

December 2013 update

Worldwide investments in CLUSTER MUNITIONS a shared responsibility



**IKV PAX
CHRISTI**

**December
2013**

Utrecht, December 2013

IKV Pax Christi has 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. 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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Editor

Ms. C. Romanik

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Lay out

Jasper van der Kist
Sigmon Visser

Cover photograph:

Germany, 15 October 2008
Brass cones dismantled from the DM1348/155 mm artillery delivered cluster munitions.
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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, May 2011 and June 2012. This edition by IKV Pax Christi, dated December 2013, updates the earlier reports.

STATE-OF-THE-ART REPORT

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Executive Summary, Recommendations and Methodology

Executive Summary

IKV Pax Christi (the Netherlands) and FairFin^I (formerly *Netwerk Vlaanderen*, Belgium) published the first report on “Worldwide Investments in Cluster Munitions: a Shared Responsibility” in October 2009.¹ It was a state-of-the-art report (SOAR) 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, May 2011, and June 2012.² This edition by IKV Pax Christi, dated December 2013, updates the earlier reports.^{II}

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 entered into force on 1 August 2010.

Article 1(1)c 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 (CMC) also points out in its policy paper.³ However, States Parties’ implementation of this convention might not automatically result in a ban on investments in cluster munitions. The process to ban cluster munitions is well underway. Many countries that have signed the convention are now drafting national implementation legislation, and/or have started to implement the 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 investment in cluster munitions even before the convention was negotiated in May 2008; others persisted in supporting the production of these indiscriminate weapons.

“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.”

We emphasise that, at this point, there is still a lack of official information in the public domain about the production of cluster munitions and investment in cluster munitions producers. That is why the information in this report is by no means exhaustive. We explain our methodology in the methodology part of this executive summary and at 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. There have been positive developments since the first edition came out in October 2009. Civil society in many countries has engaged with financial institutions and government representatives to talk about ways to disinvest. Parliamentary initiatives emerged; in some cases financial institutions disinvested or states took action by adopting legislation on investment in cluster munitions producers.⁴ Unfortunately, a lot still needs to be done. 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. Until such legislation is in place, financial institutions

I In March 2012 *Netwerk Vlaanderen* changed its name into FairFin: www.fairfin.be.

II In 2013, FairFin and IKV Pax Christi ended their cooperation in producing the report entitled “Worldwide Investments in Cluster Munitions: a Shared Responsibility.” IKV Pax Christi published the present edition, dated December 2013, which is built on the previous editions published in conjunction with FairFin.

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 of states and civil society worldwide.

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

We have identified many of the financial institutions that still invest in cluster munitions producers – even more than five years after the text of the Convention on Cluster Munitions was negotiated in Dublin. You will find the names of these financial institutions in the first part of the report, the Hall of Shame.

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, 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 the producing companies, contracts with the US government and correspondence between the companies and investors. From this list we have selected a short list to include in our research. We call it our red flag list. It is important to note that our red flag list of cluster munitions 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 red flag list contains seven companies: compared to 2012, one, China Aerospace Science and Technology (China), was added to the list while Lockheed Martin (United States) was removed from the list since it confirmed that it has stopped producing (key components of) cluster munitions.⁵ Splav State Research and Production Enterprise (Russia) appeared on the 2012 red flag list, but no financial links were found for this year’s update. Because of this we removed it from the red flag list, even though it still markets cluster munitions.

We define investor 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 producer;
- 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.

“It is impossible for a financial institution to be sure that the financial services it provides a company will not be used to produce cluster munitions.”

We choose this definition because it is impossible for a financial institution to be sure that the financial services it provides 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. 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 a group. Including clauses in a general corporate loan contract that prohibit companies from using borrowed or invested funds to manufacture cluster munitions, or that restrict a company’s use of the financing to civilian projects will not prevent the money from being used to manufacture cluster munitions.

The 139 financial institutions that we identified as having financial links to the companies on our red flag list are listed in a table in the Summary Tables section. The table also contains the various types of involvement that these companies engage in. Research institute Profundo (the Netherlands) provided a list of financial institutions derived from stock exchange filings and other publications by financial institutions

and cluster munitions producers, as well as from databases with information supplied by financial institutions.^{III}

The 2012 Hall of Shame contained 137 financial institutions. Of these, 102 financial institutions are still in the 2013 Hall of Shame and 35 have been removed. One financial institution was removed due to erroneous reporting of bond holdings in last year's edition.^{IV} Of the 102 financial institutions still on the list, one is listed under a parent company that was already part of last year's list; another is included as a subsidiary of a newly added parent company.^V That leaves 101 companies still on the list.

The 34 financial institutions no longer in the Hall of Shame can be grouped into three categories:

- Twelve of these financial institutions dropped off the list because their investment was in Lockheed Martin, which has been dropped from the red flag list.
- Fifteen financial institutions had been a shareholder or bondholder of at least one company included on our red flag list in 2012, but in 2013 their investments dropped below the 1% threshold for US companies or 0.1% for Asian companies. In most cases these financial institutions simply sold some of these shares or bonds while retaining only enough to keep below the thresholds.
- Seven financial institutions left the Hall of Shame in 2013 because we found no financing (in the form of loans or investment banking) for companies on our red flag list. Their loans or investment banking services dated from before June 2010. Since that date, these institutions have provided no new financing for companies on the current red flag list. This includes Sberbank, the only bank for which last year's edition found links to Splav State Research and Production Enterprise (Russia).

The 2013 Hall of Shame contains 139 financial institutions. So next to the 101 financial institutions held over from 2012, 38 new ones have entered the Hall of Shame.

The 38 newcomers can be grouped into two categories:

- 33 financial institutions are in the 2013 Hall of Shame because they provided financing to at least one of the companies that were also on the 2012 red flag list (Alliant Techsystems, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron) 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.
- 5 financial institutions were included in the 2013 Hall of Shame because they have:
 - provided financing for a company new on the red flag list this year, namely China Aerospace Science and Technology.

III Stock exchange filings for US companies are mostly derived from 10K-Wizard, a commercial variant of the free Edgar database. This database contains information that the companies provided to the US *Securities and Exchange Commission (SEC)*. We also used the Thomson ONE database, Bloomberg database and archives from EuroWeek and other trade journals.

IV Liechtensteinische Landesbank (LLB) (Liechtenstein) confirmed to Profundo in October 2013 that it has not held bonds issued by Singapore Technologies Engineering since 2007. LLB was erroneously included in the 2012 Hall of Shame due to incorrect reporting in financial data sources.

V Mellon Capital Management as part of Bank of New York Mellon, Continental Insurance Company as part of Loews Corporation.

In the research period, these 139 financial institutions invested more than US\$24 billion in the seven cluster munitions producers included in the report. They:

1. Provided loans for at least US\$2.3 billion;
2. Provided investment banking services worth at least US\$6.1 billion; and
3. Owned or managed shares and bonds worth at least US\$16.0 billion.

Hall of Fame and runners-up

The second part of our research, the Hall of Fame, focuses on financial institutions that have disinvested from cluster munitions producers. Many financial institutions adjusted their policy after the CCM opened for signature. To identify financial institutions with a policy on cluster munitions, IKV Pax Christi and Dutch research company Profundo researched a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. Profundo collected information on the financial institutions' policies to assess their cluster munitions policy. IKV Pax Christi made the final decision on whether or not a financial institution entered the Hall of Fame or runners-up category. Since the investment policy is usually stipulated by the banking group and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy. The list of financial institutions provided in this report is by no means exhaustive; we welcome additions from all interested parties.

Our research identified 67 financial institutions with a policy on cluster munitions available in the public domain in English and/or Dutch. In some cases we have received translations of disinvestment policies that were not available in Dutch or English in the public domain. 31 of the 67 financial institutions made it into our Hall of Fame. These financial institutions have barred all investment in cluster munitions producers. An overview of all institutions in our Hall of Fame members can be found in the Summary Tables section.

36 of the 67 financial institutions included in our research have a policy on cluster munitions, but show certain shortcomings. Creating a runners-up category allowed us to highlight financial institutions that took steps to ban investment in cluster munitions producers, but whose course of action on cluster munitions has certain flaws. We commend these financial institutions for their efforts while pointing out the remaining steps to acquire a place in our Hall of Fame. The most common shortcomings are:

“We commend these financial institutions for their efforts.”

- Taking only the financial institutions' own involvement into account, not that of third parties
- Exempting project financing for civil purpose
- Exempting funds following an index

The consensus among investors seems to be evolving. Where only a few financial institutions excluded companies producing cluster munitions when the Oslo process started, a wider group of investors seems to have become aware that producers of cluster munitions are not feasible business partners. A 2011 Novethic study shows that nearly 80% of the researched sample^{VI} identifies investment in controversial weapons as a reputational risk.⁶ Another Novethic study (2012) reached a similar conclusion: it shows that “many investors have reached a consensus on excluding controversial weapons (anti-personnel mines and cluster munitions).”⁷

VI A representative sample of asset owners across 11 European countries was surveyed on how they perceive the integration of environmental, social and governance (ESG) criteria in the way they manage their investments. The 259 respondents break down relatively evenly among private insurers, mutual insurance companies and pension funds, both public or private, corporate or non corporate. Their assets totalise nearly €4,540 billion.

This evolution is reflected in the Hall of Fame and runners-up sections of our report. Ever more financial institutions decided to exclude cluster munitions producers. Our research shows that ethical banks, small pension funds or government managed funds are not alone in disinvesting from these companies; global financial actors like BNP Paribas, HSBC and Royal Bank of Scotland are disinvesting as well. These financial institutions show that although it takes time and effort to bring about change, it can be done.

Some financial institutions apply their policy only to project financing for the production of cluster munitions. This means that these policies do not affect money supplied for general corporate purposes. Since financial institutions cannot guarantee that the funds it lends to, or invests in, a cluster munitions producer will not be used to produce cluster munitions; this is a major flaw in the policy. There is no way to prevent a company from legally reallocating capital within a group. Therefore, financial institutions that only exclude project finance are not listed as runners-up. However, we do assess these financial institutions' policies. We welcome the fact that they have taken a first step, and encourage them to go all the way toward excluding producers of cluster munitions from their investments.

When we compare the new Hall of Fame to the one in our June 2012 report, we see that five new financial institutions have entered it. All of these financial institutions are from the Netherlands. Insurance companies A.S.R. and Menzis, asset manager APG and pension funds Pensioenfondszorg en Welzijn (PFZW, Care and Welfare Pension Fund) and Stichting Pensioenfondszorg voor de Woningcorporaties (SPW, Pension Fund Foundation for Housing Cooperatives) show that a financial institution can establish a policy to ban every kind of investment in producers of cluster munitions.

Unlike last year, WestLB (Germany) no longer has a place in the Hall of Fame. WestLB was restructured in 2012; its legal successor, Portigon, no longer provides financing of any kind. It, therefore, did not adopt WestLB's cluster munitions policy.

Eight financial institutions have joined the runners-up category since our June 2012 report. Among them are global financial actors like Barclays (United Kingdom), Deutsche Bank (Germany), Generali (Italy) and Sumitomo Mitsui Trust Bank (Japan). We welcome Sumitomo Mitsui Trust Bank as the first Japanese financial institution to make the runners-up list. The other new financial institutions in the runners-up category are PFA Pension (Denmark), Swedbank (Sweden), Van Lanschot (the Netherlands) and Vontobel (Switzerland).

Contrary to last year, we removed Belfius Bank and Insurances (Belgium) from the runners-up category. They failed to make their policy publically available despite having promised to do so by the summer of 2012. We hope Belfius will publish quickly so we can welcome them back in a future edition.

Worth mentioning here are three financial institutions that had already been listed as runners-up in 2012. Although they made significant improvements to their policies, they are still among the runners-up. ABN Amro (the Netherlands), Aegon (the Netherlands) and UniCredit (Italy) have 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.

- Increased awareness and transparency

Since our first report in October 2009 we have observed increased awareness among campaigners, states and financial institutions alike. In October 2009, the Cluster Munition Coalition launched the 'Stop Explosive Investments' campaign which promotes disinvestment from cluster bomb producers, encourages financial institutions to articulate clearer guidelines on ethical investment with respect to cluster munitions, and urges governments to adopt legislation banning investments in cluster munitions.

Since the campaign launch, campaigners in around 20 countries have taken action on disinvestment.^{VII}

VII For more information on the international campaign to stop explosive investments, see: www.stopexplosiveinvestments.org.

These campaigning efforts have helped to increase transparency and to augment explanations of, or additions to, financial institutions' disinvestment policies. Moreover, disinvestment campaigns have stimulated financial institutions that did not have disinvestment policies to adopt them. Worldwide campaigns, conversations, studies and media work have done much to expand substantially the information available for our report, including more transparency from weapon-producing companies. Financial institutions' greater awareness has multiplied the frequency of their responses to our questions. This, too, nourishes into our research.

- Vigorous campaign efforts

Worldwide campaigning efforts to end investment in cluster munitions producers have been ongoing around the world. Below follow some random examples of these endeavours since our last report in 2012.

In Australia, campaigners can welcome the step by Colonial First State Global Asset Management, the asset management division of the Commonwealth Bank of Australia, to implement a policy that bans investment in cluster munitions producers. Since we only study the group's policies, we hope that the Commonwealth Bank of Australia will follow the example of its asset management division and adopt a policy that excludes producers of cluster munitions.

In France, campaigners have persistently addressed the common exception in French financial institutions' exclusion policies for funds that follow an index.

In 2013, the French Asset Management Federation (AFG) published recommendations on landmines and cluster munitions. It urged managers to use indices that exclude cluster munitions and urged French asset management institutions to create indices that exclude cluster munitions. The AFG also would like to see European and international initiatives to encourage index providers to exclude cluster munitions from all indices.⁸

Campaigners in South Korea have launched a new campaign to end the National Pension Service's (NPS) investment in cluster munitions producers. The campaign was launched in April 2013 with a press conference outside the NPS offices. The campaign subsequently collected nearly 3,400 signatures for two petitions calling on NPS to stop investing in cluster bomb manufacturers.⁹

A strong campaign for disinvestment in the United Kingdom resulted in various UK financial institutions adopting or updating policies last year. Barclays' cluster munitions policy earned it a place in this year's runners-up category. We commend Barclays for excluding cluster munitions producers and encourage it to strengthen this policy to gain a place in our Hall of Fame.

Countries' Best Practices

The Cluster Munition Coalition believes that the prohibition on assistance in the CCM includes a prohibition on investments in cluster munitions.^{viii} An ever growing group of states shares the view that the convention bans investment in cluster munitions. Since our 2012 report, four new states adopted legislation that prohibits investments in cluster munitions: Liechtenstein, the Netherlands, Samoa and Switzerland. Since our 2012 report, six new states have been added to the list of countries with interpretive statements: Canada, the Democratic Republic of Congo (DRC), the Republic of Congo, Ghana, Niger and Norway all

“Experience with legislation in Belgium, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Samoa and Switzerland can serve as model for ways signatory states, States Parties to the CCM and states that are not party to the CCM can prohibit investment in cluster munitions producers by national law.”

VIII Cluster Munition Coalition, “CMC Policy Papers on the Convention on Cluster Munitions”, May 2010, available at www.stopclustermunitions.org/wp/wp-content/uploads/2010/06/3a-cmc-policy-papers.pdf, last viewed 20 September 2013;

Cluster Munition Coalition, “Briefing Paper on the Convention on Cluster Munitions (English)”, September 2013, available at www.stopclustermunitions.org/wp/wp-content/uploads/2013/09/brief_eng13-september-2013_pdf.pdf, last viewed 21 September 2013.

have stated that investments in cluster munitions are or can be seen as prohibited by the convention. At the time of this writing, nine states in total have adopted legislation that prohibits (various forms of) investments in cluster munitions: Belgium, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Samoa and Switzerland.

In addition to these nine states that have already established national legislation, it is worth mentioning that on 27 May 2013, Denmark asked the Danish Council for Corporate Responsibility for recommendations on how to strengthen responsible investment in relation to the Mine Ban Treaty and the Convention on Cluster Munitions, including recommendations on a legal prohibition on investments.¹⁰

In total, 27 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 or can be seen as prohibited by the CCM. Australia, Bosnia and Herzegovina, Canada, Cameroon, Colombia, the Democratic Republic of Congo (DRC), the Republic of Congo, Croatia, the Czech Republic, France, Ghana, Guatemala, the Holy See, Hungary, Lao PDR, Lebanon, Madagascar, Malawi, Malta, Mexico, Niger, Norway, Rwanda, Senegal, Slovenia, the United Kingdom and Zambia all interpret (direct) investment as a prohibited form of assistance under the CCM. It is vital that more states confirm that article 1(1)c includes a ban on investment in cluster munitions. Experience with legislation in Belgium, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Samoa and Switzerland can serve as model for ways signatory states, States Parties to the CCM and states that are not party to the CCM can prohibit investment in cluster munitions producers by national law.

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 draft national legislation prohibiting investment in producers of cluster munitions. This provides clear guidelines for financial institutions and is 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.

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,^{IX} we chose a 0.1% floor limit for Hanwha, Poongsan, and Singapore Technologies Engineering and a 1% limit for Alliant Techsystems (ATK) 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 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.

IX 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.

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).

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 Profundo (the Netherlands).^x

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 June 2010.

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. The runners-up category is quite broad in definition and offers a place to some financial institutions that are almost eligible for the Hall of Fame, but also some financial institutions that are still a long way removed from a place in the Hall of Fame. 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.

X 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.

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 31 August 2013.
- We listed a financial institution as an investor when we found evidence of investment in the time span extending from 1 June 2010 to 31 August 2013. 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 10 October 2013. 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.

Summary Tables

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, Y = underwriting of bonds issues.

Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	China Aerospace Science & Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Aberdeen Asset Management	United Kingdom						S	
Adage Capital Management	United States							S
Advent Capital Management	United States	B						
Agricultural Bank of China	China				Y			
AIG	United States							B
Allianz	Germany	B,S				S		
Allstate	United States	B						
American Century Investments	United States							S
American Family Life Assurance	United States						B	
American United Mutual Insurance	United States							B
APS Asset Management	Singapore					S		
AQR Capital Management	United States	S						
Bank Hapoalim	Israel	L						
Bank of America	United States	L,Y						L,Y
Bank of Beijing	China		Y		Y			
Bank of China	China		Y		Y			
Bank of Communications	China		Y		Y			
Bank of New York Mellon	United States	L,S		S		S		L,Y,S
BB&T	United States	L						
BlackRock	United States	S		S		S	S	S
BNP Paribas	France	L,B						
BPCE	France							B
Calamos Holdings	United States	B						
Capital Group	United States						S	S
Carlson Capital	United States	B						
Chang Hwa Commercial Bank	Taiwan	L						
China Construction Bank	China		Y		Y			

Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	China Aerospace Science & Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
China Development Bank	China				Y			
China Everbright Bank	China		Y		Y			
China Life Insurance	China		Y					
China Merchants Bank	China		Y		Y			
China Minsheng Bank	China				Y			
China Securities	China		Y					
CITIC Group	China		Y		Y			
Citigroup	United States							L,Y
Clarivest Asset Management	United States					S		
CNO Financial Group	United States							B
Consus Asset Management	South Korea			S		S		
Credit Suisse	Switzerland						B	
Daewoo Securities	South Korea			Y				
Deutsche Bank	Germany	S		S				L
Dimensional Fund Advisors	United States	S		S		S		
Dongbu Securities	South Korea			Y				
Dreman Value Management	United States	S						
Eaton Vance	United States			S				B
Eugene Investment & Securities	South Korea			Y				
Fidelity Investments	United States	B					B	S
FIM Corporation	Finland						B	
First Eagle Investment Management	United States	S						
First Financial	Taiwan	L						
General Electric	United States	L						
Genworth Financial	United States							B
Goldman Sachs	United States	S				S		L,Y,S
Grantham Mayo Van Otterloo & Co	United States			S			S	
Guardian Life Insurance	United States	B						
Guotai Junan Securities	China				Y			
Hana Financial	South Korea			L,Y		Y		
Hanwha Group	South Korea			Y,S		S		
Hanyang Securities	South Korea			Y				
Hartford Financial Services Group	United States							B
Henderson Global Investors	United States			S				
Hong Yuan Securities	China		Y					
Hotchkis & Wiley Capital Management	United States	S						

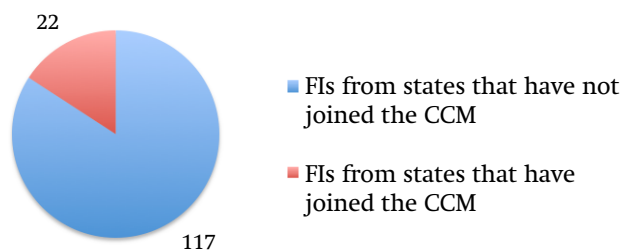
Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	China Aerospace Science & Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Hua Nan Financial	Taiwan	L						
Hyundai Group	South Korea			Y				
Hyundai Heavy Industries	South Korea			Y		S		
Industrial Bank	China		Y					
Industrial & Commercial Bank of China (ICBC)	China		Y		Y			
Invesco	United Kingdom ^{XI}	B						S
Iridian Asset Management	United States	S						
JP Morgan Chase	United States	L,B						L,Y
KB Financial	South Korea			L,Y		Y,S		
Keybank	United States	L						
Korea Development Bank	South Korea			Y		Y		
Korea Investment	South Korea			Y,S		Y,S		
Lazard	United States	B						
Legg Mason	United States			S		S		
Loews Corporation	United States							B
LSV Asset Management	United States	S						
Manulife Financial	Canada					S		
Massachusetts Mutual Life Insurance	United States	B						B
Matthews International Capital Management	United States						S	
Midas Asset Management	South Korea					S		
Mirae Asset Financial Group	South Korea			S		S		
Mitsubishi UFJ Financial	Japan	L,Y						L,Y
Mizuho Bank	Japan	L						
Morgan Stanley	United States							L,Y
National Pension Service	South Korea			S		S		
Newton Investment Management	United Kingdom						S	
New York Life Insurance	United States	B						B
Northern Trust	United States	B						L,S
Nuveen Investments	United States	B						
Old Mutual	United Kingdom	S		S		S		
People's Insurance Company (Group) of China (PICC)	China				Y			
People's United Financial	United States	L						
PNC Financial	United States	L						
Power Corporation of Canada	Canada						S	
Principal Financial	United States	S						B

XI Invesco has headquarters in Bermuda, an overseas territory of the United Kingdom

Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	China Aerospace Science & Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Prospector Partners	United States	B						
Prudential	United Kingdom						B	S
Prudential Financial	United States	B,S						B
Royal Bank of Canada	Canada	L,Y						
Royal Bank of Scotland	United Kingdom	L,Y						
Samsung	South Korea			Y,S		S		
Schroders Investment Management	United Kingdom						S	
Sealand Securities	China		Y					
Shenkman Capital Management	United States	B						
Shenyin & Wanguo Securities	China		Y					
Shinhan Bank	South Korea			Y		Y		
Shinyoung Securities	South Korea					S		
SK Securities	South Korea			Y		Y		
Standard Life	United Kingdom						S	
State of Wisconsin Investment Board	United States			S				
State Street	United States	S		S		S	S	S
Sumitomo Mitsui Financial Group	Japan							Y
Sun Life Financial	Canada							B
SunTrust Bank	United States	L,Y						
T. Rowe Price	United States							S
Teachers Insurance & Annuity Association (TIAA-CREF)	United States	S,B				S		S
Temasek Holdings	Singapore						S	
The Carlyle Group	United States							S
The London Company	United States	S						
TongYang Group	South Korea			Y		S		
Truston Asset Management	South Korea					S		
UBS	Switzerland			B				
United Overseas Bank	Singapore	L					B	
United Services Automobile Association	United States							B
Unum Group	United States	B						
US Bancorp	United States	L,Y						
Vanguard	United States	S		S		S	S	S
Veritas Asset Management	United Kingdom						S	
Wellesley Investment Advisors	United States	B						

Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	China Aerospace Science & Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Wellington Management Company	United States							S
Wells Fargo Bank	United States	L,Y						
Western & Southern Mutual	United States	S						
William Blair & Company	United States						S	
Williams Capital	United States							Y
Woori Financial	South Korea			Y		Y		
Yurie Asset Management	South Korea					S		

**Financial Institutions (FIs) in the Hall of Shame
by country of origin**



Country of origin of financial institutions in the Hall of Shame	Number of financial institutions per country
Canada	4
China	19
Finland	1
France	2
Germany	2
Israel	1
Japan	3
Singapore	3
South Korea	23
Switzerland	2
Taiwan	3
United Kingdom	9
United States	67
Total	139

Hall of Fame

The following digest presents all financial institutions listed in our Hall of Fame, according to our research criteria.

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
APG	The Netherlands	X	X	X	X	X
ASN Bank	The Netherlands	X	X	X	X	X
A.S.R.	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
Menzis	The Netherlands	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
Pensioenfonds Zorg en Welzijn	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
Spoorwegpensioenfond	The Netherlands	X	X	X	X	X
SPW	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

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

Country of origin of financial institutions in the Hall of Fame	Number of financial institutions per country
Australia	1
Belgium	1
Denmark	1
Ireland	1
Italy	1
Luxembourg	1
New Zealand	1
Norway	4
Sweden	4
The Netherlands	16
Total	31

Runners-up

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
Barclays	The United Kingdom	X	X	X		X
BBVA	Spain	X	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
Deutsche Bank	Germany	X	X	X		X
Generali	Italy	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		X
Nordea	Sweden	X	X	X		X
Nykredit	Denmark	X	X	X		X
Pensioenfond Horeca & Catering	The Netherlands	X	X	X		X
PFA Pension	Denmark	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
SEB	Sweden	X	X	X		X
Société Générale	France	X	X	X		X
Stichting Pensioenfond APF	The Netherlands	X	X	X		X
Sumitomo Mitsui Trust Bank	Japan		X	X		X

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?
Swedbank	Sweden	X	X	X		X
Syntrus Achmea	The Netherlands	X	X	X		X
UniCredit Group	Italy	X	X	X		X
Van Lanschot	The Netherlands	X	X	X		X
Vontobel	Switzerland	X	X	X		X

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

Country of origin of financial institutions in the runners-up	Number of financial institutions per country
Belgium	1
Canada	1
Denmark	4
France	4
Germany	2
Italy	3
Japan	1
Spain	1
Sweden	3
Switzerland	2
The Netherlands	8
The United Kingdom	6
Total	36

Countries' Best Practices

The following digest presents all states mentioned in the Countries' Best Practices section.

Legislation	Interpretative statement
Belgium	Australia
Ireland	Bosnia and Herzegovina
Italy	Cameroon
Liechtenstein	Canada
Luxembourg	Colombia
The Netherlands	Congo (DR)
New Zealand	Congo (Republic of)
Samoa	Croatia
Switzerland	The Czech Republic
	France
	Ghana
	Guatemala
	The Holy See
	Hungary
	Lao PDR
	Lebanon
	Madagascar
	Malawi
	Malta
	Mexico
	Niger
	Norway
	Rwanda
	Senegal
	Slovenia
	The United Kingdom
	Zambia

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. Reports of the suffering that cluster munitions caused among civilian populations had alarmed people and drawn international attention to the issue for decades. On December 3 and 4, 94 states signed the Convention on Cluster Munitions (CCM), which categorically prohibits the use, production, transfer and stockpiling of cluster munitions.

Cluster munitions pose a serious threat to civilian populations during and after an attack. 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 aircraft; they spread dozens, or even hundreds, of submunitions or bomblets over an area that can be the size of several football fields. Distributing 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.

“Me and Mousa and our 12-year-old cousin were grazing the sheep half a way up the hill and we found some objects - shaped like cylinders, a bit bigger than cups of coffees, each with a white ribbon attached to it. There were lots of them. We picked up one each but then me and my little cousin put them down and left them there. Mousa put the one he picked up in his pocket, on the right pocket of his jacket. He walked maybe 200-300 metres and it exploded in this pocket. [...] He died immediately. I was injured in the legs from the explosion but our little cousin was saved because he was further away.”

Cluster munition survivor from Syria who got injured and lost his 16-year-old cousin Mousa Ramadan Hassoun due to unexploded bomblets on 20 February 2013.¹¹

The Oslo process started in February 2007. At the invitation of the Norwegian Government, 49 countries met after government talks in the traditional forum for weapons issues failed. The resulting Oslo Declaration called for creating by 2008 a legally binding instrument that would prohibit the use, production, transfer and stockpiling of cluster munitions that cause unacceptable harm to civilians.¹² At the ensuing international conferences, the number of supporting countries grew at a steady pace. The CCM opened for signature in December 2008.

The Oslo process was marked by resolute cooperation among 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)^{XII}, can produce a convention that can make a difference for civilians during and after a conflict.

XII 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. CMC membership numbers around 350 civil society organisations from 90 countries. See: www.stopclustermunitions.org.

The CCM entered into force on 1 August 2010. At the time of writing, 113 countries have joined and 84^{XIII} are States Parties to the convention. The universal adoption and implementation of the Convention on Cluster Munitions are critical steps toward enhancing human security during and after armed conflict and toward providing assistance to survivors.

Article 1(1)c 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.”¹³ 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.¹⁴

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. A CMC policy paper on disinvestment explains, “States Parties must make it clear that the prohibition on assistance in Article 1(c) includes a prohibition on investments in the production of cluster munitions. States Parties must make it clear that they intend to make it explicit in national legislation that such investments are prohibited.”¹⁵

As we will see in Chapter 2, several states have passed legislation prohibiting investment in companies that produce cluster munitions. Since our first publication in this series in October 2009, we see that more and more states have taken action to prevent investments in cluster munitions as a means to cease the production of these weapons elsewhere. We encourage other states to do the same and provide clear guidelines for financial institutions (FIs) operating within their territory. In the end, however, financial institutions will have to be the ones to ensure that investments in companies that produce cluster munitions cease. This publication presents an inexhaustive 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 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 we see that a growing number of financial institutions have made a serious effort to disinvest from cluster munitions, many find it difficult to implement their policy or have, as yet, no policy on investment in companies that produce cluster munitions. The Hall of Shame in Chapter 1 lists a whole

XIII By 31 October 2013 the following countries are States Parties to the CCM: Afghanistan, Albania, Andorra, Antigua and Barbuda, Australia, Austria, Belgium, Bolivia, Bosnia and Herzegovina, Botswana, Bulgaria, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Chile, Comoros, Cook Islands, Costa Rica, Côte d’Ivoire, Croatia, Czech Republic, Denmark, Dominican Republic, Ecuador, El Salvador, Fiji, France, Germany, Ghana, Grenada, Guatemala, Guinea-Bissau, Holy See, Honduras, Hungary, Iraq, Ireland, Italy, Japan, Lao PDR, Lebanon, Lesotho, Liechtenstein, Lithuania, Luxembourg, Macedonia FYR, Malawi, Mali, Malta, Mauritania, Mexico, Moldova, Monaco, Montenegro, Mozambique, Nauru, Netherlands, New Zealand, Nicaragua, Niger, Norway, Panama, Peru, Portugal, Saint Kitts and Nevis, St. Vincent and the Grenadines, Samoa, San Marino, Senegal, Seychelles, Sierra Leone, Slovenia, Spain, Swaziland, Sweden, Switzerland, Togo, Trinidad and Tobago, Tunisia, United Kingdom, Uruguay and Zambia.

range of examples of financial institutions that still invest in or offer financial services to cluster munitions producers. These investments raise serious ethical concerns for these financial institutions. These concerns arise from two arguments: the controversial character of cluster munitions and the complicity of the investor. Cluster munitions are widely acknowledged to be unacceptable weapons. In signing the CCM, more than 110 countries have agreed to ban these weapons. 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 pursue them. 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 insisted that companies in their portfolio end their involvement in the production and/or development of cluster munitions, and that they disinvest from companies that ignore this demand.

Fortunately, parallel to the Oslo process and since the CCM came about, a growing number of financial institutions have recognised their responsibility to withdraw support from companies manufacturing cluster munitions. These financial institutions have banned cluster munitions producers from their investment portfolios. Chapter 2 describes financial institutions' policies on investment in cluster munitions. Many financial institutions have stated publicly that they will disinvest from cluster munitions producers; an increasing number of them has 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. Our Hall of Fame shows great examples of financial institutions that have shouldered their responsibility and implemented a comprehensive policy to disinvest from cluster munitions. The runners-up category in the same chapter lists financial institutions that have made a serious effort to adopt and implement a policy to disinvest from cluster munitions, but have some shortcomings in either the policy or its implementation.

Our Research

The goal of our research is to deliver an up to date 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.
2. Who is disinvesting from companies that produce cluster munitions? Chapter 2 contains a list of financial institutions that have done so and a list of states that condemn this type of investment.

Profundo did the research on producing companies and on financial links as well as the research on the financial institutions' policies.

We hope that the information provided here will encourage states, financial institutions and civil society to advance the convention's goal to halt 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 two parts:

- The first part describes the companies selected for this study.
- The second part gives a list of financial institutions investing in cluster munitions manufacturers.

1.1 Red Flag List of Cluster Munitions Producers

1.1.0 Introduction and Methodology

The goal of our research is to deliver an up-to-date 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 cluster munitions producer.

- **Definitions**

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

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:

1. A munition or submunition designed to dispense flares, smoke, pyrotechnics or chaff; or a munition designed exclusively for an air defence role;
2. A munition or submunition designed to produce electrical or electronic effects;
3. 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;¹⁶

We define a **cluster munitions producer** as follows:

- Any company or group of companies that, in its own name or through a subsidiary, develops or produces cluster munitions and/or explosive submunitions according to the definitions in the Convention on Cluster Munitions.
- Any company or group of companies that, in its own name or through a subsidiary, develops or produces key components of cluster munitions or explosive submunitions. Key components are components which form an integral and indispensable part of the cluster munitions or explosive submunition.

We consider a company or group of companies to be a cluster munitions producer when any part, however small, of its total turnover is derived from producing (key components for) cluster munitions or explosive submunitions, regardless of the nature of the company's other activities.

We do so, because most cluster munitions are produced by companies that also produce other defence and/or civil products. Companies and groups can easily reallocate capital internally; profit from one production line can be invested in other production lines; money for general corporate purposes can be used for any of the company's activities, etc. Focussing solely on financing for 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**

Criteria for inclusion on the long list

For this research project we have compiled a long list of cluster munitions producers that meet at least one of the following two criteria:

- There is sufficient evidence that the company produced (key components for) cluster munitions or explosive submunitions since 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;

A clear description of a delivery of the product in a company publication or trade journal is considered as sufficient evidence that a company is involved in present or planned production. This is also the case when a budget line for the product is included in a recent government budget.

If over the past year the company has advertised (key components for) cluster munitions or explosive submunitions at exhibitions, in brochures, or on its website, this is seen as evidence of development or production. However, if other evidence is found that contradicts this or if the advertising refers to (key components for) cluster munitions or explosive submunitions that, to our knowledge, have not been produced since 30 May 2008, we do not place the company on the long list.

As a consequence, some companies which mention (key components for) cluster munitions or explosive submunitions on their websites are not included on the long list. A brochure may date from before May 2008, or other evidence may suggest that these products are no longer being produced. Furthermore, some companies that produce (key components for) cluster munitions or explosive submunitions at present are not included on the long list because we could not find sufficient evidence of their production activities.

From long list to short list (our “red flag list”)

For all cluster munitions producers on the long list we researched if financial links with one or more financial institutions could be confirmed with reliable information in the public domain. Chapter 1 section 2 contains short information of the links we found.

When we could find no links to financial institutions, we decided not to include the cluster munitions producer in this report. This was mostly the case with state-owned and privately-owned companies. Because these companies are not taken into account, the short list of companies in this report can by no means be considered an exhaustive list of the companies, worldwide, involved in the production of (key components for) cluster munitions or explosive submunitions at present.

“The short list of companies in this report can by no means be considered an exhaustive list.”

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.¹⁷

In 1992, ATK won a contract to produce the **CBU-87/B Combined Effects Munition** for the US Air Force.¹⁸ The CBU-87/B contains 202 BLU-97/B submunitions. Aerojet manufactured the bomb, while ATK manufactured the submunitions and packed them into the bomb. The CBU-87/B was widely used in the first Gulf War and in Kosovo. Since 2000, they were equipped with the Wind Corrected Munitions Dispenser (WCMD) guidance tail kit produced by Lockheed Martin. Since then, the CBU-87/B was designated as CBU-103.¹⁹

The last time the CBU-103 was mentioned in the US Defense Department budget was in 2006.²⁰ This means that production was terminated in that year.

Alliant Techsystems is the designer and producer of the rocket motor for the **Sensor Fuzed Weapon (SFW)**, produced by Textron Defense Systems (see paragraph 1.1.7). We consider the SFW to be a cluster munition under the definition of the Convention on Cluster Munitions. ATK produces a key component for this type of cluster munitions.

The following information on ATK’s contribution to the SFW was available on the ATK website in February 2010: “The BLU-108 submunitions released from the Sensor Fuzed Weapon (SFW) are propelled by an ATK Missions Systems designed and produced rocket motor. 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 utilizing dual tangential nozzles in the ATK rocket motor. The SFW is the first smart air-to-surface munition to enter production for the U.S. Air Force. The SFW, a 1,000-pound class weapon, contains ten BLU-108 submunitions, each with four smart Skeet warheads, for 40 warheads. Designed for stand-off deployment from a wide variety of aircraft, SFW’s versatility and superior lethality make it a weapon of choice for anti-armor, destruction of enemy air defense, and many other combat missions.”²¹

This information has not been available on the company website since 2011. However, as a supplier for an important component of the SFW, ATK has been involved in several SFW contracts concluded by Textron Defense Systems with the US Air Force. In March 2006, Textron Systems announced that it had been awarded a US\$108 million contract by the US Air Force for its Fiscal Year 2006 procurement of the SFW. The three-year contract was part of an on-going long-term pricing agreement (LTPA). Overall, Textron Systems would deliver approximately 6,500 SFWs to the US Air Force by the end of 2013.²²

The most recent US Air Force contract with Textron we found on SFW deliveries is a “\$92,938,707 firm-fixed-price contract modification” dated 31 January 2007 which “provides for 291 Sensor Fuzed Weapons (SFW) Full Rate Production, Lot 12 option exercise.”²³ This same contract was modified in February 2009 for an additional US\$9,527,490 worth of SFWs. According to the US Department of Defense “This action will provide 30 additional Sensor Fuzed Weapons, Full Rate Production Lot 12. At this time, the entire amount has been obligated. Eglin Air Force Base is the contracting activity.”²⁴

Since July 2004, Textron Defense Systems also sells SFWs to other countries, mostly under US Air Force Foreign Ministry Sales (FMS) contracts. Receiving countries include India, Oman, Saudi Arabia and United Arab Emirates. The most recent agreement with Saudi Arabia dates from August 2013.²⁵ For more details, see paragraph 1.1.7. As an important component supplier, ATK very probably was involved in these contracts.

In its annual reports, Alliant Techsystems confirms that it was involved in SFW supplies to the US Air Force in recent years.²⁶ In its latest report for the fiscal year ended March 2013, it states that: “ATK’s sole-source contracts accounted for 65% of U.S. Government sales in fiscal 2013 and include the following programs: (...) **Sensor Fuzed Weapon propulsion systems**, (...).”²⁷

In August 2013, the Council on Ethics for the Norwegian Government Pension Fund Global decided to stop considering Alliant Techsystems a producer of cluster munitions because the company no longer advertises production of CBU-87/B cluster munitions and BLU-108 submunitions.²⁸ However, Alliant Techsystems did not respond to IKV Pax Christi’s request for information about its activities in relation to the SFW propulsion system.²⁹ Despite its removing information about its rocket motor for the SFW from its website, we keep Alliant Techsystems on the red flag list because there is evidence that the company has been manufacturing this key component for the SFW cluster munitions after May 2008. The company confirmed this when its 2013 annual report referred to the SFW propulsion system as one of its sole-sourced contracts with the US government. Alliant Techsystems has, to our knowledge, not publicly stated that it will end its involvement with the rocket motor for the SFW within the coming 12 months.

1.1.2 China Aerospace Science and Technology (China)

China Aerospace Science and Technology (CASC) is a Chinese state-owned company mostly active in missile development, aerospace electronics and other aerospace equipment.³⁰ Sichuan Aerospace Industry Corporation (SCAIC, also known as Sichuan Academy of Aerospace Technology) operates as a subsidiary of CASC and focuses on defense equipment production, research and rocket systems development.

SCAIC produces several Multiple Launch Rocket Systems (MLRS). The 302 mm **WS-1 MLRS**, the 122 mm **WS-1E MLRS**, the 302 mm **WS-1B MLRS**, and the 400 mm **WS-2 Guided MLRS** can be fitted with multi-function warheads, among them “armor-defeating and killing double-use cluster” and “comprehensive effect cluster” and “sensor fuzed cluster” warheads.³¹ Among the warheads available for the WS-1B is the SZB-1 carrying 466 submunitions.³²

China Aerospace Science and Technology is included on the red flag list because its subsidiary, Sichuan Aerospace Industry Cooperation, advertises cluster munitions on the product pages of its website. We found no evidence that it had ceased producing these types of cluster munitions since May 2008.

1.1.3 Hanwha (South Korea)

Hanwha Corporation, the former Korea Explosives Corporation, has two major business areas: the explosives division which makes commercial explosives, defense industry products and aerospace products, and the trade division, which globally deals with petroleum, metals, and other goods.³³ The South Korean company was officially designated a defence contractor in 1974. Since then, it has specialised in munitions,

whose production process is under strict government control and for which the South Korean Government is the sole customer.³⁴

Hanwha produces **130 mm Multiple Launch Rocket System (MLRS)** and **2.75” Multi-purpose submunitions (MPSM)**. The company confirmed the manufacture of these types of cluster munitions in a written answer to the Norwegian Government Pension Fund - Global in 2007.³⁵

In February 2010, Hanwha Corporation still advertised the 130 mm MLRS and the 2.75” MPSM on its website. It described the 130 mm MLRS as a rocket launcher that could “launch multiple rockets into concentrated enemy encampments across a wide area.”³⁶ The 2.75-inch MPSM was described as the “HE MPSM K224 Warhead [that] contains 9 each multipurpose submunitions for use against personnel, materiel and light armour.”³⁷

In January 2011, the 2.75” MPSM was still on the company’s website, but the 130 mm MLRS had been removed. The company described the 2.75” MPSM as a “weapons system for air-to-surface operations by combat helicopters and jet fighters.”³⁸

By March 2012, both the 2.75” MPSM and the 130 mm MLRS had been removed from the company’s website. Research by Handicap International and Facing Finance (Germany) in 2011, however, showed that Hanwha still offered 2.75” submunitions and 120mm mortar bombs with cluster ammunition at the 2011 IDEX (International Defence Exhibition).³⁹

The mechanical fuze **M577A1** and the electronic proximity fuze **M732**, both used for cluster ammunitions, were listed on the company website in March 2012 but have subsequently been removed.⁴⁰

In February 2010, Hanwha also mentioned on its website a so-called **Scattering Bomb for Aircraft** that is mounted on an aircraft and designed “to destroy massed enemy positions and ground troops.”⁴¹ The Council on Ethics for the Norwegian Government Pension Fund – Global stated in its 2007 recommendation that, although it has been unable to find further information on this weapon, “it seems that this is a category of cluster munition that has previously led to exclusion of companies from the Fund.”⁴² Since January 2011, no information could be found on this type of cluster munitions on Hanwha’s website.

In April 2012, South Korea informed the Cluster Munition Monitor that Hanwha produced 42,800 Dual Purpose Improved Conventional Munition (DPICM) submunitions extended range (base-bleed) 155mm artillery projectiles in 2011. In addition, it manufactured 6,150 227mm Multiple Launch Rocket Systems (MLRS) during that year.⁴³

Hanwha is on the red flag list because the company marketed the MPSM submunitions on its website after May 2008, produced DPICM submunitions and 227mm MLRS at least until 2011 and marketed the 2.75” submunitions and 120mm mortar bombs with cluster ammunition in 2011. There is no evidence that it has ceased production of this type of submunitions since May 2008.

1.1.4 Norinco (China)

China North Industries Corporation (Norinco) is a state-owned enterprise group engaged in defence products and in a range of other industries.⁴⁴

Norinco produces a full range of air-dropped and surface-launched cluster munitions. This includes Norinco’s **130 mm type 59** cannon cargo projectile, a separate loading ammunition containing 35 Type 81 dual-purpose High-Explosive Anti-Tank (HEAT) bomblets.⁴⁵

Norinco developed a 250 kg version of its 360 kg anti-tank cluster bomb. The Type 2 is a cluster bomb designed for air-launch to distribute its load of bomblets over a large area. It has three basic loading options: anti-personnel and anti-materiel/vehicle (APAM) fragmentation bomblets; anti-personnel (AP) bomblets; or anti-tank (AT) bomblets.⁴⁶

Norinco developed several MLRS, among them the **Type 90 122mm MLRS**, the second-generation truck-mounted 122mm 40-tube multiple launch rocket system in the 1990s. It features 40 rocket launchers and can be equipped with 122mm DPICM containing 39 submunitions. The improved Type 90B was revealed in 2004.⁴⁷

In September 2008, Norinco presented its **AR2 300mm long-range MLRS** during the Africa Aerospace and Defence Exhibition.⁴⁸ The **AR1-A** was presented at IDEX 2009.⁴⁹ AR1-A and AR2 can launch different rockets: **BRC3** with cluster warhead with 623 submunitions, **BRC4** of a similar type but with extended range, and **BRE2** fitted with a conventional high-explosive warhead.⁵⁰

In 2011, research at IDEX (International Defence Exhibition) by Handicap International and Facing Finance found evidence that Norinco marketed **Type 90B 122 mm** and **W-120 273 mm** cluster munition projectiles for MLRS.⁵¹

The information on Norinco is derived from Jane's and other defence product information services. Neither the Chinese nor the English product pages of Norinco's website work properly. Therefore, it is unknown whether the company is currently advertising these products on its website.

Norinco is included on the red flag list because there is evidence that the company has produced cluster munitions after May 2008. The company has not publicly stated that it will end its involvement within the coming 12 months.

1.1.5 Poongsan (South Korea)

Poongsan, a leading defence company in South Korea, develops military and sporting ammunition.⁵² Poongsan has been involved in the production of two types 155 mm artillery cluster munitions: the Dual Purpose Improved Conventional Munitions **DP-ICM TP/K308** and **DP-ICM K310**. Both are 155 mm artillery projectiles, the K308 containing 40 K244 "bomblets", small, explosive submunitions, and 48 dummies, the K310 containing 49 K221 submunitions.⁵³

In 2006, Poongsan entered into a licensed production agreement with Pakistan Ordnance Factories to co-produce the DPICM K310.⁵⁴ The Pakistani army received the first batch of ammunition in April 2008.⁵⁵ In April 2009, Poongsan exported a new consignment of inert components for 155 mm K310 artillery shells to Pakistan Ordnance Factories' Sanjwal plant. The munition parts were described in detail on shipping documents including "155MM K310 Dummy Kit" and "KM577 Dummy Metallic Fuze." Revenue authority documents reveal another consignment of inert components for K310 artillery shells from Poongsan Corporation in February 2010, again described in detail on shipping documents as four pallets of "155MM K310 TP Projectile (Dummy)."⁵⁶

In January 2011, Poongsan's English website still mentioned the Dual Purpose Improved Conventional Munitions (DPICM) TP/K308, although the K310 version was absent from the product lists.⁵⁷ Both DPICM K308 and K310 have only been listed in the Korean version of the catalogue in the last two years.⁵⁸ Research at IDEX by Handicap International and Facing Finance (Germany) also found evidence that Poongsan was still exhibiting the K310 in 2011.⁵⁹ The 155 mm K221 bomblets used in K308 and K310 were listed in the English version of the ammunition catalogue available on the company website in August 2013.⁶⁰

Poongsan is included on the red flag list because there is evidence that the company produced DPICM K310 and TP/K308 cluster munitions after May 2008. No evidence was found that these types of cluster munitions were no longer produced since then. The company has not publicly stated that it will end its involvement within the coming 12 months.

1.1.6 Singapore Technologies Engineering (Singapore)

Singapore Technologies Engineering Ltd (ST Engineering) is an integrated engineering group specialising in solutions and services in the aerospace, electronics, land systems and marine sectors.⁶¹

Singapore Technologies Kinetics, which is the land systems arm of Singapore Technologies Engineering,⁶² has produced at least two versions of the **155 mm High-Explosive (HE) Dual Purpose-Improved Conventional Munition (DPICM)**. These are cluster munitions with 64 submunitions with a mechanical self-destruct fuze. Singapore Technologies Engineering claims a dud rate of 3%.⁶³

Although the 155 mm HE DPICM no longer appears in the official product list on Singapore Technologies Engineering's website, a January 2007 brochure containing it was still available on the website in August 2013.⁶⁴

In 2008, Singapore announced that it would impose an indefinite moratorium on the export of cluster munitions effective immediately.⁶⁵ In November 2008, AFP press agency quoted a company spokeswoman 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."⁶⁶

In May 2010, Singapore Technologies Engineering, when asked by Landmine and Cluster Munition Monitor whether it was currently producing cluster munitions, stated, "ST Engineering does not produce cluster munitions for export, nor are we a sub-contractor to anyone who does. We are committed to work with the Singapore government and abide by the moratorium imposed by the Singapore government on the export of cluster munitions. ST Engineering is committed to working with the government, defense contractors and international organisations to bring about a truly international and enduring solution to the humanitarian concerns over cluster munitions."⁶⁷ This statement, however, only refers to cluster munitions for export, and does not provide any information about cluster munitions production for the Singapore government.

Singapore Technologies Engineering is on the red flag list because it has been marketing 155 mm HE DPICM cluster munition on its website. There is no evidence that production of this type of cluster munition has ceased since May 2008. The company has not publically stated that it will end its involvement within the coming 12 months.

1.1.7 Textron (United States)

Textron is a multi-industry company, consisting of numerous subsidiaries and operating units. Textron Systems Corporation, a subsidiary operating under Textron Defense Systems unit, manufactures air launched weapons, smart submunitions, intelligent battlefield munitions and sensor systems, and ground and airborne surveillance systems.⁶⁸

The first version of Textron's Sensor Fuzed Weapon (SFW) was designated **CBU-97**. Later the Wind Corrected Munitions Dispenser (WCMD) produced by Lockheed Martin was added to the weapon. A SFW with WCMD is designated **CBU-105**.

One of the suppliers contributing to the SFW is Alliant Techsystems (see paragraph 1.1.1), which produces the SFW's rocket motor.

The SFW product brochure available on Textron's website provides the following information: "Known as CBU-97 and CBU-105, Textron Defense Systems' SFW is the first and only combat-proven clean battlefield weapon of its kind in the U.S. Air Force inventory. [...] The SFW, a 1,000-pound class weapon, contains 10 Textron Defense Systems BLU-108 submunitions — each with four smart Skeet warheads, for a total of 40 warheads. One SFW can detect and engage many fixed and moving land and littoral combat targets

simultaneously within 121,400 square meters (30 acres). This wide-area capability enables the SFW to halt an invading force and attack air defence sites while significantly reducing the number of aircraft sorties. Designed for standoff deployment from a wide selection of aircraft, the SFW's versatility and superior lethality make it the weapon of choice for anti-armor, destruction of enemy air defence and many other combat missions. It can be deployed from U.S. or NATO tactical aircraft in all weather conditions, day or night, and is certified on most Air Force fighter and bomber aircraft. Each smart Skeet warhead can defeat a variety of moving and stationary targets including parked aircraft, mobile radars and jammers, air defence vehicles and support vehicles."⁶⁹

Textron argues that the weapon contains self-destruct and self-neutralisation features and that this "nearly eliminates risk of unexploded submunitions."⁷⁰ The company believes that the SFW is not a cluster munition as defined in the Convention on Cluster Munitions.⁷¹

However, Textron's claims of strike accuracy and the reliability of the self-destruct mechanisms with less than 1% unexploded ordnance (UXO) have been contested.⁷² States Parties to the CCM have never concurred with Textron's view that the SFW would not fall under the prohibition of the Convention on Cluster Munitions. The Legal Commentary to the Convention on Cluster Munitions published by Oxford University Press also explicitly contests this.⁷³

Textron Defense Systems' Selectively Targeted Skeet (STS) submunition, which is comparable to the BLU-108 "sensor-fuzed smart submunition" is no longer advertised on the company website.⁷⁴

The SFW has been sold primarily to the US Air Force, under various contracts. In March 2006, Textron Defense Systems announced that it had been awarded a US\$108 million contract by the US Air Force for its Fiscal Year 2006 procurement of the SFW. The three-year contract was part of an on-going long-term pricing agreement (LTPA). Overall, Textron Defense Systems would deliver approximately 6,500 SFWs to the US Air Force by the end of 2013.⁷⁵

The most recent US Air Force contract with Textron Defense Systems for SFW deliveries that we could find is a "\$92,938,707 firm-fixed-price contract modification" dated 31 January 2007 which "provides for 291 Sensor Fuzed Weapons (SFW) Full Rate Production, Lot 12 option exercise."⁷⁶ This same contract was modified in February 2009 for an additional US\$9,527,490 of SFWs. According to the US Department of Defense, "this action will provide 30 additional Sensor Fuzed Weapons, Full Rate Production Lot 12. At this time, the entire amount has been obligated. 683rd ARSS/SYKA, Eglin Air Force Base is the contracting activity."⁷⁷

Since July 2004, Textron Defense Systems also sold SFWs to other countries, mostly under US Air Force Foreign Ministry Sales (FMS) contracts. The US ban on export licenses for cluster bombs that was signed into law in March 2009 excludes cluster bombs with an UXO rate of less than 1%. As Textron claims an UXO rate of less than 1% for the CB-105, it is still allowed to export this product.

Contracts or contract announcements via FMS include e.g.:

- Turkey: Textron Systems announced in November 2006 that it had received a contract from the United States Air Force for a FMS to sell the SFW to the Turkish Air Force (TuAF).⁷⁸
- Oman: Textron Defense Systems is reported to have delivered an unknown number of SFWs to Oman since 2006.⁷⁹
- United Arab Emirates (UAE): The UAE signed a contract with Textron in November 2007. As a result of this contract, Textron Defense Systems delivered an unknown number of CBU-105 SFWs, valued at US\$57 million, to the UAE in June 2010.⁸⁰
- South Korea: In April 2010, it was announced that South Korea had selected Textron Defense Systems' SFW for integration with Korea Aerospace Industries' developmental F/A-50 light attack aircraft. Through a FMS led by the Eglin Air Force Base Air Armament Center and the Defense Acquisition Program

Administration of South Korea, Textron Defense Systems at the time expected to begin providing inert integration rounds starting in 2010.⁸¹ In June 2012, the U.S. Defense Security Cooperation Agency notified Congress of the possible Foreign Military Sale to the Government of the Republic of Korea of 367 CBU-105D/B WCMD SFWs and associated parts, equipment, logistical support and training for an estimated cost of US\$325 million.⁸² We could find no finalised agreement for the deal.

- India: In December 2010 the following FMS contract was closed with Textron Defense Systems: “\$257,737,338 contract which will provide for 512 sensor-fuzed weapons CBU-105 production units and 44 training units. This contract supports foreign military sales to India. At this time, \$126,291,295 has been obligated. Eglin Air Force Base is the contracting activity.”⁸³ In February 2011, Textron officially announced that it had received this contract to produce SFWs for the government of India. The company received the US\$126 million initial funding.⁸⁴ No delivery dates were released, but the units apparently were meant to be delivered over a wide time frame.⁸⁵
- Saudi Arabia: In June 2011, the Defense Security Cooperation Agency notified the U.S. Congress of a possible sale of 404 CBU-105 SFW to the Government of Saudi Arabia.⁸⁶ Saudi Arabia is listed in Textron’s Fact Book 2012 as a recipient of SFWs.⁸⁷ In August 2013, Textron Defense Systems was awarded a US\$641 million modification to the contract for 1,300 cluster bomb units with delivery expected to be completed by December 2015.⁸⁸
- Taiwan: in September 2011, the U.S. Defense Security Cooperation Agency notified Congress of a possible foreign military sale worth US\$5.3 billion for retrofitting Taiwanese F-16A/B aircraft and associated equipment, including the sale of 64 CBU-105 WDMD SFWs.⁸⁹ The main upgrading contract valued at US\$1.85 billion was awarded to Lockheed Martin in September 2012, however, there was no mention of SFWs.⁹⁰

Textron is included on the red flag list because there is sufficient evidence that the company has produced the SFW after May 2008. The company has not stated publicly that it will end its involvement in the coming 12 months.

1.1.8 Companies no longer on our red flag list

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.⁹¹

Lockheed Martin had been involved in the production of several components of cluster munitions in the past, such as the **Wind Corrected Munitions Dispenser (WCMD)**,⁹² of which development started in 1995 and which was used for the first time in Iraq in 2003.⁹³ The WCMD was seen as an affordable guidance kit, which was adapted among others to the CBU-87/B Combined Effects Munition (CEM) and CBU-97 Sensor Fuzed Weapon (SFW) cluster bombs.⁹⁴

The company’s most recent cluster munition product was the **Guided Multiple Launch Rocket System (GMLRS) missile** which it produced since 2003. It developed and produced two variants of the GMLRS: the M31 with a unitary warhead and the M30 with a warhead consisting of 404 M101 Dual Purpose Improved Conventional Munition (DPICM) submunitions. In 1994, Lockheed Martin was assigned prime contractor for the GMLRS contract with the US Army, which made the company responsible for the entire program.⁹⁵ In early 2009, the US Government decided that the US Army would cease procurement of DPICMs and only buy unitary rockets after the deliveries of previously contracted DPICM rockets were completed, presumably in the summer of 2009. The export of cluster munitions that leave behind more than 1% of their submunitions as duds was also prohibited.⁹⁶

In May 2011, Lockheed Martin informed IKV Pax Christi that “Lockheed Martin does not presently manufacture anti-personnel mines or anti-personnel submunitions. However, the Corporation does have two pre-existing contractual relationships for systems that function as the delivery vehicle for the U.S. Government furnished submunitions that possess anti-materiel and anti-personnel capabilities. These preexisting obligations were entered into prior to initial adoption of the Convention on Cluster Munitions, and are scheduled to be fulfilled not later than 2011 and 2013. Lockheed Martin plans to cease this production activity upon fulfillment of its existing contracts. Further, Lockheed Martin no longer markets rockets or missiles configured to deliver anti-personnel cluster munitions.”⁹⁷

In reply to requests for further information on Lockheed Martin’s activities, the company stated in April 2013 that “Lockheed Martin has never produced cluster munitions and has ceased all marketing of rockets, missiles or other delivery systems incorporating such warheads. We will not accept future orders to produce such products. All current and future production of the MLRS/GMLRS/ATACMS family of missiles incorporates only non-cluster munition warheads. Two previously disclosed dormant contracts for cluster munition delivery vehicles referenced in previous statements, including the MLRS one [...], have now been officially terminated without further production. Similarly, we ceased production of the Wind Corrected Munition Delivery kits in 2010.”⁹⁸

We removed Lockheed Martin from the red flag list because it has confirmed that it has stopped producing and marketing rockets, missiles or other delivery systems for cluster munitions and stated that it will not accept such orders in the future.

Splav State Research and Production Enterprise (Russia)

State-owned Splav was included on the 2012 red flag list. However, the 2013 update found no financial investments in Splav. Consistent with the inclusion criteria, we thus removed Splav from the red flag list. Although Splav is not included on the red flag list, our research indicates that Splav can still be considered a cluster munitions producer.

Splav State Research and Production Enterprise (Splav) began developing multiple rocket launcher systems (MRLS) at the end of the 1950s.⁹⁹ Today it claims to be the world’s leading manufacturer of MLRS.¹⁰⁰

The company advertises various 122 mm, 220 mm, and 300 mm rocket projectiles with cluster warheads on its website.¹⁰¹ Among the projectiles are the **300 mm 9M55K** which contains 72 submunitions, the **300 mm 9M55K4** which contains 25 submunitions, and the **300 mm 9M55K5** which contains 646 submunitions, all used in the company’s “Smerch” multiple rocket launcher system (MRLS) for land forces.¹⁰² The **9M531** rocket carrying a warhead with 646 9N176 submunitions, which is compatible with the 9A52M Smerch-M MLRS, is not listed on the company’s website.¹⁰³ However, the 9M531 was offered in a brochure at IDEX 2013.¹⁰⁴

The 122 mm “Grad” and “Grad-1” MLRS are advertised for use with various rocket projectiles, including the 9M217 Unguided Rocket Projectile with Sensor-fuzed Submunitions Scattering Cluster Warhead containing two submunitions, and the 9M218 Unguided Rocket Projectile with Shaped-Charge Fragmentation Submunitions Scattering Warhead containing 45 submunitions.¹⁰⁵

The 220 mm “Uragan” MLRS is advertised on the site for use with **9M27K 220 mm** Rocket Projectile with Fragmentation Submunitions Scattering Cluster Warhead containing 30 fragmentation submunitions.¹⁰⁶

Splav has been removed from the red flag list as no financial links were found. However, the company is still advertising cluster munitions on its website. There is no evidence that the production of these types of cluster munitions has ceased since May 2008 nor has the company publically stated that it will end its involvement within the coming 12 months.

1.2 The Investments

1.2.0 Introduction and Methodology

This section contains the results of our research on financial institutions investing in the seven companies on the red flag list. It answers the question on which financial institutions are financially involved in companies that produce cluster munitions.

Before turning to this question, we will describe the various financial services that financial institutions offer and define the terms 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 financing or project financing.

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 institution's involvement with cluster munitions producers in various ways. The financial institution can act on behalf of a third party when buying shares in or bonds issued by a company. Most of the time this means the third party, a person or an institution, is buying one or more shares in an investment fund that the financial institution markets. The financial institution's asset manager manages this fund using an investment strategy. The financial institution can also buy shares in and bonds issued by a company on its own behalf. This makes the financial institution a shareholder or bondholder in this company.

This distinction is often referred to as a financial institution's direct and indirect involvement. However, since there is no universal definition of the terms 'direct' or 'indirect' financing, and since these terms are used for different contents, we choose not to use these terms here.^{XIV}

XIV More information on the difference between direct and indirect financing is given in a background paper by FairFin (formerly *Netwerk Vlaanderen*): *Netwerk Vlaanderen*, "The scope of Banks' Sustainable Investment Policies: The Issue of Direct and Indirect Financing. Background paper by *Netwerk Vlaanderen*", May 2010, available at www.stopexplosiveinvestments.org/uploads/pdf/Direct_and_indirect_investments.pdf, last viewed 26 September 2013.

- **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. Financial institutions can invest on their own behalf or for third parties.

- **Research**

We consider any kind of financial 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 different shareholding structure in the various companies,^{xv} we chose a 0.1% floor limit for Hanwha Corporation, Poongsan, and Singapore Technologies Engineering and a 1% limit for ATK and Textron. Since there are so many shareholders in ATK and Textron that hold less than 1% of the shares, listing all of them is beyond the scope of this report. We made a pragmatic choice to apply the abovementioned thresholds.

Research institute Profundo (the Netherlands) provided a list of financial institutions derived from stock exchange filings and other publications by financial institutions and cluster munitions producers, as well as from commercial databases with information supplied by financial institutions.

We included all credits and underwriting activities dated after 1 June 2010 for which we found information. We also included data on shareholdings and bond holdings available at the end of August 2013, the date Profundo concluded its research on financial links to cluster munitions producers.

We define 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; or
- Cluster munitions producer's other activities.

We consider them irrelevant, because a financial institution cannot possibly be certain that the financial services it provides for a company will not be used to produce cluster munitions. It is common for weapons producers to finance cluster munitions facilities from general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities.

As we already noted, the list in 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. Since the red flag list is not exhaustive, a financial institution could have invested in a producing company not included in our research. There is little or no transparency on what credits were given to whom. This makes it very hard to find out whether a financial institution has granted a loan to a controversial company.

XV Asian companies seem to have a few large (local) shareholders and a group of foreign shareholders with less than 1%. That is why we lowered the threshold for Hanwha, Poongsan and Singapore Technologies Engineering.

- **Results**

The following contains the results of our research on which financial institutions finance the cluster munitions producers in our red flag list. Each paragraph contains the following information:

- The institution's name and country of origin for each financial relationship.
- 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.
- The name of 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

On 2 April 2013, Aberdeen Asset Management owned or managed 9.98% of the shares of **Singapore Technologies Engineering** valued at US\$1,107.4 million.¹⁰⁷

1.2.2 **Adage Capital Management (United States)**

ASSET MANAGEMENT

On 30 June 2013, Adage Capital Management owned or managed 1.76% of the shares of **Textron** valued at US\$127.7 million.¹⁰⁸

1.2.3 **Advent Capital Management (United States)**

ASSET MANAGEMENT

On 31 March 2013, Advent Capital Management owned or managed 1.50% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$8.3 million.¹⁰⁹

1.2.4 **Agricultural Bank of China (China)**

INVESTMENT BANKING

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Agricultural Bank of China participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.¹¹⁰

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. Agricultural Bank of China acted as joint bookrunner in the nine-bank syndicate, underwriting an estimated US\$60.2 million.¹¹¹

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. Agricultural Bank of China acted as joint bookrunner in the ten-bank syndicate, underwriting an estimated US\$86.2 million.¹¹²

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. Agricultural Bank of China participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.¹¹³

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. Agricultural Bank of China acted as one of two joint bookrunners in the ten-bank syndicate, underwriting an estimated US\$88.5 million.¹¹⁴

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. Agricultural Bank of China acted as one of two joint bookrunners, underwriting an estimated US\$119.7 million.¹¹⁵

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. Agricultural Bank of China acted as one of two joint bookrunners, underwriting an estimated US\$91.2 million.¹¹⁶

1.2.5 **AIG (United States)**

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 31 May 2013, American International Group (AIG) via its subsidiaries American General Life Insurance, United States Life Insurance Company in the City of New York, Valic and Variable Annuity Life Insurance Company owned or managed 2.69% of the outstanding bonds issued by **Textron** valued at US\$56.6 million.¹¹⁷

1.2.6 **Allianz (Germany)**

ASSET MANAGEMENT^{XVI}

On 31 March 2013, Allianz Global Investors Korea owned or managed 1.58% of the shares of **Poongsan Corporation** valued at US\$10.9 million.¹¹⁸

On 30 June 2013, Pimco, a U.S. subsidiary of Allianz, owned or managed 2.14% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$11.8 million.¹¹⁹

On 30 June 2013, NFJ Investment Group and Allianz Global Investors U.S., both part of Allianz, owned or managed 5.20% of the shares of **Alliant Techsystems** valued at US\$137.9 million.¹²⁰

XVI Allianz Global Investors Europe announced in a press release in January 2011 that “the mutual funds of Allianz Global Investors Europe do not invest in companies that manufacture cluster bombs or anti-personnel mines.” (Allianz Global Investors Europe, “Allianz Global Investors Europe does not invest in manufacturers of cluster munitions and anti-personnel mines”, Press Release, 24 January 2011, available at www.allianzglobalinvestors.de/web/main?page=/cms-out/ueber-uns/press/presslist_2011.html, last viewed 26 September 2013). However, besides Korean and U.S. subsidiaries of Allianz owning or managing shares and bonds of cluster munitions producers, at the latest available filing date from June 2013 Allianz Global Investors Europe also still had holdings below the thresholds in Hanwha, Singapore Technologies Engineering and Textron (Allianz Global Investors Europe, “Chariguard Final Report and Accounts”, 30 June 2013, available at www.allianzglobalinvestors.co.uk/en/Documents/InstitutionalClients/ChariguardReportAndAccounts.pdf, last viewed 26 September 2013).

1.2.7 Allstate (United States)

ASSET MANAGEMENT

On 31 March 2013, Allstate owned or managed 5.87% of the outstanding bonds of **Alliant Techsystems** valued at US\$32.2 million.¹²¹

1.2.8 American Century Investments (United States)

ASSET MANAGEMENT

On 30 June 2013, American Century Investments owned or managed 1.13% of the shares of **Textron** valued at US\$82.1 million.¹²²

1.2.9 American Family Life Assurance (United States)

ASSET MANAGEMENT

On 31 March 2013, American Family Life Assurance owned or managed 1.00% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$5.0 million.¹²³

1.2.10 American United Mutual Insurance (United States)

ASSET MANAGEMENT

On 31 March 2013, American United Mutual Insurance, via its subsidiaries OneAmerica and State Life Insurance Company, owned or managed 1.15% of the total outstanding bonds issued by **Textron** valued at US\$24.0 million.¹²⁴

1.2.11 APS Asset Management (Singapore)

ASSET MANAGEMENT

On 30 April 2013, APS Asset Management owned or managed 0.66% of the shares of **Poongsan Holding** valued at US\$0.4 million.¹²⁵

1.2.12 AQR Capital Management (United States)

ASSET MANAGEMENT

On 30 June 2013, AQR Capital Management owned or managed 1.73% of the shares of **Alliant Techsystems** valued at US\$45.9 million.¹²⁶

1.2.13 Bank Hapoalim (Israel)

LOANS

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. Bank Hapoalim participated with US\$5 million.¹²⁷

1.2.14 Bank of America (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Bank of America was part of the 20-bank syndicate and provided US\$100 million.¹²⁸

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Bank of America was one of the five bookrunners and provided US\$135 million.¹²⁹

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. Bank of America was one of the four bookrunners and provided US\$41 million.¹³⁰

INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Bank of America, part of the 7-bank syndicate, underwrote US\$129 million.¹³¹

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Bank of America Merrill Lynch was one of the five bookrunners in the 9-bank issuing syndicate. Bank of America Merrill Lynch underwrote US\$100 million.¹³²

1.2.15 Bank of Beijing (China)

INVESTMENT BANKING

In July 2010, **China Aerospace Science & Technology** issued five-year bonds for CNY3.0 billion (US\$442.8 million). Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$15.8 million.¹³³

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Bank of Beijing participated in the ten-bank syndicate, underwriting an estimated US\$45.3 million.¹³⁴

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.¹³⁵

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. Bank of Beijing participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.¹³⁶

In September 2011, **Norinco** issued five-year bonds for of CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. Bank of Beijing participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.¹³⁷

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. Bank of Beijing participated in the ten-bank syndicate, underwriting an estimated US\$7.4 million.¹³⁸

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$14.9 million.¹³⁹

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. Bank of Beijing participated in the ten-bank syndicate, underwriting an estimated US\$10.0 million.¹⁴⁰

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. Bank of Beijing participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.¹⁴¹

1.2.16 Bank of China (China)

INVESTMENT BANKING

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Bank of China participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.¹⁴²

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.¹⁴³

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. Bank of China participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.¹⁴⁴

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. Bank of China participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.¹⁴⁵

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. Bank of China participated in the ten-bank syndicate, underwriting an estimated US\$7.4 million.¹⁴⁶

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$14.9 million.¹⁴⁷

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. Bank of China participated in the ten-bank syndicate, underwriting an estimated US\$10.0 million.¹⁴⁸

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. Bank of China participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.¹⁴⁹

1.2.17 Bank of Communications (China)

INVESTMENT BANKING

In July 2010, **China Aerospace Science & Technology** issued five-year bonds for CNY3.0 billion (US\$442.8 million). Bank of Communications participated as a bookrunner in the nine-bank syndicate, underwriting an estimated US\$166.1 million.¹⁵⁰

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Bank of Communications participated in the ten-bank syndicate, underwriting an estimated US\$45.3 million.¹⁵¹

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. Bank of Communications participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.¹⁵²

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. Bank of Communications participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.¹⁵³

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. Bank of Communications participated in the ten-bank syndicate, underwriting an estimated US\$7.4 million.¹⁵⁴

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. Bank of Communications participated in the nine-bank syndicate, underwriting an estimated US\$14.9 million.¹⁵⁵

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. Bank of Communications participated in the ten-bank syndicate, underwriting an estimated US\$10.0 million.¹⁵⁶

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. Bank of Communications participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.¹⁵⁷

1.2.18 Bank of New York Mellon (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Bank of New York Mellon was part of the 20-bank syndicate and provided US\$35 million.¹⁵⁸

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Bank of New York Mellon was one of the participants in the syndicate and provided US\$75 million.¹⁵⁹

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. Bank of New York Mellon participated with US\$7 million.¹⁶⁰

INVESTMENT BANKING

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. BNY Mellon Capital Markets, a subsidiary of Bank of New York Mellon, participated in the 9-bank issuing syndicate and underwrote US\$6.5 million.¹⁶¹

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 30 June 2013, Bank of New York Mellon and its subsidiaries Pershing and The Boston Company Asset Management owned or managed 1.37% of the shares of **Alliant Techsystems** valued at US\$36.2 million.¹⁶²

On 30 June 2013, Bank of New York Mellon owned or managed 0.18% of the shares of **Hanwha Corporation** valued at US\$3.4 million.¹⁶³

On 30 June 2013, Bank of New York Mellon owned or managed 0.20% of the shares of **Poongsan Corporation** valued at US\$1.1 million.¹⁶⁴

On 30 June 2013, Bank of New York Mellon and its subsidiaries Pershing and The Boston Company Asset Management owned or managed 1.59% of the shares of **Textron** valued at US\$115.1 million.¹⁶⁵

1.2.19 **BB&T (United States)**

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. BB&T was part of the 20-bank syndicate and provided US\$35 million.¹⁶⁶

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. BB&T participated with US\$7 million.¹⁶⁷

1.2.20 **BlackRock (United States)**

ASSET MANAGEMENT

On filing dates between 30 September 2012 and 31 July 2013, BlackRock owned or managed 0.79% of the shares of **Singapore Technology Engineering** valued at US\$82.8 million.¹⁶⁸

On filing dates between 31 March 2013 and 30 June 2013, BlackRock owned or managed 5.43% of the shares of **Alliant Techsystems** valued at US\$143.7 million.¹⁶⁹

On filing dates between 30 April 2013 and 31 August 2013, BlackRock owned or managed 1.30% of the shares of **Hanwha Corporation** valued at US\$26.9 million.¹⁷⁰

On filing dates between 30 April 2013 and 31 July 2013, BlackRock owned or managed 0.20% of the shares of **Poongsan Corporation** valued at US\$1.3 million.¹⁷¹

On 30 June 2013, BlackRock owned or managed 5.50% of the shares of **Textron** valued at US\$397.5 million.¹⁷²

1.2.21 BNP Paribas (France)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Bank of the West, a subsidiary of BNP Paribas, was part of the 20-bank syndicate and provided US\$30 million.¹⁷³

ASSET MANAGEMENT

On 30 June 2013, BNP Paribas owned or managed 2.37% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$13.0 million.¹⁷⁴

1.2.22 BPCE (France)

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 31 July 2013, BPCE, via its subsidiaries Natixis and Loomis Sayles, owned or managed 8.01% of the outstanding bonds issued by **Textron** valued at US\$167.8 million.¹⁷⁵

1.2.23 Calamos Holdings (United States)

ASSET MANAGEMENT

On 30 June 2013, Calamos Advisors, part of Calamos Holdings, owned or managed 4.09% of the outstanding bonds of **Alliant Techsystems** valued at US\$22.5 million.¹⁷⁶

1.2.24 Capital Group (United States)

ASSET MANAGEMENT

On filing dates between 17 May 2013 and 13 July 2013, Capital Group owned or managed 6.48% of the shares of **Singapore Technologies Engineering** valued at US\$652.3 million.¹⁷⁷

On 30 June 2013, Capital Group owned or managed 6.54% of the shares of **Textron** valued at US\$473.5 million.¹⁷⁸

1.2.25 Carlson Capital (United States)

ASSET MANAGEMENT

On 30 June 2013, Carlson Capital owned or managed 2.09% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$11.5 million.¹⁷⁹

1.2.26 Chang Hwa Commercial Bank (Taiwan)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Chang Hwa Commercial Bank was part of the 20-bank syndicate and provided US\$10 million.¹⁸⁰

1.2.27 China Construction Bank (China)

INVESTMENT BANKING

In July 2010, **China Aerospace Science & Technology** issued five-year bonds for CNY3.0 billion (US\$442.8 million). China Construction Bank participated in the nine-bank syndicate, underwriting an estimated US\$15.8 million.¹⁸¹

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Construction Bank acted as joint bookrunner in the 10-bank syndicate, underwriting an estimated US\$120.8 million.¹⁸²

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Construction Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.¹⁸³

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. China Construction Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.¹⁸⁴

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Construction Bank acted as a joint bookrunner in the ten-bank syndicate, underwriting an estimated US\$88.2 million.¹⁸⁵

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. China Construction Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.4 million.¹⁸⁶

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. China Construction Bank participated in the nine-bank syndicate, underwriting an estimated US\$14.9 million.¹⁸⁷

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. China Construction Bank participated in the ten-bank syndicate, underwriting an estimated US\$10.0 million.¹⁸⁸

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. China Construction Bank participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.¹⁸⁹

1.2.28 China Development Bank (China)

INVESTMENT BANKING

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Development Bank participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.¹⁹⁰

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Development Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.¹⁹¹

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Development Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.¹⁹²

1.2.29 China Everbright Bank (China)

INVESTMENT BANKING

In July 2010, **China Aerospace Science & Technology** issued five-year bonds for CNY3.0 billion (US\$442.8 million). China Everbright Bank participated in the nine-bank syndicate, underwriting an estimated US\$15.8 million.¹⁹³

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Everbright Bank participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.¹⁹⁴

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Everbright Bank acted as joint bookrunner in the nine-bank syndicate, underwriting an estimated US\$60.2 million.¹⁹⁵

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. China Everbright Bank acted as joint bookrunner in the ten-bank syndicate, underwriting an estimated US\$86.2 million.¹⁹⁶

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Everybright Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.¹⁹⁷

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. China Everbright Bank acted as one of two joint bookrunners in the ten-bank syndicate, underwriting an estimated US\$88.5 million.¹⁹⁸

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. China Everbright Bank participated in the nine-bank syndicate, underwriting an estimated US\$14.9 million.¹⁹⁹

In March 2013, **China Aerospace Science & Technology** issued bonds for CNY5.0 billion (US\$795.7 million) in two tranches: CNY4.0 billion (US\$636.6 million) in ten-year bonds and CNY1.0 billion (US\$159.1 million) in 15-year bonds. The proceeds were used for project finance and for general corporate purposes. Everbright Securities, part of China Everbright Bank, participated as a bookrunner in the five-party syndicate, underwriting an estimated US\$298.4 million.²⁰⁰

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. China Everbright Bank acted as one of two joint bookrunners, underwriting an estimated US\$119.7 million.²⁰¹

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. China Everbright Bank acted as one of two joint bookrunners, underwriting an estimated US\$91.2 million.²⁰²

1.2.30 China Life Insurance (China)

INVESTMENT BANKING

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. China Life Insurance Asset Management, part of China Life Insurance, participated in the nine-bank syndicate, underwriting an estimated US\$14.9 million.²⁰³

1.2.31 China Merchants Bank (China)

INVESTMENT BANKING

In July 2010, **China Aerospace Science & Technology** issued five-year bonds for CNY3.0 billion (US\$442.8 million). China Merchants Bank participated as a bookrunner in the nine-bank syndicate, underwriting an estimated US\$166.1 million. China Merchants Securities, part of China Merchants Bank, participated as well, underwriting an estimated US\$15.8 million.²⁰⁴

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Merchants Bank acted as joint bookrunner in the 10-bank syndicate, underwriting an estimated US\$120.8 million.²⁰⁵

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Merchants Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.²⁰⁶

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. China Merchants Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.²⁰⁷

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Merchants Bank acted as a joint bookrunner in the ten-bank syndicate, underwriting an estimated US\$88.2 million.²⁰⁸

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. China Merchants Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.4 million.²⁰⁹

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. China Merchants Bank participated in the nine-bank syndicate, underwriting an estimated US\$14.9 million.²¹⁰

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. China Merchants Bank participated in the ten-bank syndicate, underwriting an estimated US\$10.0 million.²¹¹

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. China Merchants Bank participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.²¹²

1.2.32 China Minsheng Bank (China)

INVESTMENT BANKING

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Minsheng Bank participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.²¹³

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Minsheng Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.²¹⁴

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. China Minsheng Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.²¹⁵

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Minsheng Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.²¹⁶

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. China Minsheng Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.4 million.²¹⁷

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. China Minsheng Bank participated in the ten-bank syndicate, underwriting an estimated US\$10.0 million.²¹⁸

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. China Minsheng Bank participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.²¹⁹

1.2.33 China Securities (China)

INVESTMENT BANKING

In March 2013, **China Aerospace Science & Technology** issued bonds for CNY5.0 billion (US\$795.7 million) in two tranches: CNY4.0 billion (US\$636.6 million) in ten-year bonds and CNY1.0 billion (US\$159.1 million) in 15-year bonds. The proceeds were used for project finance and for general corporate purposes. China Securities participated as a bookrunner in the five-party syndicate, underwriting an estimated US\$298.4 million.²²⁰

1.2.34 CITIC Group (China)

INVESTMENT BANKING

In July 2010, **China Aerospace Science & Technology** issued five-year bonds for CNY3.0 billion (US\$442.8 million). China CITIC Bank, part of CITIC Group, participated in the nine-bank syndicate, underwriting an estimated US\$15.8 million.²²¹

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. CITIC Securities, part of CITIC Group, participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.²²²

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. CITIC Securities, part of CITIC Group, participated in the ten-bank syndicate, underwriting an estimated US\$7.4 million.²²³

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. CITIC Securities, part of CITIC Group, participated in the ten-bank syndicate, underwriting an estimated US\$10.0 million.²²⁴

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. China CITIC Bank, part of CITIC Group, participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.²²⁵

1.2.35 Citigroup (United States)

LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Citibank, part of Citigroup, was one of the five bookrunners and provided US\$135 million.²²⁶

INVESTMENT BANKING

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Citigroup Global Markets, part of Citigroup, was one of the five bookrunners in the 9-bank issuing syndicate. Citigroup Global Markets underwrote US\$100 million.²²⁷

1.2.36 Clarivest Asset Management (United States)

ASSET MANAGEMENT

On 30 June 2013, Clarivest Asset Management owned or managed 0.12% of the shares of **Poongsan Corporation** valued at US\$0.7 million.²²⁸

1.2.37 CNO Financial Group (United States)

ASSET MANAGEMENT

On 31 March 2013, CNO Financial Group, via its subsidiaries Bankers Life & Casualty, Colonial Penn Life Insurance, Consec Life Insurance and Washington National Insurance, owned or managed 1.64% of the total outstanding bonds issued by **Textron** valued at US\$34.2 million.²²⁹

1.2.38 Consus Asset Management (South Korea)

ASSET MANAGEMENT

On 31 March 2013, Consus Asset Management owned or managed 0.17% of the shares of **Hanwha Corporation** valued at US\$3.8 million.²³⁰

On 31 March 2013, Consus Asset Management owned or managed 0.50% of the shares of **Poongsan Corporation**, valued at US\$3.4 million.²³¹

1.2.39 Credit Suisse (Switzerland)

ASSET MANAGEMENT

On filing dates between 30 September 2012 and 31 May 2013, Credit Suisse owned or managed 0.38% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$1.9 million.²³²

1.2.40 Daewoo Securities (South Korea)

INVESTMENT BANKING

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$18.6 million).²³³

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).²³⁴

1.2.41 Deutsche Bank (Germany)

LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Deutsche Bank was one of the five bookrunners and provided US\$135 million.²³⁵

ASSET MANAGEMENT

On filing dates between 31 May 2013 and 31 August 2013, Deutsche Bank and its subsidiaries DB Platinum Advisors, Deutsche Investment Management Americas and Oppenheim Kapitalanlagegesellschaft owned or managed 1.50% of the shares of **Alliant Techsystems** valued at US\$39.7 million.²³⁶

On 31 July 2013, Deutsche Bank, via its subsidiary DB Platinum Advisors, owned or managed 0.10% of the shares of **Hanwha Corporation** valued at US\$2.0 million.²³⁷

1.2.42 Dimensional Fund Advisors (United States)

ASSET MANAGEMENT

On 30 June 2013, Dimensional Fund Advisors owned or managed 1.41% of the shares of **Alliant Techsystems** valued at US\$37.5 million.²³⁸

On 31 July 2013, Dimensional Fund Advisors owned or managed 1.43% of the shares of **Hanwha Corporation** valued at US\$29.4 million.²³⁹

On 31 July 2013, Dimensional Fund Advisors owned or managed 2.13% of the shares of **Poongsan Corporation** valued at US\$13.5 million.²⁴⁰

On 31 July 2013, Dimensional Fund Advisors owned or managed 1.23% of the shares of **Poongsan Holdings** valued at US\$2.3 million.²⁴¹

1.2.43 Dongbu Securities (South Korea)

INVESTMENT BANKING

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Dongbu Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$9.3 million).²⁴²

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Dongbu Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).²⁴³

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Dongbu Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).²⁴⁴

1.2.44 Dreman Value Management (United States)

ASSET MANAGEMENT

On 30 June 2013, Dreman Value Management owned or managed 1.35% of the shares of **Alliant Techsystems** valued at US\$35.9 million.²⁴⁵

1.2.45 Eaton Vance (United States)

ASSET MANAGEMENT

On filing dates between 30 April 2013 and 30 June 2013, Eaton Vance owned or managed 1.28% of the outstanding bonds issued by **Textron** valued at US\$26.7 million.²⁴⁶

On 31 July 2013, Eaton Vance owned or managed 0.10% of the shares of **Hanwha Corporation** valued at US\$2.1 million.²⁴⁷

1.2.46 Eugene Investment & Securities (South Korea)

INVESTMENT BANKING

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Eugene Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).²⁴⁸

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Eugene Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$9.3 million).²⁴⁹

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Eugene Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).²⁵⁰

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Eugene Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).²⁵¹

1.2.47 Fidelity Investments (United States)

ASSET MANAGEMENT

On filing dates between 30 April 2012 and 31 October 2012, Fidelity Investments owned or managed 0.93% of the outstanding bonds of **Singapore Technologies Engineering** valued at US\$4.7 million.²⁵³

On filing dates between 31 March 2013 and 30 April 2013, Fidelity Investments owned or managed 1.57% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$8.6 million.²⁵²

On filing dates between 30 June 2013 and 31 July 2013, Fidelity Investments owned or managed 10.23% of the shares of **Textron** valued at US\$741 million.²⁵⁴

1.2.48 FIM Corporation (Finland)

ASSET MANAGEMENT

On 31 July 2013, FIM Fund Management, a subsidiary of FIM Corporation, owned or managed 0.30% of the outstanding bonds of **Singapore Technologies Engineering** valued at US\$1.5 million.²⁵⁵

1.2.49 First Eagle Investment Management (United States)

ASSET MANAGEMENT

On 30 June 2013, First Eagle Investment Management owned or managed 15.9% of the shares of **Alliant Techsystems** valued at US\$421.1 million.²⁵⁶

1.2.50 First Financial (Taiwan)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. First Commercial Bank, part of First Financial, was part of the 20-bank syndicate and provided US\$10 million.²⁵⁷

1.2.51 General Electric (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. GE Capital, part of General Electric, was part of the 20-bank syndicate and provided US\$70 million.²⁵⁸

1.2.52 Genworth Financial (United States)

ASSET MANAGEMENT

On 31 March 2013, Genworth Financial, via its subsidiaries Union Fidelity Life Insurance Company and Genworth Life Insurance Company, owned or managed 1.68% of the outstanding bonds issued by **Textron** valued at US\$35.0 million.²⁵⁹

1.2.53 Goldman Sachs (United States)

LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Goldman Sachs was one of the participants in the syndicate and provided US\$107.5 million.²⁶⁰

INVESTMENT BANKING

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs was one of the five bookrunners in the 9-bank issuing syndicate. Goldman Sachs underwrote US\$80.25 million.²⁶¹

ASSET MANAGEMENT

On 30 September 2012, Goldman Sachs owned or managed 0.10% of the shares of **Poongsan Corporation** valued at US\$0.9 million.²⁶²

On 30 June 2013, Goldman Sachs owned or managed 1.27% of the shares of **Alliant Techsystems** valued at US\$33.6 million.²⁶³

On 30 June 2013, Goldman Sachs owned or managed 4.42% of the shares of **Textron** valued at US\$319.4 million.²⁶⁴

1.2.54 **Grantham, Mayo, Van Otterloo & Co. (GMO) (United States)**

ASSET MANAGEMENT

On 30 June 2013, GMO owned or managed 1.44% of the shares of **Hanwha Corporation** valued at US\$27.8 million.²⁶⁵

On 30 June 2013, GMO owned or managed 0.15% of the shares of **Singapore Technologies Engineering** valued at US\$15.3 million.²⁶⁶

1.2.55 **Guardian Life Insurance (United States)**

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 30 June 2013, Guardian Life Insurance owned or managed 2.48% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$13.6 million.²⁶⁷

1.2.56 **Guotai Junan Securities (China)**

INVESTMENT BANKING

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Guotai Junan Securities participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.²⁶⁸

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. Guotai Junan Securities participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.²⁶⁹

1.2.57 **Hana Financial (South Korea)**

LOANS

In June 2011, **Hanwha Corporation** secured a KRW50 billion (US\$45.4 million) credit facility, maturing in December 2012, from Hana Financial's subsidiary Hana Bank. The proceeds were used for general corporate purposes.²⁷⁰

INVESTMENT BANKING

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Hana Daetoo Securities, a subsidiary of Hana Financial, was one of the joint bookrunners, underwriting KRW30 billion (US\$28.1 million).²⁷¹

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Hana Daetoo Securities, a subsidiary of Hana Financial, was one of the joint bookrunners, underwriting KRW20 billion (US\$17.9 million).²⁷²

In June 2012, **Poongsan Corporation** issued three-year bonds worth KRW70 billion (US\$59.1 million). The proceeds were used for loan payment. Hana Daetoo Securities, a subsidiary of Hana Financial, participated in the five-bank syndicate, underwriting KRW10 billion (US\$8.4 million).²⁷³

In July 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$130.4 million). The proceeds were used for general corporate purposes. Hana Daetoo Securities, a subsidiary of Hana Financial, was one of the two joint bookrunners, underwriting KRW30 billion (US\$26.1 million).²⁷⁴

In April 2013, **Poongsan Corporation** issued three-year bonds worth KRW100 billion (US\$89.2 million). The proceeds were used for general corporate purposes and debt payment. Hana Daetoo Securities, a subsidiary of Hana Financial, acted as one of three joint bookrunners, underwriting KRW20 billion (US\$17.8 million).²⁷⁵

1.2.58 Hanwha Group (South Korea)

INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Hanwha Group's subsidiary Hanwha Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$17.2 million).²⁷⁶

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Hanwha Group's subsidiary Hanwha Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).²⁷⁷

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Hanwha Group's subsidiary Hanwha Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$18.6 million).²⁷⁸

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Hanwha Group's subsidiary Hanwha Securities was part of the issuing syndicate, underwriting KRW30 billion (US\$28.1 million).²⁷⁹

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Hanwha Group's subsidiary Hanwha Securities, part of the issuing syndicate, underwrote KRW30 billion (US\$26.8 million).²⁸⁰

In July 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$130.4 million). The proceeds were used for general corporate purposes. Hanwha Group's subsidiary Hanwha Securities was part of the issuing syndicate, underwriting KRW30 billion (US\$26.1 million).²⁸¹

In December 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$139.2 million). The proceeds were used to refinance debt. Hanwha Group's subsidiary Hanwha Investment & Securities was part of the issuing syndicate, underwriting KRW30 billion (US\$27.8 million).²⁸²

In April 2013, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$181.1 million). The proceeds were used to refinance debt. Hanwha Group's subsidiary Hanwha Investment & Securities was part of the issuing syndicate, underwriting KRW30 billion (US\$27.2 million).²⁸³

ASSET MANAGEMENT

On filing dates between 31 December 2012 and 31 August 2013, Hanwha Asset Management and Hanwha S&C, subsidiaries of Hanwha Group, owned or managed 2.29% of the shares of **Hanwha Corporation** valued at US\$54.8 million.²⁸⁴

On 31 August 2013, Hanwha Asset Management, a subsidiary of Hanwha Group, owned or managed 0.22% of the shares of **Poongsan Corporation** valued at US\$1.4 million.²⁸⁵

1.2.59 Hanyang Securities (South Korea)

INVESTMENT BANKING

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Hanyang Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$17.9 million).²⁸⁶

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Hanyang Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$9.3 million).²⁸⁷

1.2.60 Hartford Financial Services Group (United States)

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 31 July 2013, Hartford Financial Services Group, via its subsidiaries Hartford Accident & Indemnity Company, Hartford Casualty Insurance Company, Hartford Fire Insurance Company, Hartford Investment Financial, Hartford Life & Annuity Insurance Company, Hartford Life Insurance Company and Hartford Underwriters Insurance Company, owned or managed 2.44% of the outstanding bonds issued by **Textron** valued at US\$50.9 million.²⁸⁸

1.2.61 Henderson Global Investors (United States)

ASSET MANAGEMENT

On 31 July 2013, Henderson Global Investors owned or managed 0.21% of the shares of **Hanwha Corporation** valued at US\$4.2 million.²⁸⁹

1.2.62 Hong Yuan Securities (China)

INVESTMENT BANKING

In March 2013, **China Aerospace Science & Technology** issued bonds for CNY5.0 billion (US\$795.7 million) in two tranches: CNY4.0 billion (US\$636.6 million) in ten-year bonds and CNY1.0 billion (US\$159.1 million) in 15-year bonds. The proceeds were used for project finance and for general corporate purposes. Hong Yuan Securities participated in the five-party syndicate, underwriting an estimated US\$66.3 million.²⁹⁰

1.2.63 Hotchkis and Wiley Capital Management (United States)

ASSET MANAGEMENT

On 30 June 2013, Hotchkis and Wiley Capital Management owned or managed 2.87% of the shares of **Alliant Techsystems** valued at US\$76.2 million.²⁹¹

1.2.64 Hua Nan Financial (Taiwan)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Hua Nan Commercial Bank, part of Hua Nan Financial, was part of the 20-bank syndicate and provided US\$15 million.²⁹²

1.2.65 Hyundai Group (South Korea)

INVESTMENT BANKING

In April 2013, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$181.1 million). The proceeds were used to refinance debt. Hyundai Securities, a subsidiary of Hyundai Group, was part of the issuing syndicate, underwriting KRW20 billion (US\$18.1 million).²⁹³

1.2.66 Hyundai Heavy Industries (South Korea)

INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Hyundai Heavy Industries' subsidiary HI Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.7 million).²⁹⁴

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Hyundai Heavy Industries' subsidiary HI Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).²⁹⁵

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Hyundai Heavy Industries' subsidiary HI Investment & Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$18.6 million).²⁹⁶

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Hyundai Heavy Industries' subsidiary HI Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).²⁹⁷

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Hyundai Heavy Industries' subsidiary HI Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).²⁹⁸

In December 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$139.2 million). The proceeds were used to refinance debt. Hyundai Heavy Industries' subsidiary HI Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).²⁹⁹

In April 2013, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$181.1 million). The proceeds were used to refinance debt. Hyundai Heavy Industries' subsidiary HI Investment & Securities was part of the issuing syndicate, underwriting KRW40 billion (US\$36.3 million).³⁰⁰

ASSET MANAGEMENT

On 31 March 2013, Hyundai Heavy Industries, via its subsidiary HI Asset Management, owned or managed 0.20% of the shares of **Poongsan Corporation** valued at US\$1.4 million.³⁰¹

1.2.67 Industrial Bank (China)

INVESTMENT BANKING

In July 2010, **China Aerospace Science & Technology** issued five-year bonds for CNY3.0 billion (US\$442.8 million). Industrial Bank participated in the nine-bank syndicate, underwriting an estimated US\$15.8 million.³⁰²

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. Industrial Bank participated as bookrunner in the nine-bank syndicate, underwriting an estimated US\$357.4 million.³⁰³

1.2.68 Industrial & Commercial Bank of China (ICBC) (China)

INVESTMENT BANKING

In July 2010, **China Aerospace Science & Technology** issued five-year bonds for CNY3.0 billion (US\$442.8 million). ICBC participated in the nine-bank syndicate, underwriting an estimated US\$15.8 million.³⁰⁴

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. ICBC participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.³⁰⁵

In October 2012, **China Aerospace Science & Technology** issued two-month bonds for CNY3.0 billion (US\$476.6 million). The proceeds were used as general working capital. ICBC participated in the nine-bank syndicate, underwriting an estimated US\$14.9 million.³⁰⁶

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. ICBC participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.³⁰⁷

1.2.69 Invesco (United Kingdom)

ASSET MANAGEMENT

On filing dates between 30 June 2013 and 30 September 2013, Invesco owned or managed 1.31% of the outstanding bonds of **Alliant Techsystems** valued at US\$7.3 million.³⁰⁸

On 30 June 2013, Invesco owned or managed 1.66% of the shares of **Textron** valued at US\$119.4 million.³⁰⁹

1.2.70 Iridian Asset Management (United States)

ASSET MANAGEMENT

On 30 June 2013, Iridian Asset Management owned or managed 4.26% of the shares of **Alliant Techsystems** valued at US\$112.8 million.³¹⁰

1.2.71 JP Morgan Chase (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. JP Morgan Chase was part of the 20-bank syndicate and provided US\$35 million.³¹¹

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. JP Morgan Chase was one of the five bookrunners and provided US\$135 million.³¹²

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. JP Morgan Chase participated with US\$7 million.³¹³

INVESTMENT BANKING

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. JP Morgan Securities was one of the five bookrunners in the 9-bank issuing syndicate. JP Morgan Securities underwrote US\$100 million.³¹⁴

ASSET MANAGEMENT

On filing dates between 30 September 2012 and 30 June 2013, JP Morgan Chase owned or managed 1.78% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$9.8 million.³¹⁵

1.2.72 KB Financial (South Korea)

LOANS

In December 2010, **Hanwha Corporation** secured a KRW80.0 billion (US\$74.8 million) two-year credit facility from KB Financial's subsidiary KB Kookmin Bank. The proceeds were used as working capital.³¹⁶

INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. KB Financial's subsidiary KB Kookmin Bank, part of the issuing syndicate, underwrote KRW10 billion (US\$8.6 million).³¹⁷

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. KB Financial's subsidiary KB Kookmin Bank, part of the issuing syndicate, underwrote KRW20 billion (US\$17.9 million).³¹⁸

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. KB Financial's subsidiary KB Investment & Securities was the bookrunner and underwrote KRW40 billion (US\$37.2 million).³¹⁹

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. KB Financial's subsidiary KB Investment & Securities as one of the bookrunners underwrote KRW30 billion (US\$28.1 million).³²⁰

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. KB Financial's subsidiary KB Investment & Securities was one of the joint bookrunners, underwriting KRW40 billion (US\$35.8 million).³²¹

In June 2012, **Poongsan Corporation** issued three-year bonds worth KRW70 billion (US\$59.1 million). The proceeds were used for loan payment. KB Financial's subsidiary KB Investment & Securities participated in the five-bank syndicate, underwriting KRW10 billion (US\$8.4 million).³²²

In July 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$130.4 million). The proceeds were used for general corporate purposes. KB Financial's subsidiary KB Investment & Securities was one of the two joint bookrunners, underwriting KRW40 billion (US\$34.8 million).³²³

In April 2013, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$181.1 million). The proceeds were used to refinance debt. KB Financial's subsidiary KB Investment & Securities was part of the issuing syndicate, underwriting KRW20 billion (US\$18.1 million).³²⁴

In April 2013, **Poongsan Corporation** issued three-year bonds worth KRW100 billion (US\$89.2 million). The proceeds were used for general corporate purposes and debt payment. KB Financial's subsidiary KB Investment & Securities acted as one of three joint bookrunners, underwriting KRW20 billion (US\$17.8 million).³²⁵

ASSET MANAGEMENT

On 30 April 2013, KB Financial's subsidiary KB Asset Management owned or managed 0.12% of the shares of **Poongsan Corporation** valued at US\$0.79 million.³²⁶

1.2.73 Keybank (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Keybank was part of the 20-bank syndicate and provided US\$50 million.³²⁷

1.2.74 Korea Development Bank (South Korea)

INVESTMENT BANKING

In May 2011, **Poongsan Holdings Corporation** issued three-year bonds worth KRW100 billion (US\$91.8 million). The proceeds were used for general corporate purposes. Korea Development Bank, part of the 4-bank issuing syndicate, underwrote KRW30 billion (US\$27.5 million).³²⁸

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Korea Development Bank, part of the issuing syndicate, underwrote KRW30 billion (US\$27.9 million).³²⁹

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Korea Development Bank, part of the issuing syndicate, underwrote KRW50 billion (US\$46.7 million).³³⁰

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Korea Development Bank, part of the issuing syndicate, underwrote KRW20 billion (US\$17.9 million).³³¹

In July 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$130.4 million). The proceeds were used for general corporate purposes. Korea Development Bank was part of the issuing syndicate, underwriting KRW20 billion (US\$17.4 million).³³²

In December 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$139.2 million). The proceeds were used to refinance debt. Korea Development Bank was part of the issuing syndicate, underwriting KRW50 billion (US\$46.4 million).³³³

In April 2013, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$181.1 million). The proceeds were used to refinance debt. Korea Development Bank participated as one of two joint bookrunners, underwriting KRW50 billion (US\$45.4 million).³³⁴

1.2.75 Korea Investment (South Korea)

INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, a subsidiary of Korea Investment, was part of the issuing syndicate, underwriting KRW10 billion (US\$8.6 million).³³⁵

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, a subsidiary of Korea Investment, was part of the issuing syndicate, underwriting KRW10 billion (US\$8.9 million).³³⁶

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, a subsidiary of Korea Investment, was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).³³⁷

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, a subsidiary of Korea Investment, was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).³³⁸

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Korea Investment & Securities, a subsidiary of Korea Investment, was part of the issuing syndicate, underwriting KRW10 billion (US\$8.9 million).³³⁹

In July 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$130.4 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, a subsidiary of Korea Investment, was part of the issuing syndicate, underwriting KRW20 billion (US\$17.4 million).³⁴⁰

In December 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$139.2 million). The proceeds were used to refinance debt. Korea Investment & Securities, a subsidiary of Korea Investment, acted as bookrunner, underwriting KRW30 billion (US\$27.8 million).³⁴¹

In April 2013, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$181.1 million). The proceeds were used to refinance debt. Korea Investment & Securities, a subsidiary of Korea Investment, was part of the issuing syndicate, underwriting KRW10 billion (US\$9.1 million).³⁴²

In April 2013, **Poongsan Corporation** issued three-year bonds worth KRW100 billion (US\$89.2 million). The proceeds were used for general corporate purposes and debt payment. Korea Investment & Securities, a subsidiary of Korea Investment, was part of the issuing syndicate, underwriting KRW10 billion (US\$8.9 million).³⁴³

ASSET MANAGEMENT

On 31 August 2013, Korea Investment Management, which is part of Korea Investment, owned or managed 0.10% of the shares of **Hanwha Corporation** valued at US\$2.1 million.³⁴⁴

On 31 August 2013, Korea Investment Management, which is part of Korea Investment, owned or managed 1.26% of the shares of **Poongsan Corporation** valued at US\$8.1 million.³⁴⁵

1.2.76 Lazard (United States)

ASSET MANAGEMENT

On 31 March 2013, Lazard Asset Management, part of Lazard, owned or managed 1.82% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$10.0 million.³⁴⁶

1.2.77 Legg Mason (United States)

ASSET MANAGEMENT

On 31 July 2013, Legg Mason, via its subsidiary Batterymarch Financial Management, owned or managed 0.15% of the shares of **Hanwha Corporation** valued at US\$3.15 million.³⁴⁷

On 31 July 2013, Legg Mason, via its subsidiary Battery March Financial Management, owned or managed 0.19% of the shares of **Poongsan Corporation** valued at US\$1.17 million.³⁴⁸

1.2.78 Loews Corporation (United States)

ASSET MANAGEMENT

On 31 March 2013, Loews Corporation, via its subsidiaries Continental Casualty Company, Continental Insurance Company and Transportation Insurance Company, owned or managed 2.25% of the outstanding bonds issued by **Textron** valued at US\$46.9 million.³⁴⁹

1.2.79 LSV Asset Management (United States)

ASSET MANAGEMENT

On 30 June 2013, LSV Asset Management owned or managed 2.03% of the shares of **Alliant Techsystems** valued at US\$53.9 million.³⁵⁰

1.2.80 Manulife Financial (Canada)

ASSET MANAGEMENT

On 30 April 2013, Manulife Asset Management owned or managed 0.68% of the shares of **Poongsan Holdings** valued at US\$1.1 million.³⁵¹

1.2.81 Massachusetts Mutual Life Insurance (MassMutual) (United States)

ASSET MANAGEMENT

On 31 March 2013, MassMutual Life Insurance and its subsidiary CM Life Insurance owned or managed 2.18% of the outstanding bonds of **Alliant Techsystems** valued at US\$12.0 million.³⁵²

On filing dates between 31 March 2013 and 30 June 2013, MassMutual Life Insurance and its subsidiaries CM Life Insurance and MML Bay State Life Insurance, owned or managed 4.48% of the outstanding bonds issued by **Textron** valued at US\$93.6 million.³⁵³

1.2.82 Matthews International Capital Management (United States)

ASSET MANAGEMENT

On 13 June 2013, Matthews International Capital Management owned or managed 3.00% of the shares of **Singapore Technologies Engineering** valued at US\$308.3 million.³⁵⁴

1.2.83 Midas Asset Management (South Korea)

ASSET MANAGEMENT

On 31 August 2013, Midas Asset Management owned or managed 0.37% of the shares of **Poongsan Corporation** valued at US\$2.4 million.³⁵⁵

1.2.84 Mirae Asset Financial Group (South Korea)

ASSET MANAGEMENT

On filing dates between 30 April 2013 and 31 July 2013, Mirae Asset Financial Group owned or managed 0.25% of the shares of **Poongsan Corporation** valued at US\$1.6 million.³⁵⁶

On filing dates between 30 April 2013 and 31 August 2013, Mirae Asset Global Investments, part of Mirae Asset Financial Group, owned or managed 0.19% of the shares of **Hanwha Corporation** valued at US\$4.3 million.³⁵⁷

1.2.85 Mitsubishi UFJ Financial (Japan)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Bank of Tokyo-Mitsubishi UFJ, part of Mitsubishi UFJ Financial, was part of the 20-bank syndicate and provided US\$75 million.³⁵⁸

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ, part of Mitsubishi UFJ Financial, was one of the five bookrunners and provided US\$135 million.³⁵⁹

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. Bank of Tokyo-Mitsubishi UFJ, part of Mitsubishi UFJ Financial, participated with US\$25 million.³⁶⁰

INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Mitsubishi UFJ Securities, part of the 7-bank syndicate, underwrote US\$18.4 million.³⁶¹

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Mitsubishi UFJ Securities participated in the 9-bank issuing syndicate and underwrote US\$20 million.³⁶²

1.2.86 Mizuho Bank (Japan)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Mizuho Bank was part of the 20-bank syndicate and provided US\$70 million.³⁶³

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. Mizuho Bank participated with US\$14 million.³⁶⁴

1.2.87 Morgan Stanley (United States)

LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Morgan Stanley was one of the participants in the syndicate and provided US\$107.5 million.³⁶⁵

INVESTMENT BANKING

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Morgan Stanley was one of the five bookrunners in the 9-bank issuing syndicate. Morgan Stanley underwrote US\$80.25 million.³⁶⁶

1.2.88 National Pension Service (South Korea)

ASSET MANAGEMENT

On 2 February 2012, National Pension Service owned or managed 9.26% of the shares of **Poongsan Corporation** valued at US\$78.6 million.³⁶⁷

On 31 December 2012, National Pension Service owned or managed 6.75% of the shares of **Hanwha Corporation** worth US\$162.1 million.³⁶⁸

1.2.89 Newton Investment Management (United Kingdom)

ASSET MANAGEMENT

On 31 July 2013, Newton Investment Management owned or managed 1.06% of the shares of **Singapore Technologies Engineering** valued at US\$110.5 million.³⁶⁹

1.2.90 New York Life Insurance (United States)

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 30 June 2013, New York Life Insurance owned or managed 7.68% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$42.2 million.³⁷⁰

On filing dates between 31 March 2013 and 30 June 2013, New York Life Insurance owned or managed 1.31% of the outstanding bonds issued by **Textron** valued at US\$27.3 million.³⁷¹

1.2.91 Northern Trust (United States)

LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Northern Trust was one of the participants in the syndicate and provided US\$35 million.³⁷²

ASSET MANAGEMENT

On 30 June 2013, Northern Trust owned or managed 1.18% of the outstanding bonds of **Alliant Techsystems** valued at US\$6.5 million.³⁷³

On 30 June 2013, Northern Trust owned or managed 1.29% of the shares of **Textron** valued at US\$93.8 million.³⁷⁴

1.2.92 Nuveen Investments (United States)

ASSET MANAGEMENT

On 31 March 2013, Symphony Asset Management, a subsidiary of Nuveen Investments, owned or managed 4.05% of the outstanding bonds of **Alliant Techsystems** valued at US\$22.3 million.³⁷⁵

1.2.93 Old Mutual (United Kingdom)

ASSET MANAGEMENT

On 31 March 2013, Old Mutual's subsidiary Acadian Asset Management owned or managed 0.12% of the shares of **Poongsan Holdings** valued at US\$0.2 million.³⁷⁶

On 30 June 2013, Old Mutual, through its subsidiaries Acadian Asset Management and Dibanisa Fund Managers, owned or managed 4.18% of the shares of **Alliant Techsystems** valued at US\$111.0 million.³⁷⁷

On 30 June 2013, Old Mutual's subsidiary Acadian Asset Management owned or managed 0.38% of the shares of **Hanwha Corporation** valued at US\$7.3 million.³⁷⁸

1.2.94 People's Insurance Company (Group) of China (PICC) (China)

INVESTMENT BANKING

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. PICC's subsidiary PICC Asset Management participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.³⁷⁹

In May 2012, **Norinco** issued one-year bonds for CNY1.5 billion (US\$236.1 million). The proceeds were used as general working capital. PICC's subsidiary PICC Asset Management participated in the ten-bank syndicate, underwriting an estimated US\$7.4 million.³⁸⁰

In April 2013, **Norinco** issued one-year bonds for CNY2 billion (US\$319.3 million). The proceeds were used for loan payment. PICC's subsidiary PICC Asset Management participated in the ten-bank syndicate, underwriting an estimated US\$10.0 million.³⁸¹

In August 2013, **Norinco** issued one-year bonds for CNY1.5 billion (US\$243.2 million). The proceeds were used as general working capital. PICC's subsidiary PICC Asset Management participated in the eleven-bank syndicate, underwriting an estimated US\$6.6 million.³⁸²

1.2.95 People's United Financial (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. People's United Bank, a subsidiary of People's United Financial, was part of the 20-bank syndicate and provided US\$20 million.³⁸³

1.2.96 PNC Financial (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. PNC Financial's subsidiary PNC Bank was part of the 20-bank syndicate and provided US\$25 million.³⁸⁴

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. PNC Financial's subsidiary PNC Bank participated with US\$5 million.³⁸⁵

1.2.97 Power Corporation of Canada (Canada)

ASSET MANAGEMENT

On filing dates between 31 May 2013 and 31 July 2013, Power Corporation of Canada, via its subsidiaries Canada Life Investments, I.G. Investment Management, I.G. Investment Management and Putnam Investment Management, owned or managed 0.11% of the shares of **Singapore Technologies Engineering** valued at US\$11.5 million.³⁸⁶

1.2.98 Principal Financial (United States)

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 31 July 2013, Principal Financial, via its subsidiaries Principal Life Insurance and Principal Management, owned or managed 1.25% of the outstanding bonds issued by **Textron** valued at US\$26.2 million.³⁸⁷

On 30 June 2013, Principal Financial, via its subsidiary Principal Global Investors, owned or managed 1.43% of the shares of **Alliant Techsystems** valued at US\$37.8 million.³⁸⁸

1.2.99 Prospector Partners (United States)

ASSET MANAGEMENT

On 30 June 2013, Prospector Partners owned or managed 2.03% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$11.3 million.³⁸⁹

1.2.100 Prudential (United Kingdom)

ASSET MANAGEMENT

On 30 June 2013, Eastspring Investments Singapore, a subsidiary of Prudential, owned or managed 0.52% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$2.6 million.³⁹⁰

On 30 June 2013, Prudential's subsidiary PPM America owned or managed 1.24% of the shares of **Textron** valued at US\$89.8 million.³⁹¹

1.2.101 Prudential Financial (United States)

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 31 July 2013, Prudential Financial and its subsidiaries Prudential Insurance Company of America and Prudential Retirement Insurance & Annuity, Pruco Life Insurance and Advanced Services Trust, owned or managed 3.42% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$18.7 million.³⁹²

On filing dates between 31 March 2013 and 31 July 2013, Prudential Financial and its subsidiaries Prudential Insurance Company of America and Prudential Retirement Insurance & Annuity owned or managed 3.68% of the outstanding bonds issued by **Textron** valued at US\$76.5 million.³⁹³

On 30 June 2013, Prudential Financial, via its subsidiaries Jennison Associates and Quantitative Management Associates, owned or managed 1.38% of the shares of **Alliant Techsystems** valued at US\$36.7 million.³⁹⁴

1.2.102 Royal Bank of Canada (Canada)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Royal Bank of Canada was part of the 20-bank syndicate and provided US\$70 million.³⁹⁵

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. Royal Bank of Canada participated with US\$14 million.³⁹⁶

INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Royal Bank of Canada's subsidiary RBC Capital Markets, part of the 7-bank syndicate, underwrote US\$18.4 million.³⁹⁷

1.2.103 Royal Bank of Scotland (United Kingdom)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Royal Bank of Scotland was part of the 20-bank syndicate and provided US\$80 million.³⁹⁸

INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Royal Bank of Scotland, part of the 7-bank syndicate, underwrote US\$73.7 million.³⁹⁹

1.2.104 Samsung (South Korea)

INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Samsung's subsidiary Samsung Securities, the bookrunner of the issuing syndicate, underwrote KRW40 billion (US\$34.4 million).⁴⁰⁰

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Samsung's subsidiary Samsung Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).⁴⁰¹

ASSET MANAGEMENT

On 31 August 2013, Samsung's subsidiary Samsung Asset Management owned or managed 0.79% of the shares of **Hanwha Corporation** valued at US\$17.5 million.⁴⁰²

On 31 August 2013, Samsung's subsidiary Samsung Asset Management owned or managed 1.08% of the shares of **Poongsan Corporation** valued at US\$7.0 million.⁴⁰³

1.2.105 **Schroders Investment Management (United Kingdom)**

ASSET MANAGEMENT

On 31 March 2013, Schroder Investment Management Singapore, a subsidiary of Schroders Investment Management, owned or managed 0.30% of the shares of **Singapore Technologies Engineering** valued at US\$32.54 million.⁴⁰⁴

1.2.106 **Sealand Securities (China)**

INVESTMENT BANKING

In March 2013, **China Aerospace Science & Technology** issued bonds for CNY5.0 billion (US\$795.7 million) in two tranches: CNY4.0 billion (US\$636.6 million) in ten-year bonds and CNY1.0 billion (US\$159.1 million) in 15-year bonds. The proceeds were used for project finance and for general corporate purposes. Sealand Securities participated in the five-party syndicate, underwriting an estimated US\$66.3 million.⁴⁰⁵

1.2.107 **Shenkman Capital Management (United States)**

ASSET MANAGEMENT

On 30 June 2013, Shenkman Capital Management owned or managed 3.45% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$19.0 million.⁴⁰⁶

1.2.108 **Shenyin & Wanguo Securities (China)**

INVESTMENT BANKING

In March 2013, **China Aerospace Science & Technology** issued bonds for CNY5.0 billion (US\$795.7 million) in two tranches: CNY4.0 billion (US\$636.6 million) in ten-year bonds and CNY1.0 billion (US\$159.1 million) in 15-year bonds. The proceeds were used for project finance and for general corporate purposes. Shenyin & Wanguo Securities participated in the five-party syndicate, underwriting an estimated US\$66.3 million.⁴⁰⁷

1.2.109 **Shinhan Bank (South Korea)**

INVESTMENT BANKING

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Shinhan Bank, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).⁴⁰⁸

In May 2011, **Poongsan Holdings Corporation** issued three-year bonds worth KRW100 billion (US\$91.8 million). The proceeds were used for general corporate purposes. Shinhan Bank's subsidiary Shinhan Investment, part of the 4-bank issuing syndicate, underwrote KRW20 billion (US\$18.4 million).⁴⁰⁹

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Shinhan Bank's subsidiary Shinhan Investment, part of the issuing syndicate, underwrote KRW10 billion (US\$9.3 million).⁴¹⁰

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Shinhan Bank's subsidiary Shinhan Investment was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).⁴¹¹

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Shinhan Bank's subsidiary Shinhan Investment, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).⁴¹²

In June 2012, **Poongsan Corporation** issued three-year bonds worth KRW70 billion (US\$59.1 million). The proceeds were used for loan payment. Shinhan Bank's subsidiary Shinhan Investment participated in the five-bank syndicate, underwriting KRW10 billion (US\$8.4 million).⁴¹³

In July 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$130.4 million). The proceeds were used for general corporate purposes. Shinhan Bank's subsidiary Shinhan Investment was part of the issuing syndicate, underwriting KRW10 billion (US\$8.7 million).⁴¹⁴

In December 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$139.2 million). The proceeds were used to refinance debt. Shinhan Bank's subsidiary Shinhan Investment was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).⁴¹⁵

In April 2013, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$181.1 million). The proceeds were used to refinance debt. Shinhan Bank's subsidiary Shinhan Investment participated as one of two joint bookrunners, underwriting KRW30 billion (US\$27.2 million).⁴¹⁶

In April 2013, **Poongsan Corporation** issued three-year bonds worth KRW100 billion (US\$89.2 million). The proceeds were used for general corporate purposes and debt payment. Shinhan Bank's subsidiary Shinhan Investment was part of the issuing syndicate, underwriting KRW10 billion (US\$8.9 million).⁴¹⁷

1.2.110 Shinyoung Securities (South Korea)

ASSET MANAGEMENT

On 31 March 2013, Shinyoung Securities owned or managed 0.50% of the shares of **Poongsan Corporation** valued at US\$3.5 million.⁴¹⁸

On 31 March 2013, Shinyoung Securities owned or managed 1.82% of the shares of **Poongsan Holdings** valued at US\$3.0 million.⁴¹⁹

1.2.111 SK Securities (South Korea)

INVESTMENT BANKING

In May 2011, **Poongsan Holdings Corporation** issued three-year bonds worth KRW100 billion (US\$91.8 million). The proceeds were used for general corporate purposes. SK Securities, part of the 4-bank issuing syndicate, underwrote KRW30 billion (US\$27.5 million).⁴²⁰

In June 2012, **Poongsan Corporation** issued three-year bonds worth KRW70 billion (US\$59.1 million). The proceeds were used for loan payment. SK Securities acted as the bookrunner, underwriting KRW30 billion (US\$25.3 million).⁴²¹

In December 2012, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$139.2 million). The proceeds were used to refinance debt. SK Securities was part of the issuing syndicate, underwriting KRW20 billion (US\$18.6 million).⁴²²

In April 2013, **Poongsan Corporation** issued three-year bonds worth KRW100 billion (US\$89.2 million). The proceeds were used for general corporate purposes and debt payment. SK Securities acted as one of three joint bookrunners, underwriting KRW30 billion (US\$26.8 million).⁴²³

1.2.112 Standard Life (United Kingdom)

ASSET MANAGEMENT

On 31 July 2013, Standard Life owned or managed 0.14% of the shares of **Singapore Technologies Engineering** valued at US\$14.2 million.⁴²⁴

1.2.113 State of Wisconsin Investment Board (United States)

ASSET MANAGEMENT

On 30 June 2012, the State of Wisconsin Investment Board owned or managed 0.44% of the shares of **Hanwha Corporation** valued at US\$8.1 million.⁴²⁵

1.2.114 State Street (United States)

ASSET MANAGEMENT

On filing dates between 30 November 2012 and 31 July 2013, State Street owned or managed 4.31% of the shares of **Textron** valued at US\$311.8 million.⁴²⁶

On filing dates between 30 November 2012 and 31 August 2013, State Street owned or managed 0.11% of the shares of **Singapore Technologies Engineering** valued at US\$10.6 million.⁴²⁷

On filing dates between 30 June 2013 and 31 July 2013, State Street owned or managed 2.83% of the shares of **Alliant Techsystems** valued at US\$75.3 million.⁴²⁸

On 31 July 2013, State Street owned or managed 0.30% of the shares of **Hanwha Corporation** valued at US\$6.1 million.⁴²⁹

On 31 July 2013, State Street owned or managed 0.14% of the shares of **Poongsan Corporation** valued at US\$0.9 million.⁴³⁰

1.2.115 Sumitomo Mitsui Financial Group (Japan)

INVESTMENT BANKING

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. SMBC Nikko Capital Markets, a subsidiary of Sumitomo Mitsui Financial Group, participated in the 9-bank issuing syndicate and underwrote US\$6.5 million.⁴³¹

1.2.116 Sun Life Financial (Canada)

ASSET MANAGEMENT

On 31 March 2013, Sun Life Financial, via its subsidiaries Professional Insurance Corporation, Sun Capital Advisors, Sun Life & Health Insurance, Sun Life Assurance Company of Canada and Sun Life Insurance & Annuity Company of New York, owned or managed 1.74% of the outstanding bonds issued by **Textron** valued at US\$36.4 million.⁴³²

1.2.117 SunTrust Bank (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. SunTrust Bank was part of the 20-bank syndicate and provided US\$80 million.⁴³³

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. SunTrust Bank was one of the four bookrunners and provided US\$25 million.⁴³⁴

INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. SunTrust Bank, part of the 7-bank syndicate, underwrote US\$36.8 million.⁴³⁵

1.2.118 T. Rowe Price (United States)

ASSET MANAGEMENT

On 30 June 2013, T. Rowe Price owned or managed 9.29% of the shares of **Textron** valued at US\$672.2 million.⁴³⁶

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

ASSET MANAGEMENT

On filing dates between 31 March 2013 and 31 July 2013, TIAA-CREF owned or managed 3.66% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$20.1 million.⁴³⁷

On 30 April 2013, TIAA-CREF owned or managed 0.10% of the shares of **Poongsan Corporation** valued at US\$0.7 million.⁴³⁸

On 30 April 2013, TIAA-CREF owned or managed 0.10% of the shares of **Poongsan Holding** valued at US\$0.2 million.⁴³⁹

On 30 June 2013, TIAA-CREF owned or managed 1.33% of the shares of **Alliant Techsystems** valued at US\$35.3 million.⁴⁴⁰

On 30 June 2013, TIAA-CREF owned or managed 2.12% of the shares of **Textron** valued at US\$153.8 million.⁴⁴¹

1.2.120 Temasek Holdings (Singapore)

ASSET MANAGEMENT

On 25 February 2013, Temasek Holdings owned or managed 50.43% of the shares of **Singapore Technologies Engineering** valued at US\$5,353.6 million.⁴⁴²

1.2.121 The Carlyle Group (United States)

ASSET MANAGEMENT

On 30 June 2013, TCW Asset Management, a subsidiary of The Carlyle Group, owned or managed 1.53% of the shares of **Textron** valued at US\$110.5 million.⁴⁴³

1.2.122 The London Company (United States)

ASSET MANAGEMENT

On 30 June 2013, The London Company owned or managed 1.65% of the shares of **Alliant Techsystems** valued at US\$43.7 million.⁴⁴⁴

1.2.123 TongYang Group (South Korea)

INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. TongYang Group's subsidiary TongYang Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.6 million).⁴⁴⁵

ASSET MANAGEMENT

On 30 June 2013, TongYang Group's subsidiary TongYang Asset Management owned or managed 0.21% of the shares of **Poongsan Corporation** valued at US\$1.17 million.⁴⁴⁶

1.2.124 Truston Asset Management (South Korea)

ASSET MANAGEMENT

On filing dates between 9 January 2012 and 8 July 2013, Truston Asset Management owned or managed 6.46% of the shares of **Poongsan Corporation** valued at US\$38.7 million.⁴⁴⁷

1.2.125 UBS (Switzerland)

ASSET MANAGEMENT

On 31 March 2013, UBS Hana Asset Management, in which UBS holds a 51%-share, owned or managed 0.12% of the bonds issued by **Hanwha Corporation** valued at US\$2.7 million.⁴⁴⁸

1.2.126 United Overseas Bank (Singapore)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. United Overseas Bank was part of the 20-bank syndicate and provided US\$30 million.⁴⁴⁹

ASSET MANAGEMENT

On 31 December 2012, UOB Asset Management, a subsidiary of United Overseas Bank, owned or managed 0.10% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$0.6 million.⁴⁵⁰

1.2.127 United Services Automobile Association (United States)

ASSET MANAGEMENT

On filing dates between 28 February 2013 and 30 June 2013, USAA Investment management, a subsidiary of United Services Automobile Association, owned or managed 2.02% of the outstanding bonds issued by **Textron** valued at US\$42.4 million.⁴⁵¹

1.2.128 Unum Group (United States)

ASSET MANAGEMENT

On 31 March 2013, Unum Group, through its subsidiaries Colonial Life & Accident Insurance and Provident Life & Accident Insurance, owned or managed 1.75% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$9.6 million.⁴⁵²

1.2.129 US Bancorp (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. US Bancorp's subsidiary US Bank was part of the 20-bank syndicate and provided US\$80 million.⁴⁵³

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. US Bancorp's subsidiary US Bank was one of the four bookrunners and provided US\$25 million.⁴⁵⁴

INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. US Bancorp's subsidiary US Bank, part of the 7-bank syndicate, underwrote US\$36.8 million.⁴⁵⁵

1.2.130 Vanguard (United States)

ASSET MANAGEMENT

On 30 June 2013, Vanguard owned or managed 5.53% of the shares of **Alliant Techsystems** valued at US\$146.6 million.⁴⁵⁶

On 30 June 2013, Vanguard owned or managed 0.56% of the shares of **Poongsan Corporation** valued at US\$3.16 million.⁴⁵⁷

On 30 June 2013, Vanguard owned or managed 7.14% of the shares of **Textron** valued at US\$516.7 million.⁴⁵⁸

On 31 July 2013, Vanguard owned or managed 0.76% of the shares of **Hanwha Corporation** valued at US\$15.5 million.⁴⁵⁹

On 31 July 2013, Vanguard owned or managed 0.51% of the shares of **Singapore Technologies Engineering** valued at US\$53.1 million.⁴⁶⁰

1.2.131 Veritas Asset Management (United Kingdom)

ASSET MANAGEMENT

On 28 February 2013, Veritas Asset Management owned or managed 0.72% of the shares of **Singapore Technologies Engineering** valued at US\$76.6 million.⁴⁶¹

1.2.132 Wellesley Investment Advisors (United States)

ASSET MANAGEMENT

On 30 June 2013, Wellesley Investment Advisors owned or managed 3.28% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$18.0 million.⁴⁶²

1.2.133 Wellington Management Company (United States)

ASSET MANAGEMENT

On 30 June 2013, Wellington Management Company owned or managed 2.00% of the shares of **Textron** valued at US\$144.9 million.⁴⁶³

1.2.134 Wells Fargo Bank (United States)

LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Wells Fargo Bank was part of the 20-bank syndicate and provided US\$80 million.⁴⁶⁴

In September 2012, **Alliant Techsystems** secured a US\$200 million five-year credit facility from a twelve-bank syndicate. The proceeds were used for general corporate purposes and refinancing debt. Wells Fargo Bank was one of the four bookrunners and provided US\$25 million.⁴⁶⁵

INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Wells Fargo Bank, part of the 7-bank syndicate, underwrote US\$36.8 million.⁴⁶⁶

1.2.135 Western & Southern Mutual (United States)

ASSET MANAGEMENT

On 30 June 2013, Western & Southern Mutual, via its subsidiary Fort Washington Investment Advisors, managed or owned 3.20% of the shares of **Alliant Techsystems** valued at US\$84.7 million.⁴⁶⁷

1.2.136 William Blair & Company (United States)

ASSET MANAGEMENT

On 30 June 2013, William Blair & Company owned or managed 0.98% of the shares of **Singapore Technologies Engineering** valued at US\$100.3 million.⁴⁶⁸

1.2.137 Williams Capital (United States)

INVESTMENT BANKING

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Williams Capital participated in the 9-bank issuing syndicate and underwrote US\$6.5 million.⁴⁶⁹

1.2.138 Woori Financial (South Korea)

INVESTMENT BANKING

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Woori Financial's subsidiary Woori Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).⁴⁷⁰

In May 2011, **Poongsan Holdings Corporation** issued three-year bonds worth KRW100 billion (US\$91.8 million). The proceeds were used for general corporate purposes. Woori Financial's subsidiary Woori Investment & Securities, part of the 4-bank issuing syndicate, underwrote KRW20 billion (US\$18.4 million).⁴⁷¹

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Woori Financial's subsidiary Woori Investment & Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$18.6 million).⁴⁷²

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Woori Financial's subsidiary Woori Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).⁴⁷³

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Woori Financial's subsidiary Woori Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).⁴⁷⁴

In June 2012, **Poongsan Corporation** issued three-year bonds worth KRW70 billion (US\$59.1 million). The proceeds were used for loan payment. Woori Financial's subsidiary Woori Investment & Securities participated in the five-bank syndicate, underwriting KRW10 billion (US\$8.4 million).⁴⁷⁵

In April 2013, **Poongsan Corporation** issued three-year bonds worth KRW100 billion (US\$89.2 million). The proceeds were used for general corporate purposes and debt payment. Woori Financial's subsidiary Woori Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$8.9 million).⁴⁷⁶

1.2.139 Yurie Asset Management (South Korea)

ASSET MANAGEMENT

On 31 March 2013, Yurie Asset Management owned or managed 0.95% of the shares of **Poongsan Holding** valued at US\$1.6 million.⁴⁷⁷

On 31 August 2013, Yurie Asset Management owned or managed 0.20% of the shares of **Poongsan Corporation** valued at US\$1.3 million.⁴⁷⁸

Chapter 2

Disinvesting from Cluster Munitions Producers

This second 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 those financial institutions with a clear and comprehensive policy on cluster munitions.
- The second part, the list of runners-up, lists financial institutions with a policy that displays certain shortcomings.
- Finally, the third part lists states taking initiative to ban investment in cluster munitions.

2.1 Hall of Fame: Financial institutions pioneering in disinvestment

2.1.0 Introduction and Methodology

As the previous chapter showed, many financial institutions display little responsibility when it comes to cluster munitions. They invest in cluster munitions producers, despite 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 responsibility to their clients by referring to ethical savings and/or investment products. This ignores the fact that clients do not always realise which 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 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 for banning cluster munitions. In its wake, a growing group of financial institutions has come to accept responsibility for implementing a clear and far-reaching policy on dealing 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 the nature of the business relation and regardless 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, information from campaigners worldwide and other public sources. We worked within the limits imposed by language (English and Dutch) and accessibility. In some cases we have received translations of disinvestment policies that were not available in Dutch or English in the public domain, but in most cases we were limited to policies' availability in Dutch or English. The Hall of Fame is 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. Financial institutions that did not respond to our questions on their published policies were not included in this chapter. Our Hall of Fame is an invitation to financial institutions with a comprehensive policy banning investment in cluster munitions to provide us with their policies and to publish it on their websites in order for us to include them in either the runners-up category or the Hall of Fame.

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.

We contacted all financial institutions in this list prior to publication to verify our research findings and to be sure we interpreted their policies correctly. We only include policies publicly available at the time of writing.

Financial institutions must meet the following criteria to be included in our Hall of Fame:

- An investor must be transparent and accountable on its cluster munitions policy. This means that the investor has published its 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 exceptions for any type 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

We researched investment in red flag companies for each financial institution in our Hall of Fame. This included shareholdings under the thresholds we use for the Hall of Shame. We chose to do so because any involvement at all in a cluster munitions producer, after publication of a policy excluding this, is evidence of poor implementation. When we found evidence that financial institutions listed in our Hall of Fame had financial links with cluster munitions producers, we contacted the institution to confront it with our findings. When there were no legal constraints preventing a financial institution's disinvestment, we removed it from our Hall of Fame.

- **Results**

This chapter provides the results of our search on financial institutions with a clear and far-reaching policy to exclude producers of cluster munitions.

Every section contains the name of each financial institution, its country of origin, a brief profile and a summary of its policy.

We have listed 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 smaller banks, 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 fields in which these banks invest. By their nature these banks do not get involved in investments in the arms industry. They usually have detailed procedures to avoid investing in unethical industries like arms production. The ethical banks in this chapter are representative of the many ethical banks whose sharp focus on sustainable or value-driven investments merits a place here.

2.1.1 ASN Bank (the Netherlands)

ASN Bank is the largest ethical bank in the Netherlands. It aims to promote a sustainable society through investment and by supporting socially responsible businesses.⁴⁷⁹

ASN Bank's Issue Paper on Human Rights sets absolute criteria excluding all investment in the arms and security sector. This means it excludes companies that engage in or benefit from war or armed conflict, or that manufacture or trade in arms. 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, weapon 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 used primarily in armaments in addition to having a civil application.⁴⁸⁰

Moreover, ASN Bank will not invest in a financial institution unless the institution leaves no doubt about the where its investments end up and unless the ultimate recipient meets ASN Bank's special investment criteria.⁴⁸¹

2.1.2 Banca Etica (Italy)

Banca Etica is an Italian cooperative bank that operates exclusively in the field of sustainable, alternative finance. Banca Etica has developed partnerships with institutes and organisations throughout Europe to develop civil economy, ethical finance and fair trade.⁴⁸²

Article 5 of its founding charter states that "any and all financial relations with the economic activities that, even in an indirect manner, inhibit the human development and contribute to fundamental human rights violations are excluded."⁴⁸³ According to Banca Etica, this article prohibits all involvement with the arms industry.⁴⁸⁴

2.1.3 Triodos Bank (the Netherlands)

Triodos Bank is a sustainable bank operating in the Netherlands, Belgium, the United Kingdom, Spain, and Germany.⁴⁸⁵

Triodos Bank's Position on Arms states that the bank will not invest in, or cooperate with private companies using, producing or selling arms. This also applies to companies providing tailor-made components and services for the arms industry or that are essential to the functioning of arms. It also stresses that "in any event we will not accept involvement – either directly or indirectly through a secondary financial relationship – in the production, sale, or transfer of anti-personnel mines and cluster bombs."⁴⁸⁶

Triodos Banks has a strict policy on its loans to, and investments in, banks. They are expected to apply zero tolerance to shareholdings in, bonds of and loans for companies involved in producing cluster bombs (exceptions go for funds following an index, third-party funds and execution-only custody activities).⁴⁸⁷

Financial institutions often use bank secrecy to excuse a lack of transparency. The ethical banks listed above prove transparency does not hinder banking.

Transparency

One salient characteristic shared by all three of these ethical banks is transparency about their investments:

- ASN Bank's annual report states its investment criteria and lists the names of the companies in which it has invested over the past year. Its website shows the investment universe for each of its investment funds; this includes a brief description of each company in the portfolio. ASN Bank also publicly lists the companies that are excluded from its investments universe after engagement.⁴⁸⁸
- Banca Etica is completely transparent about its financing operations. Its website displays a list of all loans approved since its creation.
- Triodos Bank is transparent about companies receiving credit, providing a list of these on its website. Triodos Bank displays its funds' investment universes and portfolios as well.

When they select financing and investment recipients, financial institutions determine which businesses they will support. Since most other financial institutions do not disclose their choices, it is impossible for clients to know the purposes for which their money is being used. 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 with which it has done or has refused to do business helps observers ascertain the type of businesses with which it is involved and verify whether it really does what it says it does. It allows each customer, political leader and shareholder to gather information to determine whether it is acting in an ethically responsible manner and whether it keeps 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 intentionally 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.⁴⁸⁹ National governments manage some of these pension funds. That makes national governments responsible for these funds' investment strategies and for managing their portfolios.

2.1.4 Fonds de Compensation (Luxembourg)

The "Fonds de Compensation de la Sécurité Sociale, SICAV-FIS", was created in 2007 as a specialised investment fund to invest part of Luxembourg's excess pension reserves.⁴⁹⁰

In September 2010, the Compensation Fund's administrative council put 10 companies on an exclusion list because it suspected them of producing cluster bombs or antipersonnel mines.⁴⁹¹ At the end of 2011, the fund formalised its environmental, social and governance (ESG) criteria by establishing rules excluding companies that do not respect the Convention on Cluster Munitions or any other international conventions ratified by the Grand Duchy of Luxembourg. In May 2013, the Luxembourg Ministry of Foreign Affairs stated that the fund had sold all incriminated assets.⁴⁹²

The administrative council of the Fund commissioned GES Investment Services to analyse its investment universe to identify companies that do not respect these international conventions. The first exclusion list was drawn up in November 2011. The list will be revised every semester. All fund managers have been ordered to apply the list, effective immediately, and to sell all assets held in any of the companies on the exclusion list.⁴⁹³ With regard to cluster munitions, the list includes the following companies in the Aerospace and Defence sector: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin and Textron.⁴⁹⁴

2.1.5 The Future Fund (Australia)

The Future Fund was established by the Future Fund Act 2006 to assist future Australian governments meet the cost of public sector superannuation liabilities by delivering investment returns on contributions to the Fund.⁴⁹⁵

Australia has ratified a number of international conventions and treaties that limit certain activities. Where the Fund's board becomes aware that the activities of an entity or a funding activity may contravene such a convention or treaty, it will consider excluding or removing the investment from the Fund's portfolio.⁴⁹⁶ The Future Fund's management agency's answers to questions in the Australian senate's Finance and Public Administration Legislation Committee leave no doubt that the Fund excludes companies producing cluster munitions from its investment portfolio.

To ensure compliance it uses an exclusion list based on a combination of expert and desktop research.⁴⁹⁷ The list was made public in 2013. Companies excluded for reasons related to cluster munitions and anti-personnel mines are: Aeroteh, Alliant Techsystems, General Dynamics, Hanwha, Kaman, L-3 Communications, Larsen & Toubro, Lockheed Martin, Poongsan, Raytheon, Singapore Technologies Engineering and Textron.⁴⁹⁸

2.1.6 National Pensions Reserve Fund (Ireland)

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 this cost is expected to rise as the population ages. The National Pension Reserve Fund Commission manages the fund. The Minister of Finance appoints the commission's members.⁴⁹⁹

On 3 March 2008, Ireland's NPRF announced it would withdraw €27 million from investments in six international companies linked to cluster munitions production. This announcement was made following a specific request from the government to withdraw from companies involved in the manufacture of cluster munitions. At the time, the Irish government worked on establishing the Convention on Cluster Munitions to prohibit cluster munitions. The fund withdrew from all (Raytheon, General Dynamics, Lockheed Martin, Alliant Techsystems and L-3 Communications) but one (Thales) of the companies, since the NPRF did not consider the latter a cluster munitions producer.⁵⁰⁰

On 2 December 2008, Ireland passed the 2008 Cluster Munitions and Anti-Personnel Mines Act. The NPRF policy is based on this. 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. The NPRF's reasons for excluding these companies were their involvement in manufacturing cluster munitions or anti-personnel mines or the companies' failure to dissociate themselves from the manufacture of these weapons. The companies on the exclusion list in the 2012 annual report were Aerostar, Alliant Techsystems, Aryt Industries, Doosan, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Northrop Grumman, Poongsan, Raytheon, Singapore Technologies Engineering and Textron.⁵⁰¹

2.1.7 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 persons expected to double by 2050. Accordingly, the cost of paying for New Zealand's superannuation bill 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.⁵⁰²

The guardians established a responsible investment framework with guidelines based on international conventions, New Zealand law and Crown actions. The guardians' website reveals a strong preference to engage with companies as a means of improving their behaviour. Nevertheless, the guardians decided in December 2008 to disinvest from companies involved in cluster bomb production. The CCM and the New Zealand government's example, combined with the fact that it was unlikely the companies could be persuaded to stop manufacturing, convinced the guardians that 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 linked to cluster munitions production. In March 2008, the guardians decided to develop an engagement, disinvestment and exclusion plan for dealing with companies involved in the manufacture of cluster munitions.⁵⁰³ The guardians decided to exclude these companies after New Zealand signed the Convention on Cluster Munitions on 3 December 2008.⁵⁰⁴

The fund's website lists companies excluded for their involvement in cluster munitions, nuclear explosive devices and anti-personnel mines. It reviews and updates this list regularly with information from external screening agencies. The list includes Alliant Techsystems, Babcock & Wilcox Company, Bechtel Group, Fluor Corporation, Hanwha, Honeywell International, Huntington Ingalls Industries, Jacobs Engineering Group, Kratos Defence & Security Solutions Inc., Lockheed Martin, Northrop Grumman, Poongsan, Serco Group, Singapore Technologies Engineering, Textron and URS Group.⁵⁰⁵ In June 2013, four previously excluded companies (General Dynamics, L-3 Communications, Raytheon and Goodrich) were cleared to re-enter the portfolio.⁵⁰⁶

2.1.8 Norwegian Government Pension Fund – Global (Norway)

The Norwegian Government Pension Fund – Global was set up to manage the state's oil revenues. Large petroleum revenues 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 expected in the coming years, and to support a long-term management of petroleum revenues.⁵⁰⁷

In 2004, the Norwegian government adopted ethical guidelines for the government pension fund. A new, updated version of these guidelines appeared on 1 March 2010. Section 2 describes the exclusion of companies from the Fund's investment universe. It is stated that "the assets in the Fund shall not be

invested in companies which themselves or through entities they control:

- a) Produce weapons that violate fundamental humanitarian principles through their normal use;
- b) Produce tobacco;
- c) Sell weapons or military materiel to states mentioned in section 3.2 of the guidelines for the management of the Fund.⁵⁰⁸

Relying on recommendations from the Council on Ethics for the Government Pension Fund – Global, the Ministry of Finance has excluded several cluster munitions producers since the ethical guidelines came into force. The Council’s recommendation dated 16 June 2005 explains its interpretation of the guidelines on cluster weapons. It defines cluster weapons as weapons that violate the fundamental humanitarian principle by not making a distinction between military and civilian goals.⁵⁰⁹

The Council on Ethics based its exclusion recommendations on the 2008 Convention on Cluster Munitions’ technical definition of what constitutes cluster munitions.⁵¹⁰

The Norwegian Government Pension Fund - Global excluded the following companies from its portfolio since 2005 because they manufactured what were thought to be key components for cluster bombs: Alliant Techsystems, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon, Thales and Textron.⁵¹¹ In September 2009, it reversed Thales’ exclusion because the latter ceased producing cluster munitions.⁵¹² In March 2011, it decided to readmit L-3 Communications to its investment universe, because the latter ceased producing cluster munitions.⁵¹³ In 2013, Alliant Techsystems and Lockheed Martin were readmitted for the same reason.⁵¹⁴ The current list is: General Dynamics, Hanwha, Poongsan, Raytheon and Textron.⁵¹⁵

The Norwegian Government Pension Fund - Global gains extra credit for its full transparency. It published the Ethical Council’s recommendations and issued press releases with government decisions.

2.1.9 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 on a pay-as-you-go system in which current pension contributions pay current income pension benefits. These buffer funds should provide spare capital for when state pension funds payments exceed tax revenues as ageing baby-boomers increase demands on the pension system.⁵¹⁶

On 1 January 2007, a joint ethical committee, called the Ethical Council, was established for the National Swedish Pension Funds. This committee monitors and analyses the portfolio holdings of the first to fourth AP Funds to ensure that portfolio companies are not a party to crimes against international conventions to which Sweden is a signatory.⁵¹⁷

In response to the Oslo treaty, the Ethical Council ordered a screening in 2008 of companies suspected of having links to cluster munitions. It identified nine companies that produce or market cluster munitions or their components. The Council recommended that these companies be excluded from the four funds’ investment universe. All four funds later shed these holdings.⁵¹⁸

Excluded in the sector aerospace and defence are: Alliant Techsystems, Elbit Systems, GenCorp, General Dynamics, L-3 Communications, Lockheed Martin, Raytheon, Singapore Technologies Engineering and Textron.⁵¹⁹

2.1.10 Swedish Pension Fund AP7 (Sweden)

AP7 is one of six 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 Swedish Pension Agency (PM). The employees may choose the PM fund they want to manage their pension capital and the way it is to be done. The Seventh AP Fund manages the pension capital of those with no preference.⁵²⁰

In June 2008, AP7 announced that it would disinvest from companies involved in cluster munitions and nuclear weapons.⁵²¹

AP7 listed the excluded companies in its annual report. It excluded the following companies because of their involvement in cluster munitions: Doosan, General Dynamics, Hanwha, Jacobs Engineering Group, L-3 Communications, Lockheed Martin, Singapore Technologies Engineering and Textron.⁵²²

Government-managed financial institutions

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

The 2008-2009 financial crisis and the subsequent government bank bailout 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 that the governments have signed. Governments can use their position as shareholders to change a bank's policy on cluster munitions to ensure none of the bank's money is invested in cluster munitions producers.

MAINSTREAM FINANCIAL INSTITUTIONS (private)

2.1.11 ABP (the Netherlands)

ABP is the pension fund for employers and employees working for the Dutch government and in education. It provides income security in cases of disability, death and retirement and is based on the principles of solidarity and non-profit. ABP is one of the largest pension funds in the world. The fund is under APG's management,⁵²³ while ABP holds shares (92.16%) in APG.⁵²⁴

In March 2007, after a documentary entitled "The Cluster Bomb Feeling"⁵²⁵ drew attention to the fact that several major Dutch pension funds had invested in companies linked to the production of anti-personnel landmines and cluster bombs, ABP decided to exclude such companies from its portfolio. It sold all shares and bonds in them within a 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 anti-personnel 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, fuzes and warheads."⁵²⁶ This is still ABP's official policy on this issue, a summary is found in its 2010 Responsible Investment Report.⁵²⁷

ABP has drawn up a public list of companies to be excluded from investments. ABP's board revised this list when it evaluated its exclusion policy in 2013. As of 1 June 2013, it excludes the following companies producing cluster munitions: Aeroteh, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, China Aerospace International Holdings, China Spacesat, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁵²⁸

2.1.12 APG (the Netherlands)

APG is a Dutch asset manager, managing the assets of pension funds (including ABP, BPF Bouw and SPW). These pension funds publish their own cluster munitions exclusion policies and APG ensures the policies are consonant. APG, as their asset manager, also maintains its own cluster munitions exclusion policy that is, as a principle, applied to all clients' investments.⁵²⁹

The APG's two shareholders are both pension funds: ABP (92.16%) and Sociaal Fonds Bouwnijverheid (7.84%).⁵³⁰

APG's exclusion policy states that it will not invest in cluster munitions; this applies to all asset categories.⁵³¹ When it becomes known that any of APG investments involve cluster munitions companies, these contracts will be terminated. APG uses a public exclusion list to implement its policy. In July 2013, the following companies were on the list: Aeroteh, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, China Aerospace International Holdings, China Spacesat, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁵³²

2.1.13 A.S.R. (the Netherlands)

A.S.R. is a Dutch insurance company offering a broad range of insurance products. Since 2008, the Dutch government has fully owned A.S.R.⁵³³

A.S.R.'s Socially Responsible Investment (SRI) policy states that the insurance company will not invest in companies that produce and/or sell controversial weapons. Controversial weapons are defined as anti-personnel mines, cluster munitions, chemical and nuclear weapons.⁵³⁴ Companies are also excluded when a subsidiary is involved in cluster munitions. A.S.R. applies its cluster munitions policy to all asset categories. The criteria in A.S.R.'s policy are consonant with consultancy agency Forum Ethibel's SRI criteria. A.S.R. outsources its semi-annual portfolio screening to consultancy agency Vigeo.⁵³⁵

A.S.R. uses a (non-public) exclusion list to implement its policy.⁵³⁶

2.1.14 ATP (Denmark)

ATP is a Danish pension fund, administering a number of pension schemes, including some for the Danish state. ATP manages pension contributions from approximately 4.5 million customers.⁵³⁷

ATP's policy of Social Responsibility in Investments - Weapons incorporated the Convention on Cluster Munitions when it adopted the governing principle that companies must respect international conventions and agreements that Denmark had endorsed. Denmark signed the Convention on Cluster Munitions in December 2008 and ratified it on 12 February 2010.

Consistent with the Danish government's support of the Oslo process to ban cluster munitions, ATP, in 2006, disinvested from companies engaged in cluster munitions production.⁵³⁸

ATP maintains an exclusion list. Its website has a list of the companies excluded per year in 2005 – 2009. From 2010 onwards, the exclusion list will be updated on the website each time an exclusion is implemented and ATP's board has been informed. Since ATP only maintains information on companies in which it has equities, there is no complete list of companies excluded for violating ATP's socially responsible investment policy. The factors that led to exclusion may, therefore, have changed without ATP's knowledge. Since 2005, the following companies were excluded due to their involvement in cluster munitions: Aerostar, Alliant Techsystems, BAE Systems, GenCorp, General Dynamics, Goodrich, Ishikawajima-Harima Heavy Industries, L-3 Communications, Lockheed Martin, Magellan Aerospace, Poongsan, Raytheon, Rheinmetall, Saab and Thales.⁵³⁹

2.1.15 BPF Bouw (the Netherlands)

BPF Bouw is the industry-wide pension fund for the Dutch construction industry. It administers pensions for about 14,000 companies.⁵⁴⁰

On 1 January 2010, BPF Bouw transferred management of its assets from Cordares to APG. APG maintains one cluster munitions policy and exclusion list for all its clients. BPF Bouw does not invest in companies directly involved in cluster munitions. It considers the following situations direct involvement:

- a) production of all or most of a complete weapons system
- b) production of important munitions-related weapon components like submunitions, fuzes and warheads.⁵⁴¹

As of 1 June 2013, BPF Bouw's investment universe excluded 14 companies. This list is the same as APG's and contains the following companies producing cluster munitions: Aeroteh, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, China Aerospace International Holdings, China Spacesat, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁵⁴²

2.1.16 DNB (Norway)

DNB is Norway's largest financial services group.⁵⁴³ It offers a wide variety of financial services: loans, savings, advisory services, insurance and pension products.⁵⁴⁴ Before 11 November 2011, DNB was known as DNB NOR.⁵⁴⁵

DNB's Ethical Investment Guidelines state that "DNB NOR will not finance or invest in companies involved in anti-personnel mines and cluster weapons, or in companies which develop and produce central components for use in weapons of mass destruction as a key part of their operations."⁵⁴⁶

The group's policy applies to all funds managed by or sold through its asset management and/or life insurance and pensions activities. For its credit activities, it defines cluster munitions producers as high-risk customers that it will not finance.⁵⁴⁷ The guidelines also apply to suppliers of mutual funds in which DNB invests or which it offers to its customers.⁵⁴⁸

DNB maintains an internal blacklist of companies. As of 30 September, 6 companies were excluded for involvement in cluster munitions. DNB does not disclose the names of the excluded companies.⁵⁴⁹

2.1.17 Ethias (Belgium)

Ethias used to be a Belgian insurance and banking company. After Ethias Bank was sold to Optima Bank in 2011, only the insurance part remains under the name Ethias.⁵⁵⁰ It is the fourth largest insurance company in Belgium, with a market share of 8.4%.⁵⁵¹

Ethias subjects all financial reserves under its management to its investment code. This code excludes cluster munitions producers.⁵⁵² Ethias maintains a blacklist and currently bans 126 companies, among which are the cluster munitions producers covered in this report: Alliant Techsystems, China Aerospace Science and Technology, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁵⁵³

2.1.18 Folksam (Sweden)

Folksam is a Swedish insurance company that offers a wide variety of insurance, savings and loan products. It is one of the largest Swedish investment managers.⁵⁵⁴

In 2008, Folksam responded to the CCM by selling its interest in companies that produce or sell cluster munitions. Folksam applies its cluster munitions exclusion policy to all its products. Folksam entrusts management of all assets to Swedbank Robur, which carries out the decisions that Folksam's Committee for Corporate Governance makes.⁵⁵⁵

Folksam's exclusion list features the following companies involved in cluster munitions: EADS, General Dynamics, Lockheed Martin, Raytheon and Textron.⁵⁵⁶

2.1.19 KLP (Norway)

KLP – Kommunal Landspensjonskasse – is Norway's largest life insurance company. It provides pension, financing and insurance services to local government and state health enterprises as well as to public and private companies.⁵⁵⁷

KLP has developed product-based exclusion criteria. As such, KLP does not invest in companies producing cluster munitions and other weapons violating humanitarian principles.⁵⁵⁸

Each year, it publishes its exclusion list in its socially responsible investment (SRI) report. In 2011, it excluded seven companies for their involvement in cluster munitions: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, Poongsan, Raytheon and Textron. Singapore Technologies Engineering was excluded due to the company's involvement in anti-personnel mines.⁵⁵⁹ As per 1 June 2013, these companies still appear on KLP's weapons exclusion list.⁵⁶⁰

KLP seems to be very careful about getting involved in cluster munitions. This is apparent from the reasons it gives for excluding General Dynamics, "In late 2010, the company states that no marketing, manufacture or stockpiling of these weapons is carried out by the company currently. However, the company has no policy related to cluster munitions and cannot guarantee that it would not produce the products again."⁵⁶¹

KLP's SRI report is strict on transparency. All engagement and exclusion decisions and processes are elaborated thoroughly, explained and published in the report.

2.1.20 KPA (Sweden)

KPA Pension is a Swedish pension fund offering customised pension and insurance solutions for the public sector. KPA Pension combines secure pension plans with social responsibility. Folksam owns 60% of KPA Pension and the Swedish Association of Local Authorities and Regions owns 40%.⁵⁶²

KPA Pension does not invest in companies or groups that produce weapons. KPA Pension uses a clear and comprehensive definition of weapons. This definition includes cluster munitions as well as platforms for weapons (e.g. aircraft or vehicles used to launch weapons) and strategic products (e.g. electronics for ammunition, which are essential to ensure that weapon systems work).⁵⁶³

2.1.21 Menzis (the Netherlands)

Menzis is a Dutch health insurance company serving more than two million customers via three major brands: Menzis, Anderzorg, Azivo.⁵⁶⁴

Menzis excludes investments in companies involved in the development and production of, trade in or maintenance of cluster munitions.⁵⁶⁵ The exclusion applies to all investments, including to its external managers. It assesses monthly the external funds that invest in emerging markets. When Menzis uncovers that such a fund is investing in cluster munitions (or other controversial weapons), it will sell the position in the fund as soon as possible. In 2012, this resulted in the disinvestment from one of the three funds in which Menzis had invested. This way Menzis ensures that it does not invest in cluster munitions producers via funds that invest in emerging markets.⁵⁶⁶

Menzis derives its exclusion list from the Netherlands Authority for the Financial Markets' (AFM) indicative list. In February 2013, the following companies were on the list: Aeroteh, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, Hanwha, Kaman, Lockheed Martin, Norinco, Poongsan, Singapore Technologies Engineering, Splav and Textron.⁵⁶⁷

2.1.22 Pensioenfond Vervoer (the Netherlands)

Pensioenfond Vervoer (Transport Industry Pension Fund), founded in 1964, is by and for employers and employees in goods transport, private bus transport, taxi transport, mobile crane hire and inland ferry services.⁵⁶⁸

Pensioenfond Vervoer's responsible investment policy covers all its investments.⁵⁶⁹

The pension fund uses an exclusion list of companies in which it does not want to invest; it encompasses companies producing cluster munitions.

As of 1 August 2013, the list contains the following companies: Aeroteh, Alliant Techsystems, Ashot Ashkelon, China Spacesat, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁵⁷⁰

2.1.23 Pensioenfond Zorg en Welzijn (the Netherlands)

Pensioenfond Zorg en Welzijn (Care and Welfare Pension Fund) is asset manager PGGM 's largest pension fund client.⁵⁷¹ PFZW has almost 2.5 million participants; 21,500 employers are its clients.⁵⁷² The pension fund maintains its own exclusion policy, which is consonant with that of asset manager PGGM.⁵⁷³

It applies the policy to all asset categories, including passive investments. For private investments, asset manager PGGM formally demands that external managers apply its exclusion policy.⁵⁷⁴ PFZW maintains an exclusion list that is the same as PGGM's; on it are: Aryt Industries, General Dynamics, Hanwha,

Minority shareholding

Most financial institutions think it evident that if a company owns 50% or more of the shares of a subsidiary that produces cluster munitions or (key) components thereof, that company should be excluded from the investment universe (as well as the cluster munitions producer itself). However, in 2013, we noticed a new trend in which some financial institutions argued that they would still be allowed to invest in a company that holds less than 50% of the shares in a company that produces cluster munitions.

We consider it undesirable for financial institutions to continue investing in a company that holds any share at all in a cluster munitions producer. When one holds shares, one is partial owner of the company and all its assets. When it invests in a company that holds a minority stake in a company producing cluster munitions, a financial institution buys part of the minority share in that producer. Furthermore, there is no way to prevent the company with the minority stake from reallocating its capital to the cluster munitions producer. This is undesirable and runs counter to the intent of any policy to shun investment in cluster munitions producers.

When we uncovered this trend in 2013, we had too little time to revise our Hall of Fame or runners-up ranking to integrate this as a criterion in our methodology. As a result this report has put financial institutions in the Hall of Fame or runners-up category without considering their policy on investing in companies that hold share in cluster munitions producers.

However, we will integrate this in our methodology by the next update. In doing so we, we will reassess all financial institutions on how they deal with this particular issue. As with all loopholes, there are also financial institutions that do not make an exception for shareholding companies under 50%. To give one example: ABN Amro explicitly states that “the company or any of its subsidiaries, affiliates (including the companies in which it holds minority participations) or associates must not produce, manufacture, stockpile or service controversial weapons or nuclear weapons.”

2.1.24 PGGM (the Netherlands)

PGGM is a cooperative set up to provide income protection for everyone in the healthcare and social work services. PGGM manages the assets belonging to 5 pension funds.⁵⁷⁶

PGGM applies a responsible investment policy that excludes controversial weapons. PGGM’s exclusion policy states that it will not invest on behalf of its clients in companies that have a substantial involvement in the production of or trade in cluster munitions or other controversial weaponry. Substantial involvement means that a company produces or trades in end products or components essential for the weapons’ operation. PGGM adopted the Convention on Cluster Munitions’ definition of cluster bombs when the convention took effect. Before that, it relied on the Red Cross’ guidelines.⁵⁷⁷

It published a list of excluded companies on its website. Although on the list in 2012, AeroStar, Goodrich Corporation and Kaman were removed from the 2013 edition. As of 1 June 2013, the following companies are excluded due to involvement in cluster munitions: Aryt Industries, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon, Singapore Technologies Engineering, Textron and Zodiac Aerospace. General Dynamics and Lockheed Martin are under review.⁵⁷⁸

PGGM's 2012 annual Responsible Investment report states that PGGM could guarantee that 99% of its portfolio was consistent with its exclusions policy.⁵⁷⁹ It wrote, "that does not mean that the remaining 1% breaches the policy; it simply means that we cannot state with certainty that it complies with the policy."⁵⁸⁰ Our research has shown that PGGM does not invest in the producers of cluster munitions on our red flag list.

2.1.25 Philips Pension Fund (the Netherlands)

Philips Pension Fund is one of the largest corporate retirement plans in the Netherlands.⁵⁸¹ It offers pension services to employees of Philips Electronics.⁵⁸²

In 2008, Philips fund started to integrate environmental, social and governance (ESG) criteria across all its investments. This meant the implementation of a list excluding companies involved in the production of controversial weapons, such as cluster munitions.⁵⁸³ The fund maintains an unpublished list of cluster munitions producers for this purpose.⁵⁸⁴

2.1.26 PME (the Netherlands)

PME is the pension fund for the Dutch metal industry. It administers pensions for nearly 1,300 companies with more than 300,000 members and customers.⁵⁸⁵ MN is PME's external asset manager.⁵⁸⁶

In 2007, PME strengthened its own guidelines for responsible investments and set up its investment guidelines. It established 10 PME Principles for Responsible Investing. One of them states that PME will not invest in companies involved in products that breach international agreements that the Dutch government has signed.⁵⁸⁷ After establishing this guideline, PME disinvested from anti-personnel mine and cluster munitions producers.⁵⁸⁸

PME has published its investment exclusion list on its website. The list contains mainly companies in the arms industry. All of the cluster munitions producers covered in this report are on PME's blacklist.⁵⁸⁹

2.1.27 PNO Media (the Netherlands)

PNO Media, a Dutch media industry pension fund, manages pensions for some 500 media companies and organisations.⁵⁹⁰

PNO Media's sustainable investment code states that it does not wish to be involved in the production of weapons or weapon systems (including essential components) that are prohibited under international law or are in breach of fundamental humanitarian principles. Proportionality and distinction are among the humanitarian principles to which PNO Media refers. Its investment policy excludes investment in cluster munitions companies.⁵⁹¹

PNO Media published its blacklist of excluded companies on its website. The following companies are excluded for their involvement in cluster munitions and anti-personnel mines: Aeroteh, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, Doosan, Hanwha, Kaman, Lockheed Martin, Norinco, Poongsan, Singapore Technologies Engineering, Splav and Textron.⁵⁹²

PNO Media is transparent about all of its investments. It publishes an overview on its website which is updated quarterly.⁵⁹³

2.1.28 SNS REAAL (the Netherlands)

SNS REAAL is a Dutch banker-insurer, primarily focused on the retail market in the Netherlands, including small and medium-sized businesses. It offers three core product groups: savings and investments, mortgages and other property finance, insurance and pensions.⁵⁹⁴ SNS REAAL is one of the major financial bank assurance companies in the Netherlands. In February 2013, the Dutch government nationalised SNS REAAL.⁵⁹⁵

SNS Asset Management (SNS AM) is SNS REAAL's asset management arm. SNS AM uses responsible investing criteria for all asset classes. It does not invest in businesses linked to cluster bombs and munitions. Its fundamental investment principles state that "involvement in the production and development of (essential, non-dual use components of) weapon systems, and the provision of services for the development, use and maintenance of weapon systems, which are in violation with the (articles of) conventions stipulated in the Introduction [including the Convention on Cluster Munitions] lead to exclusion."⁵⁹⁶

SNS Asset Management policy's criteria apply to all assets under SNS REAAL's management, including the discretionary mandates. In selecting external investment managers, SNS AM relies on selection criteria. When looking for new external investment managers, SNS AM includes responsible investment requirements (including cluster munitions exclusion) in its other criteria. Consequently, SNS AM's current external investment managers have adopted and implemented a responsible investment strategy that is in line with that of SNS AM. Moreover, SNS Asset Management has translated its investment philosophy into a product, which it offers as an alternative to traditional products following an index: the SNS Responsible Index Fund – Equity Europe, Equity US and Equity Asia only invests in companies that trade in compliance with SNS AM's fundamental principles.

SNS Bank is SNS REAAL's credit provider. Its human rights policy states that it does not invest in activities (production and trade) of companies that produce or trade in the controversial weapons industry, like cluster munitions.⁵⁹⁷

In 2013, SNS AM published an exclusion list on its website. It currently bans 42 companies. The list includes six of the cluster munitions producers covered in this report: Alliant Techsystems, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁵⁹⁸

2.1.29 Spoorwegpensioenfond (the Netherlands)

The railway pension fund, Spoorwegpensioenfond (Railway Workers' Pension Fund), offers a pension plan for companies and past and present employees in the railway transport industry. It manages assets for 29,000 active participants and 25,000 pensioners from 65 affiliated companies.⁵⁹⁹

Under its responsible investments policy, the Spoorwegpensioenfond's board decided in 2007 not to invest in certain businesses, among which producers of controversial weapons. The fund defines controversial weapons as cluster, nuclear, biological and chemical weapons, white phosphorus, weapons with depleted uranium and anti-personnel landmines.⁶⁰⁰

The Spoorwegpensioenfond uses an exclusion list to apply its responsible investments policy. In July 2013, the fund published its complete blacklist. The companies excluded for involvement in cluster munitions production are: Aerotech, Alliant Techsystems, Aryt Industries, Aselsan, Ashot Ashkelon, China Aerospace International Holdings, China Spacesat, Kaman, Larsen & Toubro, Lockheed Martin, Norinco, Poongsan, Raytheon, Splav and Textron.⁶⁰¹

2.1.30 SPW (the Netherlands)

Stichting Pensioenfondsen voor de Woningcorporaties (SPW, Pension Fund Foundation for Housing Cooperatives) is the Dutch pension fund for the rent-controlled housing sector. It has around 69,000 customers. SPW has made responsible investment one of its main principles.⁶⁰² To be transparent, the pension fund publishes its securities portfolio four times per year.⁶⁰³

SPW's cluster munitions policy is consonant with that of its asset manager APG. The policy states that SPW will not invest in cluster munitions producers and that this applies to all asset categories.⁶⁰⁴ In 2011, SPW invested its assets in passively managed emerging market funds. When SPW found out that these funds invested in controversial weapons companies, the pension fund decided to switch to emerging market funds following an index that explicitly exclude controversial weapons.⁶⁰⁵

SPW's exclusion list, which is the same of APG's, contains the following companies: Aeroteh, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, China Aerospace International Holdings, China Spacesat, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁶⁰⁶

2.1.31 Storebrand Group (Norway)

Storebrand Group is a leading player on the Nordic market for pensions, life and health insurance, banking and asset management.⁶⁰⁷

Storebrand Group barred cluster munitions producers from its investment portfolios. It updated its policy in May 2009 to reflect the Convention on Cluster Munitions. The policy covers all funds under Storebrand's management.

It continually monitors the nearly 4000 companies in its investment universe to rule out unacceptable business practices. In addition to in-house analysts, Storebrand calls in external expertise to analyse weapon systems. In the second quarter of 2009, Storebrand excluded six companies linked to cluster munitions from its investment universe. In the second quarter of 2013, 26 companies were excluded for involvement with controversial weapons. Storebrand has not published its list of excluded companies.⁶⁰⁸

Blacklists

Several financial institutions have put the companies they exclude on a blacklist. Not all lists are identical, since not all financial institutions rely on the same premises when drafting a list. Some start from their own investment universes and exclude cluster munitions producers from that (e.g. the Norwegian Government Pension Fund – Global). Others start from companies listed in an index (DACS, MCSI, Dow Jones, BEL 20, etc.), or with headquarters in a given geographical area (America or Europe).

Having a blacklist makes it easier for a financial institution to implement its policy. A published blacklist is an indictment against companies producing indiscriminate weapons and an inducement for them to stop producing these.

2.2 Runners-up Financial Institutions

2.2.0 Introduction and Methodology

The second part of this chapter contains a list of runners-up financial institutions. They, too, have made significant efforts to ban cluster munitions from their investment portfolios. Still, their policies are not sufficiently comprehensive for our Hall of Fame. They have policies, but loopholes in these still permit them to finance cluster munitions producers. The runners-up category, we should note, is much diversified and the policies' scope differs widely. In some cases, a policy does not apply to all a company's activities, or does not cover all a financial institution's services. Other financial institutions may have a more extensive policy, yet be weak on implementation. These financial institutions' policies could still allow for links with cluster munitions producers, even though this runs contrary to their stated principles. The runners-up category is far from comprehensive. We believe that the financial institutions listed are only the tip of the iceberg. It is impossible to research the policy of every financial institution worldwide. The runners-up category can be seen as an invitation to financial institutions that have comprehensive policies prohibiting investment in cluster munitions to provide us with their policy and to publish it on their websites. We look forward to including them as runners-up or members of our 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 has published its policy and/or a summary of it.
- Its policy must exclude investment in cluster munitions producers (recalling past investment and resolving to avoid further investment).

The runners-up category lists financial institutions which meet the two foregoing criteria. They differ from those in our Hall of Fame in that they do not yet meet the following criteria:

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

- **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, information from campaigners worldwide and other public sources. We worked within the limits imposed by language (English and Dutch) and accessibility. In some cases we have received translations of disinvestment policies that are not publicly available in Dutch or English, but in most cases we were limited to policies' availability in Dutch or English. This following list is therefore by no means exhaustive. We welcome additions from those able to provide them.

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.

In what follows you find the results of our search for financial institutions with a policy to exclude cluster munitions producers. However, either this policy is insufficiently comprehensive or else it is not fully implemented. For this reason, we have not yet enshrined these institutions in our Hall of Fame.

We contacted all the financial institutions in this list prior to publication to verify our research findings and to be sure we understood their policy correctly.

The list contains the name and the country of origin of each financial institution, as well as a brief profile and a summary of its policy.

Next, we explain what still needs to be done for the financial institution to be included in 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. They have policies, but their scope is too limited. The most common flaws are:

Taking only its own involvement into account, not that of third parties

Several banks have policies that look only at their own involvement, meaning how they invest their own funds. Their policies do not extend to the funds they invest for their clients. 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 impose ethical choices on their clients. This is a weak argument, considering that few banks are transparent about their investments. When a bank does not detail its investments, its current and potential customers cannot make informed choices. 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 them.

Exempting project financing 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 from using borrowed funds to produce cluster munitions, or restricting the financing to a company's civilian projects do not prevent this money from freeing other funds for cluster munitions production.

Exempting 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 of them have a policy that includes funds following an index. Danske Bank, for example, makes sure to exclude companies producing cluster munitions from the index it tracks. Storebrand does the same, as does KBC. However, KBC makes an exception for the funds following an index for institutional investors. They 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.

2.2.1 ABN Amro (the Netherlands)

Dutch banking group ABN Amro sold many of its international activities in 2007. The government took over its domestic activities in 2008. On 1 July 2010, the legal merger between ABN Amro Bank and Fortis Bank Nederland (formerly part of the Dutch-Belgian Fortis group) was completed, creating a combined entity called ABN Amro Bank N.V.⁶⁰⁹

ABN Amro was one of the first mainstream European banks to tackle the cluster munitions issue. In 2004, it released a policy guideline on cluster munitions that said, “We do not invest in or finance controversial weapons like anti-personnel mines, cluster munitions, nuclear weapons or components for these weapons.”⁶¹⁰

ABN Amro and Fortis Bank Nederland each had its own policy on cluster munitions before the merger.⁶¹¹ The new entity decided that it would apply what had been ABN Amro’s policy. The updated policy was published mid-May 2012. It updated its defence policy once again in April 2013.⁶¹²

ABN Amro’s Defence Policy excludes cluster munitions producers from the bank’s investment services and asset management activities. According to the policy, “[A new client] or any of its subsidiaries, affiliates (including the companies in which it holds minority participations) or associates must not produce, manufacture, stockpile or service controversial weapons or nuclear weapons.”⁶¹³ Since 2012, ABN Amro has disposed of all its clients’ non-compliant investment mandates (including mandates managed by external managers) and its own investment funds. ABN Amro has terminated advising clients that wish to invest in cluster munitions producers and its automated systems have blocked these companies.⁶¹⁴ ABN Amro’s policy does not apply to all its external asset managers. Where the policy does not apply, ABN Amro engages with the fund managers.⁶¹⁵

ABN Amro uses a non-public exclusion list to implement its policy.

How to gain a place in the Hall of Fame?

The 2013 update of ABN Amro’s policy strengthened its stance against cluster munitions. To be listed in the Hall of Fame, however, ABN Amro should extend its exclusion policy to cover all external asset managers, rather than engaging with them.

2.2.2 Aegon (the Netherlands)

Aegon is an international provider of life insurance, pensions and asset management. Aegon has nearly 47 million customers in more than 20 countries around the world.⁶¹⁶

Since November 2011, Aegon has had a Responsible Investment Policy paper with a part on cluster munitions. It states that Aegon excludes companies directly involved in the manufacture, development, trading and maintenance of cluster munitions from being considered an investment candidate for its general account. This general account consists of funds held for the insurance company’s own account, and shareholders’ funds available for investment.⁶¹⁷ Since 2013, Aegon’s policy also applies to its own hedge funds and funds following an index.⁶¹⁸ However, it does not apply to externally managed mixed funds or financial instruments following an index. Although Aegon discusses its cluster munitions policy with external managers, it does not impose its policy on these external managers.⁶¹⁹

Aegon uses a public exclusion list to implement its policy. It listed the following companies as of March 2013: Aeroteh, Alliant Techsystems, Ashot Ashkelon, China Aerospace International Holdings, China Spacesat, GenCorp, General Dynamics, Hanwha, Larsen & Toubro, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁶²⁰

How to gain a place in the Hall of Fame?

We welcome Aegon's decision to apply its policy to its own hedge funds and funds following an index. To be listed in the Hall of Fame, however, Aegon should apply its policy to financial instruments following an index and impose it on external managers as well.

2.2.3 Aviva (United Kingdom)

Aviva is one of the world's largest insurance companies providing customers with insurance, savings and investment products. It is the UK's largest insurer and one of Europe's leading providers of life and general insurance.⁶²¹

In 2008, Aviva decided that the manufacture of cluster munitions and anti-personnel mines undermined fundamental human rights and as such that Aviva Group should not hold securities linked to companies involved in the manufacture of cluster munitions on its own account, specifically in shareholder funds.⁶²² The Aviva Board decided in 2012 that this exclusion should be applied to Aviva policyholder funds as well.⁶²³ In March 2013, however, it said that the expansion would not cover its retail investment funds.⁶²⁴ At the time of writing, Aviva is still working to implement this decision.⁶²⁵

Aviva works with Ethix SRI Advisors to identify companies involved in the manufacture of cluster munitions. In 2010, they identified 11 such companies and wrote to all asking them either to reassure that they were no longer involved in cluster munitions or anti-personnel mine manufacture or to face being placed on their stop list that prohibits capital held on Aviva's own account from being invested in securities associated with that company. Ethix SRI Advisors helps Aviva perform a quarterly review of companies involved in cluster munitions and anti-personnel mines. In March 2013, 20 companies were on Aviva's stop list due to their involvement in cluster munitions or anti-personnel mines. These are: Aeroteh, Alliant Techsystems, Aryt Industries, Avco, China Aerospace Science and Technology, Doosan, General Dynamics, Hanwha, Jugoimport, L-3 Communications, Lockheed Martin, Mechanical Engineering Research Institute, Motovilikhinskie Zavody, Norinco, Ordtech Military Industries, Poongsan, Rosoboronexport, Rostekhnologii, Singapore Technologies Engineering and Textron.⁶²⁶

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, Aviva should extend its policy to all assets managed for third parties. The policy should also cover Aviva's own retail investment funds.

2.2.4 AXA (France)

AXA, based in France, provides banking, insurance and investment services to 102 million customers worldwide. AXA focuses mainly on insurance and asset management.⁶²⁷ AXA Bank Europe coordinates AXA's banking activities. These cater to the retail market.⁶²⁸

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

Because AXA does not provide corporate credits or loans, we need take only its insurance and investment activities into account.

AXA maintains an unpublished list of cluster munitions producers to implement its disinvestment policy.⁶²⁹

How to gain a place in the Hall of Fame?

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, funds following an index, 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 (non-index-based) mutual funds that AXA Investment Managers manage.

2.2.5 Barclays (United Kingdom)

The British financial services provider Barclays operates in over 50 countries. It is engaged in private and corporate banking, wealth and investment management.⁶³⁰

Barclays Statement on the Defence Sector prohibits financing trade in, or manufacture of, cluster munitions. Barclays will decline financial propositions related to companies involved in these activities.⁶³¹ The focus of the policy is on lending and provision of related financial services.

Barclays Wealth and Investment Management holds shares on behalf of clients. The exclusion policy is not applied to these investments, enabling Barclays to invest in cluster munitions companies on behalf of its clients.⁶³²

How to gain a place in the Hall of Fame?

To gain a place in the Hall of Fame, Barclays would have to apply its exclusion policy to all investments, including the investments made on behalf of clients.

2.2.6 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; it is one of the 15 largest US commercial banks and one of the few large international groups operating in China and Turkey.⁶³³

Since 2005, BBVA Group has had a rule governing defence industry financing. A 2008 revision of its Principles, Criteria and Rules of Procedure for Defence Industry Lending Proposals banned the group's involvement in transactions linked to cluster munitions. A second revision took place in 2010. It covered BBVA's lending and investment banking operations. In 2012, BBVA organised a new revision. Its Rules of Conduct in Defence now state that BBVA will not invest in nor provide financial services to companies that are involved in arms that are considered controversial, like cluster munitions. The policy now applies to all units and subsidiaries of the BBVA Group worldwide and to all financial services.⁶³⁴ BBVA's policy applies to passively managed assets as well.⁶³⁵

To implement its policy, BBVA uses a non-public exclusion list.

How to gain a place in the Hall of Fame?

The 2012 revision of BBVA's policy has made its stance against cluster munitions much stronger. To join our Hall of Fame, however, BBVA should extend its rule against financing cluster bombs to its external asset managers and to discretionary mandates.

2.2.7 BNP Paribas (France)

BNP Paribas is a large banking group, with headquarters in France. BNP Paribas operates in 78 countries.⁶³⁶

BNP Paribas' policy on the defence sector states that BNP Paribas does not want to provide financial products and services to, or invest in, companies that produce, trade or store cluster munitions or are dedicated for key components. A company is involved as well when it provides assistance, technology or services dedicated to cluster munitions.⁶³⁷

The policy applies to all of BNP Paribas's activities (lending, debt and equity capital markets, guarantees and advisory work, etc.) and to all BNP Paribas entities managing proprietary assets. Financing agreements that predate the policy will be reviewed accordingly upon their renewal or as they are due for review. BNP Paribas entities managing third-party assets reflect this policy and develop standards adapted to their businesses that will exclude any stock or issues that do not comply with these standards.⁶³⁸ These entities follow the same exclusion list as BNP Paribas and exclude producers of cluster munitions from all funds they actively manage.⁶³⁹ No exception is made for entities under fiduciary obligation or for discretionary mandates.⁶⁴⁰ External asset managers are actively monitored and strongly encouraged to implement similar standards.

Relating to funds that follow an index, BNP Paribas states that it, "would like to see changes made to the various market indices so as to exclude all controversial securities." For this to happen, BNP Paribas calls for concerted efforts by financial institutions to urge index providers to withdraw controversial weapons producers from the lists they offer.⁶⁴¹

To carry out its policy, BNP Paribas uses an exclusion list, which is not made public. An external expert helped BNP Paribas to draft and implement its list.⁶⁴²

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, however BNP Paribas would have to extend its policy to index-linked products. We welcome BNP Paribas' call for joint efforts by financial institutions to ask index providers to exclude controversial weapons companies from their indices.

Fiduciary duty

Some financial institutions asserted that disinvestment is inconsistent with their fiduciary duty to maximise profits. This assumes that an unconstrained portfolio is more likely to have a higher rate of return. However, there are strong financial reasons to disinvest from cluster munitions producers (in addition to the legal and ethical considerations). Investing in companies producing cluster munitions can damage an institution's reputation, which might negatively affect its profits.⁶⁴³ It is interesting to note that one of the largest financial institutions in the world, BNP Paribas, makes no exception for entities under fiduciary obligation and thereby counters the notion that fiduciary duty would prevent a financial institution from disinvesting in cluster munitions producers.

2.2.8 Commerzbank (Germany)

Commerzbank is one of the leading banks for private and corporate customers in Germany. Commerzbank has around 15 million private customers as well as 1 million business and corporate customers worldwide.⁶⁴⁴

Commerzbank's weapons policy is described in its Guidelines Governing Armaments Transactions, which states that Commerzbank does not accompany financial transactions related to weapons thought

controversial, such as cluster munitions.⁶⁴⁵ The guideline applies to the entire company and includes corporate finance, trade finance, and investment-banking activities. Commerzbank does not offer own products that invest in producers of controversial weapons. The same applies to funds from other investment companies that it recommends to its private clients. Commerzbank's reputational risk department clears selected funds for links to controversial weapons before putting them on sale. The policy does not apply to passively managed funds like funds following an index.⁶⁴⁶

To implement its policy, Commerzbank receives external research on controversial weapons from an independent analyst quarterly. Additionally, the bank systematically scans NGO publications.⁶⁴⁷

How to gain a place in the Hall of Fame?

Commerzbank should apply its policy to all its products, including funds following an index. Moreover, requests from clients that explicitly ask for or choose funds which contain a controversial company should be refused.

2.2.9 Co-operative Financial Services (United Kingdom)

Co-operative Financial Services is part of the Co-operative Group, the UK's largest consumer cooperative. 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 over savings accounts to credit cards and loans. Co-operative Insurance offers a variety of insurance products and Co-operative Investments products include unit trusts, investment bonds and pensions.⁶⁴⁸

Co-operative Bank has an ethical policy which it updates regularly to reflect its customers' views. This policy consists of a statement on cluster munitions that said, "We will not finance the manufacture or transfer of indiscriminate weapons, e.g. cluster bombs and depleted uranium munitions."⁶⁴⁹ This means that 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.⁶⁵⁰

To put this into practice, all business customers are required to complete an ethical policy questionnaire. The bank's ethical policy unit reviews business applications against its policy statements to decide whether the bank can offer the applicant business banking facilities.⁶⁵¹

In late 2011, the Co-operative Asset Management decided to stop investing in companies that manufacture or supply specialist equipment for cluster munitions. All active portfolios are no longer invested in such holdings and no further investments have or will be made through these funds. Revenues from the Co-op Insurance available for investments are covered by the Co-op Asset Management policy. The policy applies to external asset managers as well. In 2012, the Co-operative Asset Management reported that by the end of April 2012, it would also have divested all of their funds that follow an index passively.⁶⁵² At the time of writing it is unknown whether this process has been completed.

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, the Co-operative Financial Services would have to extend its policy to discretionary mandates.

2.2.10 Crédit Agricole (France)

Crédit Agricole group provides retail banking services, specialised financial services, asset management, insurance, private banking and corporate and investment banking to 51 million customers worldwide.⁶⁵³

In November 2010, Crédit Agricole published a framework text for dealing with and excluding counterparties with ties to the arms industry. Its view on controversial weapons is that investments on

the bank's own account or on behalf of third parties (apart from indexed investing), financing of any sort, and services (insurance, mergers & acquisitions, advisory, etc.) are forbidden for companies linked to the production, storage or sale of cluster bombs. The policy does not apply to indexed investments.⁶⁵⁴ It does apply to discretionary mandates as long as the host country of a specific Crédit Agricole branch or subsidiary has signed the Ottawa and Oslo treaties and therefore prohibits the production, use, storage, sale and transfer of anti-personnel landmines and cluster bombs.⁶⁵⁵

Crédit Agricole uses an exclusion list to implement this policy. External consultants drew up the list.⁶⁵⁶ Crédit Agricole has devised a procedure for current investments in companies producing cluster munitions. Its objective is to end this investment within a reasonable period.⁶⁵⁷ The exclusion list currently bans 40 companies, including the cluster munitions producers covered in this report: Alliant Techsystems, China Aerospace Science and Technology, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron.⁶⁵⁸

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, Crédit Agricole would have to extend its policy to cover index-linked products. Moreover, its policy only applies to discretionary mandates when the host country of a specific Crédit Agricole branch or subsidiary has signed the Convention on Cluster Munitions. The policy should apply to all discretionary mandates.

2.2.11 Credit Suisse (Switzerland)

Credit Suisse was founded in 1856. It provides private banking, investment banking and asset management to companies, institutional clients and high-net-worth private clients worldwide, as well as retail clients in Switzerland.⁶⁵⁹

Credit Suisse' Position on Anti-Personnel Mines and Cluster Munitions, published in November 2010, states that Credit Suisse will not enter into business relationships with producers of anti-personnel mines and cluster munitions and the bank is terminating all business activities with such companies. It also states that "Credit Suisse will not hold securities of anti-personnel mines or cluster munitions producers in its proprietary trading book or to include them in its actively-managed retail and institutional funds and in discretionary mandates. In addition, Credit Suisse will refrain from issuing research recommendations on such companies."⁶⁶⁰

Credit Suisse uses an exclusion list to implement the policy, which is based in part on information provided by its advisor, Ethix SRI Advisors. The bank does not make this list public.⁶⁶¹

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, the policy should apply to funds following an index. Credit Suisse should also eliminate the exception for individual clients that explicitly ask to invest in a company known to be a cluster munitions producer. Such requests should be refused.

2.2.12 Danske Bank (Denmark)

Measured by total assets, 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.⁶⁶²

Danske Bank adopted a SRI (socially responsible investment) policy for investing customer funds and the group's own strategic portfolio. 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.

Swedish company Ethis SRI Advisors 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.⁶⁶³

In 2011, Danske Bank decided on a policy level that companies excluded from their investment universe would also be excluded from its other banking activities. Since mid-2011, Danske Bank has cross-checked its credit exposure against its exclusion list.⁶⁶⁴ However, at the time of writing it is unknown whether this procedure is already in place.

Currently, the bank excludes 34 companies, 11 of which because of involvement in cluster munitions. These are: Aeroteh, Alliant Techsystems, Aryt Industries, Hanwha, L-3 Communications, Lockheed Martin, Motovilikhinkiye Zavody, Poongsan, Safran, Singapore Technologies Engineering and Textron.⁶⁶⁵

How to gain a place in the Hall of Fame?

To be listed in our Hall of Fame, Danske Bank would need to extend its to all its banking activities. 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.

2.2.13 Deutsche Bank (Germany)

Deutsche Bank is Germany's leading financial institution. The company also has a strong position in Europe, North America and Asia. Deutsche Bank has more than 28 million clients.⁶⁶⁶

In March 2012, Deutsche Bank announced that it had ceased doing business with clients involved in cluster munitions.⁶⁶⁷ The Deutsche Bank Group Policy on Cluster Munitions prohibits dealings with conglomerates that manufacture or distribute cluster munitions (or key components thereof).⁶⁶⁸ In its 2011 Corporate Sustainability Responsibility report, Deutsche Bank states, "We will not do business with companies which produce the bombs. We will not do business with companies which produce key components. Nor will we do business with groups where the contribution of cluster munitions to the group is anything other than de minimis."⁶⁶⁹ However, it is unclear what a 'de minimis' contribution means.

Although the bank excludes future investment in cluster munitions companies, it honours prior contracts in cases where committed credit lines exist. According to the policy, Deutsche Bank could still consider doing business with cluster munitions producers if it obtains a written statement confirming the termination of the company's cluster munitions-related business. If such a company has existing contracts, Deutsche Bank may accept the time-bound intent to terminate production.⁶⁷⁰

Deutsche Bank Asset & Wealth Management Active Europe does not directly invest in cluster munitions companies. However, it is possible for the asset manager to purchase futures and index-derivatives which include companies involved in cluster munitions. The exclusion policy also does not cover investments in passively managed funds following an index.⁶⁷¹ Deutsche Bank's whole Asset & Wealth Management division is putting in place policies and procedures that are consistent with the Deutsche Bank group approach. There will be a transition period to install and implement these.⁶⁷²

Deutsche Bank does not make use of a public exclusion list.

How to gain a place in the Hall of Fame?

Deutsche Bank should expand the scope of its exclusion policy to cover all its financial activities, including futures, index-derivatives and passively managed funds that follow an index. The stipulation in the policy that states that the bank could still consider doing business with a cluster munitions producer with existing contracts if the company confirms time-bound intent to terminate production, seems at odd with the goal of the policy, namely to terminate all involvement with cluster munitions producers. We encourage Deutsche Bank to close this loophole and fully exclude doing any business with cluster munitions producers.

2.2.14 Generali (Italy)

The Italian Generali Group is present in more than 60 countries. Generali is one of Europe's largest insurance companies; it also offers financial services and asset management.⁶⁷³ The company has 65 million clients.⁶⁷⁴

In 2010, Generali drew up Ethical Guidelines for Investments. The guidelines prohibit investments in companies that produce cluster munitions, directly or through subsidiaries.⁶⁷⁵ Any position in a cluster munitions producer in the portfolio must be terminated as soon as possible.⁶⁷⁶

The policy applies only to the group's own investments and direct asset holdings. It is not applied to third party assets, assets managed by external managers, funds following an index, passively managed funds and discretionary mandates.⁶⁷⁷

To implement its policy, Generali uses a non-public exclusion list.⁶⁷⁸

How to gain a place in the Hall of Fame?

Generali would have to extend its exclusion policy to all assets under management, including third party assets, assets managed by external managers, funds following an index, passively managed funds and discretionary mandates.

2.2.15 HSBC (United Kingdom)

HSBC, headquartered in London (United Kingdom), is one of the largest private financial institutions in the world. It operates in around 80 countries. HSBC provides personal financial services, commercial banking, global banking and markets and private banking services to around 55 million customers worldwide.⁶⁷⁹

In February 2010, HSBC published a new Defence Equipment Sector Policy. The passage addressing cluster munitions states, "HSBC does not provide financial services to customers – including holding companies – which manufacture or sell anti-personnel mines or cluster bombs. We do not provide financial services for transactions involving such weapons."⁶⁸⁰

Where HSBC has agreed long-term loans that pre-date the policy or has inherited such loans through an acquisition, it claims to be contractually obliged to respect that loan up to the agreed maturity date.⁶⁸¹ HSBC confirmed in 2012 that it has terminated all ties with customers known to contravene the prohibition against cluster bombs and anti-personnel mines.⁶⁸²

Additionally, HSBC Global Asset Management has installed a policy which excludes companies producing cluster munitions across its full actively managed investment range, effective from late 2010.⁶⁸³ This applies to some external managers as well (those that manage their Luxembourg-based funds) but not all. The policy does not apply to passively managed funds. HSBC does actively engage with index providers to encourage the exclusion of any company producing cluster munitions from funds in their passive investment range that follow an index.⁶⁸⁴

It relied on research organisation Ethix SRI Advisors to compile its non-public list of excluded companies.⁶⁸⁵

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, HSBC should apply its policy to all its external asset managers and to all funds where HSBC has a passive mandate.

2.2.16 ING (the Netherlands)

ING Group is a global financial service company of Dutch origin, operating in the fields of banking, insurance and asset management.⁶⁸⁶

On 9 September 2009, ING adopted a new, more comprehensive, policy on controversial weapons. ING's policy on cluster munitions states that it will in no way engage in companies directly involved in cluster munitions. The policy applies to most of ING's business activities, among which its commercial banking services, proprietary assets and funds as well as investment products and services.⁶⁸⁷ As per October 2012, ING Private Banking no longer accepts individual client requests (execution only services) to invest in cluster munitions companies.⁶⁸⁸ There are still three notable exceptions to the ING policy. The policy does not apply to funds following an index, investments made within the boundaries of an explicit customer mandate and investments made on behalf of clients in the United States, where ING claims it cannot legally and unilaterally enforce its policy.⁶⁸⁹ In line with policy requirements, all ING managed funds worldwide should be clean of cluster munitions producers.⁶⁹⁰

In 2013, ING excluded 30 companies for links to controversial weapons, among which are companies involved in cluster munitions.⁶⁹¹ The exclusion list is not publicly available.

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, the ING policy should include all ING products. This means the policy should also apply to funds following an index. ING should also eliminate the exception for customer mandates. Furthermore, ING should not invest in cluster munitions companies on behalf of clients in the US.

2.2.17 Intesa Sanpaolo (Italy)

Intesa Sanpaolo is the banking group that resulted from the merger of 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. The group offers its services to about 11.1 million customers.⁶⁹²

Intesa Sanpaolo's 2007 weapons policy states that the group bans new financial transactions linked to trade in and manufacture of weapons, weapons components and related products.⁶⁹³ The group updated its policy in 2011 to state that it bans all banking activity linked to research in, production of or trade in controversial weapons or weapons banned by international treaties, like cluster bombs.⁶⁹⁴ The policy covers credits and investment banking.

At the time of writing, Intesa Sanpaolo was preparing a cluster munitions policy for asset management activities. According to Intesa Sanpaolo, "the policy will include some restraints for own funds following an index."⁶⁹⁵

To implement its policy, Intesa Sanpaolo uses a short non-public exclusion list, adopted by analyzing several international reports.⁶⁹⁶

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, Intesa Sanpaolo would have to exclude cluster munitions producers from its asset management activities. Its rule is currently restricted to loans and investment banking. Moreover, the policy does not explicitly forbid financing a holding company's civilian operations even when one of its subsidiaries is involved in producing cluster munitions. Intesa Sanpaolo has said that it keeps careful watch to avoid indirectly financing such subsidiaries through the parent company. However, this is insufficient since a company can easily reallocate money within the group. Intesa Sanpaolo should therefore exclude holding companies when one of its subsidiaries is involved in the production of cluster munitions.

2.2.18 KBC (Belgium)

KBC is a Belgian integrated banking and insurance group. It is a major financial player in Central and Eastern Europe.⁶⁹⁷

KBC's policy on investment in the weapons industry dates from 2004. KBC refuses to invest in any company involved in developing, manufacturing or trading in controversial weapons systems or their essential components. 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.⁶⁹⁸

The policy covers all KBC's activities including commercial banking, asset management and investment banking. KBC has drafted a straightforward, practical policy and put it into practice strictly and thoroughly. KBC's policy, however, makes exceptions for some funds following an index and for execution only activities. Furthermore, the exclusion list does not apply to a parent company whose subsidiary is on the blacklist when the financing will not be used for controversial weapons.

KBC published a blacklist with 72 weapons producers. The list is based on in-house and external research from Ethix SRI Advisors. All companies on this report's red flag list are blacklisted.⁶⁹⁹

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, KBC's policy should cover all investments. KBC now exempts some funds following an index for institutional investors. KBC should also eliminate the exception for clients' requests for investments in cluster munitions producers. Furthermore, KBC should exclude a parent company when its subsidiary is involved in cluster munitions production, even if the company pledges the money will not be used for controversial weapons.

2.2.19 Laegernes Pensionskasse (Denmark)

Laegernes Pensionskasse (the Medical Doctors Pension Fund) offers member services, investments, banking operations and administration to its members, approximately 38,000 persons.⁷⁰⁰

The Medical Doctors Pension Fund Policy for Socially Responsible Investments states that the pension fund does not invest in companies that manufacture cluster munitions.⁷⁰¹ The policy covers the majority of actively and passively managed listed equity portfolios.⁷⁰²

To implement the policy, the Medical Doctors Pension Fund uses a restricted list. The Fund works with an SRI consultant that helps the fund decide which companies to exclude and that regularly screens the fund's equity portfolio to see whether the investments are in line with its SRI policy.⁷⁰³

How to gain a place in the Hall of Fame?

The policy does not apply to some mutual funds where the fund does not have a majority. This loophole should be closed.

2.2.20 Lloyds Banking Group (United Kingdom)

Lloyds Banking Group is the largest retail bank in the UK. The group has more than 30 million customers. Halifax, Bank of Scotland and Scottish Widows Investment Partnership (SWIP) are some of its famous subsidiaries.⁷⁰⁴

The Lloyds Banking Group's Code of Business Responsibility states that it seeks to avoid financing activities that international conventions, to which the UK government is a party, prohibit.⁷⁰⁵ When asked about cluster munitions specifically, Lloyds Banking Group said that this means that Lloyds Banking Group, "will not provide banking or investment finance to companies that it believes to be in breach of these conventions."⁷⁰⁶ As a consequence, Lloyds Banking Group's lending and investment activities exclude cluster munitions producers.⁷⁰⁷

Scottish Widows Investment Partnership (SWIP), its asset management arm, complies with the Group's policy.⁷⁰⁸ The policy applies to all funds where SWIP and other Lloyds Banking Group companies control the fund's investment policy, including own passive funds.⁷⁰⁹

Lloyds Banking Group offers pension funds and retail clients the service of implementing a cluster munitions exclusion on their behalf. However, if the pension fund or retail client refuses, Lloyds Banking Group will still be able to invest in cluster munitions producers.⁷¹⁰

The group relies on an Ethix SRI Advisors black list.

How to gain a place in the Hall of Fame?

We welcome Lloyds Banking Group's steps to ban investment in cluster munitions producers. However, the policy does not cover all external fund managers and third party pension funds and retail clients yet. Lloyds Banking Group should close these loopholes.

2.2.21 Nordea (Sweden)

Nordea offers capital market products, savings products, asset management and life and pension products to approximately 11 million customers in the Nordic region and some new European markets. It is one of the largest financial services groups in the Nordic and Baltic Sea regions.⁷¹¹

In June 2009, following upon Sweden's signing the Convention on Cluster Munitions the previous December, Nordea decided to exclude from its investment universe companies involved in producing cluster munitions. Nordea worked with Swedish company Ethix SRI Advisors to identify companies involved in cluster munitions and other illegal weapons, which comprise biological weapons, chemical weapons, non-detectable fragments, blinding laser weapons and anti-personnel mines.⁷¹²

Nordea published its exclusion list in its annual Responsible Investment & Governance Report. The list contains: Aerotech, Alliant Techsystems, Aryt Industries, Doosan, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Motovilikhinskie Zavody, Poongsan, Singapore Technologies Engineering and Textron.⁷¹³

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. It currently covers all assets managed by Nordea Investment Management, but exempts capital market and savings products.

2.2.22 Nykredit (Denmark)

Nykredit is a Danish commercial bank and asset manager. In addition, Nykredit has activities within insurance, leasing, pension and estate agency business.⁷¹⁴

Nykredit implemented a sustainable investments policy in 2008. This states that investment in a company should only be excluded when the company is in clear breach of the agreed standards, e.g. when it produces weapons that contravene a UN convention. Cluster bombs are mentioned explicitly as an example. Nykredit's policy covers the Group's own portfolio as well as investment products applied in their investments concepts. The policy also applies to investments that Nykredit has outsourced to external managers. It screens investment portfolios at least every three months and disposes of securities of non-compliant companies.⁷¹⁵

To implement the policy, Nykredit uses a public list of excluded companies, for which it cooperates with GES investment managers. This list contains the following companies: Alliant Techsystems, BAE Systems, GenCorp, Hanwha, Kratos Defence & Security Solutions, Larsen & Toubro, Lockheed Martin, Magellan Aerospace, Poongsan, Singapore Technologies Engineering and Textron. All of these companies are excluded from investments, but not all for the reason of cluster munitions involvement.⁷¹⁶

How to gain a place in the Hall of Fame?

Nykredit's policy does not yet cover all products: mortgage loans or corporate finance are covered by Nykredit's credit policy which has no specific focus on cluster munitions.

Moreover, Nykredit says that when it comes to asset management, it has not yet found a way to apply the policy on index-linked products which means that the policy does not cover them. These loopholes should be closed.

2.2.23 Pensioenfonds Horeca & Catering (the Netherlands)

Pensioenfonds Horeca & Catering (Pension Fund Horeca & Catering) is the occupational pension fund for the Dutch hospitality and catering industries. It is an industry-wide fund with around 990,000 participants on the current or former payrolls of some 33,000 employers. That makes Pension Fund Horeca & Catering (PH&C) one of the 10 largest pension funds in the Netherlands on both counts.⁷¹⁷

Since 1 January 2008, PH&C has carried out an exclusion policy conform the Norwegian Government's Pension Fund policy.^{XVII} As such, PH&C does not invest in companies that manufacture cluster bombs.⁷¹⁸

The exclusion list applies to nearly all asset categories. There is an exception for the passive investments in US small cap funds, to which the SRI criteria do not apply.⁷¹⁹

The list of excluded companies shows PH&C's fund managers which companies to avoid. It is based on the broader category of controversial weapons, including cluster munitions. This list relies on the Norwegian Government Pension Fund's list as well as external research. Currently, the list contains 48 companies implicated in production of controversial weapons, including the cluster munitions producers covered in this report: Alliant Techsystems, China Aerospace Science and Technology, Hanwha, Norinco, Poongsan,

XVII The policy of the Norwegian Government Pension Fund – Global is explained under 2.1.8 of the Hall of Fame section of this report.

Singapore Technologies Engineering and Textron. Interesting to note is that the list makes a distinction between private and publicly listed companies.⁷²⁰

How to gain a place in the Hall of Fame?

PH&C should apply its exclusion policy to investment funds like the US small cap funds as well.

2.2.24 PFA Pension (Denmark)

PFA Pension is a Danish pension fund. It invests on behalf of more than 800,000 customers.⁷²¹

PFA Pension excludes controversial weapons companies (including cluster munitions) from investment. PFA Pension applies a zero tolerance policy regarding subsidiaries involved in cluster munitions.⁷²² If a subsidiary is involved in cluster munitions, the holding company will be excluded from investment.⁷²³

The PFA Pension's policy applies to all its own investments, including those in external funds. However, individual clients are allowed to invest outside the PFA's investment universe, in an externally managed fund that is not covered by the pension fund's responsible investment policy.⁷²⁴

PFA Pension excludes the following companies for their involvement in cluster munitions companies: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon and Textron.⁷²⁵

How to gain a place in the Hall of Fame?

To make it into the Hall of Fame, PFA Pension would have to deny the requests of clients asking for investments outside its SRI policy.

2.2.25 Rabobank (the Netherlands)

Rabobank Group offers a full range of financial services founded on cooperative principles. The bank serves some 10 million clients around the world and operates in 47 countries.⁷²⁶

The bank does not want to use its own funds to finance or invest in any activity related to cluster bombs or other controversial weapons. It may not provide financing for controversial companies and/or for controversial purposes.⁷²⁷

For third party assets, the implementation differs. Rabobank does not provide clients with investment advice about companies active in the domain of controversial weapons, nor does it allow investors to directly buy into such companies.⁷²⁸ However, Rabobank's policy does not apply to all the asset managers it works with, or to passively managed funds. Rabobank has been in dialogue with fund managers who do not yet exclude controversial weapons.⁷²⁹ New fund managers need to have an exclusion policy to be eligible for selection. Rabobank's policy does not generally apply to passively managed funds, but the company does offer alternatives which do exclude producers of controversial weapons.⁷³⁰

Rabobank maintains an unpublished list of cluster munitions producers to implement its divestment policy.

How to gain a place in the Hall of Fame?

We welcome Rabobank's decision to require new fund managers to have an exclusion policy on cluster munitions. However, to enter the Hall of Fame, the bank should extend its policy to current external managers as well. Rabobank should also apply the policy to all passive funds and funds following an index.

2.2.26 Royal Bank of Canada (Canada)

The 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 46 countries, serving over 15 million clients.⁷³¹

At the end of 2009, RBC revised its policy on cluster munitions and other issues. Previously, its policy stated that RBC would not be involved in directly financing companies producing material for cluster bombs. The revised version includes avoiding providing implicit or indirect financing support for transactions involving the financing of companies producing or trading in equipment or material for cluster munitions.⁷³² This prohibition included commercial banking but it does not extend to asset management and investment banking.

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, RBC should extend its policy to all its financial activities, including investment banking and asset management.

2.2.27 Royal Bank of Scotland (United Kingdom)

The Royal Bank of Scotland Group (RBS) is a large international banking and financial services company. It serves around 33 million customers worldwide.⁷³³

The updated RBS Group Defence Sector Position Statement came into effect in October 2011 and states that RBS will not support any application for funding or financial services from companies involved in cluster munitions.⁷³⁴ The policy covers RBS' lending and investment banking operations. RBS screens its customers for compliance with the policy so it can terminate all services for which it has no binding contractual agreements. Where there are contractual agreements, it will honour the contract's provisions but will provide no additional services. RBS has identified clients who are in breach of their policy, but does not make this information publicly available.

RBS does not have an asset management division, but it does have some involvement because of the investment services it provides to clients via indexes, tracker funds etc. Its policy does not apply to such products.⁷³⁵

How to gain a place in the Hall of Fame?

To be listed in our Hall of Fame, RBS should extend its policy to all its products, including investment services for clients via indexes, tracker funds etc.

2.2.28 SEB (Sweden)

SEB is a Swedish commercial bank and asset manager. It offers financial advice and a broad range of financial services in Sweden and the Baltic countries. In Denmark, Finland, Norway and Germany, SEB focuses on corporate and investment banking.⁷³⁶

The SEB's 2009 CSR Report presented its policy on cluster munitions.⁷³⁷ It stated that, following a decision taken in 2009, companies involved in the manufacturing of or promoting cluster weapons were to be excluded from SEB's investment universe. The policy currently embraces actively managed fixed-income and equity funds, as well as most funds following an index.⁷³⁸ All funds following an index are screened for cluster munitions except the OMX Stockholm Benchmark Index funds as there are no producers of cluster munitions in this index.^{XVIII739}

XVIII Since Swedish index funds follow the OMX Stockholm Benchmark Index, and since no American or Asian companies appear on that list, Swedish index funds have no holdings in companies on the list of those excluded for reasons of involvement in cluster munitions.

Since 2009, SEB has worked with GES Investment Services to screen the companies it invests in and to provide company analyses. Twice a year, it screens companies for violations.⁷⁴⁰ As of 30 June 2013, SEB excludes the following companies because of their involvement with controversial weapons: Aeroteh, Alliant Techsystems, Aryt Industries, Doosan, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Motovilikhinskiye Zavody, Poongsan, Singapore Technologies Engineering and Textron.⁷⁴¹

How to gain a place in the Hall of Fame?

SEB should apply the exclusion policy to all its products. Currently, the policy does not cover funds of funds, hedge funds and external funds. Moreover, the policy only applies to SEB's investment banking arm. It should extend its policy to cover its credit and investment banking activities.

2.2.29 Société Générale (France)

Société Générale offers a wide range of finance and investment services to 32.6 million customers in 76 countries.⁷⁴²

Société Générale's Defence Sector Policy states that Société Générale will not knowingly^{XIX} provide financial services to companies, parent company or subsidiaries of the companies that produce, manufacture, stockpile or service landmines and cluster bombs. The policy applies to all banking and financial services and active asset management for its own account or for third parties. The only exceptions are products following an index.⁷⁴³

Société Générale uses a black list compiled by an external consultant to implement its policy. The list is not public.⁷⁴⁴

How to gain a place in the Hall of Fame?

Société Générale should apply its policy to all its products, including the management of funds following an index, the discretionary mandates and the externally managed funds.

2.2.30 Stichting Pensioenfonds APF (the Netherlands)

Stichting Pensioenfonds APF (APF Pension Fund), the new name of Akzo Nobel Pension Fund since December 2011⁷⁴⁵, provides retirement benefits for Akzo Nobel employees. Syntrus Achmea is APF's asset manager.

APF's exclusion policy states that APF chooses not to invest in companies producing controversial weapons or that own a significant stake in a company producing cluster munitions or other controversial weapons.

The exclusion only applies to its direct investments in European and North-American assets (MSCI Europe and MSCI USA), and to fixed-income securities (corporate bond portfolios).

To implement the policy, an external consultant drafted an exclusion list based on criteria-driven screening. This unpublished list includes companies producing controversial weapons.⁷⁴⁶

How to gain a place in the Hall of Fame?

APF would have to instruct all asset managers to apply its exclusion policy and so close this loophole. Currently, APF claims that it is impossible to apply an exclusion policy to an investment fund. The company states that the exclusion policy encompasses all relevant asset and bond portfolios, except for a small part held by investment funds. This covers approximately 6% of its portfolio, part of which is covered by the exclusion policy that one of the three asset managers set up.⁷⁴⁷

XIX The term knowingly means that if financial services would be provided to companies producing cluster munitions, it would breach Société Générale's compliance processes.

2.2.31 Sumitomo Mitsui Trust Bank (Japan)

Japanese Sumitomo Mitsui Trust Bank (SMTB) has offices in South-east Asia, Europe and the United States.⁷⁴⁸ Most of the assets under management come from public and private pension funds in Japan.⁷⁴⁹

In 2013, SMTB decided to exclude active investments in companies involved in cluster munitions.^{XX} Its policy is applied to all SMTB companies active in investment banking and banking. It provides no loans or credits to cluster munitions companies. The policy does not yet apply to subsidiaries Sumitomo Mitsui Trust Asset Management and Nikko Asset Management that are active in asset management.

For passively managed products, SMTB encourages US-based and Asia-based cluster munitions companies through engagement activities to suspend the manufacture of these weapons, rather than excluding them. These engagement activities are not linked to a divestment time frame.⁷⁵⁰

Sumitomo Mitsui Trust Bank uses our red flag list of cluster munitions producers as research benchmark. It recognises that this is a non-exhaustive list but rather a first step of information on cluster munitions producers.⁷⁵¹

How to gain a place in the Hall of Fame?

We welcome SMTB's step to establish an exclusion policy for cluster munitions producers. To gain a place in the Hall of Fame, however, the policy would have to cover all SMTB's companies and all the financial products it offers.

2.2.32 Swedbank (Sweden)

Swedbank is a Swedish financial institution with 7.8 million private customers and more than 600,000 institutional and corporate customers. Sweden's largest bank also serves customers in the Baltic States.⁷⁵²

Swedbank's group Position Paper on Defence Equipment states that Swedbank applies a zero tolerance principle for financial services to customers belonging to a group involved in producing illegal weapons, including cluster munitions.⁷⁵³ Swedbank will terminate existing contracts upon maturity. Swedbank's exclusion policy applies to Swedbank Group's own products and services such as assets under management and credits, but not to third party products and services, such as funds available through Swedbank's platforms or channels.⁷⁵⁴

Swedbank Robur, Swedbank's asset management arm, uses the services of Ethix SRI Advisors and GES Investment Services to analyse companies on its exclusion list. The list is not publically available.⁷⁵⁵

How to gain a place in the Hall of Fame?

To gain a place in the Hall of Fame, Swedbank would have to apply its policy to all the products and services it offers, including third party products.

2.2.33 Syntrus Achmea (the Netherlands)

Syntrus Achmea is a Dutch pension company offering pension services, real estate, fiduciary management and asset management.⁷⁵⁶ One of the largest clients is Stichting Pensioenfonds APF.⁷⁵⁷

XX The policy was not available on Sumitomo Trust Bank's website at the time of writing. We expect the policy to be available online in November 2013. Failure to publish the policy means that SMTB will be removed from the report.

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 or maintenance of cluster munitions or companies with a significant stake in those companies are excluded from all Syntrus Achmea funds and one externally managed fund.⁷⁵⁸ Since July 2010, this policy applies to the pool of fixed-interest securities and to pension fund mandates, but only if they want this. Therefore, some small pension funds could still invest outside Syntrus Achmea's policy.⁷⁵⁹ In 2010 all investments through external managers were placed in segregated accounts. In this way, Syntrus Achmea can also apply its exclusion policy to funds under third-party management.⁷⁶⁰

Syntrus Achmea works with an external screening agency to maintain an unpublished list of cluster munitions producers.⁷⁶¹

How to gain a place in the Hall of Fame?

Syntrus Achmea should apply its policy to exclude cluster munitions producers to all its products, including the funds following an index and all pension fund mandates.

2.2.34 UniCredit Group (Italy)

UniCredit is a major European banking group, active in 22 European countries. It provides retail, corporate, investment banking and private banking services.⁷⁶²

UniCredit Group's position statement on the defense/weapons industry states that UniCredit abstains from financing transactions involving manufacturing, maintaining or trading in controversial/unconventional products such as cluster bombs.⁷⁶³ UniCredit Group's 2007 sustainability report shows that this excludes companies involved in the activities described.⁷⁶⁴

In 2011, Pioneer Investments, UniCredits' asset management arm, decided to exclude investments in companies involved in the production of cluster munitions. This policy applies to Pioneer Investments' actively managed funds. It makes an exception for quant funds and funds following an index. In addition, it does not apply to US-domiciled funds or to all Pioneer portfolios' third-party funds.⁷⁶⁵

How to gain a place in the Hall of Fame?

The implementation of Pioneer Investments' policy is a step in the right direction. However, to gain a place in the Hall of Fame, UniCredit should apply its policy to bar investment in cluster munitions producers to all its products, including quant funds, funds following an index, US-domiciled funds and all third-party funds.

2.2.35 Van Lanschot (the Netherlands)

Van Lanschot is a Dutch bank and wealth manager with offices in the Netherlands, Belgium and Switzerland.⁷⁶⁶

Since 2010, Van Lanschot has a credit policy that excludes investment in companies involved in producing (key components of) cluster munitions.⁷⁶⁷ Van Lanschot's responsible investment policy also covers the following asset categories: own investments and (active) investments for third parties.⁷⁶⁸

Van Lanschot's controversial weapons policy applies to periodically screened assets under management. In 2012, they accounted for 48% of the assets under management. This means the policy does not apply to the remaining 52% of the assets under management, including passively managed funds.⁷⁶⁹

Van Lanschot maintains a public exclusion list. It is featured on its asset manager Kempen&Co's website. It contains the following cluster munitions companies: Aeroteh, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, GenCorp, General Dynamics, Hanwha, Kaman, L-3 Communications, Lockheed Martin, Norinco, Poongsan, Raytheon, Singapore Technologies Engineering, Splav and Textron.⁷⁷⁰

How to gain a place in the Hall of Fame?

To gain a place in the Hall of Fame Van Lanschot would have to apply its cluster munitions exclusion policy to all relevant assets under management.

2.2.36 Vontobel (Switzerland)

Vontobel is a Swiss financial institution active in investment banking, private banking and asset management.⁷⁷¹

Vontobel's 2011 Guidelines on Cluster Bombs and Landmines prohibit investments in manufacturers of cluster munitions within the framework of actively managed assets. Vontobel states it will not provide clients with advice on investing in these companies.⁷⁷²

Its policy does not apply to all products. Clients who request Vontobel to invest in cluster munitions companies on their behalf are still welcome.⁷⁷³

Vontobel does not make use of a publicly available exclusion list.⁷⁷⁴

How to gain a place in the Hall of Fame?

Vontobel would have to expand the scope of its policy to cover all products, including the assets managed for clients. This means that it should eliminate the exception for clients that wish to invest in cluster munitions producers.

The policy only covers project financing for cluster munitions

The following four financial institutions apply their policy only to project finance for the production of cluster munitions. This means their policies do not affect money supplied for general corporate purposes. This is a major flaw, because no financial institution can guarantee that the funds it lends to, or invests in, a cluster munitions producer 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. So far, we have never come across a project intended specifically to finance cluster munitions facilities. That means these banks really do no more than exclude cluster munitions producers from receiving financial support they never request. This policy allows them to finance cluster munitions producers as they had 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 from using borrowed funds for producing cluster munitions, or restricting the financing to a company's civilian projects do not prevent this money from freeing other funds for cluster munitions production.

These financial institutions are not listed as runners-up because they only prohibit project-level investment and do not proscribe dealing with the producers. Hence, they fail to meet the second requirement for obtaining a place in the runners-up category. We put them in this special section of the report, to draw attention to what they would have to do to become eligible for the runners-up list or even our Hall of Fame.

Mizuho Financial Group (Japan)

Mizuho Financial Group is a Japanese bank holding company with offices on several continents.⁷⁷⁵

Mizuho's cluster munitions policy seeks to avoid providing credit to fund production of cluster munitions.⁷⁷⁶ Its policy is only applied to credits, such as loans. This does not prevent companies involved in cluster munitions from attracting financing for their other projects.⁷⁷⁷

How to gain a place in the Hall of Fame?

- Mizuho Financial Group would have to extend its policy to all its products, e.g. investment banking and asset management.
- Mizuho Financial Group would have to exclude all of a cluster munitions company's activities, not just those related to the production of cluster munitions.

Mitsubishi UFJ Financial Group (Japan)

The Mitsubishi UFJ Financial Group is a Japanese financial institution. In 2005, Mitsubishi Tokyo Financial Group and UFJ Group merged to form a global financial institution.⁷⁷⁸

Since the Convention on Cluster Munitions entered into force in 2010, Mitsubishi UFJ Financial

Group decided to apply a cluster munitions policy to two of its banking companies within the group. The Bank of Tokyo-Mitsubishi UFJ (BTMU) and Mitsubishi UFJ Trust and Banking (MUTB) do not provide financing for the manufacture of cluster bombs in Japan or overseas. Its policy does not cover its other companies. Furthermore, Mitsubishi UFJ Financial Group does not exclude cluster munitions companies from all financing.⁷⁷⁹

How to gain a place in the Hall of Fame?

- Mitsubishi UFJ Financial Group would have to extend its policy to all its products, e.g. investment banking and asset management.
- Mitsubishi UFJ Financial Group would have to extend its policy to all its financial entities, not only The Bank of Tokyo-Mitsubishi UFJ (BTMU) and Mitsubishi UFJ Trust and Banking (MUTB).
- Mitsubishi UFJ Financial Group would have to exclude all of a cluster munitions company's activities, not just those related to the production of cluster munitions.

Sumitomo Mitsui Financial Group (Japan)

Sumitomo Mitsui Financial Group (SMFG) was established through a share transfer from Sumitomo Mitsui Banking Corporation in December 2002. The companies in SMFG offer a diverse range of financial services, centred on banking operations, and including credit card services, leasing, information services and securities.⁷⁸⁰

On 30 June 2010, two days before the Convention on Cluster Munitions came into force, three Japanese banks, among which Sumitomo Mitsui Financial Group, said they would refrain from financing the manufacture of cluster bombs.⁷⁸¹ SMFG's policy is reflected in its 2010 CSR Report, which notes that "...we have clearly stated that credit for production of cluster munitions is an example of funding purposes that are prohibited."⁷⁸²

How to gain a place in the Hall of Fame?

- Sumitomo Mitsui Financial Group would have to extend its policy to all its products, e.g. investment banking and asset management.
- The bank would have to exclude all of a cluster munitions company's activities, not just those related to the production of cluster munitions.

Toronto Dominion Bank (Canada)

TD Bank is a large Canadian banking group offering a full range of banking services to about 22 million customers.⁷⁸³

In 2009, TD Bank developed a policy specifically related to cluster munitions. The bank's 2009 corporate social responsibility report noted that "We do not lend money for transactions that are directly related to the trade in or manufacturing of material for nuclear, chemical or biological weapons, or for landmines or cluster bombs."⁷⁸⁴

How to gain a place in the Hall of Fame?

- TD Bank would have to extend its policy to all its products, e.g. investment banking and asset management.
- The bank would have to exclude all a cluster munitions producer's activities, not just those related to the production or distribution of cluster munitions.

2.3 Countries' Best Practices

2.3.0 Introduction and Methodology

Based on the results of research in this report, and the research from other NGOs, we can conclude that self-regulation in the financial industry does not necessarily lead to strong results. Even though a growing group of financial institutions has decided to disinvest from cluster munitions producers, the effects of their decisions are far from even. Furthermore, many financial institutions do not appear to feel a great need to shoulder moral responsibility at all.

While investment in arms and cluster munitions may have become an important topic in international financial institutions' social responsibility divisions, many financial institutions still seem to seek for guidance from their governments on this issue. Stringent international regulation and legislation will be needed to stem the flow of capital to cluster munitions producers.

Unfortunately, there seems to be no tradition of legislated restrictions on investment. While financial institutions often argue that governments, not financial institutions, should decide whether investments in certain sectors should be forbidden, governments argue that financial institutions will have to set their own standards for socially responsible investment.

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

Any governmental effort to oppose the misery that cluster munitions cause should include efforts to dry up the supply capital that funds the companies that produce cluster munitions..

Recent years have witnessed a growing group of legislative proposals to ban investment in cluster munitions. Some countries addressed the investment issue as part of the Convention on Cluster Munitions ratification measures; others issued separate laws to prohibit investments. We welcome this trend and call upon other states to follow suit.

- **Research**

To be considered as a country banning investments in cluster munitions, a country must either have stated officially that investments in cluster munitions are or can be seen as prohibited by Convention on Cluster Munitions, or have proposed or passed legislation banning investments. Legislative proposals need not be comprehensive, but they should meet the following criteria:

- The proposed law should be discussed in Parliament or another body with power to issue legislation.
- The proposed law should contain an explicit ban on investment in cluster munitions.

The research findings are divided into three categories. Firstly, we look at states that have adopted national legislation that bans (types of) investment in cluster munitions. After that we look at states that have not incorporated disinvestment in national legislation yet, but that made interpretive statements that reflect the interpretation that forms of investment are or can be seen as prohibited under the CCM. Thirdly, we look at states in which parliamentary action is ongoing, or where legislative proposals have been tabled, but no legislation is in place just yet.

In what follows we first describe the national legislation that nine states have adopted to prohibit various forms of investment in cluster munitions. One development worth mentioning is that on 27 May 2013, the then Minister of Business and Growth asked the Danish Council for Corporate Responsibility to give its

recommendations on how to strengthen responsible investment in relation to the Mine Ban Treaty and the Convention on Cluster Munitions, including recommendations on a legal prohibition on investment that can contribute to the production of these weapons.⁷⁸⁵ The Council's work is expected to continue until November 2013.⁷⁸⁶

DISINVESTMENT - LEGISLATION

Five years ago, in December 2008, 94 countries signed the Convention on Cluster Munitions in Oslo. The convention entered into force on 1 August 2010, as of which time it became binding international law.

Article 1(1)c 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." As the Cluster Munition Coalition (CMC) explains in one of its policy papers, it regards prohibiting assistance as including prohibiting investment in cluster munitions.⁷⁸⁷

Some states have adopted national legislation to ban investments in cluster munitions as part of their ratification of the CCM. Others have covered the issue in separate laws. In what follows, we describe all existing legislation with regard to investments in cluster munitions.

The following questions structure our commentary:

- What exactly does the legislation exclude from investment?
 - The definition of cluster munitions producers should be as comprehensive as possible.
- How does the legislation define 'investment' or 'financing'?
 - The legislation should exclude any financial product or service offered to producers of cluster munitions.
- To whom does the law apply?
 - To create a complete ban on investment, legislation should make clear that it forbids any investment by any party.
- How is the legislation enforced?
 - Legislation on divestment is powerless without monitoring, whether by public institutions, ethical councils or others explicitly assigned to audit compliance with the law.

2.3.1 Belgium

BACKGROUND

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 came about.

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.

Belgium signed the Convention on Cluster Munitions on 3 December 2008 and ratified the convention on 22 December 2009.⁷⁸⁸

LEGISLATION

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.⁷⁸⁹ The text is as follows:⁷⁹⁰

“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 on 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.”^{XXI}

XXI 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

COMMENTARY

What does the legislation exclude from investment?

- The law prohibits investment in companies that fall under Belgian law or under the law of another country, that are involved in the manufacture, use, repair, marketing, sale, distribution, import, export, stockpiling or transportation of anti-personnel mines and/or submunitions and with a view to the distribution thereof. The law does not specify how to deal with (key) components of anti-personnel mines or submunitions.
- The ban does not apply to financing specific projects of the above mentioned companies when it can be demonstrated that the financing will not be used for operations linked to anti-personnel mines or cluster munitions. To ensure exemption, financiers need a written declaration confirming the nature of the project and that financing will not be used for operations linked to anti-personnel mines or cluster munitions. This still permits investors and lenders to finance projects of companies identified as anti-personnel mines or cluster munitions producers, but only when the project has nothing to do with the forbidden activities. This exception weakens the law, for it will not prevent companies from transferring money internally to projects connected with anti-personnel mines or cluster munitions.

How does the legislation define ‘investment’ or ‘financing’?

- The law prohibits “all forms” of financial support, yet it defines financing in a rather restrictive way: “credits, bank guarantees or the acquisition for own account of the financial instruments” issued by cluster munitions producers.
- However, the law 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 funds following an index may still contain shares in or obligations issued by companies that produce or sell anti-personnel mines, depleted uranium weapons and cluster munitions. This exception weakens the law.

To whom does the law apply?

- The Belgian Act Prohibiting the Financing of the Production, Use and Possession of Anti-personnel Mines and Submunitions does not explicitly mention to whom it applies. Since it is a supplement to article 8 of the Act of 8 June 2006 governing economic and individual activities involving arms, which mentions “no one may [...]”, it should be understood that the law applies to “everyone,”⁷⁹¹ meaning individuals and financial institutions.

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://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&cn=2007032048&table_name=loi, last viewed 6 October 2013.

Translated by certified translator P. van Weeghel; text in IKV Pax Christi’s archives.

How is the legislation enforced?

- The Belgian Act Prohibiting the Financing of the Production, Use and Possession of Anti-personnel Mines and Submunitions expands upon article 8 of the Act of 8 June 2006 governing economic and individual activities involving arms. The 2006 Act includes the penalty provision that “those who violate this law [...] will be punished with imprisonment ranging from one month to five years and a fine of 100 Euro to 25,000, or one of these penalties.” It should be understood that this penalty applies to those who violate the prohibition on investment.⁷⁹²
- The law provides in a public exclusion list. However, at the time of writing, six years after the legislation was passed, the responsible minister has still not published the exclusion list.

2.3.2 Ireland

BACKGROUND

Ireland was a driving force behind the Oslo process. It signed and ratified the Convention on Cluster Munitions on 3 December 2008.⁷⁹³

Even before Ireland signed the convention on 3 March 2008, its 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 in response to a government request to withdraw from companies involved in the manufacture of cluster munitions.⁷⁹⁴

On 22 October 2008, Ireland presented the 2008 Cluster Munitions and Anti-personnel Mines Bill to its Lower House. Presenting this act, number 20, was Ireland’s way of signing and ratifying the convention. It made Ireland one of the four countries signing and ratifying the convention all at once on 3 December 2008.⁷⁹⁵

Ireland was the first country to specify an investment ban in the text ratifying the CCM. This is an important example for other countries.

LEGISLATION

The 2008 Cluster Munitions and Anti-Personnel Mines Act explicitly prohibits investment of public money in cluster munitions producers.

The prohibition is set out in Part 4 of the act.⁷⁹⁶

“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.”

COMMENTARY

What does the legislation exclude from investment?

- The law leaves no doubt about what is excluded from investments. It prohibits investment in cluster munitions producers (whether for munitions-linked or other activities). This includes producers of specifically designed components of cluster munitions.

How does the legislation define ‘investment’ or ‘financing’?

- 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. it does not extend to money from counties and municipalities or money from private sources. Moreover, the law does not mention withdrawing bank guarantees; the Irish government can still grant a guarantee to a bank that invests in cluster munitions producers.
- 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 Irish law makes an exception for financial instruments based on a financial index: these investments are allowed even when they contain shares in or obligations issued by cluster munitions producers. This exception weakens the law.

To whom does the law apply?

- The legislation indicates that an “investor” is a person or body responsible for investing public moneys under the authority of a government minister.

How is the legislation enforced?

- The legislation does not provide for supervision or monitoring tools. 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 provisions setting criteria for determining which companies are involved in the manufacture of prohibited munitions or their components.

2.3.3 Italy

BACKGROUND

Italy signed the Convention on Cluster Munitions on 3 December 2008 and ratified the convention on 21 September 2011. On 16 March 2011, the Italian senate unanimously adopted legislation to ratify and implement the Convention on Cluster Munitions. The Chamber of Deputies followed suit on 18 May 2011. On 4 July 2011, the Law on the Ratification and Implementation of the Oslo Convention on the ban on cluster munitions (Law no. 95) was published.⁷⁹⁷

LEGISLATION

Art. 7 (1) of the Law on the Ratification and Implementation of the Oslo Convention on the ban on cluster munitions (Law no. 95) declares financial assistance to acts prohibited by the law a crime:

“Whoever uses, subject to the provisions of Article 3, paragraph 3, develops, produces, acquires in any way, stores, retains, or transfers, directly and indirectly, cluster munitions or parts thereof, or financially assists, encourages or induces others to engage in such activity, is punished with imprisonment from three to twelve years and a fine of 258,228 Euro to 516,456 Euro.”⁷⁹⁸ XXII

The Italian Campaign to Ban Landmines has advocated a separate, more detailed law. On 26 April 2010, separate draft legislation on investments was introduced in the Senate. It would prohibit all Italian financial institutions from providing any form of support to Italian or foreign companies performing a range of activities including the production, use, sale, import, export, stockpiling, or transport of antipersonnel mines as well as cluster munitions and explosive submunitions.⁷⁹⁹ The draft legislation was referred to the Senate financial and treasury commission on 26 May 2010. On 18 December 2012, the legislative finance committee of the Chamber of Deputies approved the draft legislation.⁸⁰⁰ National elections were held in Italy in February 2013 and it is expected that the previous approval of the Chamber of Deputies will facilitate the new administration’s discussion of the draft bill. On 27 June 2013, Deputy Minister for Foreign Affairs Lapo Pistelli said the government favours rapid approval of the disinvestment law.⁸⁰¹ Until then, Law no. 95 will remain the legislative framework for investment in cluster munitions.⁸⁰²

XXII Original text: “Chiunque impiega, fatte salve le disposizioni di cui all’articolo 3, comma 3, sviluppa, produce, acquisisce in qualsiasi modo, stocca, conserva o trasferisce, direttamente o indirettamente, munizioni a grappolo o parti di esse, ovvero assiste anche finanziariamente, incoraggia o induce altri ad impegnarsi in tali attività’, e’ punito con la reclusione da tre a dodici anni e con la multa da euro 258.228 a euro 516.456.” Translated by Suzanne Oosterwijk, IKV Pax Christi.

COMMENTARY

What does the legislation exclude from investment?

- The text of Law no. 95 prohibits financing the development and production of cluster munitions or parts thereof. It does not explain whether this means that it prohibits investment in cluster munitions producers or whether it only covers producing cluster munitions. The latter would permit general purpose financing for cluster munitions producers.

How does the legislation define ‘investment’ or ‘financing’?

- The text of Law no. 95 does not define “financial assistance.” In that respect the draft proposal of 26 April 2010 defines the scope of financial assistance more precisely. The latter prohibits the provision of any form of financial support, including granting any type of credit, issuing financial guarantees, equity participation, acquisition or subscription of securities issued by companies producing antipersonnel mines or cluster munitions. It forbids Italian and foreign companies in Italy from financing companies performing a range of activities relating to antipersonnel mines, cluster munitions and submunitions.
- The reference to the prohibition of “financial assistance” in the law is due to an approved amendment to the original text. As a consequence, financial assistance to the production, development, storage, etc. of cluster munitions or parts thereof is a national crime. However, the current text seems to leave the possibility open that it only applies to the Italian level. The Italian Campaign to Ban Landmines warns that the law still makes it possible to offer financial assistance on an international level.

To whom does the law apply?

- The law stipulates that “Whoever [...] financially assists, encourages or induces others to engage in such activity, is punished with imprisonment from three to twelve years and a fine of 258,228 Euro to 516,456 Euro.”

How is the legislation enforced?

- The Italian law defines penalties, but does not provide for supervision or monitoring tools. The implementation order will have to regulate all of these issues and will be decisive for the law’s scope. The 26 April 2010 draft proposal is more detailed. It wants the Bank of Italy to appoint a third party to monitor compliance and to publish a list of companies involved in the production, use, repair, promotion, sale, distribution, import, export, storage, possession or transportation of cluster munitions.

2.3.4 Liechtenstein

BACKGROUND

The Principality of Liechtenstein signed the Convention on Cluster Munitions in Oslo on 3 December 2008. Liechtenstein ratified the convention on 4 March 2013.⁸⁰³ At the same time, the Parliament of Liechtenstein approved an amendment to the Law on Brokering War Material which entered into force on 1 September 2013. The amended law prohibits brokering and direct and indirect financing of prohibited war material, including cluster munitions.⁸⁰⁴

Due to the Customs Union Treaty between Liechtenstein and Switzerland, “the development, manufacture, purchase, acquisition, transfer, import, export, transport, and stockpiling and possession of cluster munitions is governed by Swiss legislation in Liechtenstein.” Therefore, the amendments to Switzerland’s Federal Law on War Material, which the Swiss parliament passed in March 2012, also apply in Liechtenstein.⁸⁰⁵

LEGISLATION

The prohibition is set out in Articles 7b and 7c, governing direct and indirect investment. Their wording is similar to that of the Swiss legislation.⁸⁰⁶

“Art. 7b Prohibition of direct financing

1 The direct financing of the development, manufacture or acquisition of prohibited war material is prohibited.

2 Direct financing within the meaning of this Act is the direct extension of credits, loans or donations or comparable financial benefits to cover the costs of or to promote the development, manufacture or acquisition of prohibited war material.

Art. 7c Prohibition of indirect financing

1 The indirect financing of the development, manufacture or acquisition of prohibited war material is prohibited where the prohibition of direct financing is circumvented thereby.

2 Indirect financing within the meaning of this Act is:

- a. the participation in companies that develop, manufacture or acquire forbidden war material.
- b. the acquisition of bonds or other investments products issued by such companies.”^{XXIII}

Article 29b of the law stipulates the punishment of offences against the prohibition of financing.

“Art. 29b Offences against the prohibition of financing

1 Any person who wilfully fails to comply with the prohibition on financing under Articles 7b or 7c without being able to claim an exemption under Article 6 paragraph 2, Article 7 paragraph 2 or Article 7a paragraph 3 is liable to a custodial sentence not exceeding five years or to a monetary penalty by the Court.”^{XXIV}

COMMENTARY

What does the legislation exclude from investment?

- The legislation prohibits directly or indirectly financing the development, manufacture or acquisition of forbidden war material (including cluster munitions). The law does not specify how to deal with (key) components.

XXIII Original text:

“Art. 7b. Verbot der direkten Finanzierung

1) Die direkte Finanzierung der Entwicklung, der Herstellung oder des Erwerbs von verbotenem Kriegsmaterial ist verboten.

2) Als direkte Finanzierung im Sinne dieses Gesetzes gilt die unmittelbare Gewährung von Krediten, Darlehen und Schenkungen oder vergleichbaren finanziellen Vorteilen zur Bezahlung oder Bevorschussung von Kosten und Aufwendungen, die mit der Entwicklung, der Herstellung oder dem Erwerb von verbotenem Kriegsmaterial verbunden sind.

Art. 7c Verbot der indirekten Finanzierung

1) Die indirekte Finanzierung der Entwicklung, der Herstellung oder des Erwerbs von verbotenem Kriegsmaterial ist verboten, wenn damit das Verbot der direkten Finanzierung umgangen werden soll.

2) Als indirekte Finanzierung im Sinne dieses Gesetzes gilt:

- a) die Beteiligung an Gesellschaften, die verbotenenes Kriegsmaterial entwickeln, herstellen oder erwerben;
- b) der Erwerb von Obligationen oder anderen Anlageprodukten, die durch solche Gesellschaften ausgegeben werden.”

XXIV Original text:

“Art. 29b Widerhandlungen gegen das Finanzierungsverbot

1) Vom Landgericht wird mit Freiheitsstrafe bis zu fünf Jahren bestraft, wer vorsätzlich und ohne dass er eine Ausnahme nach Art. 6 Abs. 2, Art. 7 Abs. 2 oder Art. 7a Abs. 3 in Anspruch nehmen kann, gegen das Finanzierungsverbot nach den Art. 7b oder 7c verstösst.”

Translated by Suzanne Oosterwijk, IKV Pax Christi.

How does the legislation define ‘investment’ or ‘financing’?

- The law prohibits directly and indirectly financing the development, manufacture or acquisition of forbidden war material. Direct financing is described as: “the direct extension of credits, loans or donations or comparable financial benefits to cover the costs of or to promote the development, manufacture or acquisition of prohibited war material.”⁸⁰⁷ Financing other activities of cluster munitions producers not linked to war material is still possible. Financial flows in companies are hard to divide because they are interconnected. Only a ban on the financing of all activities of these manufacturers will guarantee that no war material is funded.
- Article 7c forbids indirect investments only “where the prohibition of direct financing is circumvented thereby.” This constitutes an exception to the prohibition which is difficult to verify. Moreover, it narrows the definition of “indirect investment” to shares and bonds.
- Article 29b addresses the problem of unintended investment: if an investor did not know he was investing in prohibited war material, he will not be sued. This could be the case e.g. with funds following an index. However, without a clear definition of “unintended”, investors could easily claim their financing was “unintended” and therefore bypass the law.

To whom does the law apply?

- The legislation applies to: “Any person who wilfully fails to comply with the prohibition on financing under Articles 7b or 7c without being able to claim an exemption under Article 6 paragraph 2, Article 7 paragraph 2 or Article 7a paragraph 3.”

How is the legislation enforced?

- The law defines penalties, but does not provide for supervision or monitoring tools. Any person who violates the prohibition can be punished by a custodial sentence not exceeding five years or to a monetary penalty.⁸⁰⁸

2.3.5 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 procedure to wait for the final text of the CCM in December 2008. After signing the Oslo Convention, it published a draft ratification law.

Luxembourg signed the Convention on Cluster Munitions on 3 December 2008 and ratified the convention on 10 July 2009.

LEGISLATION

The draft ratification law included a prohibition for all persons or businesses from knowingly financing cluster munitions or explosive submunitions.⁸⁰⁹ Luxembourg passed the law 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.”^{XXV}

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.”⁸¹⁰

At the first Meeting of States Parties to the Convention on Cluster Munitions in Lao PDR, Luxembourg’s Vice-Prime Minister, Jean Asselborn, encouraged all the states that have signed the convention “to prohibit the financing of cluster bombs.”⁸¹¹ During the Fourth Meeting of States Parties to the Convention on Cluster Munitions in September 2013 in Zambia, Luxembourg expressed the hope that other States Parties would follow Luxembourg’s example and prohibit investment in cluster munitions.⁸¹²

COMMENTARY

What does the legislation exclude from investment?

- The law forbids financing of cluster munitions or explosive submunitions. It does not explain whether this means that cluster munitions producers are excluded from investment, or that the exclusion only covers the act of producing cluster munitions. The latter would permit general purpose financing for cluster munitions producers.

How does the legislation define ‘investment’ or ‘financing’?

- The text does not define “financing.” The word’s scope should be defined, because it is open to multiple interpretations.
- The term “knowingly” did not appear in the first draft of the legislation. In June 2008, the Luxembourg Bankers Association (ABBL) and the Luxembourg Fund Association (ALFI) published a commentary on this draft legislation. These associations suggested adding the term knowingly to 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 suggested replacing the words “direct or indirect financing” with “knowingly financing.”⁸¹³ The term “knowingly” could create difficulties in implementing this legislation. It could release banks from their duty of due diligence and operate with scrutiny. Luxembourg’s implementation order will have to provide a clear and airtight definition of knowingly. Publishing a black list of cluster munitions producers could solve this problem.

To whom does the law apply?

- The law prohibits all persons, businesses and corporate entities from knowingly financing cluster munitions or explosive submunitions.

How is the legislation enforced?

- Article 4 defines the following penalty provisions: “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.”⁸¹⁴
- The law does not provide for supervision or monitoring tools. The implementation order will have to specify all of these and is of major importance for the implementation and scope of the law. At the first

XXV 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, Action on Armed Violence.

Meeting of States Parties to the Convention on Cluster Munitions in Lao PDR, Luxembourg announced that it would set up an ethics commission. Minister for Foreign Affairs Asselborn launched the idea to create an ethical council in the Grand Duchy of Luxembourg. This council would be composed of Luxembourg financial (Alfi, Gafi, ABBL, CSSF) and public institutions (Ministry of Finance, Ministry of Justice, Ministry of Foreign Affairs, Compensation Fund). It would be responsible for monitoring and verifying present and future investments by the State of Luxembourg to prevent improper investments in companies involved in the production of cluster munitions.^{XXVI} This commission would be of great assistance in monitoring investments and enforcing the law, but it is not in place at the time of writing.⁸¹⁵

2.3.6 The Netherlands

BACKGROUND

The Netherlands signed the Convention on Cluster Munitions on 3 December 2008 and ratified the convention on 23 February 2011. The law approving ratification of the Convention on Cluster Munitions governs the Netherlands' implementation of its provisions. This law contains no prohibition on investment in cluster munitions.⁸¹⁶

On 29 March 2011, however, the Dutch senate adopted a motion calling for “a prohibition on direct and demonstrable investments in the production, sale and distribution of cluster munitions.”^{XXVII817} On 13 December 2011, the Lower House of the Dutch Parliament adopted a similar motion.⁸¹⁸

LEGISLATION

On 1 January 2013, the amended Market Abuse (Financial Supervision Act) Decree entered into force that “imposes an obligation that prevents an enterprise directly supporting any national or foreign enterprise which produces, sells or distributes cluster munitions.”⁸¹⁹

The prohibition, set out in Article 21a of the Decree, states the following:

- “1. An enterprise as referred to in Article 5:68 (1) of the Act, not being a clearing institution, will take adequate measures to ensure that it does not:
- a. carry out transactions or has transactions carried out with a view to acquiring or offering a financial instrument that has been issued by an enterprise that produces, sells or distributes cluster munitions as referred to in Article 2 of the Convention on Cluster Munitions which was concluded in Dublin on 30 May 2008 (published in the Bulletin of Treaties 2009, 45) or essential parts thereof;
 - b. provide loans to an enterprise as referred to in subsection (a) above;
 - c. acquire non-marketable holdings in the capital of any enterprise described under (a) above.

XXVI Original text: “Lors d’une prise de position devant la presse luxembourgeoise, le Vice-Premier Ministre a réitéré son appel à l’interdiction du financement en connaissance de cause d’armes à sous-munitions. Au vu des difficultés de prévoir les ramifications de certaines sociétés dans des secteurs industriels qui produisent des armes à sous-munitions, le ministre Asselborn a lancé l’idée de créer une enceinte éthique au Grand-Duché de Luxembourg qui serait composé d’institutions financières luxembourgeoises (Alfi, Gafi, ABBL, CSSF) ainsi que d’institutions publiques (ministère des Finances, ministère de la Justice, ministère des Affaires étrangères, Fonds de Compensation) et qui serait chargé de contrôler et vérifier les investissements actuels et futurs de l’État luxembourgeois en vue de prévenir des investissements erronés dans des sociétés impliquées dans la production d’armes à sous-munitions.” Translated by Esther Vandembroucke, FairFin.

XXVII Original Dutch text: “[...] een verbod op aantoonbare directe investeringen in de productie, verkoop en distributie van clustermunities.” Translated by Roos Boer, IKV Pax Christi.

2. The first section above is equally applicable to carrying out transactions, or having them carried out, with a view to acquiring or offering a financial instrument that has been issued by any enterprise that holds more than half of the share capital of an enterprise as referred to in subsection 1 (a) and also to loans to, or non-marketable holdings in such an enterprise.

3. Section 1 above will not apply to:

- a. transactions based on an index in which enterprises described in subsection 1 (a) constitute less than 5 percent of the total;
- b. transactions in investment funds operated by third parties in which enterprises described in subsection 1 (a) constitute less than 5 percent of the total; and
- c. investments in clearly defined projects carried out by an enterprise described in subsection 1 (a) insofar as such funding is not utilised for the production, sale or distribution of cluster munitions.

4. Without prejudice to the provisions of section 1 above, enterprises that do hold financial instruments, loans or non-marketable holdings as described in that section should dispose of them or terminate them within a reasonable period of time.”⁸²⁰

A Dutch financial institution in violation of Article 21a of the Market Abuse (Financial Supervision Act) Decree can be sanctioned to a fine with a set basic amount of €500,000 and a maximum of €1,000,000.^{XXVIII821}

COMMENTARY

What does the legislation exclude from investment?

- The legislation defines the subject of financial exclusion as “an enterprise that produces, sells or distributes cluster munitions” or “essential parts thereof.” The explanatory note defines essential parts as “those (components) which are indispensable for the functioning of cluster munitions.” Dual use components are explicitly excluded from the scope of the definition in the explanatory note.⁸²²
- Section 2 applies the prohibition equally to holdings containing a subsidiary with activities related to cluster munitions. According to the explanatory notes: “without this addition, it would be relatively easy to evade the provision by establishing a parent company (holding) in which investments could be made and transferring the activities related to cluster munitions to a separate, wholly or partly-owned subsidiary.” However, the legislation only applies to enterprises “holding more than half of the share capital” of a company involved in cluster munitions.⁸²³
- The ban does not apply to financing specific projects of companies involved in the production, sale or distribution of cluster munitions when it can be demonstrated that the financing will not be used for operations linked to cluster munitions. To ensure exemption, financial institutions need a written declaration confirming the nature of the project and that financing will not be used for operations linked to cluster munitions. This still permits investors and lenders to finance projects of companies identified as cluster munitions producers, but only when the project has nothing to do with the forbidden activities. This exception weakens the law, for it will not hinder recipient companies from transferring money internally to projects that are connected with cluster munitions.

XXVIII A fine of category 2 applies to a financial institution in breach with Article 21a of the Market Abuse (Financial Supervision Act) Decree. The set basic amount is €500,000 with a maximum of €1000,000. The Netherlands Authority for the Financial Markets can increase or decrease the basic amount as it sees fit, according to duration and nature of the violation.

How does the legislation define ‘investment’ or ‘financing’?

- The legislation applies only to “direct and demonstrable investments.” The ban defines “direct and demonstrable investments” as investments, loans or non-marketable holdings in or to an enterprise that produces, sells or distributes cluster munitions.⁸²⁴ The “adequate measures to prevent investment” pertain particularly to measures by a financial institution that are legally possible and are unilaterally enforceable. According to the explanatory notes, “this is at least the case when an institution is acting on its own behalf and for its own account, is itself manager of an investment fund or receives explicit instructions from a client, without an associated request for advice, to invest in an enterprise as referred to in subsection 1 (a); this is known as an ‘execution only’ situation.” This would suggest that investments on behalf of clients, investments under external management, or investments at a client’s instructions with an associated request for advice are permitted. The addition of “at least” however, suggests this is a minimal approach to implementing the law, and therefore leaves financial institutions uncertain about how to implement the law.
- The prohibition contains several exceptions, as laid out in subsection 3: Subsection (3) (a) provides an exception for transactions following an index, when less than five percent of the total assets of that index are invested in companies that produce, sell or distribute cluster munitions. Transactions based on an index are deemed to include “index funds, index trackers, the replication of indices in a ‘basket’, and similar financial products.”⁸²⁵ Subsection 3 (b) holds a similar exception for “transactions in investment funds managed by third parties, where one or more of the enterprises that produce, sell or distribute cluster munitions constitute less than five percent of the total.”⁸²⁶ This means that funds following an index and investment funds may still contain the specified percentage of cluster munitions producing companies. This exception weakens the prohibition, especially since companies involved in the production of cluster munitions usually do not represent more than 5% in funds that follow an index or investment funds.

To whom does the law apply?

- The prohibition’s scope is limited to financial institutions that operate in the Netherlands and that have substantial dealings with the financial markets. This means that Article 21a does not apply to individuals, to legal entities other than those specified in the prohibition’s accompanying explanatory notes, or to foreign subsidiaries of financial institutions in the Netherlands.

How is the legislation enforced?

- Financial institutions that violate the prohibition are subjected to financial penalties or can be charged under the Public Prosecution Service. The Netherlands Authority for the Financial Markets (AFM) is in charge of monitoring the implementation of the prohibition.
- The prohibition does not provide for specific monitoring tools or auditing methods, nor does it provide for a black list of companies involved in the production of cluster munitions which will complicate the implementation of the law.^{XXIX} The law does appoint the Netherlands Authority for the Financial Markets as supervisor to regulate all of these issues which will be decisive for the law’s scope.

XXIX On 20 December 2012, the financial sector established an “indicative list” of cluster munitions producers to be used as a so-called “risk radar” by the AFM. The AFM will start an investigation if investment in any of the identified companies occur. The list will be periodically updated by the financial sector and the AFM.

2.3.7 New Zealand

BACKGROUND

New Zealand signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 22 December 2009.

On 10 December 2009, the New Zealand parliament unanimously passed its legislation to implement the Convention on Cluster Munitions. This Cluster Munitions Prohibition Act contains a prohibition on investments in cluster munitions. Late amendments after strong campaigning by the Aotearoa New Zealand Cluster Munition Coalition added an investment ban to the law.

LEGISLATION

The Cluster Munitions Prohibition Act states that:

“A person commits an offence who provides or invests funds with the intention that the funds be used, or knowing that they are to be used, in the development or production of cluster munitions.”⁸²⁷

The law defines clearly what it means by funds: “funds means assets of every kind, whether tangible or intangible, moveable or immovable, however acquired; and includes legal documents or instruments (for example bank credits, travellers’ cheques, bank cheques, money orders, shares, securities, bonds, drafts, and letters of credit) in any form (for example, in electronic or digital form) evidencing title to, or an interest in, assets of any kind.”⁸²⁸

The legislation was unanimously adopted and the governor-general signed it into law on 17 December 2009 paving the way for the deposit of New Zealand’s ratification instrument on 23 December 2009.

COMMENTARY

What does the legislation exclude from investment?

- The legislation prohibits providing or investing funds with the intention that they be used, or knowing that they are to be used, in the development or production of cluster munitions.

How does the legislation define ‘investment’ or ‘financing’?

- The law defines clearly what it means by funds: “funds means assets of every kind, whether tangible or intangible, moveable or immovable, however acquired; and includes legal documents or instruments (for example bank credits, travellers’ cheques, bank cheques, money orders, shares, securities, bonds, drafts, and letters of credit) in any form (for example, in electronic or digital form) evidencing title to, or an interest in, assets of any kind.”⁸²⁹
- The scope of the law seems to be limited to project finance of cluster munitions production because of the terms “knowing” and “with the intention.” This would mean that cluster munitions producers would still be able to obtain funding if an investment is not intended for the development and production of cluster munitions.

To whom does the law apply?

- The Cluster Munitions Prohibition Act, Part 1, preliminary provision 9, mentions that the “Act applies to all acts done or omitted in New Zealand and also applies to all acts done or omitted outside New Zealand by citizens and residents of New Zealand, [...] a body corporate, or a corporation sole, incorporated in New Zealand.”⁸³⁰

How is the legislation enforced?

- The New Zealand law defines penalties, but does not provide for supervision or monitoring tools. A person who commits an offence against the investment prohibition is liable on conviction on indictment to imprisonment for a term not exceeding 7 years or a fine not exceeding \$500,000 or both.⁸³¹
- Were the New Zealand government to publish a list of cluster munitions producers, this would provide a strong tool for determining whether there is an intention or knowledge that the funds will be used to finance the production of cluster munitions.

2.3.8 Samoa

BACKGROUND

The Independent State of Samoa signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 28 April 2010.⁸³² Samoa's Cluster Munitions Prohibition Act came into effect on 27 April 2012.⁸³³ This Cluster Munitions Prohibition Act 2012 contains a prohibition on investments in cluster munitions.

LEGISLATION

The Cluster Munitions Prohibition Act 2012 states that:

"[...] a person who directly or indirectly does one (1) or more of the following commits an offence: invest funds with the intention that the funds be used, or knowing that the are to be used, in the development or production of cluster munitions."⁸³⁴

The law clearly defines what it means by funds: "funds means assets of every kind, whether tangible or intangible, moveable or immovable, however acquired; and includes legal documents or instruments in any form evidencing title to, or an interest in, assets of any kind."⁸³⁵

COMMENTARY

What does the legislation exclude from investment?

- The legislation prohibits directly or indirectly investing funds with the intention that they be used, or knowing that they are to be used, in the development or production of cluster munitions.

How does the legislation define 'investment' or 'financing'?

- The law defines clearly what it means by funds: "funds means assets of every kind, whether tangible or intangible, moveable or immovable, however acquired; and includes legal documents or instruments in any form evidencing title to, or an interest in, assets of any kind."⁸³⁶
- The scope of the law seems to be limited to project finance of cluster munitions production because of the terms "knowing" and "with the intention." This would mean that cluster munitions producers would still be able to obtain funding if an investment is not intended for the development and production of cluster munitions.

To whom does the law apply?

- The Cluster Munitions Prohibition Act 2012 states that “a person” is prohibited from directly or indirectly investing funds with the intention that the funds be used, or knowing that they are to be used, in the development or production of cluster munitions. Furthermore, Part 1, preliminary provision 4 mentions that the Act extends to azzcts done or omitted to be done outside Samoa by citizens and residents of Samoa, [...] or a corporation.⁸³⁷

How is the legislation enforced?

- Samoa’s law defines penalties, but does not provide for supervision or monitoring tools. A person who commits an offence against the investment prohibition is “[...] punishable, upon conviction, by: (a) in the case of a corporation, a fine not exceeding 100,000 penalty units; or (b) in the case of a natural person, a fine not exceeding 10,000 penalty units or imprisonment for a term not exceeding seven (7) years, or both.”⁸³⁸
- Were the government of Samoa to publish a list of cluster munitions producers, this would provide a strong tool for determining whether there is an intention or knowledge that the funds will be used to finance the production of cluster munitions.

2.3.9 Switzerland

BACKGROUND

The Swiss Confederation signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 17 July 2012.⁸³⁹ On 16 March 2012 both Chambers of the Swiss parliament had accepted the ratification legislation.⁸⁴⁰ In the same session the Parliament approved a revision in the Federal Law on War Material that would incorporate a prohibition on cluster munitions and anti-personnel mines with the same provisions which entered into force on 1 February 2013.⁸⁴¹ Because Switzerland is home to many large financial institutions, many expect the law to have a major impact on how financial markets regard the cluster munitions issue.

LEGISLATION

The prohibition of investment in forbidden war material (including cluster munitions) is set out in Articles 8b and 8c, dealing with direct and indirect investment respectively.

“Art. 8b Prohibition of direct financing

- 1 The direct financing of the development, manufacture or acquisition of prohibited war material is itself prohibited.
- 2 Direct financing within the meaning of this Act is the direct granting of credits, loans or gifts or comparable financial advantages in order to pay or advance costs and expenditures that are associated with the development, manufacture or acquisition of prohibited war material.

Art. 8c Prohibition of indirect financing

1 The indirect financing of the development, manufacture or acquisition of prohibited war material is itself prohibited where the prohibition of direct financing is circumvented thereby.

2 Indirect financing within the meaning of this Act is:

- a. participation in companies that develop, manufacture or acquire prohibited war material;
- b. the acquisition of debt securities or other investment products issued by such companies.”^{XXX842}

Article 35b of the law stipulates the punishment of offences against the prohibition of financing.

“Art. 35b Offences against the prohibition of financing

1 Any person who wilfully fails to comply with the prohibition of financing under Articles 8b or 8c without being able to claim an exemption under Article 7 paragraph 2, Article 8 paragraph 2 or Article 8a paragraph 3 is liable to a custodial sentence not exceeding five years or to a monetary penalty.

2 A custodial sentence may be combined with a monetary penalty.

3 A person who merely accepts the possibility of an offence against the prohibition of financing under Articles 8b or 8c does not commit an offence.”^{XXXI843}

COMMENTARY

What does the legislation exclude from investment?

- The legislation prohibits directly or indirectly financing the development, manufacture or acquisition of forbidden war material (including cluster munitions). The law does not specify how to deal with (key) components.

How does the legislation define ‘investment’ or ‘financing’?

- The law prohibits directly or indirectly financing the development, manufacture or acquisition of forbidden war material. Direct financing is described as: “the direct granting of credits, loans or gifts or comparable financial advantages in order to pay or advance costs and expenditures that are associated with the development, manufacture or acquisition of prohibited war material.”⁸⁴⁴ Financing other activities of cluster munitions producers not linked to war material is still possible. Financial flows in companies are hard to divide as they are interconnected. Only a ban on the financing of all activities of these manufacturers guarantees that no war material is funded.

XXX Original text:

“Art. 8b Interdiction du financement direct

1 Il est interdit de financer directement le développement, la fabrication ou l’acquisition de matériels de guerre prohibés.

2 Est considéré comme financement direct au sens de la présente loi l’octroi direct de crédits, de prêts, de donations ou d’avantages financiers comparables en vue de couvrir ou d’avancer les coûts du développement, de la fabrication ou de l’acquisition de matériels de guerre prohibés ou les frais liés à de telles activités.

Art. 8c Interdiction du financement indirect

1 Il est interdit de financer indirectement le développement, la fabrication ou l’acquisition de matériels de guerre prohibés si le but visé est de contourner l’interdiction du financement direct.

2 Est considéré comme financement indirect au sens de la présente loi:

- a. la participation à des sociétés qui développent, fabriquent ou acquièrent des matériels de guerre prohibés;
- b. l’achat d’obligations ou d’autres produits de placement émis par de telles sociétés.”

XXXI Original text:

“Art. 35b Infractions à l’interdiction de financement

1 Est punie d’une peine privative de liberté de cinq ans au plus ou d’une peine pécuniaire toute personne qui, intentionnellement et sans qu’elle puisse invoquer l’une des exceptions prévues aux art. 7, al. 2, 8, al. 2, ou 8a, al. 3, enfreint les interdictions de financement prévues aux art. 8b et 8c.

2 La peine privative de liberté peut être assortie d’une peine pécuniaire.

3 Si l’auteur ne fait que s’accommoder de l’éventualité d’une infraction aux interdictions de financement prévues aux art. 8b et 8c, il n’est pas punissable au sens de la présente disposition.”

- According to Article 8c, indirect investments are only forbidden “where the prohibition of direct financing is circumvented thereby.” This exception to the prohibition is difficult to verify. Moreover, it narrows the definition of “indirect investment” to shares and bonds.
- Article 35b addresses the problem of unintended investment: if an investor did not know he was investing in prohibited war material, he will not be sued. This could be the case e.g. with funds following an index. However, without a clear definition of “unintended”, investors could easily claim their financing was “unintended” and therefore bypass the law.

To whom does the law apply?

- The legislation applies to: “Any person who wilfully fails to comply with the prohibition of financing under Articles 8b or 8c without being able to claim an exemption under Article 7 paragraph 2, Article 8 paragraph 2 or Article 8a paragraph 3.”⁸⁴⁵

How is the legislation enforced?

- The Swiss law defines penalties, but does not provide for supervision or monitoring tools. Any person who violates the prohibition can be punished by a custodial sentence not exceeding five years or to a monetary penalty.⁸⁴⁶
- The Swiss State Secretariat for Economic Affairs (SECO) is responsible for the implementation of the Law on War Material. At the time of writing, the Swiss State Secretariat for Economic Affairs had started discussions with the Swiss Financial Market Supervisory Authority FINMA, the Federal Department of Justice and the Federal Department of Foreign Affairs on how to apply the prohibition. These authorities are also in discussion with the Swiss Bankers Association, with some Swiss banks and with other providers of financial services. Compliance with the prohibition will be checked through targeted controls when the responsible authorities hold probable cause to believe the prohibition has been violated. If these assumptions are confirmed, criminal proceedings will be initiated.⁸⁴⁷

European Parliament

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.

One example of this view is the European Community’s concern about cluster munitions. The European Parliament adopted its Resolution on a Mine-Free World 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 submunitions.”⁸⁴⁸

In October 2007, this call was repeated in the European Parliament’s resolution Towards A Global Treaty to Ban All Cluster Munitions. In this 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.”⁸⁴⁹

DISINVESTMENT – MINISTERIAL AND INTERPRETIVE STATEMENTS

As stated above, several countries have confirmed the position that article 1(1)c of the CCM on prohibiting assistance includes a prohibition on investing in cluster munitions. Australia, Bosnia and Herzegovina, Cameroon, Canada, Colombia, the Democratic Republic of Congo (DRC), the Republic of Congo, Croatia, the Czech Republic, France, Ghana, Guatemala, the Holy See, Hungary, Lao PDR, Lebanon, Madagascar, Malawi, Malta, Mexico, Niger, Norway, Rwanda, Senegal, Slovenia, the United Kingdom and Zambia have issued interpretive statements that indicate investments in cluster munitions are or can be seen as prohibited by the Convention on Cluster Munitions.

2.3.10 Australia

Australia signed the Convention on Cluster Munitions on 3 December 2008. Australia deposited its instrument of ratification on 8 October 2012 and became a State Party on 1 April 2013.⁸⁵⁰ The Criminal Code Amendment (Cluster Munitions Prohibition) Act 2012 implemented the Convention on Cluster Munitions.

The Criminal Code Amendment (Cluster Munitions Prohibition) Act 2012 contains no provision prohibiting investment in cluster munitions.⁸⁵¹ However, on 27 October 2010, the Attorney-General offered the following example of prohibited conduct: “where a person provides financial assistance to, or invests in, a company that develops or produces cluster munitions, but only where that person intends to assist, encourage or induce the development or production of cluster munitions by that company.”⁸⁵² In March 2011, when asked about the issue again in the Australian senate, the Attorney General’s Department on the Bill confirmed that “the intentional provision of financial assistance to an entity so that the entity can develop or produce cluster munitions will amount to an offence.”⁸⁵³

2.3.11 Bosnia and Herzegovina

Bosnia and Herzegovina signed the Convention on Cluster Munitions on 3 December 2008, ratified it on 7 September 2010, and became a State Party to the convention on 7 September 2010.⁸⁵⁴

In July 2011, the head of the department of conventional weapons of the Ministry of Foreign Affairs expressed the Ministry’s view it, “considers investment in the production of cluster munitions to be prohibited.”⁸⁵⁵

2.3.12 Cameroon

The Republic of Cameroon signed the Convention on Cluster Munitions on 15 December 2009. Cameroon deposited its instrument of ratification on 12 July 2012 and became a State Party on 1 January 2013.⁸⁵⁶

On 12 May 2011 in a letter to Handicap International France, the Ministry of External Relations declared: “Cameroon [...] approves therefore [...] the prohibition on investments in cluster munitions.”⁸⁵⁷

2.3.13 Canada

Canada signed the Convention on Cluster Munitions on 3 December 2008. Canada is in the process of adopting the required domestic legislation to ratify the convention. The cabinet approved draft Bill S-10: An Act to implement the Convention on Cluster Munitions in January 2012 and introduced it to the Parliament in February 2012. The Senate voted to approve it on 4 December 2012 and it had its first reading in the

House of Commons on 6 December 2012.⁸⁵⁸ On 25 October 2013, the legislation, now known as Bill C-6, was tabled again in the House. The House will vote on it after its third reading.

Canada's current draft implementation legislation does not contain a specific prohibition on investment in cluster munitions. However, in a debate in the Senate in May 2012, the Honourary Suzanne Fortin-Duplessis said that "under the bill it is prohibited to assist, encourage or induce anyone to engage in any prohibited activity including knowingly and directly investing in the production of cluster munitions."⁸⁵⁹ On 9 July 2012, a Senior Defence Advisor from the Ministry of Foreign Affairs and International Trade stated in an email to Human Rights Watch that: "an investment that is executed with the knowledge and intention that it will encourage or assist cluster munitions production would be captured by the legislation's prohibition on aiding and abetting any primary offence."⁸⁶⁰ On 29 May 2013, the Parliamentary Secretary to the Minister of Foreign Affairs reiterated the view that investment is prohibited under the bill.⁸⁶¹

2.3.14 Colombia

The Republic of Colombia signed the Convention on Cluster Munitions on 3 December 2008. The ratification process is underway.⁸⁶²

Responding to a questionnaire by the Landmine and Cluster Munition Monitor, the Ministry of Foreign Affairs of Colombia stated on 26 March 2010 that it views, "investment by any government in the production of cluster munitions"^{xxxii} as prohibited under article 1(1)c of the CCM.⁸⁶³

2.3.15 Congo, the Democratic Republic of

The Democratic Republic of Congo (DRC) signed the Convention on Cluster Munitions on 18 March 2009. The ratification process is underway.⁸⁶⁴

On 15 April 2012, the National Focal Point of the Struggle Against Mines (PFNLAM) stated that "[...] the provisions of the convention forbid the [...] investment in the production of cluster munitions [...]."⁸⁶⁵

2.3.16 Congo, the Republic of

The Republic of Congo (Congo-Brazzaville) signed the Convention on Cluster Munitions on 3 December 2008. It is in the process of ratifying the convention.⁸⁶⁶

On 8 June 2013, Colonel Lucien Nkoua, National Focal Point of the Struggle Against Mines, informed the Cluster Munition Monitor that "[...] the Republic of Congo agrees with the views of a number of States Parties to the convention and the Cluster Munition Coalition that investment in the production of cluster munitions is also prohibited by the convention."⁸⁶⁷

XXXII Original text: En relación con los asuntos anteriores Colombia ha dado estricto cumplimiento al objeto y fin de la Convención de Oslo el cual en su artículo 1 establece: "Cada Estado Parte se compromete a nunca, y bajo ninguna circunstancia: ... (c) Ayudar, alentar o inducir a nadie a participar en una actividad prohibida a un Estado Parte según lo establecido en la presente Convención." Así, en estricto cumplimiento de estas obligaciones, el Gobierno de Colombia tiene una clara posición de rechazo y prohibición absoluta de cualquier conducta encaminada así como la inversión por parte de cualquier gobierno en producción de municiones en racimo." Translated by Esther Vandenbroucke, FairFin.

2.3.17 Croatia

The Republic of Croatia signed the Convention on Cluster Munitions in Oslo on 3 December 2008. The Croatian parliament approved the “Law for the Ratification of the Convention on Cluster Munitions” on 5 June 2009. Croatia formally deposited its ratification with the UN in New York on 17 August 2009. It was the 16th country to ratify, and thus among the first 30 ratifications that triggered the entry into force of the convention on 1 August 2010.⁸⁶⁸

Responding to a questionnaire by the Cluster Mmunition Monitor, the Ministry of Foreign Affairs and European Integration of Croatia stated on 23 March 2011 that it agrees that “investment in the production of cluster munitions is prohibited.”⁸⁶⁹

2.3.18 The Czech Republic

On 21 June 2011, president Vaclav Klaus signed Law No. 213 on the Prohibition of the Use, Development, Production, and Transfer of Cluster Munitions and their Destruction, thus completing all the necessary domestic steps to ratify the convention, signed by the Czech Republic on 3 December 2008.⁸⁷⁰ It ratified the convention on 22 September 2011.

In July 2011, the Czech Republic informed the Cluster Mmunition Monitor that it had not yet reached national consensus on its views on a number of important issues related to the interpretation and implementation of the convention, including the prohibition on investment in the production of cluster munitions.⁸⁷¹ However, on 30 April 2012 the Ministry of Foreign Affairs of the Czech Republic confirmed in a letter to Human Rights Watch that the Czech Republic agrees that “investment in the production of cluster munitions is prohibited under the Convention.”⁸⁷²

2.3.19 France

The French Republic signed the Convention on Cluster Munitions on 3 December 2008. France ratified the convention on 25 September 2009 and was thus among the first 30 ratifications that triggered the entry into force of the convention on 1 August 2010. The convention is implemented through the Law on the Elimination of Cluster Munitions.⁸⁷³

The French government gave an interpretive statement specifying that it understood investments in cluster munitions as being banned under the prohibition on assistance. On 6 July 2010, the Deputy Minister of Defence said in an address to the National Assembly that “any knowingly financial assistance, directly or indirectly, in the production or trading of cluster munitions would be considered as assistance, encouragement or inducement falling within the scope of the law under criminal complicity or commission of offences under this bill. If monitoring of the implementation of the law by the National Commission for the Elimination of Anti-personnel Mines (CNEMA) shows a failure on this point, the Government would draw the appropriate conclusions, proposing to the Parliament the necessary legislative changes.”^{XXXIII 874} After a period of inactivity, CNEMA restarted its work in 2012. It decided to look into how the investment prohibition as declared by the French government is being implemented and to consider possible further actions.⁸⁷⁵

XXXIII Original text: “Concernant le financement, il est clair, dans notre esprit, que toute aide financière, directe ou indirecte, en connaissance de cause d’une activité de fabrication ou de commerce d’armes à sous-munitions constituerait une assistance, un encouragement ou une incitation tombant sous le coup de la loi pénale au titre de la complicité ou de la commission des infractions prévues par le présent projet de loi. Si les travaux de suivi de l’application de la loi par la Commission nationale pour l’élimination des mines antipersonnel, la CNEMA, amenaient à constater une insuffisance de la loi sur ce point, le Gouvernement en tirerait les conclusions qui s’imposent, en proposant au Parlement les modifications législatives nécessaires.” Translated by Esther Vandembroucke, FairFin.

2.3.20 Ghana

The Republic of Ghana signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 3 February 2011. The convention took effect in Ghana on 1 August 2011.⁸⁷⁶

On 12 September 2013, Ghana said during the Fourth Meeting of States Parties to the Convention on Cluster Munitions in Lusaka, Zambia that “[...] Ghana considers investments in the production of cluster munitions a form of assistance that is banned by the Convention.”

Furthermore, Ghana stated that it would ensure that its national legislation will criminalise investments in the production of cluster munitions. Ghana encouraged all States Parties to make known their view that the convention prohibits investment in the production of cluster munitions.⁸⁷⁷

2.3.21 Guatemala

The Republic of Guatemala signed the Convention on Cluster Munitions in Oslo on 3 December 2008⁸⁷⁸ and ratified it on 3 November 2010.⁸⁷⁹

On 14 May 2010, the Permanent Representative of Guatemala to the United Nations in Geneva wrote in a letter to Human Rights Watch that “– according to the interpretation of the government of Guatemala – the Convention also includes a prohibition on investments in companies that manufacture cluster munitions.”⁸⁸⁰

2.3.22 The Holy See

The Holy See signed and ratified the Convention on Cluster Munitions in Oslo on 3 December 2008. It was one of four countries to sign and ratify the convention on the same day.⁸⁸¹

In a statement to the First Meeting of States Parties in Vientiane, Lao PDR in November 2010 the Holy See said that “In a world ever more globalised and interdependent, some countries produce or possess production methods or invest in the military industry, outside their national borders. It is important for the integrity of the Convention and for its application to include these investments in the list of prohibitions.”⁸⁸²

2.3.23 Hungary

The Republic of Hungary signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 3 July 2012.⁸⁸³

In a letter dated 27 April 2011, the Minister of Foreign Affairs János Martonyi informed Human Rights Watch of Hungary’s interpretation of the convention. On disinvestment the Minister wrote, “[...] Hungary believes that the convention prohibits investment in the production of cluster munitions.”⁸⁸⁴

2.3.24 Lao PDR

The Lao People’s Democratic Republic (Lao PDR) signed the Convention on Cluster Munitions on 3 December 2008. Lao PDR ratified the convention on 18 March 2009, the fifth country in the world and the first in Asia to do so, making it among the first 30 that triggered the entry into force of the convention on 1 August 2010. As the most heavily affected country in the world, the support of Lao PDR was a crucial element in the success of the Oslo Process that produced the convention.⁸⁸⁵

On 1 June 2011, a Ministry of Foreign Affairs official informed Human Rights Watch of Lao PDR's interpretation of the convention, including the issue of disinvestment. "For us it is clear that we strongly support the full prohibition of cluster munitions, including those activities during the joint military operations, transiting, foreign stockpiling and investment in the production of cluster munitions."⁸⁸⁶

2.3.25 Lebanon

The Republic of Lebanon signed the Convention on Cluster Munitions in Oslo on 3 December 2008⁸⁸⁷ and ratified it on 5 November 2010.⁸⁸⁸

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 Lebanon's view, "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."⁸⁸⁹

2.3.26 Madagascar

The Republic of Madagascar signed the Convention on Cluster Munitions in Oslo on 3 December 2008.⁸⁹⁰

On 2 April 2010, Ambassador Rajemison Rakotomaharo (Permanent Representative to the United Nations in Geneva) wrote in a letter to Human Rights Watch that "the Convention, in the opinion of Madagascar, also precludes investments in companies that produce cluster munitions."⁸⁹¹ This view was reiterated in the statement Madagascar made on the First Meeting of State Parties to the Convention on Cluster Munitions in Lao PDR. Madagascar stated that "there should be no exceptions when it comes to cluster munitions, which has a negative impact on all human beings, causing unacceptable suffering, therefore any investment in cluster munitions should indeed be prohibited."⁸⁹²

2.3.27 Malawi

The Republic of Malawi signed the Convention on Cluster Munitions on 3 December 2008. It ratified it on 7 October 2009, becoming the fifth African country and the 22nd in the world to ratify the convention. That placed it among the first 30 ratifications that triggered the entry into force of the convention on 1 August 2010.⁸⁹³

On 25 March 2010, Major Dan Kuwali, director of Legal Services of the Malawi Defence Force, stated during the Africa Regional Conference on the Universalisation and Implementation of Convention on Cluster Munitions in Pretoria, South Africa that "Malawi is of the opinion that the Convention constitutes a prohibition on the investment in producers of cluster munitions."⁸⁹⁴

2.3.28 Malta

The Republic of Malta signed the Convention on Cluster Munitions in Oslo on 3 December 2008. Malta ratified the convention on 24 September 2009, becoming the 19th country to do so. That placed it among the first 30 that triggered the entry into force of the convention on 1 August 2010.⁸⁹⁵

On 25 April 2010, the Ministry of Foreign Affairs offered its understanding of several provisions in the Convention on Cluster Munitions in an e-mail to Handicap International France. It stated that "The

policy of the Government of Malta on issues of interpretation of the Convention is guided by the need to ensure the rapid destruction of cluster munitions. With regard to investment in the production of cluster munitions, Malta interprets Article 1 (b) of the Convention on Cluster Munitions as prohibiting this activity. Malta believes that the assistance prohibition under Article 1 (c) of the Convention precludes financing and investment in corporations linked with the production of cluster munitions.”⁸⁹⁶

2.3.29 Mexico

The United Mexican States signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 6 May 2009. Mexico was the seventh signatory to ratify the convention and the first from the Western Hemisphere to do so. That placed it among the first 30 ratifications that triggered the entry into force of the convention on 1 August 2010.⁸⁹⁷

In a letter to Human Rights Watch dated 4 March 2009, Ambassador Juan Manuel Gómez Robledo from the Ministry of Foreign Affairs wrote that “It is Mexico’s opinion that investment for the production of cluster munitions is also prohibited by the Convention.”⁸⁹⁸

2.3.30 Niger

The Republic of Niger signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 2 June 2009.⁸⁹⁹

During a meeting with the Cluster Munition Coalition in Geneva, Switzerland, Allassan Fousseini, Expert Mines Action and Small Arms and Light Weapons of the National Commission for the Collection and Control of Illicit Weapons stated that “Niger considers [...] investments in cluster munitions to be banned by the convention.”⁹⁰⁰

2.3.31 Norway

Norway – a 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.⁹⁰¹ Norway implemented the Convention on Cluster Munitions in a separate law on cluster munitions. The Norwegian law states that anything prohibited under the convention is also prohibited and punishable under the law.

The preparatory work (Proposition no. 7) of the law notes that certain forms of investment in cluster munitions production “[...] may fall within the scope of the Convention’s prohibition of aiding and abetting”⁹⁰² and that “[...] it cannot be excluded that private investment, for example, in companies that develop or produce cluster munitions, may be incompatible with the Convention.”⁹⁰³

Proposition no. 7 adds that “the question whether such private financing or investment exceeds the threshold for criminal aiding and abetting in Norwegian law must also be assessed in the light of the general requirement of individual guilt.”⁹⁰⁴ The requirements would constitute that the offender would have to know that he/she was investing in cluster munition production, or it would amount to gross negligence if he/she did not know but ought to have known.⁹⁰⁵

2.3.32 Rwanda

The Republic of Rwanda signed the Convention on Cluster Munitions in Oslo on 3 December 2008 and has started its ratification process.⁹⁰⁶

In a letter to Human Rights Watch on 6 April 2009, Minister Rosemary Museminali of the Ministry of Foreign Affairs and Cooperation made it known that “any investment in the production of cluster munitions is prohibited.”⁹⁰⁷

2.3.33 Senegal

The Republic of Senegal signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 3 August 2011.⁹⁰⁸

On 3 February 2011 Colonel Meïssa Niang, Director, Control Research and Legislation of the Ministry of Armed Forces of Senegal answered in a letter to Human Rights Watch that “Senegal considers the transfer and foreign stockpiling of cluster munitions, and investment in cluster munitions to constitute a violation.”⁹⁰⁹

2.3.34 Slovenia

The Republic of Slovenia signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 19 August 2009. Its ratification was thus among the first 30 to trigger the convention’s entry into force on 1 August 2010.⁹¹⁰

In a letter to Human Rights Watch dated 14 March 2012, the Minister of Foreign Affairs of the Republic of Slovenia confirmed that “Slovenia has no intention to allow for investments in cluster munitions.”⁹¹¹ In an email to IKV Pax Christi dated July 2013, the Deputy Permanent Representative of the Permanent Mission of Slovenia to the United Nations in Geneva clarified that Slovenia believes that the CCM prohibits investments and financing on Slovenian territory.⁹¹²

2.3.35 The United Kingdom

The United Kingdom signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 4 May 2010. The UK “Cluster Munitions (Prohibition) Act 2010” that creates criminal offenses for violation of the prohibitions of the convention received Royal Assent on 25 March 2010.⁹¹³

In both Houses, debates on the Bill questioned whether the financing of cluster munitions production was prohibited under the legislation. The text of the legislation does not explicitly include a prohibition on investment in, or provision of financial services to, companies involved in the production of cluster munitions. However, in response to parliamentary questions the Government issued a Ministerial Statement on 7 December 2009 confirming that “under the current provisions of the Bill, which have been modelled upon the definitions and requirements of the convention, the direct financing of cluster munitions would be prohibited. The provision of funds directly contributing to the manufacture of these weapons would therefore become illegal.”⁹¹⁴

The legislation does not prohibit indirect financing of cluster munitions, but the government announced it intended to work with the financial industry, non-governmental organisations and other interested parties to promote a voluntary code of conduct to prevent indirect financing, and if necessary would use their right to initiate legislation.

2.3.36 Zambia

The Republic of Zambia signed the Convention on Cluster Munitions in Oslo on 3 December 2008. It formally deposited its instrument of ratification with the UN on 12 August 2009, becoming the 15th country to do so. That placed it among the first 30 ratifications that triggered the entry into force of the convention on 1 August 2010.⁹¹⁵

During the National Committee on Anti-personnel Landmines (NCAL) on 11 September 2009 in Lusaka, the Director of Zambia Mine Action Centre stated that “it is the understanding of Zambia that the Convention on Cluster Munitions includes a prohibition on investments in companies that manufacture cluster munitions.”⁹¹⁶

DISINVESTMENT – PARLIAMENTARY INITIATIVES / DRAFT LEGISLATION

To our knowledge, at the time of writing, no parliamentarians in any country have taken steps to ban investment in cluster munitions and no country has tabled draft legislation.^{xxxiv}

XXXIV Although proposed legislation is pending in the Italian senate, we choose to discuss Italy under 2.3.3 since this proposal is supplemental to legislation already in place.

Conclusion and recommendations

As this update shows, many people are hard at work on the issue of cluster munitions. States are ratifying and implementing the Convention on Cluster Munitions and financial institutions are adapting to the norm set in the CCM. However, the report also shows that many financial institutions are still linked, in one way or another, to investments in cluster munitions producers.

Disinvestment is a complex issue; it is not always easy for financial institutions to implement a comprehensive disinvestment policy. We are aware of this complexity –funds following an index being a case in point. Nevertheless, we believe that it can and should be done. It is encouraging to see that most of the newcomers to the Hall of Fame and runners-up categories come from countries where campaigners raised the issue with their governments or financial institutions. In addition to financial institutions, a growing number of governments have started giving time and attention to disinvestment. Support for prohibitions on the financing of cluster munitions production seems to have gained momentum over the years. Our report tells of many financial institutions that were able to develop and implement a comprehensive disinvestment policy. We sincerely hope more financial institutions will follow. Because disinvestment can be complex and because it is a shared responsibility, we see the need for governments to issue clear guidelines or laws. We hope that the new edition of this report has provided facts and figures that will inspire all actors – states, financial institutions and civil society – to work for a world without cluster munitions. To reach this goal we submit the following propositions on investing in cluster munitions producers:

- **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 draft national legislation prohibiting investment in producers of cluster munitions. This provides clear guidelines for financial institutions and is 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.

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 (this includes development 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 types of financial activities have been allowed over time. For example, banks are important players in financial markets; they offer financial products, among which are 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 companies via either general corporate financing or project financing.

Discretionary Mandate

A discretionary mandate gives asset managers the authority to manage the assets on behalf of a client in compliance with a pre-defined set of rules. This mandate is limited and specific to a single investor.

Ethical Bank

Ethical banks are usually small banks, founded 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. They usually have detailed procedures to avoid investing in unethical industries like arms production, gambling, etc.

Funds following an index⁹¹⁷

A fund following an index is a type of mutual fund; its portfolio is designed 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 chosen index and invests in the companies on that index.

Fiduciary Duty⁹¹⁸

The person looking after the assets on the other's behalf is expected to act in the best interests of the person whose assets they are in charge of. This is known as "fiduciary duty".

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

Insurance Company⁹¹⁹

An insurance company provides financial protection; it compensates losses that insured individuals or entities incur. Insurance companies pool client risks to make payments more affordable for the insured. They invest customers' premiums to obtain the money for compensation.

Investments

Investments are loans and other forms of credits, underwriting of share and bond issues, investments 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 how the proceeds are used (most of the time for general corporate services), and offering financial advice.

Mutual Fund⁹²⁰

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. The sole purpose of pension fund contributions is to finance the retirement 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 Fund⁹²¹

Retail fund refers to the fund's market and clients. A retail fund is one in which individuals can invest directly or through a financial adviser. Institutional funds, by contrast, are available to large investors, such as pension funds and not-for-profit organisations, with substantial amounts to invest.

Sovereign Wealth Fund⁹²²

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. Sovereign wealth funds 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.

Appendix 2

References

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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 to inquire whether the company produces cluster munitions, and specifically to verify 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 specialised 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.”

By this, the company acknowledges its production of aerial and artillery delivered cluster munitions.

Source: Council on Ethics for the Government Pension Fund - Global, “Recommendation on exclusion of the companies Rheinmetall AG and Hanwha Corp.”, Letter to the Ministry of Finance, 15 May 2007, available at www.regjeringen.no/pages/2041987/Rheinmetall%20and%20Hanwha,%20Unofficial%20English%20transla.pdf, last viewed 19 August 2013.

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