

# Key Findings

June 2012 update

## Worldwide investments in CLUSTER MUNITIONS a shared responsibility

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GRANAT. BOMBLET. 155 mm. DM662.  
HLA-SPR

### LOT RHU98H7501

#### ENHETSLAST-DATA:

FAREKODE:	1.1 D	VEKT:	396 kg
EFF.NEI:	28 kg	VOLUM:	0.26 m <sup>3</sup>
TOT.NEI:	28 kg	L:	0.74 m
ANT.KOLLI:	1 stk	B:	0.37 m
ANT.ENH:	8 stk	H:	0.97 m

  
**IKV PAX  
CHRISTI**

**FAIR FIN**  
more than money

June  
2012

## KEY FINDINGS

# Key Findings from the June 2012 update of “Worldwide Investments in Cluster Munitions; a shared responsibility” by FairFin and IKV Pax Christi.

## Contents

This document contains the Key Findings, Methodology and Summary Tables of the June 2012 update of “*Worldwide Investments in Cluster Munitions; a Shared Responsibility*”. The full report is available on [www.ikvpaxchristi.nl/stopexplosiveinvestments](http://www.ikvpaxchristi.nl/stopexplosiveinvestments) and on <http://www.fairfin.be/en/clustermunitions>.

- The **Key Findings** provide an analysis of the research results. They include facts and figures on financial institutions and their involvement with cluster munition producers.
- The **Summary Tables** show the findings of the research at a glance. It gives both an overview of financial institutions listed in the Hall of Shame because of their investments in cluster munition producers, as well as an overview of financial institutions listed in the Hall of Fame or runners-up category because of their policy to exclude cluster munition producers.
- The **Methodology** section answers the main questions on the definitions used in the research and on how to read the report.

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IKV Pax Christi (the Netherlands) and FairFin (formerly: *Netwerk Vlaanderen*, Belgium) 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 document therefore reflects official information available in the public domain known to IKV Pax Christi and FairFin. We welcome comments, clarifications, and corrections from 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 or if you can provide additional information, please contact us at [info@ikvpaxchristi.nl](mailto:info@ikvpaxchristi.nl).

## KEY FINDINGS

### 1 Key Findings<sup>1</sup>

#### 1.1 The report and update

IKV Pax Christi (the Netherlands) and FairFin (formerly *Netwerk Vlaanderen*, Belgium) published the first report on “*Worldwide Investments in Cluster Munitions: a Shared Responsibility*” in October 2009. It was 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 states banning investments in cluster munitions. Updates of the report appeared in April 2010 and May 2011. This edition, dated June 2012, updates the earlier reports.

Cluster bombs have killed and injured thousands of civilians during the last 40 years and continue to do so today. They cause widespread harm on impact and continue to remain dangerous for decades, killing and injuring civilians long after a conflict has ended. To invest in cluster bombs is to invest in the misery they cause.

“*Worldwide Investments in Cluster Munitions; a Shared Responsibility*” highlights good practices of financial institutions and countries that disinvest, and provides information on financial institutions that are still investing in cluster munitions. The report contains clear recommendations for states and financial institutions that all come down to one simple message: disinvest from producers of cluster munitions now!

**In the past couple of years civil society has engaged with financial institutions and government representatives worldwide to talk about ways to disinvest. This engagement has resulted in more and more financial institutions disinvesting from cluster munition producers, parliamentary initiatives and interpretive statements from states that aim to put an end to investments in cluster munitions. Unfortunately, as it can be seen in this report, a lot still needs to be done.**

#### 1.2 The momentum

The Convention on Cluster Munitions (CCM) entered into force on 1 August 2010. As of 15 May 2012, 111 countries had signed the convention of which 71 have ratified. The convention bans the use, production, stockpiling and transfer of cluster munitions. Although the CCM does not explicitly prohibit investments in cluster munitions, the prohibition on assistance that is included in article 1(1)c of the convention<sup>2</sup> should be interpreted by states to include investments in cluster munition producers. Investing in a producer of cluster munitions is a choice to support the production of weapons that cause unacceptable harm and undermines the commitment that the majority of the world's governments have made to ban cluster munitions by joining the convention. Investments are banned under the prohibition on assistance in article 1(1)c and run counter to the spirit of the CCM. However, there is not only a legal argument to make here. Since 2007, the problems arising from the use of cluster munitions have been widely acknowledged. Even before the convention opened for signature, financial institutions should have been aware of the controversy around cluster munitions and should have started disinvesting from producers of the weapons. Some financial institutions did, others continued investing in these companies.

**The responsibility to ban cluster munitions is a shared responsibility. It requires courage, and it requires effort. An international humanitarian standard has been set, and the time to act is now - for states that have joined the Convention on Cluster Munitions, for states that have yet to join and for financial institutions alike.**

<sup>1</sup> This document presents the key findings of our research. The research findings are by no means exhaustive; they are limited by information available in the public domain, by our research guidelines, by the research period and by limits imposed by language (English/Dutch). Figures and tables in this document should therefore not be read as comprehensive.

<sup>2</sup> Article 1 of the Convention on Cluster Munitions reads: “Each State Party undertakes never under any circumstances to: (a) Use cluster munitions; (b) Develop, produce, otherwise acquire, stockpile, retain or transfer to anyone, directly or indirectly, cluster munitions; (c) Assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.”

## KEY FINDINGS

### 1.3 The Hall of Shame<sup>3 & 4</sup>

#### Producers on our red flag list

To identify cluster munition producers, Dutch research company Profundo used a variety of sources including reports by NGOs, exclusion lists maintained by financial institutions banning investment in cluster munitions, information published by cluster munition producing companies, contracts with the US government and correspondence between producing companies and investors. From this list we have selected a short list to include in our research which is called the red flag list. It is important to note that our red flag list of cluster munition producers is by no means exhaustive. We only included companies that had discernible financial links and that met the other criteria listed in chapter 1. The current report lists the same companies as the 2011 report: Alliant Techsystems (USA), Hanwha (South Korea), Lockheed Martin (USA), Norinco (China), Poongsan (South Korea), Singapore Technologies Engineering (Singapore), Splav (Russia), Textron (USA).

#### Investments in the producers on our red flag list

In this update of the report “*Worldwide Investments in Cluster Munitions: a Shared Responsibility*”, 137 financial institutions are identified as investing in eight producers of cluster munitions between 1 May 2009 to 31 March 2012. Billions of US dollars are still being invested in cluster munitions producers. Producers still have no problem financing their activities, and many financial institutions seem to have no qualms about financing these producers.

**In the research period, 137 financial institutions invested almost US\$43 billion in the eight cluster munitions producers included in the report. They:**

- **provided loans for a total of at least US\$4.1 billion;**
- **provided investment banking services worth a total of at least US\$8.1 billion; and**
- **owned or managed shares and bonds for at least US\$30.4 billion.**

#### Changes since May 2011

The 2011 Hall of Shame contained 164 financial institutions. Of these, 116 financial institutions are still in the 2012 Hall of Shame and 48 have been removed.

Of the 116 financial institutions still on the list, 8 have taken on the name of their respective parent companies. For two financial institutions this means they have become part of a company already in the list. That leaves 114 financial institutions still in the Hall of Shame, because they have a financial relationship with at least one company included on our red flag list.

The 48 financial institutions no longer in the Hall of Shame can be grouped into two categories:

- 37 financial institutions had been a shareholder or bondholder of at least one company included on our red flag list in 2011, but in 2012 their investments dropped below the 1% threshold for US companies or 0.1% for Asian companies.<sup>5</sup> In most cases these financial institutions simply sold some of their shares or bonds in a company on our list while retaining just enough to fall below the thresholds.
- 11 financial institutions left the Hall of Shame in 2012 because financing (in the form of loans or investment banking) for companies on our red flag list dated from before May 2009. Since that date, these institutions have provided no new financing for companies on our red flag list.

The 2012 Hall of Shame contains 137 financial institutions. So next to the 114 financial institutions held over from 2011, 23 new ones have joined the Hall of Shame.

<sup>3</sup> The list in the Hall of Shame in this research is not an exhaustive list of financial links of financial institutions investing in producers of cluster munitions. The research on financial links has been conducted by research company Profundo (the Netherlands).

<sup>4</sup> An overview of the financial institutions listed in the Hall of Shame can be found in the Summary Tables at p 12.

<sup>5</sup> We apply different thresholds to different companies for investment in shares and bonds. Due to the different shareholding structure in the various companies, we chose a 0.1% floor limit for Hanwha, Poongsan, and Singapore Technologies Engineering and a 1% limit for Alliant Techsystems (ATK), Lockheed Martin and Textron. This threshold is a pragmatic tool designed for this research. Without these thresholds, the list of financial institutions would be too long to handle in this report.

## KEY FINDINGS

The 23 newcomers are in the 2012 Hall of Shame because they provided financing to at least one of the companies on the red flag list via:

- a loan or investment banking service provided after the publication of last year's report
- acquisition of a new shareholding- or bondholding last year, or
- a shareholding or bondholding that the financial institution had owned last year but that grew above the 1% threshold for US companies or 0.1% for Asian companies.

### Top financiers of cluster munition producers

When we look at which financial institutions provided the largest amount of money to the eight selected producers, we come to the following top five, divided by type of financial service:

#### Top 5 investment banking service providers in the Hall of Shame

Name of financial institution	Country of origin	Investment Banking services in million US \$
Citigroup	USA	1065.6
JP Morgan Chase	USA	1065.6
Bank of America	USA	704.6
Morgan Stanley	USA	450.3
China Merchants Bank	China	335.3
Goldman Sachs	USA	325.9
<b>Total</b>		<b>3,947.3</b>

#### Top 5 loan providers in the Hall of Shame

Name of financial institution	Country of origin	Loans in million US \$
Bank of America	USA	355
Sberbank	Russia	320
Mitsubishi UFJ Financial Group	Japan	295
JP Morgan Chase	USA	290
Citigroup	USA	255
<b>Total</b>		<b>1,515</b>

#### Top 5 largest asset management providers in the Hall of Shame

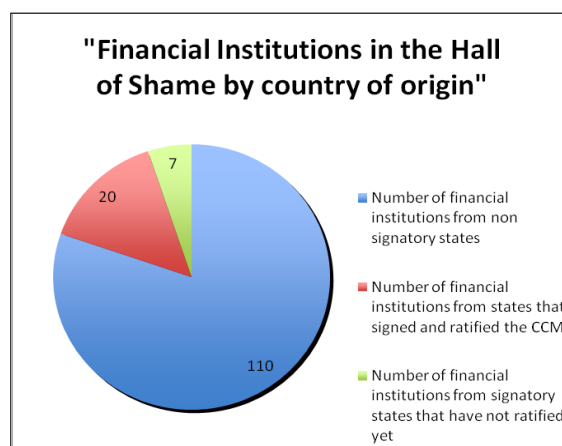
Name of financial institution	Country of origin	Asset management in million US \$
State Street	USA	5,423.5
Capital Group	USA	5,116.4
Temasek Holdings	Singapore	3,970.6
BlackRock	USA	1,895.7
Sun Life Financial	Canada	1,572.7
<b>Total</b>		<b>17,978.9</b>

**We call on all 137 financial institutions in the Hall of Shame to develop policies that exclude all financial links with companies involved in the production of cluster munitions.**

## KEY FINDINGS

### Countries of origin of the financial institutions in the Hall of Shame

Country of origin of financial institutions listed in the Hall of Shame	Number of financial institutions per country
Australia	1
Canada	3
China	16
France	5
Germany	2
Italy	1
Japan	3
Liechtenstein	1
Russia	1
Saudi Arabia	1
Singapore	4
South Korea	22
Switzerland	2
Taiwan	3
The United Kingdom	9
The United States	63
<b>Total</b>	<b>137</b>



The Hall of Shame contains 137 financial institutions from sixteen different countries. The majority of these financial institutions (110) are from countries that have not yet joined the CCM. The other 27 financial institutions are from nine states that did sign the convention. Of these 27, seven financial institutions are from four countries that have signed but not yet ratified the convention. Of these 27, twenty financial institutions are from five countries that have both signed and ratified the convention. (France, Germany, Italy, Japan and the United Kingdom).

Of the 137 financial institutions, 63 financial institutions are from the United States. The United States has not joined the CCM.

Based upon these research findings, one may conclude that although the majority of the financial institutions in the Hall of Shame are from countries that are not yet States Parties to the CCM, there are still many financial institutions from countries that have joined the CCM listed in the Hall of Shame as well.

**We call on all states that have joined the Convention on Cluster Munitions to stay true to the convention and to develop legislation to ban investments in cluster munitions or to provide clear guidelines for financial institutions.**

## KEY FINDINGS

### 1.4 Financial institutions disinvesting from cluster munition producers<sup>6</sup>

Fortunately, more and more financial institutions have acknowledged that cluster munition producers are not ethical or viable long-term business partners and have installed a public policy to end investments in these companies. Some of them are listed in the Hall of Fame; others are listed as runners-up. Financial institutions are listed in the Hall of Fame when they have installed and implement a comprehensive policy banning all financial links with cluster munition producers. Some financial institutions have installed a policy on cluster munitions, but that shows certain shortcomings. We commend the financial institutions in the runners-up category for their efforts while at the same time suggest ways how to strengthen their policy.

Worth mentioning here are four financial institutions that had already been listed as runners-up in 2011. Although they made significant improvements to their policies, they are still among the runners-up. ABN Amro (the Netherlands), BBVA (Spain), the Co-operative Financial Services (United Kingdom) and HSBC (United Kingdom) have all adjusted their policies and made substantive and positive changes to them. Yet these still have loopholes that they will need to fix before they fully meet the criteria for our Hall of Fame. We hope to see these changes soon, so that we can welcome those four institutions to the Hall of Fame in our next year's report.

The changes in both the Hall of Fame and runners-up category can be attributed to the following:

- Worldwide campaigns, conversations, studies and media work have done a lot to substantially expand the information available for this report. These have helped to increase transparency and to augment explanations of, or additions to, financial institutions' disinvestment policies.
- Vigorous campaign efforts in the United Kingdom, Germany, Spain, Luxembourg, Japan and other countries have led to the publication or announcement of new policies within different financial institutions. Some of these banks are already listed, we hope others will join the Hall of Fame or runners-up category in the 2013 update.

#### **Hall of Fame**

The Hall of Fame lists those financial institutions with a far-reaching policy ending all investments in cluster munitions producers. 27 financial institutions are listed in the Hall of Fame: seven government-managed pension funds, three ethical banks and seventeen private financial institutions.

When we compare the new Hall of Fame to the one in our May 2011 report, we see that four new financial institutions have entered it. One financial institution, WestLB, appeared in the runners-up category in the earlier editions of this report. Its new policy merits a place in the Hall of Fame. We welcome WestLB's steps. They show that a financial institution can decide to adjust its policy and ban every kind of investment in producers of cluster munitions. The second newcomer in our Hall of Fame is SNS REAAL, a Dutch banker-insurer. The last two newcomers to the Hall of Fame are government-managed pension funds. The Australian Future Fund and the Luxembourg Compensation Fund have both decided to bar all investments in producers of cluster munitions.

These join the five government-managed pension funds already listed in the Hall of Fame. These pension funds operate in six different countries: Australia, Ireland, Luxembourg, Norway, New Zealand and Sweden. These countries acknowledged the unacceptable harm caused by cluster munitions and therefore chose not to invest government-managed pension money in producers of these weapons.

Thirteen of the seventeen private financial institutions listed in the Hall of Fame are institutions who only offer asset management as a financial service. They are not involved in investment banking and do not give out loans, etc. Four of the financial institutions in the Hall of Fame however, DNB, SNS REAAL, Storebrand and WestLB, do provide other banking services: these financial institutions prove that it is possible for a bank involved in a broad spectrum of financial services to exclude producers of cluster munitions from all its financial services.

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<sup>6</sup> Our Hall of Fame and the runners-up category are far from comprehensive. For this research it was impossible to research the policies of all the financial institutions worldwide. 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 worked within the limits imposed by language (English and Dutch) and accessibility. The Hall of Fame can be seen as an invitation to financial institutions that have a comprehensive policy to ban investment in cluster munitions producers, 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 our Hall of Fame. The lists of financial institutions disinvesting from cluster munitions producers presented in this report are a first attempt to provide an overview and we welcome additional information.

## KEY FINDINGS

All 27 financial institutions identified in the Hall of Fame are from countries that have signed the CCM, and except for Australia, are all States Parties to the convention. All these financial institutions but two (the Future Fund, Australia, and New Zealand Superannuation Fund) are from EU member countries.

Country of origin of financial institutions in the Hall of Fame	Number of financial institutions per country
Australia	1
Belgium	1
Denmark	1
Germany	1
Ireland	1
Italy	1
Luxembourg	1
New Zealand	1
Norway	4
Sweden	4
The Netherlands	11
<b>Total</b>	<b>27</b>

Type of financial institution in the Hall of Fame	Number of financial institutions per type
Government-managed pension fund	7
Ethical bank	3
Private financial institution	17
<b>Total</b>	<b>27</b>

### Runners-up

Six financial institutions have joined the runners-up category since our 2011 report: Aegon (the Netherlands), Aviva (United Kingdom), Intesa Sanpaolo (Italy), Lloyds Banking Group (United Kingdom), Société Générale (France), and Royal Bank of Scotland (United Kingdom).

The financial institutions listed in the runners-up category took steps to ban investments in cluster munition producers, but their course of action on cluster munitions has certain flaws. We commend these financial institutions for their efforts but point out that there are remaining steps needed to gain a place in the Hall of Fame.

The most common shortcomings are:

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

These policy shortcomings can have serious complications, as is shown by AXA, Crédit Agricole and Société Générale. These three runners-up are also listed in the Hall of Shame because of involvement in producers of cluster munitions after publication of their policy. AXA manages important shareholdings in Alliant Techsystems, Poongsan and others, while Société Générale owns or manages shares of Textron. Crédit Agricole was involved in a recent loan and investment banking service to Lockheed Martin and an investment banking service to Textron and Lockheed Martin.

All 29 financial institutions that met our policy criteria for the runners-up category are from countries that have signed the CCM and except for Switzerland and Canada are all States Parties to the CCM. All the financial institutions but two (Credit Suisse and Royal Bank of Canada) are from EU countries. All financial institutions listed as runners-up are private financial institutions.

Country of origin of financial institutions in runners-up	Number of financial institutions per country
Belgium	2
Canada	1
Denmark	3
France	4
Germany	1
Italy	2
Spain	1
Sweden	2
Switzerland	1
The Netherlands	7
The United Kingdom	5
<b>Total</b>	<b>29</b>

Type of financial institution in the runners-up category	Number of financial institutions per type
Private financial institutions	29
<b>Total</b>	<b>29</b>



## KEY FINDINGS

**The runners-up have taken important steps, but their policies show loopholes that can allow further investments in producers of cluster munitions.**

Government and policy leadership helps. The research shows the positive effect of a government signing the CCM as a stimulus for financial institutions to implement a comprehensive policy to disinvest from cluster munitions producers. As we have seen in the Hall of Shame however, this is certainly not an automatic response by financial institutions based in or operating in signatory states to the CCM. We therefore applaud the financial institutions in the runners-up category for their steps to ban investments in cluster munitions producers, and encourage other financial institutions to do the same.

### 1.5 Legislation

The Cluster Munition Coalition (CMC) believes that the prohibition on assistance in the CCM includes a prohibition on investments in cluster munitions.<sup>7</sup> An ever growing group of states shares the interpretation that investments in cluster munitions are banned under the convention.

Since the 2011 report there is one new state with legislation that prohibits financial assistance in the production of cluster munitions: Italy. Furthermore, in 2012, the Netherlands and Switzerland have both announced a future prohibition on investments in cluster munitions. Seven new states issued interpretive statements since our 2011 report: Bosnia and Herzegovina, Cameroon, the Czech Republic, Hungary, Lao PDR, Senegal and Slovenia all consider investments in cluster munitions as prohibited by the convention.

In total there are 5 states that have installed legislation that prohibits (different forms of) investments in cluster munitions: Belgium, Ireland, Italy, Luxembourg and New Zealand. In total, 21 states have not yet passed legislation against investment in cluster munitions production but they did express the view that investments in the production of cluster munitions are prohibited by the CCM. Australia, Bosnia and Herzegovina, Cameroon, Colombia, Croatia, the Czech Republic, France, Guatemala, the Holy See, Hungary, Lao PDR, Lebanon, Madagascar, Malawi, Malta, Mexico, Rwanda, Senegal, Slovenia, the United Kingdom and Zambia all interpret (direct) investment as a prohibited form of assistance under the CCM. Parliamentary initiatives to legislate against investment in cluster munitions are ongoing in Norway, the Netherlands and Switzerland.

**In this year's update we see that many more states have either introduced legislation that bans investments or made interpretive statements to that effect.**

**It is vital that more states confirm that article 1(1)c includes a ban on investments in cluster munitions, and take appropriate measures to prevent such investments.**

<sup>7</sup> Cluster Munition Coalition, "CMC Policy Papers on the Convention on Cluster Munitions", May 2010, available at <http://www.stopclustermunitions.org/wp/wp-content/uploads/2010/06/3a-cmc-policy-papers.pdf>, last viewed 29 March 2012.

## KEY FINDINGS

States and disinvestment		
Legislation	Interpretive statement	Parliamentary action/draft legislation
Belgium	Australia	The Netherlands
Ireland	Bosnia and Herzegovina	Norway
Italy	Cameroon	Switzerland
Luxembourg	Colombia	
New Zealand	Croatia	
	The Czech Republic	
	France	
	Guatemala	
	The Holy See	
	Hungary	
	Lao PDR	
	Lebanon	
	Madagascar	
	Malawi	
	Malta	
	Mexico	
	Rwanda	
	Senegal	
	Slovenia	
	The United Kingdom	
	Zambia	

## KEY FINDINGS

### 2 Recommendations

- **States** that have joined the CCM should make clear that in prohibiting assistance, article 1(1)c of the convention prohibits investment in cluster munitions producers.
- **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 cluster munitions production. Because all investment facilitates this 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 producers of their decision to end investment because of the producers' involvement with cluster munitions. Financial institutions can set clear deadlines with a limited time frame within which a 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 deadline, the financial institution will disinvest until such time as 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.

## KEY FINDINGS

### 3 Summary Tables

#### 3.1 Hall of Shame

The following overview presents the types of financial relationships that financial institutions have with cluster munitions producers 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 in the Hall of Shame	Country of origin	Alliant Techsystems (US)	Hanwha (South Korea)	Lockheed Martin (US)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Splav (Russia)	Textron (US)
Aberdeen Asset Management	United Kingdom						S		
Agricultural Bank of China	China				Y				
AIG	United States			B					
Allianz	Germany	B,S		S					
Allstate	United States	B		B					
American Family Insurance	United States						B		
Ameriprise Financial	United States	B		S					
ANZ Bank	Australia			L,Y					
APS Asset Management	Singapore					S			
Aronson + Jonson + Ortiz	United States	S							
AXA	France	B				S	B		
Bank of America	United States	L,Y		L,Y					L,Y
Bank of Beijing	China				Y				
Bank of China	China				Y <sup>8</sup>				
Bank of Communications	China				Y				
Bank of New York Mellon	United States	L							L,Y,S
Bank of Shanghai	China				Y				
Barclays	United Kingdom			L					X,Y
BB&T	United States	L							
BlackRock	United States	S	S	S					S
BNP Paribas	France	L		Y		S			Y
BPCE	France								B
Breeden Capital Management	United States	S							
Capital Group	United States			S			S		S
Castle Creek Arbitrage	United States	B							
Chang Hwa Commercial Bank	Taiwan	L							
China Construction Bank	China				Y				
China Development Bank	China				Y				
China Everbright Bank	China				Y				
China Merchants Bank	China				Y				

<sup>8</sup> Apart from underwriting bonds issues for Norinco, Bank of China has also signed a strategic agreement with the company.

## KEY FINDINGS

Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	Hanwha (South Korea)	Lockheed Martin (US)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Splav (Russia)	Textron (US)
China Minsheng Bank	China				Y				
Citadel	United States	B							
CITIC Securities	China				Y				
Citigroup	United States			L,Y					L,Y
Consus Asset Management	South Korea					S			
Continental Insurance	United States								B
Crédit Agricole	France			L,Y					Y
Credit Suisse	Switzerland						B		
Daewoo Securities	South Korea		Y						
Davis Selected Advisers	United States			S					
DBS Bank	Singapore			L					
Deutsche Bank	Germany	S					Y		L
Dimensional Fund Advisors	United States		S			S			
Dongbu Securities	South Korea		Y						
Dreman Value Management	United States	S							
Eugene Investment & Securities	South Korea		Y						
Export Import Bank of Korea	South Korea					L			
Fidelity	United States	S,B		S		S	B		S
Fiduciary Management	United States	S							
First Eagle Investment Management	United States	S		S					
First Financial	Taiwan	L							
Franklin Templeton	United States					S			S
General Electric	United States	L							
Genworth Financial	United States			B					
Goldman Sachs	United States			L,Y					L,S, Y
Grantham Mayo Van Otterloo & Co	United States		S				S		
Guotai Junan Securities	China				Y				
Hana Financial	South Korea		L,Y						
Hanyang Securities	South Korea		Y						
Hanwha Securities	South Korea		S,Y						
Hartford Financial Services Group	United States			B					B
Hotchkis & Wiley Capital Management	United States	S		S					
Hua Nan Financial	Taiwan	L							
Hyundai Heavy Industries	South Korea		Y			S			
Industrial Bank	China				Y				
Industrial & Commercial Bank of China (ICBC)	China				Y				
Intesa Sanpaolo	Italy			Y					

## KEY FINDINGS

Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	Hanwha (South Korea)	Lockheed Martin (US)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Splav (Russia)	Textron (US)
Invesco	United Kingdom <sup>9</sup>	S					S		S
Jackson National Life Insurance	United States			B					
JP Morgan Chase	United States	B,L,S		L,Y					L,X,Y
KB Financial	South Korea		L,S,Y						
Keybank	United States	L							
Korea Development Bank	South Korea		Y			L,Y			
Korea Investment	South Korea		Y			S			
Liberty Mutual	United States			B					
Liechtensteinische Landesbank (LLB)	Liechtenstein						B		
Lincoln Financial	United States			B					
Lloyds Banking	United Kingdom			L,Y					
Manulife Financial	Canada			B					
Massachusetts Mutual Life Insurance	United States	B		B					B
Matthews International Capital Management	United States					S	S		
Mellon Capital Management	United States					S			
Metropolitan Life Insurance	United States	B		B					
Mirae Asset Financial	South Korea		S			S			
Mitsubishi UFJ Financial	Japan	L,Y		L,Y					L,Y
Mizuho Bank	Japan	L		L,Y					
Morgan Stanley	United States			L,Y			Y		L,Y
National Pension Service	South Korea		S			S			
New York Life Insurance	United States	B		B					
Northeast Investors Trust	United States	B							
Northern Trust	United States			L,S					L,S
Northwestern Mutual	United States			B					
Nuveen Investments	United States	S							
Och-Ziff Capital Management	United States								B
Oaktree Capital Management	United States	B							
Old Mutual	United Kingdom		S						
People's Insurance Company Group) of China (PICC)	China				Y				
People's United Financial	United States	L							
PNC Financial	United States	L							
Principal Financial	United States			B					
Prudential	United Kingdom								S
Prudential Financial	United States	B		B					B
Riyad Bank	Saudi Arabia			L					
Royal Bank of Canada	Canada	L,Y		L,Y					

<sup>9</sup> Invesco has headquarter in Bermuda, an overseas territory of the United Kingdom.

## KEY FINDINGS

Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	Hanwha (South Korea)	Lockheed Martin (US)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Splav (Russia)	Textron (US)
Royal Bank of Scotland	United Kingdom	L,B,Y		L,Y					
Samsung	South Korea		S,Y			S			
Sberbank	Russia							L	
Schroder Investment Management	United Kingdom						S		
Shanghai Pudong Development Bank	China				Y				
Shinhan Bank	South Korea		Y			Y			
Shinyoung Securities	South Korea					S			
SK Securities	South Korea		Y			Y			
Société Générale	France								S,Y
State Farm	United States			B					
State Street	United States	S	S	L,S		S			S
Sumitomo Mitsui	Japan			L,Y					Y
Sun Life Financial	Canada			S					B
SunTrust Bank	United States	L,Y							
Symetra Life Insurance	United States			B					
T. Rowe Price	United States			S					S
Teachers Insurance & Annuity Association (TIAA-CREF)	United States	B	S	B		S			S
Temasek	Singapore						S		
TongYang Securities	South Korea		B,Y			S,B			
Truston Asset Management	South Korea					S			
UBS	Switzerland		B	L,Y		B			S
United Overseas Bank	Singapore	L							
Unum	United States	B							
US Bancorp	United States	L,Y		L,Y					
Vanguard	United States	S	S	B,S		S	S		S
Veritas Asset Management	United Kingdom						S		
Wellington Management Company	United States			S					
Wells Fargo Bank	United States	B,L,Y		L,Y		S			Y
Western & Southern Mutual	United States	S							
Williams Capital	United States								Y
Woori Financial	South Korea		S,Y			L,Y			
Yurie Asset Management	South Korea					S			
Zazove Associates	United States	B							B

## KEY FINDINGS

<b>Country of origin of financial institutions listed in the Hall of Shame</b>	<b>Number of financial institutions per country</b>
Australia	1
Canada	3
China	16
France	5
Germany	2
Italy	1
Japan	3
Liechtenstein	1
Russia	1
Saudi Arabia	1
Singapore	4
South Korea	22
Switzerland	2
Taiwan	3
The United Kingdom	9
The United States	63
<b>Total</b>	<b>137</b>



## KEY FINDINGS

### 3.2 Hall of Fame

Financial institution in the Hall of Fame	Country of origin*	Has the institution published its policy?	Does it exclude cluster munitions producers?	Does it exclude all cluster munitions producers, (no exceptions for certain types?)	Does the policy apply to all the financial institution's products?	Are all a company's activities excluded?
ABP	The Netherlands	X	X	X	X	X
ASN Bank	The Netherlands	X	X	X	X	X
ATP	Denmark	X	X	X	X	X
Banca Etica	Italy	X	X	X	X	X
BPF Bouw	The Netherlands	X	X	X	X	X
DNB	Norway	X	X	X	X	X
Ethias	Belgium	X	X	X	X	X
Folksam	Sweden	X	X	X	X	X
Fonds de Compensation	Luxembourg	X	X	X	X	X
The Future Fund	Australia	X	X	X	X	X
KLP	Norway	X	X	X	X	X
KPA	Sweden	X	X	X	X	X
National Pensions Reserve Fund	Ireland	X	X	X	X	X
New Zealand Superannuation Fund	New Zealand	X	X	X	X	X
Norwegian Government Pension Fund - Global	Norway	X	X	X	X	X
Pensioenfonds Vervoer	The Netherlands	X	X	X	X	X
PGGM	The Netherlands	X	X	X	X	X
Philips Pension Fund	The Netherlands	X	X	X	X	X
PME	The Netherlands	X	X	X	X	X
PNO Media	The Netherlands	X	X	X	X	X
SNS REAAL	The Netherlands	X	X	X	X	X
Spoorwegpensioenfonds	The Netherlands	X	X	X	X	X
Storebrand Group	Norway	X	X	X	X	X
Swedish Pension Funds AP1 – 4	Sweden	X	X	X	X	X
Swedish Pension Fund AP7	Sweden	X	X	X	X	X
Triodos Bank	The Netherlands	X	X	X	X	X
West LB	Germany	X	X	X	X	X

## KEY FINDINGS

Country of origin of financial institutions in the Hall of Fame	Number of financial institutions per country
Australia	1
Belgium	1
Denmark	1
Germany	1
Ireland	1
Italy	1
Luxembourg	1
New Zealand	1
Norway	4
Sweden	4
The Netherlands	11
<b>Total</b>	<b>27</b>

### 3.3 Runners-up category

The following digest presents all financial institutions listed in our runners-up category, according to our research criteria.

Financial institution in the runners-up	Country of origin*	Has the institution published its policy?	Does it exclude cluster munitions producers?	Does it exclude all cluster munitions producers, (no exceptions for certain types?)	Does the policy apply to all the financial institution's products?	Are all a company's activities excluded?
ABN Amro	The Netherlands	X	X	X		X
AEGON	The Netherlands	X	X	X		X
Aviva	The United Kingdom	X	X	X		X
AXA	France	X	X	X		X
BBVA	Spain	X	X	X		X
Belfius Bank and Insurances	Belgium		X	X		X
BNP Paribas	France	X	X	X		X
Commerzbank	Germany	X	X	X		X
Co-operative Financial Services	The United Kingdom	X	X	X		X
Crédit Agricole	France	X	X	X		X
Credit Suisse	Switzerland	X	X	X		X
Danske Bank	Denmark	X	X	X		X
HSBC	The United Kingdom	X	X	X		X
ING	The Netherlands	X	X	X		X
Intesa Sanpaolo	Italy	X	X	X		X
KBC	Belgium	X	X	X		X
Laegernes Pensionskasse	Denmark	X	X	X		X
Lloyds Banking Group	The United Kingdom		X	X		X
Nordea	Sweden	X	X	X		X
Nycredit	Denmark	X	X	X		X
Pensioenfonds Horeca & Catering	The Netherlands	X	X	X		X
Rabobank	The Netherlands	X	X	X		X
Royal Bank of Canada	Canada	X	X	X		X
Royal Bank of Scotland	The United Kingdom	X	X	X		X

## KEY FINDINGS

SEB	Sweden	X	X	X		X
Société Générale	France	X	X	X		X
Stichting Pensioenfonds APF	The Netherlands	X	X	X		X
Syntrus Achmea	The Netherlands	X	X	X		X
UniCredit Group	Italy	X	X	X		X

Country of origin of financial institutions in runners-up	Number of financial institutions per country
Belgium	2
Canada	1
Denmark	3
France	4
Germany	1
Italy	2
Spain	1
Sweden	2
Switzerland	1
The Netherlands	7
The United Kingdom	5
<b>Total</b>	<b>29</b>

## KEY FINDINGS

<b>Red Flag Lists in our reports</b>			
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Alliant Techsystems	Alliant Techsystems	Alliant Techsystems	Alliant Techsystems
Hanwha	Hanwha	Hanwha	Hanwha
L-3 Communications	L-3 Communications	Lockheed Martin	Lockheed Martin
Lockheed Martin	Lockheed Martin	Norinco	Norinco
Poongsan	Poongsan	Poongsan	Poongsan
Roketsan	Singapore Technologies Engineering	Singapore Technologies Engineering	Singapore Technologies Engineering
Singapore Technologies Engineering	Textron	Splav	Splav
Textron		Textron	Textron

<b>Investments in companies on our Red Flag lists</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Total investments in Red Flag list companies</b>	20 billion USD	43 billion USD	39 billion USD	43 billion USD
<b>Loans</b>	5.1 billion USD	3.2 billion USD	1.5 billion USD	4.1 billion USD
<b>Investment Banking services</b>	4.2 billion USD	6.7 billion USD	6.3 billion USD	8.1 billion USD
<b>Asset management</b>	11.8 billion USD	33.1 billion USD	30.9 billion USD	30.4 billion USD

## KEY FINDINGS

### 4 Methodology

#### Methodology: Questions and Answers

##### Does this study include all companies that produce cluster munitions?

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 those companies that meet the following criteria:

- There is sufficient evidence that the company has produced (key components for) cluster munitions or explosive submunitions after 30 May 2008 (the day the convention text was adopted in Dublin) and the company has not stated publicly that it will end its involvement in the coming 12 months;
- There is sufficient evidence that over the past year the company has become involved in planned production or development of (key components for) cluster munitions or explosive submunitions and the company has not stated publicly that it will end its involvement in the coming 12 months;

When we found no financial links for companies, we did not include them on our red flag list. There may also well be companies that currently produce (key components for) cluster munitions or explosive submunitions but that have been excluded from the red flag list simply because we could not find sufficient evidence of their production activities.

#### Sources Of Information On Companies Producing Cluster Munitions

Company publications, contracts with the US government, correspondence between the companies and investors, and correspondence between the companies and research consultancy service Profundo. We contacted most of the producing companies on the red flag list before publishing our report to verify our data; when they provided additional information, we included this in our report. Research by Profundo (the Netherlands).

##### Are all financial institutions with investments in cluster munitions producers listed in the Hall of Shame?

No. The Hall of Shame is not an exhaustive list of financial institutions with investments in cluster munitions producers. We apply different thresholds to different companies for investment in shares and bonds. Due to the different shareholding structure in the various companies,<sup>10</sup> we chose a 0.1% floor limit for Hanwha, Poongsan, and Singapore Technologies Engineering and a 1% limit for Alliant Techsystems (ATK), Lockheed Martin and Textron. This threshold is a pragmatic tool designed for this research. Without these thresholds, the list of financial institutions would be too long to handle in this report. Even when a financial institution has invested in a cluster munitions producer, as long as its shares are below 0.1% in Hanwha, Poongsan, and Singapore Technologies Engineering or 1% in ATK, Lockheed Martin and Textron, you will not find it on our list. Moreover, because the red flag list of producing companies is not exhaustive, a financial institution that has invested in a producing company might still not be included in our research. There is still a marked lack of transparency in the public domain about financial institutions' investments furthermore. There is little or no transparency on what credits were given to whom. That makes it complicated to find out whether a financial institution has granted a loan to a controversial company.

#### Sources Of Information For The Hall Of Shame

We used a variety of sources including reports by NGOs and exclusion lists maintained by financial institutions that ban investment in cluster munitions. We also drew upon stock exchange filings and the financial institutions' and the cluster munitions producers' own publications, as well as commercial databases with information supplied by financial institutions. Research by Profundo (the Netherlands).

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<sup>10</sup> Asian companies seem to have a few large (local) shareholders and a group of foreign shareholders with less than 1%. We therefore lowered the threshold for Hanwha, Poongsan and Singapore Technologies Engineering.

## KEY FINDINGS

### **Were all the financial institutions in the Hall of Shame contacted to verify information before publishing this report?**

No. Since the sources of information for the Hall of Shame – stock exchange filings, financial institutions' own publications and commercial databases – come directly from the financial institutions, we trust that it is correct and have not contacted every one of the financial institutions in the Hall of Shame before publishing this report. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others, in the spirit of dialogue, and in the common interest of accurate and reliable information on an important subject. If you believe you have found an error in our report or if you can provide additional information please contact us.

### **Are all financial institutions with a policy requiring them to disinvest from cluster munitions producers 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 the tip of the iceberg. It is impossible to research the policies of every financial institution worldwide. The Hall of Fame can be seen as an invitation to financial institutions with a comprehensive policy banning investment in cluster munitions to provide us with their policy and to publish it on their websites.

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 policies. We worked within the limits imposed by language (English and Dutch) and accessibility. In some cases, we now have translations of disinvestment policies unavailable in Dutch or English in the public domain, but in most cases we were limited to documents available in Dutch or English. There are probably many more financial institutions that deserve a place in our Hall of Fame or runners-up category. Our list of financial institutions disinvesting from cluster munitions producers is an initial survey. We welcome additional information.

We have checked all shareholdings of financial institutions listed in the Hall of Fame, including those under the 1% and 0.1% threshold, just to be sure that these financial institutions indeed have no link to cluster munitions producers and fully implement their policies.

### **Sources Of Information For The Hall Of Fame And Runners-Up**

We used a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy. Our list of financial institutions is not exhaustive. We contacted all financial institutions in these lists before publication to check our research findings and clarify their policies. This study takes into account only publicly available policy documents and written comments. A policy document is public when a financial institution has published it or a summary of it on its website or in its publications (e.g. annual report, sustainable development report, etc.). Research by FairFin (Belgium).<sup>11</sup>

### **How can a financial institution be listed in the Hall of Shame and as a runner-up at the same time?**

The runners-up category lists financial institutions that took steps to ban investment in cluster munitions producers, but whose policies have loopholes. A financial institution can be applauded in the runners-up category for its policy, while at the same time be listed in the Hall of Shame for its investment. Checking whether this involvement runs counter to their policies, or whether it results from a loophole, was beyond the scope of this report. An accurate report on implementation of policies published by runners-up would require more detailed information on the investments we found. Examples of the kind of information we would still need are whether a financial link constitutes own or third-party investments, which investment fund is involved, or whether the financial link is through a fund following an index; all issues beyond the scope of our research. Moreover, a financial institution may be listed for investments made before their policy came into effect, since we research investments since May 2009.

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<sup>11</sup> Note that the researchers cannot be held responsible when a published policy document is no longer up-to-date and/or when the financial institution gave little or no response to our questions about it.

## KEY FINDINGS

### **Do all financial institutions in the runners-up category have the same loopholes in their policies?**

No. This category lists financial institutions that took steps to ban investment in cluster munitions producers, but whose courses of action on cluster munitions have flaws of various types. The runners-up category is a very diverse category, where the scope of the policies differs greatly. Financial institutions are listed there for many different reasons. It is important to note that, as with the Hall of Fame, we welcome any financial institution that has a publicly available policy, and is not listed yet, to provide us with this information. We also invite financial institutions already listed to provide copies of revised or updated policy documents that could demonstrate their right to a place in our Hall of Fame.

### **Why does this research not make an exception for funds following an index?**

During our research and the conversations we had with financial institutions about this issue, many of these institutions pointed out that it is simply impossible to exclude cluster munitions producers from funds following an index. Still, some financial institutions do have a policy that includes funds following an index. These examples have convinced us that it is possible to exclude producing companies from funds following an index. Although it might well be difficult, and cost more in time and/or money, we think that if it is possible it should be done. We invite financial institutions that see no possibility of meeting this criterion to demonstrate why they are unable to do so. Until then, 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**

We listed a company as a cluster munitions producer when we found evidence that it was involved in producing (key components of) cluster munitions in the time span extending from 30 May 2008 to 15 March 2012.

- We listed a financial institution as an investor when we found evidence of investment in the time span extending from 1 May 2009 to 31 March 2012. Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's investments.

- We updated the policies of financial institutions listed in the Hall of Fame and runners-up category as far as 27 April 2012. Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy.