choices, their impact and their risks. A bank that publishes the names of the companies that it has approved or refused financing/investment gives observers a tool to ascertain the type of businesses with which a financial institution is involved and to verify whether a financial institution complies with its own policy. It allows each customer, political leader and shareholder to gather information to determine whether a financial institution assumes ethical responsibilities and fulfils its promises.

Finally, a published list of shareholdings is a public appreciation of the selected companies. Similarly, the publication of exclusion lists - lists of companies not selected – is a way of stating that these companies do not meet the criteria used.

GOVERNMENT-MANAGED PENSION FUNDS

A pension fund is a pool of assets forming an independent legal entity. Pension plan contributions buy rights to pension plan benefits. National governments manage some of these pension funds. That makes the national governments responsible for these funds' investment strategy and for management of its portfolio.³⁹⁴

3.1.4 National Pensions Reserve Fund (Ireland)^x

The Irish National Pension Reserve Fund (NPRF) was established to meet as much as possible of the cost of social welfare and public service pensions from 2025 onwards, when the cost is expected to increase due to the ageing of the population. The National Pension Reserve Fund Commission manages the fund. The Minister of Finance appoints the commission's members.³⁹⁵

^x Our research on financial institutions investing in cluster munitions producers revealed an NPRF investment in Textron. In December 2008, NPRF owned 0.002% of Textron shares, with a value of US\$0.06 million. (National Pensions Reserve Fund Commission, Annual Report and Financial Statements 2008, Dublin, 30 June 2009, p 66, available at <http://www.nprf.ie/Publications/AnnualReport2008.pdf>, last check 19 September 2009.) On 21 September 2009, NPRF confirmed in a written response to Netwerk Vlaanderen that it divested Textron after NPRF set a new policy based on the 2008 Cluster Munitions and Anti-Personnel Mines Act passed on 2 December 2008.

On 3 March 2008, Ireland's NPRF announced it would withdraw € 27 million from investments in six international companies involved in producing cluster munitions. This announcement was made following a specific request from the government to withdraw from companies involved in the manufacture of cluster munitions. The Irish government was, at the time, seeking to conclude a legally binding convention to prohibit cluster munitions; the CCM. The fund withdrew from all (Raytheon, General Dynamics, Lockheed Martin, Alliant Techsystems and L-3 Communications) but one (Thales) of the companies, since the Irish NPRF did not consider the latter was a manufacturer of cluster munitions.³⁹⁶

On 2 December 2008, Ireland approved the 2008 Cluster Munitions and Anti-Personnel Mines Act. This act is the foundation for the Irish NPRF policy. After the act was passed, the Irish NPRF disinvested from seven companies and excluded from consideration four others in which it had not yet invested. These companies were excluded because of their involvement in manufacturing cluster munitions or anti-personnel mines.³⁹⁷

3.1.5 Norwegian Pension Fund (Norway)

In Norway, the Government Pension Fund – Global was set up to manage all the state's oil revenues. Large petroleum revenues have resulted in substantial financial assets in the government pension fund. The fund's purpose is to facilitate government savings needed to meet the rapid rise in public pension expenditures in the coming years, and to support a long-term management of petroleum revenues. In 2008, the fund had a market value of NOK 2,363 billion (€ 275.53 billion³⁹⁸).³⁹⁹

In 2004, the Norwegian Government adopted ethical guidelines for the government pension fund. Point 4.4 states: "The Council shall issue recommendations on negative screening of companies that:

- produce weapons that through their normal use violate fundamental humanitarian principles; or
- sell weapons or military materiel to states mentioned in Clause 3.2 of the supplementary guidelines for the management of the Fund."⁴⁰⁰

The Ministry of Finance has excluded several producers of cluster munitions since the ethical guidelines came into force, based on recommendations of the Council on Ethics for the Government Pension Fund – Global. The recommendation of 16 June 2005 explains the interpretation of the guidelines regarding cluster weapons. It defines cluster weapons as weapons that violate the fundamental humanitarian principle, by breaching the distinction between military and civilian goals.⁴⁰¹

The Council on Ethics has taken the 2008 International Convention to Ban Cluster Munitions' technical definition of what constitutes cluster munitions as the basis for its exclusion recommendations.⁴⁰²

The following companies have been excluded from the Norwegian Pension Funds portfolio since 2005 because they manufactured what were thought to be key components for cluster bombs: Alliant Techsystems, General Dynamics, L3 Communications, Lockheed Martin, Raytheon, Thales, Poongsan, Hanwha and Textron.⁴⁰³ In September 2009, Thales' exclusion was reversed because it was no longer involved in cluster munitions.⁴⁰⁴

The Norwegian Pension Fund gains extra credit for its full transparency on the issue. It publishes the Ethical Council's recommendations and issues press releases publicising government decisions.

3.1.6 New Zealand Superannuation Fund (New Zealand)

The New Zealand Superannuation Fund accumulates and invests state contributions. It was created in 2001 to provide partial coverage for the future cost of funding New Zealand superannuation payments. Like many countries around the world, New Zealand has an ageing population, with the number of retired people expected to double by 2050. Accordingly, the cost of providing New Zealand superannuation is also expected to double in this period. Guardians appointed by the Governor General on the recommendation of the Minister of Finance manage the fund.⁴⁰⁵

The Guardians established a responsible investment framework that includes guidelines based on international conventions, New Zealand law and relevant Crown actions. As is disclosed on their website, the Guardians have a strong preference to engage with companies with the hope that their behaviour will improve. Nevertheless, the Guardians decided in December 2008 to disinvest from companies involved in cluster bomb production. The CCM and the New Zealand Government's lead in the process, combined with the fact that it was unlikely the companies could be persuaded to stop manufacturing, convinced the Guardians it was best to exclude them.

On 30 June 2007, prior to the decision to disinvest, the fund held investments totalling more than € 10 million in companies that an external screening agency has since identified as being potentially involved, in some way, in the manufacture of cluster munitions. In March 2008, the Guardians decided to develop an engagement, disinvestment and exclusion plan related to companies involved in the manufacture of cluster munitions.⁴⁰⁶ The Guardians decided to exclude these companies following New Zealand's signing of the Cluster Munitions Convention on 3 December 2008.⁴⁰⁷

The fund has published on its website a list of companies excluded because of their involvement in the production of cluster munitions. This list is regularly reviewed and updated with information from external screening agencies. The list includes Alliant Techsystems, Goodrich Corporation, General Dynamics, Hanwha, Honeywell International, L-3 Communications, Lockheed Martin, Northrop Grumman, Poongsan Corporation, Raytheon, Singapore Technologies Engineering and Textron Systems.⁴⁰⁸

3.1.7 Swedish Pension Funds AP 1-4 (Sweden)

AP 1 – 4 are four of the seven state-owned pension funds in Sweden. Sweden's pension system has two tiers: five 'buffer'-funds and a premium pension system. The five 'buffer' funds (AP 1 – 4 and AP 6) work as a pay-as-you-go system in which pension contributions are used to pay current income pension benefits. Because ageing baby-boomers will increase demands on the pension system, these buffer funds should provide spare capital if state pension funds payments exceed tax revenues.⁴⁰⁹

On 1 January 2007, a joint ethical committee, the Ethical Council, was established for the National Swedish Pension Funds. This committee focuses on monitoring and analysing the portfolio holdings of the first to fourth AP Funds, to ensure that portfolio companies are not party to crimes in contravention of international conventions to which Sweden is a signatory.⁴¹⁰

As a result of the Oslo Process, in 2008 the Ethical Council ordered a screening of the companies suspected of involvement in cluster munitions. The screening identified nine companies that manufacture and/or market either entire cluster munitions or special components. The Council recommended that these companies be excluded from the four funds' investment universe. All four funds later shed these holdings. Aside from the nine excluded companies, the Ethical Council has an additional seven under watch.⁴¹¹

The excluded companies, named in a press release, are: Alliant Techsystems, GenCorp, General Dynamics, Hanwha Corporation, L-3 Communications, Lockheed Martin, Poongsan, Raytheon and Textron.⁴¹²

3.1.8 Swedish Pension Fund AP7 (Sweden)

AP7 is one of seven state-owned pension funds in Sweden. As stated above, Sweden's pension system has two tiers: a pay-as-you-go component and a premium pension system in which pension disbursements are based on individual savings invested in funds managed by the Premium Pension Authority (PPM). The employees themselves may choose among the PPM funds, how and who they want to manage their pension capital. In the absence of an active choice, the Seventh AP Fund manages the pension capital.⁴¹³

In June 2008, AP7 announced that it would disinvest from companies involved in cluster munitions and nuclear weapons.⁴¹⁴ No direct investments will be made in companies that are considered to participate in the development and/or production of cluster munitions.

AP7 listed the excluded companies in its annual report. The companies excluded because of their involvement in cluster munitions and/or nuclear weapons¹¹ in 2008 are: BAE Systems, Boeing, Daimler AG, EADS, Finmeccanica, General Dynamics Corp., Goodrich, Hanwha, Honeywell International Incorporation, IHI, Lockheed Martin Corp., McDermott International, Northrop Grumman Corp., Poongsan, Raytheon, Rolls Royce Group, Safran and Toshiba Corp.⁴¹⁵

GOVERNMENT-MANAGED FINANCIAL INSTITUTIONS

The government-managed pension funds listed above are examples of governmental best practices. These countries take their strong disapproval of cluster munitions seriously and act accordingly by not investing government-managed pension money in producers of cluster munitions.

The 2008-2009 financial crisis and the following government bailout of banks have changed the financial landscape. Many banks now have government shareholders. This creates a new situation with opportunities for governments to make financial institutions abide by international conventions the government has signed. Governments can use their position as a shareholder to change banks' policies on cluster munitions to ensure none of the banks' money is invested in producers of cluster munitions.

MAINSTREAM FINANCIAL INSTITUTIONS (private)

3.1.9 ABP (The Netherlands)

ABP is the pension fund for employers and employees working in the Dutch Government and the educational sector. It is the world's second largest pension fund. It provides income security in cases of disability, death and retirement, based on the principles of solidarity and non-profit.⁴¹⁶

In March 2007, after the documentary 'The Cluster Bomb Feeling' drew attention to the fact that several major pension funds had invested in companies involved in the production of antipersonnel landmines and cluster bombs, ABP decided to exclude such companies from its portfolio.⁴¹⁷ All shares and bonds in them were sold within one month of this decision.

Its 2007 responsible investment policy review explained this commitment: "ABP does not invest in companies that are directly involved in the production of antipersonnel landmines, cluster bombs, and chemical or biological weapons. Direct involvement covers companies which produce a complete weapon or the greater part of it or produce munitions-related key components of the weapon, such as sub-munitions, fuses and warheads."⁴¹⁸

ABP has drawn up a list of companies to be excluded from investment. This black list, updated in 2008, contains the following companies: Aerostar, Alliant Techsystems, Gencrop, General Dynamics, Goodrich Corporation, Hanwha, Larsen & Toubro Ltd., L-3 Communications, Lockheed Martin, Magellan Aerospace, Poongsan, Raytheon, Rheinmetall, Singapore Technologies Engineering, Textron, Thales and Tata Power Ltd.⁴¹⁹

^{xi} The annual report did not specify which companies were excluded for cluster munitions and which for nuclear weapons.

3.1.10 Ethias (Belgium)

Ethias is a Belgian banking and insurance company. It is the third largest insurance company of Belgium, with a market share of 12.9%.⁴²⁰

Ethias Bank uses a deontological code that forbids giving credit to companies involved in the production of or trade in weapons. Moreover, its asset management is restricted to government bonds in the euro-zone. Since 2009, a screening agency, Forum Ethibel, has audited Ethias' entire balance and investment universe to verify its conformity with its mission and codes.⁴²¹

Ethias Insurance applies an investment code to all the financial reserves under its management. This code excludes producers of cluster munitions. Ethias Insurance has a black list of 11 banned companies based on the companies' involvement in anti-personnel mines, weapons with depleted uranium and cluster bombs. The excluded companies are: Thales, Singapore Engineering Technologies, BAE Systems, EADS, Lockheed Martin, Raytheon, ATK, Forges de Zeebrugge, Rheinmetall AG, Phongsan America Inc. and AviChina.⁴²²

3.1.11 Folksam (Sweden)

Folksam is a Swedish mutual insurance company that offers a wide variety of insurance, savings and loan products. It is one of the largest Swedish investment managers.⁴²³

In 2008, Folksam responded to the CCM by selling its interest in companies that produce or sell cluster munitions. Folksam's policy applies to all in-house products.⁴²⁴

3.1.12 PGGM (The Netherlands)

PGGM is a co-operative organisation providing income protection for everyone in the healthcare and social work sectors. PGGM manages the assets of pension funds. PGGM's largest client is *Pensioenfondszorg en Welzijn* (PFZW), whose pension assets are in the range of € 69 billion.^{xii} PFZW sets the policy. PGGM manages its assets and administers its pension scheme.⁴²⁵

PGGM applies a responsible investment policy that excludes controversial weapons. The exclusion policy states that PGGM does not invest on behalf of their clients in companies that have a substantial involvement in the production or trading of controversial weapons, such as cluster bombs. Substantial involvement means that a company produces or trades in end products or components that are essential for the operation of weapons. PGGM adopted the Convention on Cluster Munitions' definition of cluster bombs once the convention took effect. Before that, it relied on The Red Cross' guidelines.⁴²⁶

It published a list of excluded companies on its website. The black list contains the following companies based on involvement in cluster munitions: Aerostar, Cobham, Goodrich Corporation, Hanwha Corporation, Kaman, L3 Communications, Lockheed Martin, Magellan Aerospace, Poonsang, Raytheon, Rheinmetall, Saab AB, Singapore Technologies, Textron and Thales.⁴²⁷

PGGM wrote in its 2008 annual report that it could assure that 98% of its total portfolio complied with the exclusions policy. PGGM writes: "That does not mean that the other 2% do violate it, but we cannot guarantee that no investments will be made which contravene the provisions of the policy or the Exclusions List. This requires further research."⁴²⁸ Further information from PGGM shows that the 2% is made up of hedge funds. It is difficult right now to assure that these involve no breaches. Still, PGGM is working on a way to guarantee this also for hedge funds.⁴²⁹

^{xii} Until recently, PGGM and PFZW formed a single entity. PGGM then became into a commercial organization. (PGGM's written response to Netwerk Vlaanderen on 29 July 2009)

3.1.13 Philips Pension Fund (The Netherlands)

The € 13 billion Philips Pension Fund is one of the largest corporate plans in The Netherlands. It offers pension services to the employees of electronics company Philips.⁴³⁰

In 2008, the Philips fund started to integrate environmental, social and governance (ESG) criteria across its total investment. This implies excluding companies linked to the production of cluster weapons. The fund uses a list of cluster munitions producers to implement this policy. This list is not public.⁴³¹

3.1.14 Storebrand Group (Norway)

Storebrand Group is a leading player on the Nordic market for pensions, life and health insurance, banking and asset management.⁴³²

Storebrand group excludes producers of cluster munitions from all of their investment portfolios. The policy was updated in May 2009 to reflect the Convention on Cluster Munitions. All funds managed by Storebrand are covered by the policy.

It continually monitors the nearly 3000 companies in its investment universe to exclude unacceptable business practices. In the second quarter of 2009, Storebrand excluded six companies involved in cluster munitions from its investment universe. Storebrand does not make the list of excluded companies public.^{433 viii}

Black lists

Several financial institutions have listed the companies they exclude in a black list. Not all of them list the same companies, which is logical because different financial institutions start from different points when listing companies. Some start from their own investment universe and exclude the cluster munitions producers from that universe (e.g. Norwegian Pension Fund). Others start from companies listed in a certain index (DACS, MCSI, Dow Jones, Bel 20, etc.), or only look at American or European companies. This explains differences between the several lists.

Having a black list makes it far easier for a financial institution to implement its policy. Moreover, making it public blames the companies who keep on producing these indiscriminate weapons and can help to end production.

^{xiii} In our research for financial links of financial institutions listed in the Hall of Fame with the companies of our Red Flag list under the 1% threshold, we found three investments made by Storebrand: In March 2009, Storebrand owned or managed shares of L-3 Communications, Lockheed Martin and Textron, valued at respectively US\$ 0,17; US\$ 0,46 and US\$ 0,03 million. (Thomson ONE Database, visited July 2009, www.thomsonone.com). Storebrand informed us that these findings are due to a legal question: When SPP mutual funds were transferred from Handelsbanken to Storebrand in 2009, the fund mandates had to be approved by the Swedish government (Finansinspektionen). For certain SPP funds, such approval has not yet been given. Storebrand has confirmed that a meeting will be scheduled in the near future between SPP and Finansinspektionen to discuss this issue specifically. As soon as Finansinspektionen gives their approval, portfolios will be adjusted to Storebrand's policy, which means the exclusion of cluster munitions producers. (Written answer by Storebrand to Netwerk Vlaanderen on 8 October 2009). Therefore, Storebrand is still listed in the Hall of Fame. The next update of our research will be in December 2009. If the above mentioned investments will not be ended by that time, Storebrand will no longer be listed in the Hall of Fame, but in the Runners-up category.

3.2 Runners-up Financial Institutions

3.2.0 Introduction and methodology

The second part of this chapter contains a list of runners-up financial institutions. These have also made significant efforts to ban cluster munitions from their investment portfolio. Still, their policies are not comprehensive enough for inclusion in our Hall of Fame. They have a policy, but loopholes still permit financing of cluster munitions. It is important to note that the Runners-up category is a diverse category and the scope of the policies differs greatly. In some cases a policy does not apply to all company's activities, or does not cover all the financial institutions' services. Other financial institutions have a far-reaching policy, but fail to implement it properly. These financial institutions still have financial links with cluster munitions producers, although their policies state that they don't. The Runners-up category is far from comprehensive. We believe that the financial institutions listed are only a tip of the iceberg. For this research it was impossible to research the policies of all the financial institutions worldwide however. The Runners-up category can be seen as an invitation to financial institutions that have a comprehensive policy to ban investment in cluster munitions to provide us with their policy and to publish it on their website in order for us to include them in either the Runners-up category or the Hall of Fame.

We commend the financial institutions in the Runners-up category for their policies, but take the liberty of pointing out a few shortcomings.

- **Research**

Financial institutions have to meet the following criteria to be considered a runner-up:

- An investor must be transparent and accountable on its cluster munitions policy. This means that the investor itself has published the policy and/or a summary of the policy.
- The policy must exclude investment in cluster munitions producers (recalling past investment and restraining from further investment).

The Runners-up category lists financial institutions which meet the two criteria above. They differ from the Hall of Fame however, because they do not meet the following criteria:

- The policy must have an 'all-in' comprehensive scope:
 - no exceptions for any types of cluster munitions producers,
 - no exceptions for any type of activities by cluster munitions producers,
 - no exceptions for any type of financing or investment by the investor,
 - no breaches of this all-in comprehensive policy after the policy's publication or implementation date.

- **Results**

To identify financial institutions with a policy on cluster munitions, we researched a variety of sources such as NGO reports, screening agency information, financial institutions' reports and websites, worldwide campaigns and other public sources. We were limited to policy statements available in English and/or Dutch and by access to information. This following list is therefore by no mean exhaustive. We welcome additions from those able to provide them.

As the investment policy is usually stipulated by the banking group and as a banking group directly or indirectly supervises its subsidiaries, we have researched the policy of the group.

Below you will find the research findings on financial institutions with a policy to exclude producers of cluster munitions. However, either this policy is not sufficiently comprehensive or else it is not fully implemented. For this reason, these institutions did not make it into our Hall of Fame.

We have contacted all financial institutions included in this list to check our research findings and clarify their policy.

We provide the name and the country of origin for each financial institution as well as a brief profile and a summary of its policy.

Next, we explain what a financial institution must do to gain admission into the Hall of Fame. In other words, we point out the shortcomings of the institution's policy in a positive way, indicating how it can adjust its policy to make this policy more effective and far-reaching.

The financial institutions are listed in alphabetical order.

The following financial institutions all have policies with certain shortcomings. The policy is there, but its scope is too limited. The most common problems are:

The policy only takes its own involvement into account, not that of third parties

Several banks have a policy that only takes into account their own involvement, meaning the policy only covers the money a bank invest on its own behalf. None of the money invested for clients is covered. This is a major flaw because most of the money that a financial institution invests belongs to third parties. Banks argue that they do not want to make ethical choices on behalf of their client. This is a weak argument, considering that most banks are not transparent about the companies they invest in. When a client is not informed about the companies a bank invests in, he/she cannot make a choice. Moreover, it is inconsistent for a financial institution to profit from selling investments in cluster munitions producers to others, while not wanting to invest its own funds in cluster munitions producers.

The policy does not apply to project finance for civil purpose

There is no way to prevent a company from (legally) reallocating capital within a group. Adding stipulations to a general corporate loan prohibiting the company's use of the lent funds for producing cluster munitions, or restricting the financing of a company to civilian projects, does not prevent this money from freeing other funds for use in the production of cluster munitions.

Exception for funds following an index

Most financial institutions make an exception for funds following an index. During our research and the conversations we had with financial institutions about this issue, many financial institutions pointed out that it is simply impossible to exclude producers from cluster munitions from funds following an index. Still, some financial institutions do have a policy that includes index funds. Danske Bank, for example, makes sure to exclude companies producing cluster munitions from the index they track. Storebrand does the same, as well as KBC. KBC makes an exception for the index funds for institutional investors however. These examples have convinced us that it is possible to exclude producing companies from funds following an index.

Although it might be difficult, and for sure more time and/or money consuming, we feel that if it is possible it should be done. We invite financial institutions that see no possibility to meet this criteria to show clear evidence why this is not possible in their case. Until that time, we have chosen to list financial institutions that make an exception for funds following an index in the Runners-up category, and not in the Hall of Fame.

3.2.1 AXA (France)

AXA is a French-based group providing banking, insurance and investment services to 50 million customers worldwide. AXA's business focuses exclusively on insurance and asset management and does not provide corporate credits and loans. AXA Bank Europe coordinates AXA's banking activities. These cater only to the retail market (retail banking products as well as insurance policies).⁴³⁴

In July 2007, AXA decided to begin disinvesting its own investment from companies that produce cluster bombs. This included investment by the group's general account insurance assets. Moreover, AXA Investment Managers (AXA's wholly-owned asset management subsidiary) decided to divest holdings in companies that produce or sell cluster bombs from the retail mutual funds (non-index based) it manages.

AXA uses an unpublished list of cluster bombs manufacturers to implement the disinvestment policy.⁴³⁵

How to gain a place in the Hall of Fame?

Because AXA does not provide corporate credits and loans, only its insurance and investment activities are taken into account.

To be listed in the Hall of Fame, AXA would have to extend its policy to all its products, meaning the assets that other AXA group asset managers manage on behalf of third parties, index-based funds, and the funds that AXA group investment managers manage for institutional investors. Right now, it covers only the investment of AXA group's general account insurance assets, and retail mutual funds (not-index based) that AXA Investment managers manage.

3.2.2 BNP Paribas (France)

BNP Paribas is France's biggest bank with operations in over 85 countries. In terms of market capitalization, it is the world's 14th largest bank.⁴³⁶

After the CCM opened for signature, BNP Paribas adopted a restrictive policy toward these weapons. The group decided not to invest on its own behalf in the capital of companies producing cluster munitions. The group decided to disengage or divest its actively managed mutual funds connected with companies known to specialise in cluster bombs production.

How to gain a place in the Hall of Fame?

According to BNP Paribas' CSR Delegation, the bank is currently revising its policy on cluster bombs. A working group is appointed with other principal players from the French financial sector. One of the goals is to appoint an independent expert to list all companies directly involved. Since it is not clear when this new policy will be voted and/or adopted, we still comment on the current policy. These are the current shortcomings to be improved in order to be listed in the Hall of Fame:

- To be included in the Hall of Fame, BNP Paribas will have to make its policy more transparent. Several aspects of the current policy are unclear: does the policy cover loans granted by BNP Paribas? What is the meaning of 'companies known as specialising in cluster bombs production'? Does this mean not all companies producing cluster munitions are excluded? BNP did not respond to the above questions about its policy yet, and we welcome any comments and/or clarification from their side for our update.
- To be listed in the Hall of Fame, BNP Paribas would have to extend its policy to all its products. This means it would have to include all investments made on behalf of clients, including private banking services. BNP Paribas' current policy only covers investments on its own behalf and actively managed mutual funds.

3.2.3 Co-operative Financial Services (United Kingdom)

Co-operative Financial Services is part of the Co-operative Group, the UK's largest consumer co-operative. Co-operative Financial Services is a group of businesses that includes Co-operative Insurance, Co-operative Bank and Co-operative Investments. Co-operative Bank offers a range of financial products, from current accounts, savings accounts, credit cards and loans. Co-operative Insurance offers a variety of insurance products and Co-operative Investments products including unit trusts, investment bonds and pensions.⁴³⁹

Co-operative Bank has an ethical policy which it updates regularly to reflect its customers' view. The last revision took place in 2009. One of the new statements made was on cluster munitions: "We will not finance the manufacture or transfer of indiscriminate weapons, e.g. cluster bombs and depleted uranium munitions."⁴⁴⁰ Specifically, it means the group will not finance any company that manufactures, sells or directly exports cluster munitions or that exports strategic parts or services for cluster munitions.⁴⁴¹

To put this into practice, all business customers are required to complete an ethical policy questionnaire. The bank's ethical policy unit reviews the business application against the policy statements and decides whether the bank can offer business banking facilities to the customer.⁴⁴²

Co-operative Insurance and Investments use an ethical engagement policy, which means it will invest in most companies but that it will seek to use their influence as a shareholder to try and improve the companies' ethical performance. It does not mean it will refuse to invest in certain business activities.⁴⁴³

How to gain a place in the Hall of Fame?

Co-operative Bank has a good policy on cluster munitions. However, when we look at the Co-operative Financial Services group's policy, we see that it does not extend far enough to be listed in the Hall of Fame. To be listed:

- Co-operative Financial Services should extend the bank's policy to the group's insurance and investment activities. Its engagement policy does not extend far enough because an attempt to influence a bank's policy without threatening to disinvest lacks muscle.

3.2.4 Crédit Agricole (France)

Crédit Agricole is the number one retail bank in France and the largest retail bank in Europe. Crédit Agricole group provides retail banking services, specialised financial services, asset management, insurance, private banking and corporate and investment banking to 5 million customers in more than 20 countries. It manages assets totalling € 735 billion.⁴⁴⁴

Crédit Agricole Asset Management Group, Crédit Agricole's largest asset manager, has excluded companies producing cluster munitions from all of its active investment mutual funds. Also Predica, which provides life insurances, has done the same.

Calyon, Crédit Agricole's corporate and investment-banking arm, has excluded cluster bombs from its financing activities.⁴⁴⁵

In 2009, Crédit Agricole adopted a new global weapons policy, but has not yet published it.⁴⁴⁶

How to gain a place in the Hall of Fame?

The current published policy contains several loopholes. We hope that the new policy will have addressed these shortcomings. Its publication has been promised for early 2010.

As the new Crédit Agricole policy has been voted, we don't find it appropriate to comment on the old policy. Since it is not yet public, however, we can't comment on the new policy either. We encourage Credit Agricole to publish their new policy as soon as possible.

3.2.5 Danske Bank (Denmark)

Measured by total assets, the Danske Bank Group is the largest financial enterprise in Denmark and one of the largest in the Nordic region. The Group offers banking, insurance, mortgage finance and asset management services to Danish and international customers.⁴⁴⁷

Danske Bank implemented a Socially Responsible Investment (SRI) policy for investing customer funds and the group's own strategic portfolio of securities. The SRI policy is based on several internationally recognised norms, one of them being the Convention on Cluster Munitions. There are three steps in the investment procedure. First, the investment portfolio is screened against internationally recognised norms and principles. SRI Advisors, Ethix, screens the portfolios regularly. Second, if a company violates the norm, Danske Bank engages in a dialogue with the company to determine whether the company intends to change its behaviour. Depending on the result, the third step is to sell or retain the investment.⁴⁴⁸

Currently, the bank is in dialogue with 22 companies and has excluded 16 companies, 11 of which because of involvement in cluster munitions: Aerostar S. A., Aerotech S. A., ATK, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies and Textron.⁴⁴⁹

How to gain a place in the Hall of Fame?

Danske Bank excludes 11 companies involved in cluster munitions and publishes their names on its website. Unfortunately, the SRI policy only covers some of the bank's activities.

- To be listed in the Hall of Fame, Danske Bank must extend its policy to all the bank's financial products. It currently covers only asset management, not the credit activities of the bank. Moreover, there are several exceptions within asset management: the policy does not cover funds-of-funds, structured products, individual securities or derivatives. This makes the policy much lighter than it could be.

3.2.6 Dexia Bank (Belgium)

Dexia is a European bank. It ranks among the three top banks in Belgium and Luxembourg and holds a strong position in Turkey. It also operates in Slovakia. The bank offers a wide range of retail, commercial and private banking services as well as insurance products to more than six million customers.⁴⁵⁰

Since the Belgian Act of 20 March 2007, forbidding investment in cluster munitions producers, Dexia has based its policy on the conditions stipulated in the Act. Dexia excludes companies of which the involvement is certain and known in the sale, manufacture, use or possession of cluster munitions from all its banking and insurance activities.⁴⁵¹

How to gain a place in the Hall of Fame?

Dexia's policy is based on the Belgian law of 20 March 2007. It has thus adopted the two exceptions present in the law. Eliminating those exemptions would get Dexia into the Hall of Fame:

- Its policy should apply to all investments, including index-funds.
- Its policy should apply to all of a company's activities, including project finance for civil purposes.

3.2.7 Fortis Bank Nederland (The Netherlands)

Fortis Bank Nederland provides financial services to individuals, businesses and institutions in The Netherlands and abroad. The onset of banking crisis in October 2008 led to the Dutch Government's acquisition of Fortis Group's Dutch banking and insurance activities. The banking activities now fall under the auspices of Fortis Bank Nederland N.V. This bank, no longer part of the listed company Fortis, is in the early stages of integration with ABN AMRO. ASR Verzekeringen has taken over the Insurance activities. The Belgian state acquired the remaining banking activities and transferred 75% of them to BNP Paribas, resulting in BNP Paribas Fortis.⁴⁵²

The Fortis Group's 2008 Defence Industry Policy, recently rebranded 'Fortis Bank Nederland Defence Industry Policy', states that Fortis does not want to be involved in financing or investing in the production, trade or any other activity related to cluster or other controversial weapons. This includes companies involved in the production of cluster munitions.⁴⁵³

How to gain a place in the Hall of Fame?

Fortis Bank Nederland's Defence Industry Policy unambiguously addresses several specific issues including producers of key components and subsidiaries. Still, the bank needs to do the following to be listed in the Hall of Fame:

- Its policy should apply to all Fortis banking activities. The current policy exempts investments on behalf of clients.

3.2.8 ING (The Netherlands)

ING Group is a global financial service company, operating in the fields of banking, insurance and asset management and active in some 50 countries spread across five continents. It has a market value of € 14.8 billion. Its market capitalisation makes it the 23rd largest European financial institution.⁴⁵⁴

ING has adopted on 9 September 2009 a new, more comprehensive, policy on controversial weapons. For cluster munitions, the policy states that ING will in no way engage with companies directly involved in cluster munitions. This means that, as of 9 September 2009, any involvement by a company in these kinds of weapons results in exclusion. The policy applies to all ING business activities, amongst which ING's commercial banking services, ING proprietary assets and its own funds, investment products and services. By the end of 2009, all ING managed funds worldwide should be clean of cluster munitions producers.

ING is planning to publish the list of companies excluded from its financing and investment activities. Currently, 20 companies have been excluded for their involvement in cluster munitions, but this list is not public yet.⁴⁵⁵

How to gain a place in the Hall of Fame?

We welcome the new ING policy, which addresses several shortcomings in the old policy and broadens its scope. Still, to be listed in the Hall of Fame, the following is needed:

- The policy should include all ING products. This means the policy should also apply to index trackers. Moreover, ING makes an exception for individual clients who explicitly ask for investment in a cluster munitions producer. These requests should be refused.

3.2.9 KBC (Belgium)

KBC is a Belgian integrated banking and insurance group. It is a major financial player in Central and Eastern Europe.⁴⁵⁶

KBC's policy on investment in the weapons industry dates from 2004. Any company involved in the development and manufacture of or trade in controversial weapons systems or their essential components is excluded from all KBC investments. Weapons are considered controversial when there is broad public support for banning them. This refers specifically to biological weapons, anti-personnel mines, cluster bombs and munitions and weapons containing depleted uranium.⁴⁵⁷

The policy covers all KBC's activities including commercial banking, asset management and investment banking. KBC has not only worked out a clear and concrete policy, it has also put this policy into practice strictly and thoroughly. KBC has published a black list of 22 weapon producers. KBC mentions them all as producers of cluster munitions: Aerostar, Alliant Tech Systems, Aselsan, BAE systems, EADS, Finmeccanica, Gencorp, General Dynamics, Hanwha Corporation, Honeywell International, Kaman, L-3 Communications, Lockheed Martin, Magellan Aerospace, Northrop Grumman, Poongsan, Raytheon, Rheinmetall, Singapore Technologies Engineering, Textron, Thales and Zodiac.⁴⁵⁸

What is remarkable about KBC's list is that all companies that have produced cluster munitions in the past are excluded, except when they make it public that they are not producing cluster munitions now nor will they produce cluster munitions in the future. KBC writes the companies in confidence in order to be sure about this.⁴⁵⁹

How to gain a place in the Hall of Fame?

KBC has a clear, far-reaching and transparent policy on weapon systems. Just one further element is needed:

- The policy should cover all investments. KBC now exempts some index-linked investment funds for institutional investors.

3.2.10 Nordea (Sweden)

Nordea offers capital market products, savings products and asset management and life and pension products to approximately 10 million customers in the Nordic region and some new European markets. It is the largest financial services group in the Nordic and Baltic Sea regions.⁴⁶⁰

Following upon Sweden's signature of the CCM in December 2008, Nordea decided in June 2009 to exclude companies involved in producing cluster munitions from its investment universe. Nordea works with the Swedish company Ethix to identify the companies involved in cluster munitions. The following companies are on their exclusion list: Aerostar S.A., Aeroteh S.A., Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering and Textron.⁴⁶¹

How to gain a place in the Hall of Fame?

Nordea should extend its exclusion policy to all of its products, e.g. its financing activities. The policy currently covers all asset managed by Nordea Asset Management, but it exempts capital market and savings products.

3.2.11 Rabobank (The Netherlands)

Rabobank Group offers a full-range of financial services founded on co-operative principles. The bank serves some 9.5 million clients around the world and is active in 45 countries.⁴⁶²

The bank does not want to be involved in financing or investing with its own funds in any activity related to controversial weapons such as cluster bombs. It may not provide financing for controversial companies and/or for controversial purposes.

Rabobank has a different policy for investments made on behalf of their clients. There, Rabobank first opens discussions with the companies. If the company does not change course within a specific period, the investment customer will be advised to withdraw his/her investment from these companies.⁴⁶³ Still, in October 2009, Robeco, Rabobank's largest Asset Manager, has decided to exclude companies producing controversial weapons such as cluster munitions from the funds it actively manages.⁴⁶⁴

Rabobank uses an unpublished list of cluster bombs manufacturers to implement the divestment policy.

How to gain a place in the Hall of Fame?

- The bank should extend its more stringent policy to all its products, including all investments on behalf of third parties.

3.2.12 Royal Bank of Canada (Canada)

Royal Bank of Canada (RBC) offers personal and commercial banking, insurance, corporate, investment banking and other financial services around the globe. The bank operates in 55 countries, serving over 18 million clients. It is the 11th largest player in the world.⁴⁶⁵

RBC states it will not be involved in the direct financing of companies manufacturing material for cluster bombs.⁴⁶⁶

How to gain a place in the Hall of Fame?

RBC's policy should extend to all its financial activities. The policy now does not apply to asset management and investment banking. It is restricted to credits.

3.2.13 Syntrus Achmea (The Netherlands)

Syntrus Achmea is a Dutch pension company offering pension services (Syntrus Achmea Pension Services) and real estate (Syntrus Achmea Real Estate) and asset management (Syntrus Achmea Asset Management). Syntrus Achmea serves more than 5 million customers and has a total invested capital of more than € 58 billion.⁴⁶⁷

Since January 2008, Syntrus Achmea Asset Management has applied an exclusion policy to companies dealing in controversial weapons. Companies involved in the development, production and maintenance of cluster munitions or companies that have a significant stake in those companies are excluded from all Syntrus Achmea funds and from one external managed fund. These companies are listed in an exclusion list which Syntrus Achmea does not make public.⁴⁶⁸

How to gain a place in the Hall of Fame?

- Syntrus Achmea should apply the exclusion policy on cluster munitions to all its products, e.g. the pension services and the mandates for institutional clients like pension funds.

The policy only covers project financing for cluster munitions

The following three financial institutions only apply their policy to project finance for the production of cluster munitions. This means the policy does not apply to providing money for general corporate purposes. This is a major flaw in the policy because a financial institution cannot guarantee that the financial services it provides to a company will not be used to produce cluster munitions. It is common for weapons producers to finance their cluster munitions facilities from their general corporate capital. We have never yet come across project financing for cluster munitions facilities. So, these banks really are only excluding cluster munitions producers from financial support they never use, which means can continue financing cluster munitions producers as in the past.

There is no way to prevent a company from (legally) reallocating capital within a group. Adding stipulations to a general corporate loan prohibiting the company's use of the lent funds for producing cluster munitions, or restricting the financing of a company to civilian projects, does not prevent this money from freeing other funds for use in the production of cluster munitions.

These financial institutions are not listed as runners-up because they don't exclude producers of cluster munitions, only project finance is covered. They thus don't meet the second criterion to be listed in the Runners-up category. We include them in this special section of the report, to comment on how they can improve their policy to make it to the Runners-up category or even to the Hall of Fame.

BBVA (Spain)

BBVA is an international financing group, offering retail banking, business banking, and investment banking operations. The bank operates in Spain, Latin America and Mexico; measured in assets, it is one of the 25 largest banks in the USA.

Since 2005, the BBVA Group has had a specific rule on defence industry financing. A 2008 review of these “Principles, Criteria and Rules of Procedure for Defence Industry Lending Proposals” banned the group’s involvement in transactions linked to cluster bombs. Specifically, BBVA Group will play no part in financing companies domiciled in a country or territory fitting a list of criteria (e.g. the company’s location country appears on the list of those countries denounced by the UN/EU for human rights violations). Moreover, BBVA Group will have no part in financing operations involving cluster bombs.

How to gain a place in the Hall of Fame?

- The BBVA policy clearly excludes companies based on the country where they are domiciled, but it does not exclude companies according to what they produce. It only excludes transactions linked to cluster bombs. This means that BBVA does not exclude loans for general corporate purposes. To be in the Hall of Fame, BBVA should terminate activities involving companies producing cluster munitions.
- BBVA should extend its ‘no financing’ cluster bombs rule to all its financing activities. It is currently restricted to lending.

Intesa Sanpaolo (Italy)

Intesa Sanpaolo is a banking group resulting from the merger between the two Italian banks Banca Intesa and Sanpaolo IMI. It leads the Italian market and has a strong international presence in Central-Eastern Europe and the Mediterranean basin. It is listed in the top 20 of the world’s largest banks.

Intesa Sanpaolo’s weapons policy states that the group must ban new financial transactions linked to the trading and manufacture of weapons, weapons components and related products.

How to gain a place in the Hall of Fame?

- Intesa Sanpaolo must also exclude producers of cluster munitions from its asset management and investment banking activities. It is currently restricted to loans.
- The bank should not allow exceptions and should end all involvement in cluster munitions producers, unless there are legal constraints. Current policy exempts transactions linked to ongoing inter-governmental agreements and for transactions that were launched or agreed to prior to the time the policy was officially issued. If there are difficulties in transferring operations to another bank, the bank may proceed with the operation. The bank will publish any such exemptions on its website.
- The bank must expand its policy to all a company’s activities. It is currently restricted to activities linked to the trade and manufacture of the weapons, weapons components and related products. This means that only project financing for cluster munitions is banned; general corporate financing is still permitted.

Standard Chartered (United Kingdom)

Standard Chartered is a London-based group, active in more than 70 countries and territories around the globe, making it one of the world’s most international banks.

The group’s policy on defence equipment and armaments states that Standard Chartered will not, under any circumstances, support the manufacture or distribution of any weapons or munitions. This specific policy applies to lending money to fund defence equipment contracts.

How to gain a place in the Hall of Fame?

- Standard Chartered should extend its policy to all its products, e.g. investment banking and asset management.
- The bank should exclude all a company’s activities, not only those related to the manufacture or distribution of cluster munitions.

3.3 Countries' best practices

3.3.0 Introduction and methodology

Based on the research results revealed in this report, and several campaigning and research experiences from Netwerk Vlaanderen and other NGOs, we can conclude that self-regulation in the financial industry does not necessarily lead to strong results. Even though we see that an expanding group of financial institutions has decided to disinvest from cluster munitions, there is still a big difference in the effectiveness of their policies. Moreover, many financial institutions around the world do not appear to feel any need to assume responsibility.

While investment in arms and cluster munitions may have become an important topic within the social responsibility divisions of international banks, cluster munitions production has not yet suffered from underfunding. Strong international regulation and legislation will be needed to stem the flow of capital toward cluster munitions production.

Unfortunately, there seems to be no tradition of legislated restrictions on investment. On the contrary, economic deregulation and the globalisation of the financial sector have dramatically loosened governments' grip on the allocation of financial resources. While banks often argue that governments, not banks, should decide whether investments in certain sectors should be forbidden, governments argue that banks will have to take their own responsibility in responsible investment.

Governments can, of course, lead the way in providing good examples. The ethical guidelines that Norway gave its pension fund, and the resulting investment decisions, are a good example. Governments cannot afford to maintain double standards by opposing the use of cluster munitions, while continuing to invest in cluster munitions production.

Therefore, any governmental effort to fight the misery related to the use of cluster munitions should include efforts to dry up the supply capital used to fund cluster munitions' production.

Recent years witnessed some legislative proposals to ban investment in cluster munitions. Some countries took steps even before the Convention on Cluster Munitions took effect; others address the investment issue as part of the Convention on Cluster Munitions.

- **Research**

To be listed as a country banning investments, a country must either have officially stated that it considers investment to be part of the Convention on Cluster Munitions, or have proposed and/or passed legislation which bans investments. Proposed legislation does not need to be comprehensive, but it should meet the following criteria to be listed:

The law proposal must be discussed in Parliament or another body with power to issue legislation.

The law proposal should contain an explicit ban on investment in cluster munitions.

We were limited to policy statements available in English and/or Dutch. We welcome additions from those able to provide them.

DISINVESTMENT AS PART OF THE CONVENTION ON CLUSTER MUNITIONS

In December 2008, 94 countries signed the Convention on Cluster Munitions in Oslo. This convention provides the ethical argument against cluster munitions with a strong legal background. The convention will be legally binding on signatory states six months after 30 countries have ratified the convention.

Article 1c of the Convention states: “Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.” As explained in a CMC Policy Paper, the Cluster Munition Coalition states that the prohibition on assistance includes a prohibition on investments in cluster munitions.⁴⁶⁹ Several countries have confirmed this: Lebanon, Mexico, Norway, Ireland and Rwanda have identified investment among the prohibited forms of assistance.⁴⁷⁰

Of the countries mentioned, Ireland, Luxembourg and Norway have proposed or enacted legislation. We will offer a commentary on this legislation below.

Lebanon, Mexico and Rwanda have not yet ratified the Convention, but have stated that they consider investment to be among the prohibited forms of assistance. Since these countries have not yet proposed or enacted legislation we are, obviously, unable to provide a commentary. Yet we still include them in the list of countries that agree that investment is a form of assistance. It is important if and when these countries should propose and enact legislation that this legislation contains an effective, operative ban on investment.

Denmark is discussing a law proposal that says that a law should be issued making both private and public investing in companies involved in activities relating to cluster munitions illegal. The proposal has been tabled by the opposition and is currently being discussed in the Danish Parliament.⁴⁷¹ Since it is not yet available in English, we are not able to comment on it either.

3.3.1 Ireland

BACKGROUND

Ireland was a driving force behind the Oslo process. It is thought to deserve much of the credit for the successful outcome of the negotiations and the strength of the convention. It signed and ratified the *Convention on Cluster Munitions* on 3 December 2008.⁴⁷²

Even before it signed the Convention, on 3 March 2008, Ireland’s National Pensions Reserve Fund announced that it would withdraw € 27 million in investments from six international companies involved in producing cluster munitions. This announcement was made following the government’s request to withdraw support from companies involved in the manufacture of cluster munitions.⁴⁷³

On 22 October 2008, Ireland presented the 2008 Cluster Munitions and Anti-personnel Mines Bill to its Lower House. This act, number 20, was Ireland’s way of signing and ratifying the Convention. It made Ireland one of the four countries that signed and ratified the same day on 3 December 2008.⁴⁷⁴

The 2008 Cluster Munitions and Anti-Personnel Mines Act explicitly prohibits investment of public money in cluster munitions producers. It made Ireland the second country to prohibit investment in cluster munitions.

The prohibition is set out in Part 4 of the act.⁴⁷⁵

PART 4: Investment of Public Moneys

11.—In this Part—

“components” means components specifically designed for use in prohibited munitions;

“investor” means a person or body responsible for the investment of public moneys owned by a Minister of the Government;

“munitions company” means a company involved in the manufacture of prohibited munitions or components;

“prohibited munition” means a cluster munitions, explosive bomblet or anti-personnel mine;

“public moneys” means moneys provided by the Oireachtas out of the Central Fund, or the growing produce thereof.

12.—(1) Nothing in any enactment that authorises the investment of public moneys shall be taken to authorise any investment, direct or indirect, in a munitions company.

(2) Notwithstanding any other enactment, an investor, in the performance of any function conferred on it by or under any enactment, shall endeavour to avoid the investment of public moneys in a munitions company.

(3) In pursuing the objective set out in subsection (2) an investor shall have regard to the matters set out in this Part.

13.—(1) *An investor shall endeavour to avoid the direct investment of public moneys in equity or debt securities issued by a munitions company.*

(2) Where public moneys are directly invested in a company which is or becomes a munitions company, the investor shall—

(a) establish to its satisfaction that the company intends to cease its involvement in the manufacture of prohibited munitions or components, or

(b) divest itself of its investment in that company in an orderly manner.

14.—(1) *An investor shall avoid investing public moneys in collective investment undertakings or investment products unless, having exercised due diligence, the investor is satisfied that there is not a significant probability that the public moneys will be invested in a munitions company.*

(2) Where public moneys are invested in a collective investment undertaking or investment product which invests these moneys in a company which is or becomes a munitions company, the investor shall—

(a) establish to its satisfaction that—

(i) the company intends to cease its involvement in the manufacture of prohibited munitions or components, or

(ii) the collective investment undertaking or investment product intends to divest itself of its investment in the company, and that there is not a significant probability that the collective investment undertaking or investment product will again invest public moneys in a munitions company,

or
(b) so far as possible, taking into account any contractual obligation it has assumed, divest itself of its investment in that collective investment undertaking or investment product in an orderly manner.

15.—*Nothing in this Part shall prevent an investor from contracting derivative financial instruments based on a financial index.*

COMMENT

- Ireland was the first country to specify an investment ban in the text ratifying the CCM. This is an important example for other countries.
- The law leaves no doubt about what is excluded from investments. It prohibits investment in the producers of cluster munitions (not only the munitions-linked activities). These producers include producers of specifically designed components of cluster munitions.
- The law prohibits many investment products: equity and debt securities issued by a munitions company, collective investment undertakings or investment products that invest in the involved companies (unless the company and/or the financial product severs its link to cluster munitions).
- The law stipulates that the investor has a role to play. S/He “shall endeavour to avoid the investment of public money in a munitions company” and s/he must “exercise due diligence” when investing in collective products.
- The Irish law makes an exception for financial instruments based on a financial index: investments are allowed even when these contain shares in or obligations issued by cluster munitions producers. This exception weakens the law.
- The law covers only public money provided by the “Oireachtas out of the Central Fund, or the growing produce thereof”. This means that the act does not cover money from sources other than the Central Fund, e.g. money from counties and municipalities or money from private sources. Moreover, the law says nothing about withdrawing bank guarantees: the Irish Government can still grant a guarantee to a bank that invests in cluster munitions producers.

- It is not clear how the law will be enforced: the law does not stipulate that the investment of public money should be made public to ensure that none is invested in companies that produce cluster munitions. There are no stipulations on how to determine which companies are involved in the manufacture of prohibited munitions or components.

3.3.2 Lebanon

The Republic of Lebanon signed the Convention on Cluster Munitions in Oslo on 3 December 2008.⁴⁷⁶

In a letter to Human Rights Watch, the Government of Lebanon wrote: "It is the understanding of the Government of Lebanon that Article /1/ Paragraph (c) of the Convention prohibits the investment in entities engaged in the production or transfer of cluster munitions or investment in any company that provides financing to such entities. In the view of Lebanon "assistance" as stipulated in Article /1/ paragraph (c) includes investment in entities engaged in the production or transfer of cluster munitions and is thus prohibited under the Convention."⁴⁷⁷

3.3.3 Luxembourg

BACKGROUND

Even before the Oslo Convention was signed, Luxembourg developed draft legislation on cluster munitions that included a ban on investment. Luxembourg decided to freeze this process to wait for the final text of the CCM in December 2008. After signing the Oslo Convention, a second version and draft ratification law was published. It prohibited all persons or businesses from knowingly financing cluster munitions or explosive submunitions.⁴⁷⁸ The ratification law was passed on 7 May 2009.

Article 3 contains the investment ban:

Art 3. "All persons, businesses and corporate entities are prohibited from knowingly financing cluster munitions or explosive submunitions"^{xiv}

Article 4 states that those who knowingly breach Articles 2 or 3, can be penalised with 5 to 10 years detention and a fine ranging from € 25,000 to € 1 million.⁴⁷⁹

COMMENT

- The term 'knowingly' did not appear in the first draft legislation. In June 2008, the ABBL, the Luxembourg Bankers Association, and the ALFI, Luxembourg Fund Association, published a comment on this draft. These associations suggested including the term 'knowingly' into the text. They argued that a bank could never be 100% sure that their client or any given transfer of money had no link to cluster munitions. They proposed replacing the words 'direct or indirect financing' with 'knowingly financing'.⁴⁸⁰ The term 'knowingly' could be a loophole in this legislation. This term shrugs off responsibility for identifying transactions related to cluster munitions. It could release banks from their duty of due diligence and scrutiny. Luxembourg's implementation law will have to provide an explicit definition of 'knowingly'. Luxembourg could do the same as in Belgium where the state is obliged to draw up a list of cluster munitions producers.
- The text does not define 'financing'. Because this word can be interpreted in several ways; its scope needs to be specified.

^{xiv} Original text: "Il est interdit à toute personne physique ou morale de financer, en connaissance de cause, des armes à sous-munitions ou des sous-munitions explosives". Translated by Katherine Harrison, Landmine Action.

- The law forbids financing of cluster munitions. It does not explain whether this means that producers of cluster munitions are excluded from financing, or whether the exclusion covers only the act of producing cluster munitions. The latter would permit general purpose financing for cluster munitions producers.
- The law does not foresee monitoring tools, producer or financier lists, auditing methods, etc. The implementing decree will have to specify all of these and is of major importance for the implementation and scope of the law.

3.3.4 Mexico

The United Mexican States signed the Convention on Cluster Munitions in Oslo on 3 December 2008.⁴⁸¹

In a letter to Human Rights Watch, the Government of Mexico offered its understanding of several provisions in the Convention on Cluster Munitions. It stated: "Also, it is Mexico's opinion that investment for the production of cluster munitions is also prohibited by the Convention."⁴⁸²

3.3.5 Norway

Norway – driving force behind the so-called Oslo process - signed the Convention on Cluster Munitions in Oslo on 3 December 2008. It was one of the four countries that signed and ratified the convention that same day.⁴⁸³

The Convention on Cluster Munitions is implemented in Norway primarily through a separate law on cluster munitions as set out in Proposition n° 7. It has not yet been formalised.⁴⁸⁴

In Proposition n° 7 to the Odelsting, the Norwegian lower house, the Norwegian Ministry of Foreign Affairs agreed that investment in companies that develop or produce cluster munitions may fall within the scope of the Convention's prohibition against aiding and abetting. They refer to a previous assessment of this question made by the Petroleum Fund's Advisory Commission on International Law in 2002, referring to the identically worded prohibition against aiding and abetting set out in Article 1 of the Convention on Anti-personnel Landmines: "In the Advisory Commission's view, the point is that any investment of money in a company may be regarded as a form of support to the company even though the sums, relatively speaking, are small. The mere fact that the Petroleum Fund invests in a company at all, could, for example, encourage other States and investors to follow suit. And even if an investment in a company was so modest that it probably would not reach the threshold of the prohibition against States assisting in landmine production, this would probably nevertheless be covered by the alternatives "encourage or induce in a way". Owning shares in (...) as long as the company (or its subsidiary) continues to produce anti-personnel mines, may, in the view of the Advisory Commission, therefore fall within the scope of the provision concerning aiding and abetting set out in Article 1, para. i (c)."

Proposition n° 7 concludes that, in the Ministry's view, this assessment is also true of the prohibition of aiding and abetting set out in the Convention on Cluster Munitions. Therefore, it cannot be excluded that private investment, for example, in companies that develop or produce cluster munitions, may be incompatible with the Convention.⁴⁸⁵

3.3.6 Rwanda

The Republic of Rwanda signed the Convention on Cluster Munitions in Oslo on 3 December 2008 and has begun its ratification process.⁴⁸⁶

In a letter to Human Rights Watch, the Rwandan Ministry of Foreign Affairs and Cooperation stated that 'any investment in the production of cluster munitions is prohibited'.⁴⁸⁷

OTHER LEGISLATION

Even before the Convention on Cluster Munitions, there was an international consensus that cluster munitions are indiscriminate and inhumane weapons that, for that reason, should be considered illegal under humanitarian law.

An example of this international consensus is the European Community, which expressed concerns about cluster munitions. The European Parliament Resolution on a Mine-Free World was adopted on 7 July 2005. This resolution explicitly addresses the role of financial institutions: it *"calls on the EU and its Member States to prohibit through appropriate legislation financial institutions under their jurisdiction or control from investing directly or indirectly in companies involved in production, stockpiling or transfers of anti-personnel mines and other related controversial weapon systems such as cluster sub-munitions."*⁴⁸⁸

In October 2007 this claim was repeated in the European Parliament resolution Towards A Global Ban To Ban All Cluster Munitions. In that resolution, the European Parliament calls for *"an immediate moratorium on using, investing in, stockpiling, producing, transferring or exporting cluster munitions, including air-dropped cluster munitions and submunitions delivered by missiles, rockets, and artillery projectiles, until a binding international treaty has been negotiated on the banning of the production, stockpiling, export and use of these weapons."*⁴⁸⁹

Acknowledging that cluster munitions are inhumane weapons, and acknowledging the role of financial institutions, Belgium adopted legislation banning investment even before the Convention on Cluster Munitions.

Below you will find information on proposed and passed legislation and an assessment of this legislation's strengths and weaknesses.

3.3.7 Belgium

BACKGROUND

At the end of 2006, the Belgian Senate passed a bill forbidding Belgian financial institutions to invest in cluster munitions producers. The bill also instructed the Belgian Government to produce a list of cluster munitions producers. In March 2007, the Belgian Chamber of Representatives unanimously passed the law, making Belgium the first country to ban investment in cluster munitions producers.

The Belgian Act Prohibiting the Financing of the Production, Use and Possession of Anti-personnel Mines and Submunitions supplements article 8 of the Act of 8 June 2006 governing economic and individual activities involving arms. The text is as follows:⁴⁹⁰

Also prohibited is the financing of a company under Belgian law or under the law of another country, which is involved in the manufacture, use, repair, marketing, sale, distribution, import, export, stockpiling or transportation of anti-personnel mines and or sub-munitions within the sense of this act, and with a view to distribution thereof.

To this end The King shall, no later than the first day of the thirteenth month following the publication of this act, prepare a public list

i) of companies that have been shown to carry out an activity as under the previous paragraph;

ii) of companies holding more than half the shares of a company as under i) and;

iii) of collective investment institutions holding financial instruments of companies as designated in i) and ii).

He shall also determine the further regulations for the publication of this list.

Financing of a company on the list includes all forms of financial support, namely credits, bank guarantees and the acquisition for own account of financial instruments issued by the company.

In the event that a company which has already been granted financing is included in the list, this financing should, insofar as contractually possible, be fully terminated.

This prohibition does not apply to investment institutions where the investment policy under the articles of

association or management regulations is to follow the composition of a specific share or bond index. Similarly, the prohibition on financing does not apply to the well defined projects of a company on the list, insofar as the financing does not envisage activities as stated in this article.

The company is required to confirm this in a written statement. »

Art. 3. Paragraph 6 of article 67 of the act of 20 July 2004 governing certain forms of collective investment portfolio management is withdrawn.

Art. 4. The fourth indent of Article 3, § 2, 1, of the act for the prevention of money laundering and the financing of terrorism, dated 11 January 1993 as amended by the act of 12 January 2004, is supplemented as follows: « including anti-personnel mines and/or sub-munitions ».

Art. 5. This act comes into force on the day it is published in the Belgian Monitor.^{xv}

COMMENT

- The law states the exact meaning of financing, which it defines as “any kind of financial support, more concrete credits, bank guarantees or the acquisition for own account of the financial instruments these companies have issued.” This definition is comprehensive and avoids discussions about how to interpret this term.
- The law explicitly mentions two exceptions however:
 - It states that, “This prohibition does not apply to investment institutions where the investment policy under the articles of association or management regulations is to follow the composition of a specific share or bond index”. This means that index funds may still contain shares or obligations of anti-personnel mines and cluster munitions producers. This exception weakens the law.
 - The ban does not apply to the financing of specific projects by these companies when it can be demonstrated that the financing cannot be used for anti-personnel mines or cluster munitions activities. To ensure exemption, the financier needs a written declaration to confirm the nature of the project and the fact that financing will not be used for anti-personnel mines or cluster munitions related operations.

^{xv} Original text: 'Est également interdit le financement d'une entreprise de droit belge ou de droit étranger dont l'activité consiste en la fabrication, l'utilisation, la réparation, l'exposition en vente, la vente, la distribution, l'importation ou l'exportation, l'entreposage ou le transport de mines antipersonnel et/ou de sous-munitions au sens de la présente loi en vue de leur propagation. A cette fin, le Roi publiera, au plus tard le premier jour du treizième mois suivant le mois de la publication de la loi, une liste publique i) des entreprises dont il a été démontré qu'elles exercent l'une des activités visées à l'alinéa précédent; ii) des entreprises actionnaires à plus de 50 % d'une entreprise au point i); iii) des organismes de placement collectif détenteurs d'instruments financiers d'une entreprise aux points i) et ii). Il fixera également les modalités de publication de cette liste. Par financement d'une entreprise figurant dans cette liste, on entend toutes les formes de soutien financier, à savoir les crédits et les garanties bancaires, ainsi que l'acquisition pour compte propre d'instruments financiers émis par cette entreprise. Lorsqu'un financement a déjà été accordé à une entreprise figurant dans la liste, ce financement doit être complètement interrompu pour autant que cela soit contractuellement possible. Cette interdiction ne s'applique pas aux organismes de placement dont la politique d'investissement, conformément à leurs statuts ou à leurs règlements de gestion, a pour objet de suivre la composition d'un indice d'actions ou d'obligations déterminé. L'interdiction de financement ne s'applique pas non plus aux projets bien déterminés d'une entreprise figurant dans cette liste, pour autant que le financement ne vise aucune des activités mentionnées dans cet article. L'entreprise est tenue de confirmer ceci dans une déclaration écrite.'

Art. 3. Le paragraphe 6 de l'article 67 de la loi du 20 juillet 2004 relative à certaines formes de gestion collective de portefeuilles est abrogé.

Art. 4. Le quatrième tiret de l'article 3, § 2, 1, de la loi du 11 janvier 1993 relative à la prévention de l'utilisation du système financier aux fins du blanchiment de capitaux et du financement du terrorisme, modifié par la loi du 12 janvier 2004, est complété par la disposition suivante: « en ce qui compris les mines anti-personnel et/ou les sous-munitions ».

Art. 5. La présente loi entre en vigueur le jour de sa publication au Moniteur belge. (Loi interdisant le financement de la fabrication, de l'utilisation ou de la détention de mines antipersonnel et de sous-munitions, available at <http://staatsbladclip.zita.be/staatsblad/wetten/2007/04/26/wet-2007003169.html>, last check 17 September 2009.) Translated by certified translator P. van Weeghel, in possession by IKV Pax Christi.

This still permits project financing for a company identified as anti-personnel mines or cluster munitions producer, but only if the project has nothing to do with the forbidden activities. This may sound like a reasonable exception, but it leaves room for companies to internally transfer funds to anti-personnel mines or cluster munitions that would otherwise have been needed for these projects. This can legitimise financing of companies involved in very controversial activities that breach international humanitarian law. Legislation in other countries should prevent this loophole.

- The law contains no sanctions, nor does it assign responsibility for enforcement.

CONCLUSION AND RECOMMENDATIONS

As the report shows, the issue of cluster munitions is high on the agenda of many different actors. States are signing and ratifying the Convention on Cluster Munitions and financial institutions are in the process of adapting their policy and practice to the changing norm set by the CCM. However, the report also shows that many financial institutions are still involved, in one way or another, in investments in producers of cluster munitions.

Disinvestment is a complex issue and it is not always easy for financial institutions to implement a comprehensive disinvestment policy. We realise the complexity – for instance in the case of index trackers – but nevertheless believe that it is doable and should be done. In the report, we mention financial institutions who managed to develop and implement a comprehensive disinvestment policy and we sincerely hope more financial institutions will follow. But since disinvestment is sometimes complex and as it is a shared responsibility we see the need for clear guidelines and/or laws from states. In this report, we hope to provide facts and figures that enable all actors – states, financial institutions and civil society – to strive together for a world without cluster munitions. To reach this goal we recommend the following with regard to investments in producers of cluster munitions:

- **States** that have signed the CCM should make clear that as article 1c of the convention prohibits assistance, it prohibits investment in cluster munitions.
- **States** should provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in producers of cluster munitions, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in producing cluster munitions. Because any investment facilitates production, no exceptions should be made for third-party financial services, for funds that follow an index or for civilian project financing for a company also involved in cluster munitions. Policies should not be narrowed to refusing project financing for cluster munitions.
- **Financial institutions** should inform the producing company that it has decided to end investment because of the company's involvement with cluster munitions. The financial institution can set clear deadlines with a limited time frame within which the company must cease production of cluster munitions if it wishes the disinvestment decision to be reversed. When a company persists in producing cluster munitions after the set deadline, the financial institution will disinvest until the company terminates production of cluster munitions. New applications for investment will be declined until the company has halted all activities related to the production of cluster munitions.
- **Financial institutions** should apply their disinvestment policy to all activities: commercial banking, investment banking and asset management. All such activities aid and abet a company's production of cluster munitions. When this new course of action requires a change in investment fund management, investors should be notified of this and given a deadline for withdrawing from these funds. After this deadline, management strategy will change and shares and obligations in companies involved in cluster munitions will be sold.

Appendix 1 Glossary

ABBREVIATIONS

| | |
|------|---|
| AM | Asset Management |
| CCM | Convention on Cluster Munitions |
| CMC | Cluster Munition Coalition |
| CM | Cluster Munitions |
| ESG | Environmental, social and governance criteria |
| FI | Financial Institution |
| IM | Investment Management |
| PF | Pension Fund |
| SOAR | State-of-the-art Report |
| SRI | Socially Responsible Investment |
| SWF | Sovereign Wealth Fund |

DEFINITIONS

Asset Management

Asset management means holding or managing stocks (= shares) or debt securities (=bonds) of a company, either on the investor's own behalf, or on behalf of third parties (which includes the development and/or sale of investment funds containing stocks or debt securities from companies)

Bank

A bank is a financial institution licensed by a government. Its primary activities include borrowing and lending money. Many other financial activities have been allowed over time. For example, banks are important players in financial markets and offer financial services such as investment funds. Most banks offer investment banking services, commercial banking services and asset management.

Commercial Banking (loans)

Commercial banking includes offering or participating in loans to cluster munitions producers via either general corporate finance or project finance.

Ethical Bank

Ethical banks are usually small banks, founded with the aim to serve as a source of capital for sustainable projects and companies. Sustainable energy, organic food and cultural activities are examples of specific sectors in which these banks invest. These banks tend not to get involved in arms production. In addition, they have detailed procedures to avoid investing in 'unethical industries', like arms production, gambling etc.

Index-linked funds⁴⁹¹

An index-linked fund is a type of mutual fund which's portfolio is constructed to track the components of a market index. A market index is an imaginary portfolio of securities representing a particular market or a portion of it.

The fund follows a certain index and invest in the companies of that index.

Insurance Company⁴⁹²

An insurance company provides financial protection or compensates individuals or entities against losses. The company pools client risks to make payments more affordable for the insured. The company reinvests the premiums clients pay to obtain the money for compensation.

Examples of **Financial Institutions** (FIs) are major banks, insurance companies, pension funds, sovereign wealth funds and asset managers.

Investments

Investments are loans and other forms of credits, underwriting of share and bond issues, investment in shares and bonds and other financial services.

Investment Banking (arranging/issuing shares/bonds)

Investment banking services include helping companies to sell shares and bonds to investors (asset managers, insurance companies, etc.), regardless of the use of proceeds (most of the time general corporate services) as well as financial advisory services.

Mutual Fund⁴⁹³

An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

Pension Fund

A pension fund is a pool of assets forming an independent legal entity. Pension fund contributions have the exclusive purpose of financing the pension plan benefits to which they give a right.

Public Pension Fund

A public pension fund is regulated under public sector law. A private pension fund is regulated under private sector law. In some countries, the distinction between public or government pension funds and private pension funds may be difficult to assess.

Retail Fund⁴⁹⁴

Retail fund refers to the market and clients of the fund. A retail fund is a fund that individuals can invest in directly or through a financial adviser. Institutional funds, on the other hand, are available to large investors, such as pension funds and not-for-profit organizations, with substantial amounts to invest.

Sovereign Wealth Fund⁴⁹⁵

A Sovereign Wealth Fund (SWF) is a state-owned investment fund composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets. SWFs can be structured as a fund, pool, or corporation. Some funds also invest indirectly in domestic, state-owned enterprises. In addition, they tend to prefer returns over liquidity; thus, they have a higher risk tolerance than traditional foreign exchange reserves.

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The term “*scattering bomb*” is not a commonly used designation for weapons. From its context it must be assumed that the “scattering” refers to bomblets which are scattered over the target area, which is characteristic of cluster munitions. In the company’s description of the weapon, it is stated that its intended use is to “*destroy massed enemy positions*”, which is the most common usage of cluster munitions. A picture of the weapon seems to show a canister which is filled with a large number of submunitions. Although the Council has been unable to find further information on this weapon, it seems obvious that this is a category of cluster munitions that has previously led to exclusion of companies from the Fund.

Furthermore, in the *Jane’s Missiles and Rockets* database, there is description and pictures of the weapon from the *IDEX Arms Exhibition* in Abu Dhabi, UAE, in February 2007. It is described that Hanwha Corporation has on exhibit a “*lightweight 70 mm MLRS-system*” with associated cluster munitions.

At the Council’s request, Norges Bank has written to the company in order to inquire whether the company produces cluster munitions, and specifically to clarify whether the “*Scattering Bomb*” is a cluster weapon.

The company responded to the enquiry on May 7th, 2007, and clarified the following:

“Hanwha Corporation was officially designated as a defence contractor in 1974. Since then, it has specialized in munitions, whose production process has been under strict government control and all of which have been supplied only to the Korean government. Hanwha Corporation has manufactured MLRS and 2,75” MPSM5, which can be classified as cluster/cargo munitions and has also produced KCBU-58B in the past. However, we have developed and supplied such items in cooperation with the government’s initiative for self-defence, not for any other unethical purpose.”

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