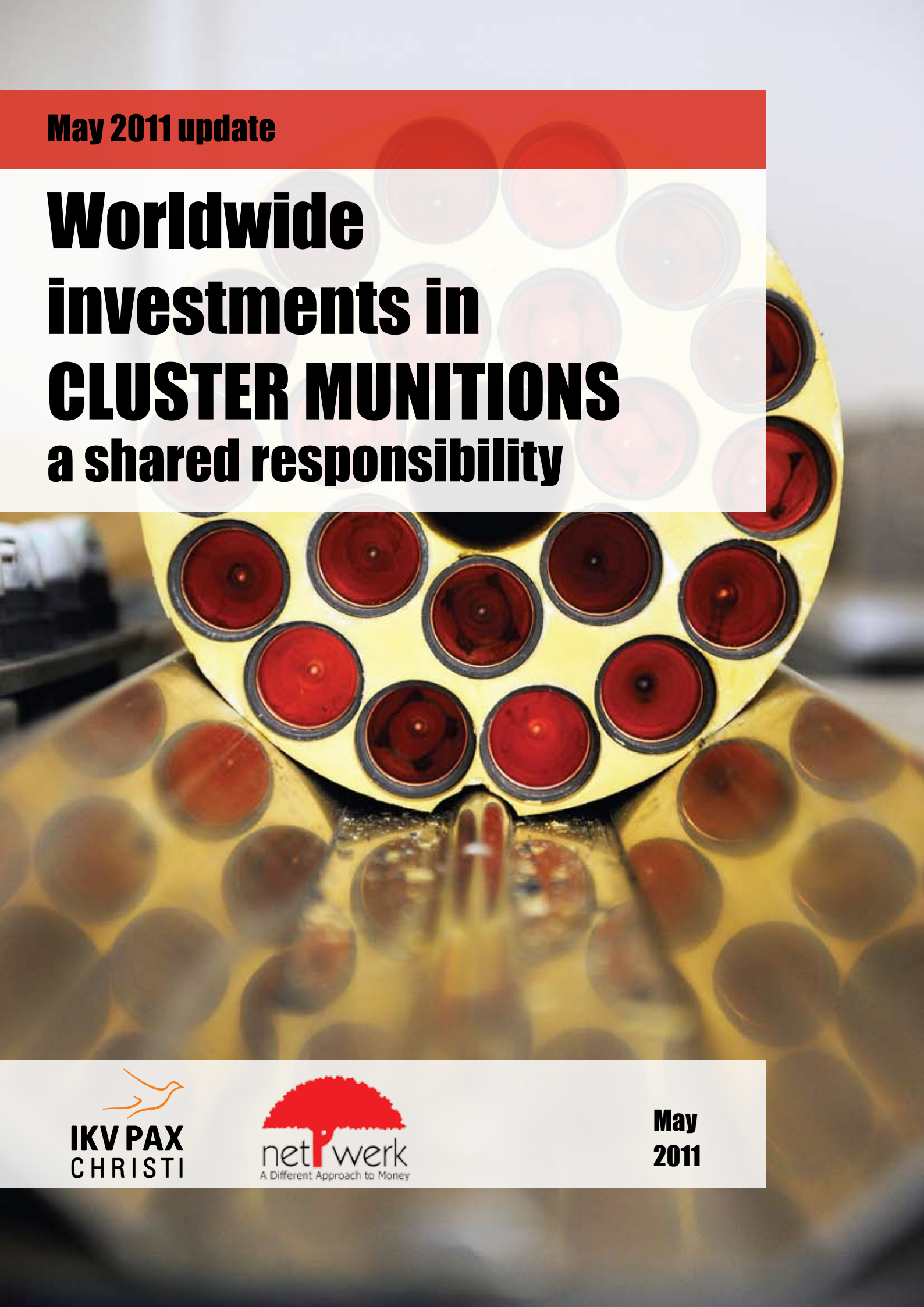


**May 2011 update**

# **Worldwide investments in CLUSTER MUNITIONS a shared responsibility**



  
**IKV PAX  
CHRISTI**

  
**netwerk**  
A Different Approach to Money

**May  
2011**

Utrecht, April 2011. IKV Pax Christi and Netwerk Vlaanderen have strived to achieve the highest level of accuracy in our reporting. However, at this point, there is still a marked lack of official information available in the public domain about the use, production, transfer, and stockpiling of cluster munitions, as well as about investments in companies that produce cluster munitions. The information in this report therefore reflects official information available in the public domain known to IKV Pax Christi and Netwerk Vlaanderen. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others, in the spirit of dialogue, and in the common search for accurate and reliable information on an important subject. If you believe you have found an inaccuracy in our report or if you can provide additional information, please contact us.

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IKV Pax Christi (the Netherlands) and 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 legislative measures to prohibit investment in cluster munitions. An update of the report appeared in April 2010. This edition, dated May 2011, updates the earlier reports.

# STATE-OF-THE-ART REPORT:

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# Executive Summary, Recommendations, Methodology and Summary Tables

## Executive Summary

IKV Pax Christi (the Netherlands) and Netwerk Vlaanderen (Belgium) published the first report on “Worldwide Investments in Cluster Munitions: a Shared Responsibility” in October 2009.<sup>1</sup> It was a state-of-the-art on financial institutions’ investment in companies that develop or produce cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on legislative measures to prohibit investment in cluster munitions. An update of the report appeared in April 2010. This edition of May 2011, updates the earlier reports.

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.<sup>2</sup> However, state parties’ implementation of this convention might not automatically result in a ban on investments in cluster munitions. The process to ban cluster munitions is in a crucial phase. Many countries that have signed the convention are now 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; 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 installing legislation on investment in cluster munitions producers.<sup>3</sup> Unfortunately, a lot still needs to be done. In 2006, Handicap International reported that civilians make up 98% of all cluster munitions’ victims.<sup>4</sup> Ending the human suffering directly attributable to cluster munitions requires national legislation that reflects the spirit of the CCM. Governments must present clear guidelines by introducing and enforcing legislation that prohibits investment in cluster munitions producers. When no such legislation is in place, financial institutions have a moral obligation to act on their own and disinvest from cluster munitions. When they finance

companies that produce cluster munitions, financial institutions assist these companies to produce an indiscriminate weapon that has been the object of opprobrium 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, even now, still invest in cluster munitions producers - three 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. In October 2009, we listed 8 cluster munitions producers.<sup>5</sup> Since then, two of these companies announced that they had ceased producing (components of) cluster munitions.<sup>6</sup> These companies are no longer on our red flag list. The present edition of the report includes two new companies. These state-owned companies did not appear in our previous editions due to a lack of discernible financial links. Since we did find financial links in this year’s research, they are new to our red flag list.

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 provided to a company will not be used for the production of cluster munitions.”

We choose this definition because it is impossible for a financial institution to be sure that the financial services provided to a company will not be used for the production of cluster munitions. It is common for weapon producers to finance their cluster munitions facilities from their general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities. There is no way to prevent a company from legally reallocating capital within 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 166 financial institutions that we identified as having financial links to the companies on our red flag list are listed in a table at the end of this summary. The table also contains the various types of involvement that these companies engage in. Research institute Profundo (the Netherlands) provided 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.<sup>I</sup>

The 2010 Hall of Shame contained 146 financial institutions. Of these, 95 financial institutions are still there in 2011 and 51 have been removed. The 95 that stayed behind in the Hall of Shame still have a financial relationship with at least one company included on our red flag list.

The 51 financial institutions that are no longer in the Hall of Shame can be grouped into three categories:

- 27 financial institutions had been a shareholder or bondholder of one company included in our red flag list in 2010, but in 2011 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 their shares or bonds in a company on the red flag list while retaining just enough to fall below the applied thresholds. One financial institution, Caisse de Dépôt et Placement du Québec, has been dropped from of the Hall of Shame because it updated its policy to stop investing in cluster munitions and is now actively disinvesting from cluster munitions producers.<sup>71</sup>
- 11 financial institutions left the Hall of Shame in 2011 because financing (in the form of loans or investment banking) for companies on our red flag list dated from before May 2008. Since that date, these institutions have provided no financing for companies on our red flag list. During that same interval, some of them adopted a policy limiting its investments in producers of cluster munitions. Our research shows that in 2010, BBVA, Commerzbank and WestLB have all either adopted a policy or made it more stringent.
- 13 financial institutions left the Hall of Shame in 2011 because their only financial relationship was with L-3 Communications. Since L-3 Communications is no longer on our red flag list, they are no longer listed in the Hall of Shame. We did not investigate their current involvement in L-3 Communications.

The 2011 Hall of Shame contains 166 financial institutions. So next to the 95 financial institutions held over from 2010, 71 new ones have joined the Hall of Shame.

The 71 newcomers can be grouped into two categories:

- 39 financial institutions were included in the 2011 Hall of Shame because they financed one of the companies that were also on the 2010 red flag list (Alliant Techsystems, Hanwha, Lockheed, Singapore Technologies Engineering and Textron). This financing could be:
  - a loan or investment banking service provided after the publication of last year's report
  - acquisition of a new shareholding- or bondholding last year
  - a shareholding or bondholding that the financial institution had owned last year but that grew above 1% threshold for US companies or 0.1% for Asian companies
- 32 financial institutions were included in the 2011 Hall of Shame because they have:
  - provided financing for a company only put on the red flag list this year. These institutions have a financial relationship with either Norinco (20 financial institutions) or Splav (1 financial institution). Norinco's financiers are mainly Chinese banks and institutional investors.

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I 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 and archives from EuroWeek and other trade journals.

II Since this policy was published in April 2011, we could not include the Caisse in this report in our Hall of Fame or runners-up category just yet. There was not enough time to verify all the necessary information before going to print to do so, but we hope to be able to add the Caisse in the near future to our Hall of Fame or runners-up category.

- provided finance to Poongsan Corporation (as post May 2008 loans or current shareholdings) that only came to light recently (11 financial institutions). At the end of April 2008, Poongsan Corporation split into two companies: Poongsan Holdings and Poongsan Corporation. While our previous reports only had information on loans and shareholders in the former Poongsan Corporation, we now have access to information on financial links to both of the newly established companies. So while these 11 financial institutions are new in the Hall of Shame, it is possible that some of these institutions had already been financing Poongsan Corporation in 2009 or 2010.

## **FOCUS: Public Pension Funds and Sovereign Wealth Funds**

Chapter 2 focuses on sovereign wealth funds and public pension funds, since their importance is growing. They are particularly interesting because most are state owned. This becomes even more important when the sovereign wealth fund's or public pension fund's home country is a State Party to the Convention on Cluster Munitions. Moreover, sovereign wealth funds and public pension funds sometimes hold a substantial stake in the capital of companies. This gives them considerable voting power at annual meetings, and sometimes even one or more seats on boards of directors.

For our research we targeted 15 sovereign wealth funds and public pension funds, chosen for their importance and country of origin (to ensure a broad geographical spread). We have listed all the shareholdings that we could document, including those under the 1% threshold for US companies or 0.1% for Asian companies. For the rest, we used the same research criteria as for the financial institutions in the Hall of Shame.

Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they hold assets. Some funds are very transparent and publish a list with shares on their websites. We found information on assets for twelve funds; three own or manage assets in the companies in our red flag list.

## **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, Netwerk Vlaanderen (Belgium) researched a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. 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 47 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. 23 of the 47 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 at the end of the executive summary.

24 of the 47 financial institutions 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:

- 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

“We commend these financial institutions for their efforts.”

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 with our April 2010 report, we see that two new financial institutions have entered the Hall of Fame. One of these two financial institutions, Folksam (Sweden) was actually in the first edition of our Hall of Fame in 2009. Additional research showed that Folksam owned or managed assets in Textron under the 1% threshold. Folksam informed us later that Textron has been excluded since then. Since we found no investments in any of the other companies on our red flag list this year, the company is back in the Hall of Fame. The other newcomer in our report is Pensioenfonds Vervoer (the Netherlands).<sup>III</sup>

Eight financial institutions have joined the runners-up since the April 2010 report. One of them was mentioned before in our 2010 report as a financial institution that only excluded project finance for the production of cluster munitions. During 2010, BBVA (Spain) has upgraded its policy to exclude companies producing cluster munitions from its lending and investment banking activities. This is a big step forward; we commend BBVA for taking this step by giving it a place in our runners-up category.

The other 7 are newcomers in our report either did not publish a divestment policy before, or we did not have access to adequate information before.

We removed Fortis Bank Nederland from the runners-up category when it merged with ABN Amro (the Netherlands) in July 2010.

Two financial institutions that were listed as runners-up in 2010 have upgraded their policies, but are still among the runners-up. BNP Paribas (France) and Cr dit Agricole (France) have both adjusted their policies and have made substantive and positive changes to their policies, but still these policies still have loopholes that will need to be eliminated before they meet the criteria for our Hall of Fame.

- 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 divestment 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

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III A third financial institution, Caisse du D p t et Placement du Qu bec (Canada) published an updated policy that most likely qualifies for our Hall of Fame as well. Since this policy was published in April 2011 however, we could not include them in this report as there was not enough time to verify all the necessary information before going to print. We hope to welcome the Caisse in the near future to our list however.

munitions. Since the campaign launch, campaigners in more than 18 countries have taken action on disinvestment.<sup>IV</sup>

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 do not have disinvestment policies to install them. Worldwide campaigns, conversations, studies and media work have done much to expand substantially the information available for our report. Financial institutions' greater awareness has multiplied the frequency of responses to our questions. This, too, nourishes into our research.

- Vigorous campaign efforts

Campaign efforts in New Zealand have led to a policy shift at ANZ bank. This bank has added an engagement policy to its current policy which had only covered project finance. Although we acknowledge the step ANZ has taken, this engagement policy is not sufficient to merit a place in the runners-up category.

In Germany, campaigners have published an update to the German chapter of this report.<sup>8</sup> This led to public statements by three German investment banks: Union Investment, Allianz Global Investors (AGI) and DWS, a Deutsche Bank subsidiary. All have publicly declared that they would desist from investing in cluster munitions and would terminate all financial dealings with cluster munitions producers. AGI declared it would terminate the investment of funds under its control in cluster munitions producers.<sup>V</sup> WestLB and Commerzbank have also developed weapons policies as a result of German campaign efforts.

Campaigners in Switzerland took Credit Suisse and UBS to task for their involvement in producers of cluster munitions. This has led to a policy shift at Credit Suisse, and a new policy for UBS's Asset Management division.<sup>VI</sup>

BNP Paribas and Cr dit Agricole changed their policies after persistent pressure from Belgian and French NGOs. BNP Paribas incorporated Fortis' current weapons policy, after it bought the bank in 2008. Fortis' policy had a far wider scope than BNP Paribas' former policy. The bank consulted Belgian and French NGOs before finalising it.

Cr dit Agricole has consulted French campaigners at the end of the process to adjust its policy.

Two days before the Convention on Cluster Munitions' entry into force, Japan's three largest banks stated that they would refrain from financing the manufacture of cluster bombs. Sumitomo Mitsui Financial Group (SMFG), Mitsubishi UFJ Financial Group (MUFG) and Mizuho Bank said they had stated in their regulations that they would deny loans and investments for the productions of the munitions.<sup>9</sup> These statements came about after pressure from Japanese campaigners. Since then, Mitsui Sumitomo published a summary of its policy in its 2010 CSR Report. Since its policy only excludes project finance, the institution is mentioned in the report but is not (yet) listed as a runner-up. Since Tokyo Mitsubishi does not yet have a written policy, and Mizuho Bank's policy is not yet available in English, they are not listed in this report either. We hope to welcome these banks in the Hall of Fame or runners up category in our 2012 update.

In Canada, campaigners influenced the Caisse du D p t et Placement du Qu bec to update its *Policy*

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IV For more information on the international campaign to stop explosive investments, see: [www.stopexplosiveinvestments.org](http://www.stopexplosiveinvestments.org).

V To gain a place in the Hall of Fame or runners up category, a financial institution must have a policy. Financial institutions that have only made a public statement, but did not translate this (yet) into a publicly available policy are not included in this list.

VI Since UBS group did not provide clear answers on their policy, we could not list UBS as a runner-up or in the Hall of Fame.

on *Responsible Investment*, which was announced in April 2011. Although we could not yet add the Caisse to our Hall of Fame or runners-up this year due to time constraints, this is a huge step forward by the Caisse.

### Countries' Best Practices

The Cluster Munition Coalition believes that the prohibition on assistance in the CCM includes a prohibition on investments in cluster munitions.<sup>VII</sup> Belgium adopted legislation to that effect even before the CCM opened for signature. Colombia, Croatia, France, Guatemala, the Holy See, Ireland, Lebanon, Madagascar, Malawi, Mexico, New Zealand, Rwanda, United Kingdom and Zambia all interpret (direct) investment as a prohibited form of assistance under the CCM. Ireland, Luxemburg and New Zealand passed legislation to that effect. In the Netherlands and Switzerland motions have been adopted to develop legislation prohibiting investment in cluster munitions. Other parliamentary action or discussions are on-going in Germany, Italy and Norway.

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

It is vital that more states confirm that article 1(1)c includes a ban on investment in cluster munitions. Experience with the legislation in Belgium, Ireland, Luxembourg and New Zealand can serve as model for ways signatory states, states party to the CCM and states that are not party to the CCM can prohibit investment in cluster munitions producers by national law.

During the First Meeting of States Parties to the Convention on Cluster Munitions, held on 9-12 November 2010 in Vientiane, Lao PDR, governments showed a high level of support for banning investments in cluster munitions producers.<sup>X</sup> The number of states that support the interpretation that article 1(1)c of the Convention encompasses investments seems to be growing, which is a positive development.<sup>VIII</sup>

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VII Cluster Munition Coalition, “CMC Policy Papers on the Convention on Cluster Munitions”, May 2010, available at <http://www.stopclustermunitions.org/wp/wp-content/uploads/2010/06/3a-cmc-policy-papers.pdf>, viewed 29 March 2011.

VIII During the First Meeting of State Parties in Lao PDR, November 2010, the following states made statements that expressed the desire to stop investments in the production of cluster munitions: Holy See, Ireland, Luxembourg, Madagascar, New Zealand, Norway and the United Kingdom. Notes by Katherine Harrison, Action on Armed Violence, First Meeting of States Parties to the CCM, Vientiane, 9-12 November 2010.



## Recommendations

- **States** that have signed the CCM should make clear that in prohibiting assistance, article 1(1)c of the convention prohibits investment in cluster munitions producers.
- **States** should provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in producers of cluster munitions, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in cluster munitions production. Because all investment facilitates this production, no exceptions should be made for third-party financial services, for index funds 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 that they have decided to end investment because of their 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 set deadline, the financial institution will disinvest until the company terminates production of cluster munitions. New applications for investment will be declined until the company has halted all activities related to the production of cluster munitions.
- **Financial institutions** should apply their disinvestment policy to all activities: commercial banking, investment banking and asset management. All such activities aid and abet a company's production of cluster munitions. When this new course of action requires a change in investment fund management, investors should be notified of this and given a deadline for withdrawing from these funds. After this deadline, management strategy will change and shares and obligations in companies involved in cluster munitions will be sold.

## Methodology: Questions and Answers

### 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 long 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 company 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 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. Due to the different shareholding structure in the various companies,<sup>IX</sup> we chose a 0.1% floor limit for Hanwha, Poongsan, and Singapore Technologies Engineering and 1% limit for Alliant Techsystems (ATK), Lockheed 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 and/or 1% in ATK, Lockheed and Textron, you will not find it on our list. 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. Moreover, there is still a marked lack of transparency in the public domain about financial institutions' investments. There is little or no transparency on what credits were given to whom. That makes it very hard to find out whether a financial institution has granted a loan to a controversial company.

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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.

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

We chose to do so, because of the growing importance of these funds. Moreover, most of these funds are state owned, which makes them particularly interesting. They sometimes hold a substantial stake in the capital of companies. This gives them considerable voting power at annual meetings, and sometimes even one or more seats in the board of directors. For our research we targeted 15 major sovereign wealth funds and public pension funds, chosen for their importance and country of origin (to ensure a broad geographical spread). Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they hold assets. We found information on assets for twelve funds; three own or manage assets in the companies in our red flag list.

## **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 an 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. 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 and/or a summary of it on its website or in its publications (e.g. annual report, sustainable development report, etc.). Research by Netwerk Vlaanderen (Belgium).<sup>x</sup>

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

The runners-up category lists financial institutions that took steps to ban investment in cluster munitions producers, but whose policies have loopholes. A financial institution can be applauded in the runners-up category for its policy, while at the same time it can 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 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.

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

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

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

During our research and the conversations we had with financial institutions about this issue, many of these institutions pointed out that it is simply impossible to exclude cluster munitions producers from funds following an index. Still, some financial institutions do have a policy that includes index funds.

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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.

These examples have convinced us that it is possible to exclude producing companies from funds following an index. Although it might well be difficult, and cost more in time and/or money, we think that if it is possible it should be done. We invite financial institutions that see no possibility of meeting this criterion to demonstrate why they are unable to do so. Until then, we have chosen to list financial institutions that make an exception for funds following an index in the runners-up category, and not in the Hall of Fame.

#### **Researched time frame**

- We listed a company as a cluster munitions producer when we found evidence that it was involved in producing (key components of) cluster munitions in the time span extending from 30 May 2008 to 15 March 2011.
- We listed a financial institution as an investor when we found evidence of investment in the time span extending from 1 May 2008 to 31 March 2011. Since an investment policy is usually stipulated by the banking group 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 31 March 2011. Since an 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.

## Hall of Shame

The following overview presents the types of financial relationships that financial institutions have with cluster munitions producers on our red flag list.

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

Financial Institution	Country	Alliant Techsystems (US)	Hanwha (South Korea)	Lockheed Martin (US)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Splav (Russia)	Textron (US)
Aberdeen Asset Management	United Kingdom						S		
Acadian Asset Management	United States		S						
Aegon Group	The Netherlands			B					
Agricultural Bank of China	China				Y				
AIG	United States			B					
Alaska Permanent Fund Corporation (APFC)	United States	S		S					S
Allianz	Germany	B, S		B		S	S		B
Alyeska Investment Group	United States	S							
Allstate Corporation	United States			B					
American Century Investments	United States								S
ANZ Bank	Australia			Y					
Aviva	United Kingdom			B					B
AXA	France		S			S			
Bank of America	United States	L, Y		Y					X, Y
Bank of Beijing	China				Y				
Bank of China	China				Y <sup>XI</sup>				
Bank of Communications	China				Y				
Bank of New York Mellon	United States	L							Y, S
Bank of Shanghai	China				Y				
Barclays	United Kingdom								X, Y
Baring Asset Management	United Kingdom					S			
Batterymarch Financial Management	United States					S			
BB&T Corporation	United States	L							B
BlackRock	United States	S	S	S			S		S
BNP Paribas	France	L		Y		S			Y

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

<b>Financial Institution</b>	<b>Country</b>	<b>Alliant Techsystems (US)</b>	<b>Hanwha (South Korea)</b>	<b>Lockheed Martin (US)</b>	<b>Norinco (China)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Splav (Russia)</b>	<b>Textron (US)</b>
Bookook Securities	South Korea					S			
Calamos Holdings	United States	B							
California Public Employees' Retirement System (CalPERS)	United States	S		S					S
Capital Group	United States			S,B			S		
Castle Creek	United States	B							
Chang Hwa Commercial Bank	Taiwan	L							
Cheonan Bukil Education Foundation	South Korea		S						
Changjiang Securities	China				Y				
China Construction Bank	China				Y				
China Development Bank	China				Y				
China Everbright Bank	China				Y				
China Merchants Group	China				Y				
China Mincheng Banking Corporation	China				Y				
China Securities	China				Y				
Citadel Group	United States	B							B
Citigroup	United States			Y					X,Y
Commonwealth Bank of Australia	Australia						B		
Crédit Agricole	France			Y					Y
Credit Suisse	Switzerland		S				B		X,Y
Daishin Group	South Korea					S			
D.E. Shaw Group	United States								B
Daewoo Securities	South Korea		Y						
Daiwa Asset Management	Japan						S		
Davis Selected Advisers	United States			S					
Deutsche Bank	Germany	S					Y		X,Y
Dimensional Fund Advisors	United States		S			S			
DJE Kapital	Germany					S			
Dongbu Securities	South Korea		Y						
Dreman Value Management	United States	S							
Essence Securities	China				Y				
Eugene Investment & Securities	South Korea		Y						
Export Import Bank of Korea	South Korea					L			
Fidelity Group	United States	S,B	S						S
Fiduciary Management	United States	S							

<b>Financial Institution</b>	<b>Country</b>	<b>Alliant Techsystems (US)</b>	<b>Hanwha (South Korea)</b>	<b>Lockheed Martin (US)</b>	<b>Norinco (China)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Splav (Russia)</b>	<b>Textron (US)</b>
First Eagle Investment Management	United States	S							
First Financial Holding Corporation	Taiwan	L							
Franklin Templeton	United States					S			
General Electric (GE)	United States	S, L							
Goldman Sachs	United States	S, B	S	Y					X,Y,B
Great Eastern Holdings	Singapore						B		
Grantham Mayo Van Otterloo & Co	United States		S				S		
Guotai Junan Securities	China				Y				
Haitong Securities	China				Y				
Hanyang Securities	South Korea		Y						
Hanwha Securities	South Korea		S, B, Y			S			
Hartford Financial Services Group	United States			B					
Helaba	Germany					S			
Henderson Global Investors	United Kingdom						S		
HI Investment & Securities	South Korea		Y			S			
HMC Investment Bank	South Korea		Y						
Hotchkis & Wiley Capital Management	United States	S		S					
HSBC	United Kingdom								X,Y
Hua Nan Financial Holdings	Taiwan	L							
Industrial Bank	China				Y				
Intesa Sanpaolo	Italy			Y					
Invesco	United Kingdom <sup>XII</sup>	S					S		S
Italmobiliare S.p.A.	Italy						B		
JP Morgan Chase	United States	B, L, S		Y					X,Y,S
Keybank	United States	S, L							
Killen Group	United States	B							
Knightsbridge Asset Management	United States								S
Kookmin Bank	South Korea		Y			S			
Korea Development Bank	South Korea		Y			L, Y			
Korea Investment & Securities (now: Korea Investment Holdings)	South Korea		S, Y			S			

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

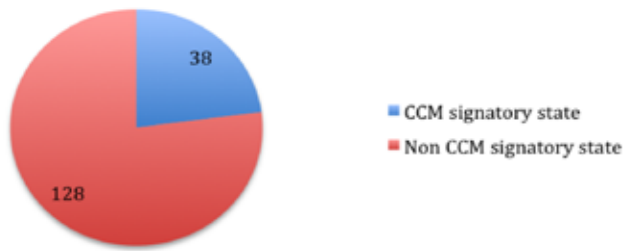


<b>Financial Institution</b>	<b>Country</b>	<b>Alliant Techsystems (US)</b>	<b>Hanwha (South Korea)</b>	<b>Lockheed Martin (US)</b>	<b>Norinco (China)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Splav (Russia)</b>	<b>Textron (US)</b>
KTB Asset Management	South Korea					S			
Liberty Mutual	United States			B					
Lincoln National Corporation	United States			B					
Lloyds Banking	United Kingdom			Y					
Loews Corporation	United States								B
Lord, Abnett & Co.	United States	B							
Manulife Financial	Canada								S
Massachusetts Finance Group	United States			B					
Massachusetts Mutual	United States								B
Matthews International Capital Management	United States						S		
Mellon Capital Management	United States		S			S			S
Meritz Securities	South Korea		Y						
Metropolitan Life Insurance	United States	B		B					
MFS Investment Management	United States			S					
Midas Asset Management	South Korea		S						
Minsheng Securities	China				Y				
Mirae Asset Securities	South Korea		Y			S			
Mitsubishi UFJ Financial Group	Japan	L, Y		Y					X,Y
Mizuho Bank	Japan	L		Y					
Morgan Stanley	United States			Y			Y		S
National Agricultural Cooperative Federation	South Korea					L			
National Pension Service	South Korea		S			S			
Natixis	France								B
Neuberger Berman	United States	S							
New Jersey Division of Investment (New name: New Jersey Department of Treasury)	United States			B					
New York Life	United States	B		B					
Newton Investment Management	United Kingdom						S		
Nomura	Japan					S			
Northern Trust	United States			S					S
Northwestern Mutual	United States			B					
Nuveen Investments	United States	S		S					
Och-Ziff Capital Management	United States								B
Oaktree Capital Management	United States	B							
People's United Financial	United States	L							

<b>Financial Institution</b>	<b>Country</b>	<b>Alliant Techsystems (US)</b>	<b>Hanwha (South Korea)</b>	<b>Lockheed Martin (US)</b>	<b>Norinco (China)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Splav (Russia)</b>	<b>Textron (US)</b>
Pioneer Investments	United States								S
PNC Financial Services Group	United States	L							
Principal Financial Group	United States	S							
Prudential	United Kingdom		B						S
Prudential Insurance	United States	B		B					B
Putnam Investment Management	United States	B							
Rabobank	The Netherlands						B		
Royal Bank of Canada	Canada	L, B, Y							
Royal Bank of Scotland	United Kingdom	L, B, Y		Y					
SAC Capital Advisors	United States								B
Samsung Group	South Korea		S, Y			S			
Sberbank	Russia							L	
Scepter Holdings	United States	B							
Shanghai Pudong Development Bank	China				Y				
Shinhan Bank	South Korea		Y			Y			
Shinyoung Securities	South Korea					S			
Sinolink Securities	China				Y				
SK Securities	South Korea		Y			Y			
Société Générale	France								S, Y
State Farm	United States			B					
State Street	United States	S	S	S		S	S		S
Sumitomo Trust & Banking	Japan						S		
Sun Life Financial Services	Canada								B
SunTrust Bank	United States	L, Y							
Symetra Life Insurance	United States			B					
T. Rowe Price Group	United States	S		S					S
Teachers Insurance & Annuity Association (TIAA-CREF)	United States	B		B					S
Temasek Holdings	Singapore						S		
Tenor Capital	United States	B							
Tong Yang Securities	South Korea		B, Y			B			
UBS	Switzerland			Y		S			S, X, Y
United Overseas Bank	Singapore	L					B		
Universal Investment Gesellschaft	Germany						S		
US Bank	United States	L, Y							

Financial Institution	Country	Alliant Techsystems (US)	Hanwha (South Korea)	Lockheed Martin (US)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Splav (Russia)	Textron (US)
Vanguard Group	United States	B,S	S	B, S		S	S		S
Veritas Asset Management	United Kingdom						S		
Wellington Management Company	United States								S
Wells Fargo Bank	United States	B, L, Y		Y		S			Y
Western Securities	China				Y				
Westwood Holdings Group	United States	S							
Woori Investment & Securities	South Korea		Y			L, Y			
Xian International Trust & Investment	China				Y				
Yuanta Financial Holdings	Taiwan					S			

### Financial Institutions in the Hall of Shame by country of origin



## Hall of Fame and runners-up

The following overview presents all financial institutions listed in our Hall of Fame en runners-up category, according to our research criteria.

Financial institution	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?
<b>HALL OF FAME</b>						
ABP	The Netherlands	X	X	X	X	X
ASN Bank	The Netherlands	X	X	X	X	X
ATP	Denmark	X	X	X	X	X
Banca Etica	Italy	X	X	X	X	X
BPF Bouw	The Netherlands	X	X	X	X	X
DnB NOR	Norway	X	X	X	X	X
Ethias	Belgium	X	X	X	X	X
Folksam	Sweden	X	X	X	X	X
KLP	Norway	X	X	X	X	X
KPA	Sweden	X	X	X	X	X
National Pensions Reserve Fund	Ireland	X	X	X	X	X
Norwegian Government Pension Fund - Global	Norway	X	X	X	X	X
NZ Superannuation Fund	New Zealand	X	X	X	X	X
Pensioenfonds Vervoer	The Netherlands	X	X	X	X	X
PGGM	The Netherlands	X	X	X	X	X
Philips Pension Fund	The Netherlands	X	X	X	X	X
PME	The Netherlands	X	X	X	X	X
PNO Media	The Netherlands	X	X	X	X	X
Spoorwegpensioenfond	The Netherlands	X	X	X	X	X
Storebrand	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
<b>RUNNERS-UP</b>						
ABN Amro	The Netherlands	X	X	X		X
AXA	France	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	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
Dexia	Belgium	X	X	X		
HSBC	United Kingdom	X	X	X		X
ING	The Netherlands	X	X	X		X
KBC	Belgium	X	X	X		X
Laegernes Pensionskasse	Denmark	X	X	X		X

Nordea	Sweden	X	X	X		X
Nycredit	Denmark	X	X	X		X
Pensioenfonds Horeca & Catering	The Netherlands	X	X	X		X
Rabobank	The Netherlands	X	X	X		X
Royal Bank of Canada	Canada	X	X	X		X
SEB	Sweden	X	X	X		X
SPF Akzo Nobel	The Netherlands	X	X	X		X
Syntrus Achmea	The Netherlands	X	X	X		X
UniCredit	Italy	X	X	X		X
WestLB	Germany	X	X	X		X

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

# Introduction

## Investing in Cluster Munitions: What's at Stake?

### Cluster Munitions and the Oslo Process

The third of December 2008 marked an important day for international humanitarian law. 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.

“I had an accident in 1996, when I was 8 years old. I went to collect bamboo after school, alone, with a spade in my hand. When I was digging for bamboo shoots, I heard my spade hit metal. Before I knew what it was, I was already blown away.”

Thoummy Silamphan, cluster munitions survivor and Ban Advocate, Xiengkouang province, Lao PDR<sup>XIII</sup>

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.<sup>11</sup> 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)<sup>XIV</sup>, can produce a convention that can make a difference for civilians during and after a conflict.

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XIII Thoummy Silamphan is a cluster munitions survivor and Ban Advocate from Lao PDR. This quote comes from the speech he delivered during the First Meeting of State Parties in Lao PDR in November 2010. For more information about his speech and about the Ban Advocates, see: <http://blog.banadvocates.org/>.

XIV 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: <http://www.stopclustermunitions.org>.

The CCM entered into force on 1 August 2010. So far, 108<sup>XV</sup> countries have signed and 56<sup>XVI</sup> have ratified 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.”<sup>12</sup> 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.<sup>13</sup>

“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 should explicitly acknowledge that the treaty prohibits investments in producers of cluster munitions and should install legislation that prohibits investments in companies that develop and/or produce cluster munitions or key components thereof.”<sup>14</sup>

As we will see in Chapter 3, 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 (SOAR) 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

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XV By 2 April 2011, the following countries had signed the CCM: Afghanistan, Albania, Angola, Antigua & Barbuda, Australia, Austria, Belgium, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo, Democratic Republic of Congo, Republic of Cook Islands, Costa Rica, Côte d’Ivoire, Croatia, Cyprus, Czech Republic, Denmark, Djibouti, Dominican Republic, Ecuador, El Salvador, Fiji, France, Gambia, Germany, Ghana, Guatemala, Guinea, Guinea Bissau, Haiti, The Holy See, Honduras, Hungary, Iceland, Indonesia, Iraq, Ireland, Italy, Jamaica, Japan, Kenya, Lao PDR, Lebanon, Lesotho, Liberia, Liechtenstein, Lithuania, Luxembourg, Macedonia FYR, Madagascar, Malawi, Mali, Malta, Mauritania, Mexico, Moldova Republic of, Monaco, Montenegro, Mozambique, Namibia, Nauru, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Palau, Panama, Paraguay, Peru, Philippines, Portugal, Rwanda, Saint Vincent and the Grenadines, Samoa, San Marino, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Slovenia, Somalia, South Africa, Spain, Sweden, Switzerland, Tanzania, Togo, Tunisia, Uganda, United Kingdom, Uruguay and Zambia.

XVI By 2 April 2011 the following countries had ratified the CCM: Albania, Antigua and Barbuda, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Burkina Faso, Burundi, Cape Verde, Chile, Comoros, Croatia, Denmark, El Salvador, Ecuador, Fiji, France, Germany, Ghana, Guatemala, Guinea-Bissau, Holy See, Ireland, Japan, Lao PDR, Lebanon, Lesotho, Lithuania, Luxembourg, Macedonia FYR, Malawi, Mali, Malta, Mexico, Moldova, Monaco, Montenegro, Mozambique, Netherlands, New Zealand, Nicaragua, Niger, Norway, Panama, Portugal, St. Vincent and the Grenadines, Samoa, San Marino, Seychelles, Sierra Leone, Slovenia, Spain, Tunisia, United Kingdom, Uruguay and Zambia.

many others play a crucial role in allocating financial resources. Since a large majority of companies and governments rely on the financial markets and financial institutions to find the operating capital, these financial institutions play a key role in every segment of human activity. In choosing which companies and projects they will finance and invest in, these institutions foster certain (business) evolutions.

Although some financial institutions have made 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 range of examples of financial institutions investing in or offering financial services to cluster munitions producers. These investments raise serious ethical concerns for these financial institutions. These concerns 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 100 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, more and more 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 3 describes financial institutions' policies on investment in cluster munitions. Many financial institutions have stated publicly that they will disinvest from cluster munitions producers; some of them have already done so. We applaud these efforts and feel they can serve as an example for other financial institutions. This report highlights those financial institutions whose investment guidelines take into account the civilian suffering that cluster munitions cause. 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. Chapter 2 focuses on sovereign wealth funds (SWFs) and public pension funds (PPFs).
2. Who is disinvesting from companies that produce cluster munitions? Chapter 3 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 financial links, Netwerk Vlaanderen did 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;<sup>15</sup>

We define **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 sections 2 and 3 contain a summary 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.<sup>16</sup>

In 1992, ATK won a contract to produce the **CBU-87/B Combined Effects Munition** for the US Air Force. 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 guidance tail kit produced by Lockheed Martin (see paragraph 1.1.3). Since then, the CBU-87/B was designated as CBU-103.<sup>17</sup>

The last time the CBU-103 was mentioned in the US Defense Department budget was in 2006.<sup>18</sup> This means that production was terminated in that year.

American Ordnance, a joint venture of Alliant Techsystems and Day & Zimmermann, has a contract with the US Army to operate and maintain the Iowa Army Ammunition Plant in Burlington (Iowa) and the Milan Army Ammunition Plant in Milan (Tennessee).<sup>19</sup> A brochure dating from September 2008, which was still available on the American Ordnance website in February 2011, states that the Milan Army Ammunition Plant produces the **M74 APAM Grenade** for the US Military and other State Department approved customers. This is the submunition used in the warhead of the ATACMS M39 missile which was produced by Lockheed Martin (see paragraph 1.1.3).<sup>20</sup>

The last time the ATACMS was mentioned in the budget of the US Department of the Army was in fiscal year 2005. The last delivery was scheduled for July 2004.<sup>21</sup>

American Ordnance also is capable of producing the 155mm **M864 projectile** produced since the 1980s, which is loaded with 24 M46 and 48 M42 DPICM submunitions.<sup>22</sup> These projectiles were recently refurbished: the M42 and M46 DPICM grenades were removed from the M864 projectiles, as were the M223 grenade fuzes. A Self-Destruct Fuze (SDF) was incorporated in the grenades which were then Loaded, Assembled and Packed (LAP) to the projectiles. Most recent US Army funding for this refurbishment dates from fiscal year 2011.<sup>23</sup>

Alliant Techsystems is also the designer and producer of the rocket motor for the **Sensor Fuzed Weapon (SFW)**<sup>24</sup>, produced by Textron Defense Systems (see paragraph 1.1.8). 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 a total of 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.”<sup>25</sup>

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.<sup>26</sup>

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”.<sup>27</sup> This same contract was modified in February 2009 for an additional \$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. Eglin Air Force Base is the contracting activity.”<sup>28</sup>

In its annual report for the fiscal year ended March 2010, Alliant Techsystems confirms that it was recently involved in these SFW supplies to the US Air Force, “ATK’s sole-source contracts accounted for 58% of U.S. Government sales in fiscal 2010 and include the following programs: (...) **Sensor Fuzed Weapon propulsion systems**, (...)”<sup>29</sup>

Since July 2004, Textron Defense Systems also sells SFWs to other countries, mostly under US Air Force Foreign Ministry Sales (FMS) contracts. As an important component supplier, ATK very probably was involved in these contracts. For more details, see paragraph 1.1.8.

Alliant Techsystems is included in the red flag list because, despite removing information about its rocket motor for the SFW from its website, there is evidence that the company has been manufacturing this key component for SFW cluster munitions after May 2008. The company confirmed this when its latest annual report referred to the SFW propulsion system as one of its sole-sourced contracts with the US government. Alliant Techsystems has not publicly stated that it will end its involvement within the coming 12 months.

### 1.1.2 Hanwha (South Korea)

Hanwha Corporation, the former Korea Explosives Corporation, is a world business leader in industrial explosives production, and in construction, trade, machinery, and pharmaceuticals.<sup>30</sup> 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 its sole customer.<sup>31</sup>

Hanwha produces **130 mm Multiple Launch Rocket System (MLRS)** and **2.75” Multi-purpose submunitions (MPSM)**. The company confirmed its manufacture of these types of cluster munitions in a written answer to the Norwegian Government Pension Fund in 2007.<sup>32</sup>

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.”<sup>33</sup> The company’s website identified the 2.75-inch MPSM as the “HE MPSM K224 Warhead [that] contains 9 each multipurpose submunitions for use against personnel, material and light armour.”<sup>34</sup>

In January 2011, the 2.75” MPSM was still on the company’s website, but the 130 mm MLRS had been removed. The company now describes the 2.75” MPSM as a “weapons system for air-to-surface operations by combat helicopters and jet fighters”.<sup>35</sup>

In addition to the 130 mm MLRS and the 2.75” MPSM, 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”.<sup>36</sup> In January 2011, no information could be found on this type of cluster munitions on the company’s website.

The Ethical Council of the Norwegian Pension Fund states that although it has been unable to find further information on this weapon, “it seems that this is a category of cluster munitions that has previously led to exclusion of companies from the Fund”.<sup>37</sup>

Hanwha is included in the red flag list because the company is marketing the MPSM submunition on its website. There is no evidence that it had ceased production of this type of submunition since May 2008.

### 1.1.3 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.<sup>38</sup>

Lockheed Martin has been involved in the production of several components of cluster munitions in the past, such as the **Wind Corrected Munitions Dispenser (WCMD)**<sup>39</sup> of which development started in 1995 and which was used for the first time in Iraq in 2003.<sup>40</sup> The WCMD is 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.<sup>41</sup>

The CBU-87/B was co-produced with Alliant Techsystems (see paragraph 1.1.1). Textron still makes the CBU-97 (see paragraph 1.1.8). “Due to the inaccuracy of CBU-87/B when dropped from higher altitudes, the USAF has developed the Wind Corrected Munitions Dispenser (WCMD) as an add-on package. Produced by Lockheed Martin, the WCMD kit contains an inertial navigation system and control fins. When modified as a WCMD, a CBU-87/B becomes a CBU-103.”<sup>42</sup>

In 2005, Lockheed Martin was awarded a US\$52.9 million contract to produce 1,655 WCMD tail kits and 100 WCMD-Extended Range (ER) wing kits for the US Air Force. This brought the total number of WCMDs for the US Air Force to approximately 28,000. The ER wing kits add a wing kit to the GPS version of the WCMD tail kit to obtain better range and accuracy.<sup>43</sup>

Although Lockheed Martin no longer promotes the WCMD on its website, elsewhere on its website the company devotes a chapter to the WCMD in the “Lockheed Martin Missile and Fire Control Products 2008” brochure.<sup>44</sup>

The last time the CBU-103 (which is a CBU-87/B equipped with a WCMD) was mentioned in the budget of the US Department of the Army was in 2006.<sup>45</sup> This means that production was terminated in that year.

Lockheed Martin also produced the Army Tactical Missile System (ATACMS) for the US Army and allied armies. In a brochure dated June 2006, which is still available on the company’s website, Lockheed Martin states that “each ATACMS missile is packaged in a Multiple Launch Rocket System look-alike launch pod and is fired from the MLRS family of launchers.”<sup>46</sup> The ATACMS is produced in several variants, including the **ATACMS M39** missile, which has a warhead loaded with M74 APAM Grenade submunitions. A brochure from American Ordnance (a joint venture of Alliant Techsystems and Day & Zimmermann) dated September 2008 (see also paragraph 1.1.1) reported that the M74 APAM Grenade submunition was produced at the Milan Army Ammunition Plant.

The last time the ATACMS was mentioned in the budget of the US Department of the Army was in fiscal year 2005. The last delivery was scheduled for July 2004.<sup>47</sup>

Lockheed Martin's most recent cluster munitions product is the **Guided Multiple Launch Rocket System (GMLRS) missile** which it has 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 DPICM submunitions. In 1994, Lockheed Martin was appointed prime contractor for the GMLRS contract with the US Army, which makes the company responsible for the entire program.<sup>48</sup>

In February 2010, Lockheed Martin described the M30 GMLRS on its website as follows: The M30 GMLRS "incorporates a GPS-aided inertial guidance package integrated on a product-improved rocket body. Small canards on the guided rocket nose provide basic manoeuvrability and enhance the accuracy of the system. It will carry a warhead payload of 404 Dual Purpose Improved Conventional Munition (DPICM) submunitions."<sup>49</sup> Although the M30 GMLRS has recently been removed from the product list on the website, a 2006 brochure containing it was still available on the website in February 2010.<sup>50</sup>

L-3 Communications' Fuzing and Ordnance Systems division (see paragraph 1.1.9) produced the self-destruct fuze for the M101 DPICM submunition.<sup>51</sup>

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 are complete, presumably in the summer of 2009. The export of cluster munitions that leave behind more than 1 percent of their submunitions as duds was also prohibited.<sup>52</sup> "The M30 rocket will be placed in the war reserve inventory and will require the approval of a combat commander before they are used. After 2018, they can no longer be used. In future production, the warhead containing DPICM will be replaced by an alternative non-cluster munitions warhead."<sup>53</sup>

Despite the new US legislation prohibiting the export of cluster munitions, Lockheed Martin was allowed to proceed with the export of 130 M30 Guided MLRS DPICM rocket pods to the United Arab Emirates in March 2009, under a contract that was published in September 2006.<sup>54</sup> This is the last published export contract for this version of the M30 rocket.

The last time the US Army procured the DPICM variant of the GMLRS was in the fiscal year 2008. 306 units were ordered at that time, with the date of first delivery set for May 2009.<sup>55</sup>

The GMLRS AWP program will ultimately field a new warhead replacing the submunitions in the GMLRS DPICM warhead.<sup>56</sup>

Lockheed Martin has never publicly stated or confirmed that it has stopped or will stop the production of the GMLRS or other cluster munitions. In April 2010, Lockheed Martin confirmed to Reuters that it would cease supplying delivery vehicles for submunitions before the Convention on Cluster Munitions' "transitional period" is concluded.<sup>57</sup> However, the "transitional period" the company referred to probably concerns the destruction (within eight years after the entry into force of the Convention on Cluster Munitions) and not the production of cluster munitions, for which the Convention on Cluster Munitions contains no transition period.

In April 2010, Lockheed Martin stated in an email to the Synod of Victoria and Tasmania, Uniting Church in Australia, member of the Cluster Munition Coalition, that it "does have two pre-existing contractual relationships for systems that function as the delivery vehicle for U.S. Government-furnished submunitions that possess anti-materiel and anti-personnel capabilities."

Lockheed Martin states that "these pre-existing obligations were entered into prior to initial adoption of the Convention on Cluster Munitions. One is scheduled to be fulfilled no later than 2011, and the other no later than 2013. Lockheed Martin will not build either of these systems after their contract completion, which for both is well before the Convention on Cluster Munitions' transitional period concludes."

Lockheed Martin is included in the red flag list because the company produced the GMLRS M30 in 2010 and it is not clear from its public statement whether it will stop producing cluster munitions within the coming 12 months.

#### 1.1.4 Norinco (China)

China North Industries Corporation (Norinco) produces a full range of air-dropped and surface-launched cluster munitions. The company manufactures the type 83 projectile, type 59 projectile, type 62 projectile, type 66 projectile and type 2 bomb.<sup>58</sup>

The 130 mm type 59 cannon cargo projectile is a “separate loading munition, with the variable propelling charge system contained in a brass cartridge case. The steel projectile is made up of three main assemblies: the nosecone, body and base. The hollow body contains 35 Type 81 dual-purpose High-Explosive Anti-Tank (HEAT) bomblets”.<sup>59</sup>

Norinco has also developed a 250 kg version of its 360 kg anti-tank cluster bomb. The Type 2 is “a simple cluster bomb designed to be air launched and to open at a pre-set altitude over the target to distribute its load of bomblets over a large area. The Type 2 cluster bomb has three basic loading options: Anti-Personnel and Anti-Material/vehicle (APAM) fragmentation bomblets; Anti-Personnel (AP) bomblets; or Anti-Tank (AT) bomblets.”<sup>60</sup>

Norinco has also recently launched its AR3 Multi-Launch Rocket System (MLRS), which is marketed in two versions using different rockets. “The BRC3 is an unguided rocket carrying submunitions with a maximum range of 70 km, and the BRC4 is of a similar type but range is extended to 130 km. BRE2 is fitted with a conventional high-explosive warhead and has a maximum range of 130 km and the BRE3 has a similar range but features GPS/INS guidance for increased accuracy.”<sup>61</sup>

Most of the information above is derived from Jane’s Ammunition Handbook. The product page of Norinco’s website is not working properly, so we do not know whether the products mentioned here are currently being advertised by the company.

Norinco is included in the red flag list because there is sufficient 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.<sup>62</sup>

Poongsan has been involved in the production of two types 155 mm artillery cluster munitions: **DP-ICM TP/K308** and **DP-ICM K310**. The K308 version was still advertised on Poongsan’s website in January 2011, while the K310 version no longer appeared on the product lists.<sup>63</sup>

Poongsan’s website describes the Dual Purpose Improved Conventional Munitions (DPICM) TP/K308.<sup>64</sup> It is a 155 mm artillery shell, said to contain 88 “bomblets”, e.g. small, explosive submunitions that characterise cluster munitions.<sup>65</sup>

Poongsan also produced the DPICM K310 - a projectile with 49 submunitions with self-destruct fuze,<sup>66</sup> which it co-produced with Pakistan Ordnance Factories.<sup>67</sup> It was first produced in April 2008.<sup>68</sup> 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 “155 mm 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 4 pallets of “of 155 mm K310 TP Projectile (Dummy)”.<sup>69</sup>

Poongsan is included in the red flag list because there is clear evidence that the company has produced DPICM K310 cluster munitions in the past two years. In addition, the company still advertises DPICM TP/K308 cluster munitions on its website. No evidence was found to show that production of these types of cluster munitions had ceased after May 2008. 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 innovative solutions and services in the aerospace, electronics, land systems and marine sectors.<sup>70</sup>

Advanced Material Engineering Pte Ltd., a subsidiary of Singapore Technologies Kinetics which is the land systems arm of Singapore Technologies Engineering<sup>71</sup>, produces cluster munitions. It has produced at least two versions of the **155 mm High-Explosive (HE) Dual Purpose-Improved Conventional Munition (DPICM)**, cluster munitions with 64 submunitions with a mechanical self-destruct fuze. Singapore Technologies Engineering claimed that the dud rate had been reduced to 3%.<sup>72</sup>

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 is still available via the website.<sup>73</sup>

On 26 November 2008, Singapore announced that it would impose an indefinite moratorium on the export of cluster munitions effective immediately.<sup>74</sup>

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.”<sup>75</sup>

In May 2010, Singapore Technologies Engineering, when asked by the 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, defence contractors and international organisations to bring about a truly international and enduring solution to the humanitarian concerns over cluster munitions.”<sup>76</sup>

Singapore Technologies Engineering is on the red flag list because it has been marketing 155 mm HE DPICM cluster munitions on its website. There is no evidence that production of this type of cluster munitions had ceased since May 2008.

### 1.1.7 Splyav State Research and Production Enterprise (Russia)

The company advertises various 122 mm, 220 mm, and 300 mm rocket projectiles with cluster warheads on its website.<sup>77</sup> Among the projectiles are the 300 mm 9M55K Rocket Projectile which contains 96 submunitions and the 300 mm 9M55K4 Rocket Projectile which contains 25 submunitions, both used in the company’s Smerch Multiple Launch Rocket System (MLRS), used by land forces.<sup>78</sup>

We put Splyav State Research and Production Enterprise on the red flag list because the company has advertising for cluster munitions on its website. There is no evidence that production of these types of cluster munitions had ceased since May 2008.



### 1.1.8 Textron (United States)

Textron is a multi-industry company, consisting of numerous subsidiaries and operating units. One subsidiary is Textron Systems Corporation, whose operating unit Textron Defense Systems manufactures air launched weapons, smart submunitions, intelligent battlefield munitions and sensor systems, and ground and airborne surveillance systems.<sup>79</sup>

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

“Known as **CBU-97** and **CBU-105**, Textron Defense Systems’ Sensor Fuzed Weapon (SFW) is the first and only combat-proven smart area weapon of its kind in U.S. Air Force inventory designed to accurately detect and defeat multiple threat targets. Superior lethality makes it the standoff weapon of choice for anti-armour, anti-air defense and other air combat missions. The SFW, a 1,000-pound class weapon, contains our own BLU-108 submunition and Smart Skeet warheads. Equipped with dual-mode passive infrared and active laser sensors on each warhead, one SFW can simultaneously detect and engage many fixed and moving land combat targets within a 30-acre coverage area. Combat proven on April 2, 2003 in Operation Iraqi Freedom, SFW took out multiple Iraqi tanks in a single pass. SFW’s 40 warheads are also equipped with timed self-deactivation modes for clean battlefield operation.”<sup>80</sup>

In the military press, Textron claims that its “SFW leaves a clean battlefield”.<sup>81</sup> Textron’s claims of strike accuracy and the reliability of the self-destruct mechanisms have been contested.<sup>82</sup> Textron Defense Systems also produces the Selectively Targeted Skeet (STS) submunition, which is comparable to the BLU-108.<sup>83</sup>

Textron outsourced the production of the SFW to Day & Zimmerman.<sup>xvii</sup> One of the suppliers contributing to this type of cluster munitions is Alliant Techsystems (see paragraph 1.1.1), which produces the SFW’s rocket motor.

The SFW has been sold primarily to the US Air Force, under various contracts. In March 2006, Textron Defense Systems announced that it has 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.<sup>84</sup>

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”.<sup>85</sup> This same contract was modified in February 2009 for an additional \$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. Eglin Air Force Base is the contracting activity”.<sup>86</sup>

Since July 2004, Textron Defense Systems has also sold SFWs to other countries, mostly under US Air Force Foreign Ministry Sales (FMS) contracts:

- 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).<sup>87</sup>
- 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 expected to begin providing inert integration rounds starting in 2010.<sup>88</sup> The FMS contract has not been signed yet.

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XVII Day and Zimmerman are not listed on our red flag list because we found no financial links. Therefore we did not include them in our research, see the research criteria under 1.1.0.

- 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.<sup>89</sup>
- 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”.<sup>90</sup> 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.<sup>91</sup>
- Oman: Textron Defense Systems is also reported to have delivered SFWs to Oman.<sup>92</sup>

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

### **1.1.9 Former cluster munitions producer no longer on our red flag list: L-3 Communications (United States)**

L-3 Communications Corporation is a leading supplier of a broad range of products and services used in a substantial number of aerospace and defence platforms.<sup>93</sup> Until recently, L-3 Communications’ Fuzing and Ordnance Systems division, the former BT Fuze Products<sup>94</sup>, produced cluster munitions and parts thereof, including fuzes.<sup>95</sup>

The company produced the XM1162 self-destruct fuze (GMLRS ESAD) for the M101 submunition. 404 pieces of M101 submunitions fit into each M30 missile of the GMLRS (Guided Multiple Launch Rocket System) produced by Lockheed Martin. The GMLRS M30 was still in production in 2010, but production is probably terminated in 2011 (see paragraph 1.1.3).

L-3 Communications mentioned the fuze in a brochure dating from February 2009.<sup>96</sup> L-3 Communications’ website advertised the XM1162 fuze as “a grenade fuze designed to minimise battlefield duds by adding a self-destruct capability to the current Dual Purpose Improved Conventional Munitions (DPICM)”.<sup>97</sup> In January 2011, the XM1162 was no longer mentioned on the company’s website.<sup>98</sup> In an email to Profundo dated 17 February 2011, L-3 Communications stated that “L-3 discontinued its involvement with the XM1162 Self Destruct Fuze in December, 2009”.<sup>99</sup>

In August 2010, The German Government received written confirmation from L-3 Communications assuring that “L-3 Communications Corporation does not develop, manufacture, produce or sell cluster munitions as per the definition of the Oslo Convention.”<sup>100</sup> The same statement was repeated in an email to Profundo dated 17 February 2011.<sup>101</sup>

In November 2010, the Council on Ethics of the Norwegian Government Pension Fund Global recommended ceasing to exclude L-3 Communications from the fund’s investment universe, because the company is “no longer involved in the production of cluster munitions”.<sup>102</sup>

Since L-3 Communications has repeatedly stated that it did not develop, manufacture, produce or sell cluster munitions, and that it has specifically stated it discontinued its involvement with the XM1162 Self Destruct Fuze, L-3 Communications is no longer included in our red flag list.

L-3 Communications did not reply to Profundo’s question on whether it would ever develop, manufacture, produce or sell (key components of) cluster munitions again in the future. It may well be that if L-3

Communications receives an order in the future that it will again produce such weapons. We will monitor its activities closely and include it on our red flag list again should it resume these activities.

## 1.2 The Investments

### 1.2.0 Introduction and Methodology

This section contains the results of our research on financial institutions investing in the eight companies on the red flag list. It answers the question 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.<sup>XVIII</sup>

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XVIII More information on the difference between direct and indirect financing is given in a background paper by 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 <http://www.netwerkvlaanderen.be/nl/files/documenten/campagnes/bankenewapens/direct-indirect%20investments.pdf>, last viewed 29 March 2011.

- **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,<sup>XIX</sup> we chose a 0.1% floor limit for Hanwha Corporation, Poongsan, and Singapore Technologies Engineering and a 1% limit for ATK, Lockheed and Textron.

Since there are so many shareholders in ATK, Lockheed Martin 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 May 2008 for which we found information and also included the most relevant data on shareholdings and bond holdings available in March 2011, 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 weapon 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.

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XIX 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 17 February 2011, Aberdeen Asset Management owned or managed 11.5% of the shares of **Singapore Technologies Engineering** valued at US\$878 million.<sup>103</sup>

### 1.2.2 Acadian Asset Management (United States)

#### ASSET MANAGEMENT

On 31 August 2010, Acadian Asset Management owned or managed 0.22% of the shares of **Hanwha Corporation** valued at US\$6.2 million.<sup>104</sup>

### 1.2.3 AEGON Group (The Netherlands)

#### ASSET MANAGEMENT

On 30 September 2010, Transamerica, which is part of the AEGON Group, owned or managed 1.01% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$55.5 million.<sup>105</sup>

### 1.2.4 Agricultural Bank of China (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. Agricultural Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>106</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). Agricultural Bank of China acted as joint bookrunner in the syndicate, underwriting an estimated US\$44 million.<sup>107</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of CNY4 billion (US\$603.9 million). Agricultural Bank of China participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>108</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of 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.<sup>109</sup>

### 1.2.5 AIG (United States)

#### ASSET MANAGEMENT

On 30 September 2010, American General Life, which is part of AIG, owned or managed 1.37% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$75.3 million.<sup>110</sup>

### 1.2.6 Allianz (Germany)

#### ASSET MANAGEMENT<sup>XX</sup>

On 31 October 2009, Allianz owned or managed 0.18% of the shares of **Singapore Technologies Engineering** valued at US\$12.9 million.<sup>111</sup>

On 30 September 2010, Allianz owned or managed 2.66% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$146.5 million.<sup>112</sup>

On 31 December 2010, NFJ Investment Group, which is part of Allianz, owned or managed 3.58% of the shares of **Alliant Techsystems** valued at US\$89.3 million.<sup>113</sup>

On different filing dates, Pimco, which is part of Allianz, owned or managed 1.22% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$15.2 million. The filing dates for the different bonds range between 30 September 2010 and 31 December 2010.<sup>114</sup>

On 31 December 2010, Allianz owned or managed 1.65% of the shares of **Poongsan Corporation** valued at US\$19.7 million.<sup>115</sup>

On 30 December 2010, Allianz owned or managed 1.04% of the outstanding bonds issued by **Textron** valued at US\$33.7 million.<sup>116</sup>

### 1.2.7 Alyeska Investment Group (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Alyeska Investment Group owned or managed 1.2% of the shares of **Alliant Techsystems** valued at US\$29.8 million.<sup>117</sup>

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XX Allianz Global Investors Europe has 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.” Since the filings published in this report are the most recent filings available, we can not verify if Allianz effectively sold these positions. Allianz’ policy is not made public (yet), therefore we can not comment its policy and include them in our Hall of Fame or runners-up category. (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 [http://www.allianzglobalinvestors.de/web/main?page=/cms-out/ueber-uns/press/releases/2011/PM\\_20110124\\_01.html](http://www.allianzglobalinvestors.de/web/main?page=/cms-out/ueber-uns/press/releases/2011/PM_20110124_01.html), last viewed 24 March 2011.

### 1.2.8 Allstate Corporation (United States)

#### ASSET MANAGEMENT

On 30 September 2010, Allstate Corporation owned or managed 1.92% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$105.6 million.<sup>118</sup>

### 1.2.9 American Century Investments (United States)

#### ASSET MANAGEMENT

On 31 December 2010, American Century Investments owned or managed 1.69% of the shares of **Textron** valued at US\$110.6 million.<sup>119</sup>

### 1.2.10 ANZ Bank (Australia)

#### INVESTMENT BANKING

In May 2010, **Lockheed Martin** issued bonds due in 2040 for a total value of US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. ANZ Bank was one of the six dealer managers involved in the bonds issuance.<sup>120</sup>

### 1.2.11 Aviva (United Kingdom)

#### ASSET MANAGEMENT

On 30 September 2010, Aviva owned or managed 1.19% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$65.6 million.<sup>121</sup>

On 30 December 2010, Aviva owned or managed 2.05% of the outstanding bonds issued by **Textron** valued at US\$67 million.<sup>122</sup>

### 1.2.12 AXA (France)

#### ASSET MANAGEMENT

On 30 September 2010, Kyobo Axa Investment Management, which is 50% owned by AXA, owned or managed 0.18% of the shares of **Hanwha Corporation** valued at US\$6.4 million.<sup>123</sup>

On 28 February 2011, Axa-owned AllianceBernstein owned or managed 8.89% of the shares of **Poongsan Corporation** valued at US\$91.5 million.<sup>124</sup>

### 1.2.13 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.<sup>125</sup>

#### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Merrill Lynch, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>126</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Merrill Lynch, part of the 10-bank syndicate, underwrote US\$14.6 million.<sup>127</sup>

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Bank of America was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>128</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Bank of America was one of the four bookrunners and contributed an estimated US\$250 million to the 12-bank issuing syndicate.<sup>129</sup>

In September 2010, **Alliant Techsystems** issued ten-year bonds with a total value of 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.<sup>130</sup>

### 1.2.14 Bank of Beijing (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>131</sup>

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>132</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>133</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of CNY4 billion (US\$603.9 million). Bank of Beijing participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>134</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of 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.<sup>135</sup>

### 1.2.15 Bank of China (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The



proceeds were used for general corporate purposes. Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>136</sup>

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). BOC International, which is part of Bank of China, participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>137</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>138</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of CNY4 billion (US\$603.9 million). Bank of China participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>139</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of 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.<sup>140</sup>

#### OTHER FINANCE

In January 2010, **Norinco** signed a US\$7.3 billion strategic agreement with Bank of China. The partners will cooperate in several financing sectors, such as credit provision, cash management, international clearance, investment and insurance.<sup>141</sup>

### 1.2.16 Bank of Communications (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. Bank of Communications participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>142</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). Bank of Communications participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>143</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of CNY4 billion (US\$603.9 million). Bank of Communications participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>144</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of 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.<sup>145</sup>

### 1.2.17 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.<sup>146</sup>

## INVESTMENT BANKING

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Bank of New York Mellon contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>147</sup>

## ASSET MANAGEMENT

On 31 December 2010, Bank of New York Mellon owned or managed 4.27% of the shares of **Textron** valued at US\$278.1 million.<sup>148</sup>

### 1.2.18 Bank of Shanghai (China)

## INVESTMENT BANKING

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). Bank of Shanghai participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>149</sup>

### 1.2.19 Barclays (United Kingdom)

## INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>150</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$14.6 million.<sup>151</sup>

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Barclays was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>152</sup>

### 1.2.20 Baring Asset Management (United Kingdom)

## ASSET MANAGEMENT

On 31 January 2011, Baring Asset Management owned or managed 0.24% of the shares of **Poongsan Corporation** valued at US\$2.6 million.<sup>153</sup>

### 1.2.21 Batterymarch Financial Management (United States)

## ASSET MANAGEMENT

On 31 January 2011, Batterymarch Financial Management owned or managed 0.12% of the shares of **Poongsan Corporation** valued at US\$1.3 million.<sup>154</sup>

## 1.2.22 BB&T Corporation (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 Corporation was part of the 20-bank syndicate and provided US\$35 million.<sup>155</sup>

### ASSET MANAGEMENT

On 30 December 2010, BB&T Corporation owned or managed 1.02% of the outstanding bonds issued by **Textron** valued at US\$33.5 million.<sup>156</sup>

## 1.2.23 BlackRock (United States)

### ASSET MANAGEMENT

On different filing dates, BlackRock owned or managed 1.31% of the shares of **Singapore Technologies Engineering** valued at US\$99.8 million. The filing dates of the different BlackRock funds that own shares range between 31 December 2010 and 28 February 2011.<sup>157</sup>

On different filing dates, BlackRock owned or managed 1.07% of the shares of **Hanwha Corporation** valued at US\$40 million. The filing dates of the different BlackRock funds that own shares range between 31 May 2010 and 28 February 2011.<sup>158</sup>

On 31 December 2010, BlackRock owned or managed 9.2% of the shares of **Alliant Techsystems** valued at US\$229.3 million.<sup>159</sup>

On 31 December 2010, BlackRock owned or managed 4.2% of the shares of **Lockheed Martin** valued at US\$1,026.9 million.<sup>160</sup>

On 31 December 2010, BlackRock owned or managed 6.45% of the shares of **Textron** valued at US\$420.3 million.<sup>161</sup>

## 1.2.24 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.<sup>162</sup>

### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. BNP Paribas contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>163</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. BNP Paribas contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>164</sup>

#### ASSET MANAGEMENT

On 31 December 2010, Shinhan BNP Paribas Asset Management, of which BNP Paribas owns 50%, owned or managed 0.9% of the shares of **Poongsan Corporation** valued at US\$10.7 million.<sup>165</sup>

### 1.2.25 Bookook Securities (South Korea)

#### ASSET MANAGEMENT

On 31 December 2010, Bookook Securities owned or managed 0.16% of the shares of **Poongsan Corporation** valued at US\$1.9 million.<sup>166</sup>

On 31 December 2010, Bookook Securities owned or managed 1.3% of the shares of **Poongsan Holdings** valued at US\$3.9 million.<sup>167</sup>

### 1.2.26 Calamos Holdings (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Calamos owned or managed 3.4% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$42.4 million.<sup>168</sup>

### 1.2.27 Capital Group (United States)

#### ASSET MANAGEMENT

On 17 February 2011, Capital Group owned or managed 5.53% of the shares of **Singapore Technologies Engineering** valued at US\$422.1 million.<sup>169</sup>

On different filing dates, Capital Group owned or managed 15.29% of the shares of **Lockheed Martin** valued at US\$4,107.8 million. The filing dates of the different funds that own shares range between 31 December 2010 and 28 February 2011.<sup>170</sup>

On 31 December 2010, Capital Group owned or managed 1.14% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$63.1 million.<sup>171</sup>

### 1.2.28 Castle Creek (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Castle Creek owned or managed 2.4% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$30 million.<sup>172</sup>

### 1.2.29 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.<sup>173</sup>

### 1.2.30 Cheonan Bukil Education Foundation (South Korea)

#### ASSET MANAGEMENT

On 31 December 2009, Cheonan Bukil Education Foundation owned or managed 1.83% of the shares of **Hanwha Corporation** valued at US\$56.3 million.<sup>174</sup>

### 1.2.31 Changjiang Securities (China)

#### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. Changjiang Securities (China) acted as joint bookrunner, underwriting an estimated US\$264.3 million.<sup>175</sup>

### 1.2.32 China Construction Bank (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Construction Bank acted as joint bookrunner, underwriting an estimated US\$58.7 million.<sup>176</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). China Construction Bank participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>177</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of 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.<sup>178</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of 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.<sup>179</sup>

### 1.2.33 China Development Bank (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Development Bank participated in the nine-bank syndicate,

underwriting an estimated US\$25.2 million.<sup>180</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). China Development Bank participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>181</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of CNY4 billion (US\$603.9 million). China Development Bank participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>182</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of 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.<sup>183</sup>

### 1.2.34 China Everbright Bank (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Everbright Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>184</sup>

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). China Everbright Bank acted as the bookrunner for the issue, underwriting an estimated US\$46.8 million.<sup>185</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). China Everbright Bank acted as joint bookrunner in the syndicate, underwriting an estimated US\$44 million.<sup>186</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of CNY4 billion (US\$603.9 million). China Everbright Bank participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>187</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of 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.<sup>188</sup>

### 1.2.35 China Merchants Group (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Merchants Bank acted as joint bookrunner, underwriting an estimated US\$58.7 million.<sup>189</sup>

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). China Merchants Bank and China Merchants Securities both participated in the nine-bank syndicate, together underwriting an estimated US\$15.6 million.<sup>190</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). China Merchants Bank participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>191</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of 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.<sup>192</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of 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.<sup>193</sup>

### 1.2.36 China Mincheng Banking Corporation (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for a total value of CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Mincheng Banking Corporation participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>194</sup>

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). China Mincheng Banking Corporation participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>195</sup>

In March 2010, **Norinco** issued one-year bonds for a total value of CNY1.5 billion (US\$219.8 million). China Mincheng Banking Corporation participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>196</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of CNY4 billion (US\$603.9 million). China Mincheng Banking Corporation participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>197</sup>

In November 2010, **Norinco** issued one-year bonds for a total value of CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Mincheng Banking Corporation participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.<sup>198</sup>

### 1.2.37 China Securities (China)

#### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. China Securities participated in the nine-bank syndicate, underwriting an estimated US\$49.6 million.<sup>199</sup>

### 1.2.38 Citadel Group (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Citadel Group owned or managed 5.74% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$71.7 million.<sup>200</sup>

On 31 December 2010, Citadel Group owned or managed 1.33% of the total outstanding bonds issued by **Textron** valued at US\$43.6 million.<sup>201</sup>

### 1.2.39 Citigroup (United States)

#### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Citigroup, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>202</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Citigroup, part of the 10-bank syndicate, underwrote US\$14.6 million.<sup>203</sup>

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Citigroup was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>204</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Citigroup was one of the four bookrunners and contributed an estimated US\$250 million to the 12-bank issuing syndicate.<sup>205</sup>

### 1.2.40 Commonwealth Bank of Australia (Australia)

#### ASSET MANAGEMENT

On 30 June 2010, First State Investments, which is part of the Commonwealth Bank of Australia, owned or managed 1.42% of the total outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$7.1 million.<sup>206</sup>

### 1.2.41 Crédit Agricole (France)

#### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Calyon, which is part of Crédit Agricole, contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>207</sup>

In May 2010, **Lockheed Martin** issued bonds due in 2040 for a total value of US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. Crédit Agricole was one of the six dealer managers involved in the bonds issuance.<sup>208</sup>

### 1.2.42 Credit Suisse (Switzerland)

#### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Credit Suisse, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>209</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Credit Suisse, part of the 10-bank syndicate, underwrote US\$14.6 million.<sup>210</sup>



## ASSET MANAGEMENT

On 31 January 2011, Credit Suisse owned or managed 0.16% of the total outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$0.8 million.<sup>211</sup>

On 31 January 2011, Credit Suisse owned or managed 0.22% of the shares of **Hanwha Corporation** valued at US\$7.8 million.<sup>212</sup>

### 1.2.43 Daishin Group (South Korea)

#### ASSET MANAGEMENT

On 31 December 2010, Daishin Group owned or managed 0.33% of the shares of **Poongsan Holdings** valued at US\$1 million.<sup>213</sup>

### 1.2.44 D.E. Shaw Group (United States)

#### ASSET MANAGEMENT

On 31 December 2010, D. E. Shaw Group owned or managed 1.22% of the total outstanding bonds issued by **Textron** valued at US\$40 million.<sup>214</sup>

### 1.2.45 Daewoo Securities (South Korea)

#### INVESTMENT BANKING

In June 2008, **Hanwha Corporation** issued three-year bonds worth KRW170 billion (US\$163.5 million). The proceeds were used for general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote US\$16.4 million.<sup>215</sup>

### 1.2.46 Daiwa Asset Management (Japan)

#### ASSET MANAGEMENT

On different filing dates, Daiwa Asset Management owned or managed 0.51% of the shares of **Singapore Technologies Engineering** valued at US\$41.6 million. The filing dates of the different funds that own shares range between 31 August 2010 and 31 December 2010.<sup>216</sup>

### 1.2.47 Davis Selected Advisers (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Davis Selected Advisers owned or managed 1.69% of the shares of **Lockheed Martin** valued at US\$412.7 million.<sup>217</sup>

## 1.2.48 Deutsche Bank (Germany)

### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Deutsche Bank, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>218</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Deutsche Bank, part of the 10-bank syndicate, underwrote US\$14.6 million.<sup>219</sup>

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for a total value of US\$500 million on the international capital markets. The issue was the first under the US\$1.2 billion medium-term note programme that the company set up in early July 2009. Singaporean investors took just under 45% of the issue, with Hong Kong buyers taking about 37% and most of the remainder was allocated to UK accounts. Deutsche Bank is one of the two banks arranging the medium-term note programme and managing the first issue.<sup>220</sup>

### ASSET MANAGEMENT

On 31 December 2010, Deutsche Bank owned or managed 2.04% of the shares of **Alliant Techsystems** valued at US\$51.1 million.<sup>221</sup>

## 1.2.49 Dimensional Fund Advisors (United States)

### ASSET MANAGEMENT

On 31 January 2011, Dimensional Fund Advisors owned or managed 0.98% of the shares of **Poongsan Holdings** valued at US\$2.6 million.<sup>222</sup>

On 31 January 2011, Dimensional Fund Advisors owned or managed 1.06% of the shares of **Poongsan Corporation** valued at US\$11.7 million.<sup>223</sup>

On 31 January 2011, Dimensional Fund Advisors owned or managed 0.22% of the shares of **Hanwha Corporation** valued at US\$8.3 million.<sup>224</sup>

## 1.2.50 DJE Kapital (Germany)

### ASSET MANAGEMENT

On 31 December 2010, DJE Kapital owned or managed 1.17% of the shares of **Poongsan Corporation** valued at US\$13.9 million.<sup>225</sup>

## 1.2.51 Dongbu Securities (South Korea)

### INVESTMENT BANKING

In February 2009, **Hanwha Corporation** issued KRW260 billion (US\$175.5 million) in bonds. The issue was split into three tranches: KRW70 billion in three-year bonds, KRW140 billion in two-and-a-half-year bonds and KRW50 billion in one-year bonds. The proceeds were used for general corporate purposes. Dongbu Securities participated in the issuing syndicate and underwrote US\$20.3 million.<sup>226</sup>

### 1.2.52 Dreman Value Management (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Dreman Value Management owned or managed 1.56% of the shares of **Alliant Techsystems** valued at US\$39 million.<sup>227</sup>

### 1.2.53 Essence Securities (China)

#### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. Essence Securities participated in the nine-bank syndicate, underwriting an estimated US\$49.6 million.<sup>228</sup>

### 1.2.54 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).<sup>229</sup>

### 1.2.55 Export Import Bank of Korea (South Korea)

#### LOANS

In March 2010, **Poongsan Corporation** secured a KRW50 billion (US\$42.5 million) one-year credit facility. The proceeds were used for general corporate purposes. Export Import Bank of Korea provided the whole amount of the facility.<sup>230</sup>

### 1.2.56 Fidelity Group (United States)

#### ASSET MANAGEMENT

On 31 January 2011, Fidelity Group owned or managed 0.39% of the shares of **Hanwha Corporation** valued at US\$14.8 million.<sup>231</sup>

On 31 December 2010, Fidelity Group owned or managed 12.25% of the shares of **Textron** valued at US\$799.8 million.<sup>232</sup>

On 31 December 2010, Fidelity Group owned or managed 6.59% of the shares of **Alliant Techsystems** valued at US\$164.2 million.<sup>233</sup>

On different filing dates, Fidelity Group owned or managed 2.79% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$34.8 million. The filing dates for the different bonds range between 30 September 2010 and 31 December 2010.<sup>234</sup>

### 1.2.57 Fiduciary Management (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Fiduciary Management owned or managed 2.43% of the shares of **Alliant Techsystems** valued at US\$60.6 million.<sup>235</sup>

### 1.2.58 First Eagle Investment Management (United States)

#### ASSET MANAGEMENT

On 31 January 2011, First Eagle Investment Management owned or managed 10.03% of the shares of **Alliant Techsystems** valued at US\$254.4 million.<sup>236</sup>

### 1.2.59 First Financial Holding Corporation (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 was part of the 20-bank syndicate and provided US\$10 million.<sup>237</sup>

### 1.2.60 Franklin Templeton (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Franklin Templeton owned or managed 0.19% of the shares of **Poongsan Corporation** valued at US\$2.3 million.<sup>238</sup>

### 1.2.61 General Electric (United States)

#### ASSET MANAGEMENT

On 31 December 2010, General Electric Company owned or managed 1.43% of the shares of **Alliant Techsystems** valued at US\$35.6 million.<sup>239</sup>

#### 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 was part of the 20-bank syndicate and provided US\$70 million.<sup>240</sup>

## 1.2.62 Goldman Sachs (United States)

### INVESTMENT BANKING

In April 2009, **Textron** issued shares totalling US\$217.4 million. The proceeds can be used for general corporate purposes. Goldman Sachs, one of the leaders of the 10-bank issuing syndicate, underwrote US\$77.9 million.<sup>241</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Goldman Sachs, one of the leaders of the 10-bank issuing syndicate, underwrote US\$211.5 million.<sup>242</sup>

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>243</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>244</sup>

In May 2010, **Lockheed Martin** issued bonds due in 2040 for a total value of US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. Goldman Sachs was one of the six dealer managers involved in the bonds issuance.<sup>245</sup>

### ASSET MANAGEMENT

On 31 December 2010, Goldman Sachs owned or managed 3.93% of the shares of **Alliant Techsystems** valued at US\$97.9 million.<sup>246</sup>

On different filing dates, Goldman Sachs owned or managed 0.11% of the shares of **Hanwha Corporation** valued at US\$3 million. The filing dates of the different funds that own shares range between 30 November 2009 and 31 July 2010.<sup>247</sup>

On 31 December 2010, Goldman Sachs owned or managed 2.39% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$29.9 million.<sup>248</sup>

On 31 December 2010, Goldman Sachs owned or managed 1.96% of the total outstanding bonds issued by **Textron** valued at US\$127.8 million.<sup>249</sup>

## 1.2.63 Great Eastern Holdings (Singapore)

### ASSET MANAGEMENT

On 31 December 2009, Lion Global Investors, of which Great Eastern Holdings owns 70%, owned or managed 0.15% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$0.8 million.<sup>250</sup>

## 1.2.64 Grantham, Mayo, Van Otterloo & Co. (United States)

### ASSET MANAGEMENT

On 31 January 2011, Grantham, Mayo, Van Otterloo & Co. owned or managed 0.21% of the shares of **Singapore Technologies Engineering** valued at US\$15.8 million.<sup>251</sup>

On 30 November 2010, Grantham, Mayo, Van Otterloo & Co. owned or managed 0.89% of the shares of **Hanwha Corporation** valued at US\$25.5 million.<sup>252</sup>

## 1.2.65 Guotai Junan Securities (China)

### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. Guotai Junan Securities participated in the nine-bank syndicate, underwriting an estimated US\$49.6 million.<sup>253</sup>

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). Guotai Junan Securities participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>254</sup>

In November 2010, **Norinco** issued five-year bonds for a total value of CNY4 billion (US\$603.9 million). Guotai Junan Securities participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>255</sup>

## 1.2.66 Haitong Securities (China)

### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. Haitong Securities participated in the nine-bank syndicate, underwriting an estimated US\$49.6 million.<sup>256</sup>

## 1.2.67 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).<sup>257</sup>

## 1.2.68 Hanwha Securities (South Korea)

### INVESTMENT BANKING

In June 2008, **Hanwha Corporation** issued three-year bonds worth KRW170 billion (US\$163.54 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote US\$13.2 million.<sup>258</sup>

In February 2009, **Hanwha Corporation** issued bonds worth KRW260 billion (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth 140 billion Korean Won and one-year bonds worth 50 billion Korean Won. The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote US\$27 million.<sup>259</sup>

In May 2010, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$129.9 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote KRW60 billion (US\$52 million).<sup>260</sup>

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 Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$17.2 million).<sup>261</sup>

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 Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>262</sup>

#### ASSET MANAGEMENT

On 31 December 2010, Prudential Asset Management Company Ltd. (Korea), which is since February 2010 part of Hanwha Securities, owned or managed 0.11% of the shares of **Hanwha Corporation** valued at US\$3.5 million.<sup>263</sup>

On 30 September 2010, Hanwha Securities owned or managed 0.2% of the outstanding bonds issued by **Hanwha Corporation** valued at US\$3.4 million.<sup>264</sup>

On 31 December 2010, Hanwha Securities owned or managed 0.11% of the shares of **Poongsan Corporation** valued at US\$1.3 million.<sup>265</sup>

### 1.2.69 Hartford Financial Services Group (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Hartford Financial Services Group owned or managed 1.7% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$94.1 million.<sup>266</sup>

### 1.2.70 Helaba (Germany)

#### ASSET MANAGEMENT

On 30 September 2010, Helaba owned or managed 0.42% of the shares of **Poongsan Corporation** valued at US\$4.5 million.<sup>267</sup>

### 1.2.71 Henderson Global Investors (United Kingdom)

#### ASSET MANAGEMENT

On 31 December 2010, Henderson Global Investors owned or managed 0.23% of the shares of **Singapore Technologies Engineering** valued at US\$18.5 million.<sup>268</sup>

## 1.2.72 HI Investment & Securities (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. HI Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.7 million).<sup>269</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. HI Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>270</sup>

### ASSET MANAGEMENT

On 31 December 2010, HI Investment & Securities owned or managed 0.56% of the shares of **Poongsan Corporation** valued at US\$6.7 million.<sup>271</sup>

## 1.2.73 HMC Investment Bank (South Korea)

### INVESTMENT BANKING

In June 2008, **Hanwha Corporation** issued three-year bonds worth KRW170 billion (US\$163.5 million). The proceeds were used for general corporate purposes. HMC Investment Bank, part of the issuing syndicate, underwrote US\$16.4 million.<sup>272</sup>

## 1.2.74 Hotchkis and Wiley Capital Management (United States)

### ASSET MANAGEMENT

On 31 December 2010, Hotchkis and Wiley Capital Management owned or managed 2.23% of the shares of **Lockheed Martin** valued at US\$543.8 million.<sup>273</sup>

On 31 December 2010, Hotchkis and Wiley Capital Management owned or managed 1.04% of the shares of **Alliant Techsystems** valued at US\$25.9 million.<sup>274</sup>

## 1.2.75 HSBC (United Kingdom)

### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. HSBC, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>275</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. HSBC, part of the 10-bank syndicate, underwrote US\$14.6million.<sup>276</sup>



## 1.2.76 Hua Nan Financial Holdings (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 was part of the 20-bank syndicate and provided US\$15 million.<sup>277</sup>

## 1.2.77 Industrial Bank (China)

### INVESTMENT BANKING

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). Industrial Bank participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>278</sup>

## 1.2.78 Intesa Sanpaolo (Italy)

### INVESTMENT BANKING

In May 2010, **Lockheed Martin** issued bonds due in 2040 for a total value of US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. Banca IMI, part of Intesa Sanpaolo, was one of the six dealer managers involved in the bonds issuance.<sup>279</sup>

## 1.2.79 Invesco (United Kingdom)

### ASSET MANAGEMENT

On different filing dates, Invesco owned or managed 0.12% of the shares of **Singapore Technologies Engineering** valued at US\$9.4 million. The filing dates of the different funds that own shares range between 30 November 2010 and 28 February 2011.<sup>280</sup>

On 31 December 2010, Invesco owned or managed 2.68% of the shares of **Alliant Techsystems** valued at US\$66.9 million.<sup>281</sup>

On 31 December 2010, Invesco owned or managed 1.71% of the shares of **Textron** valued at US\$111.4 million.<sup>282</sup>

## 1.2.80 Italmobiliare (Italy)

### ASSET MANAGEMENT

On 30 September 2010, Italmobiliare-owned Finter Bank owned or managed 0.3% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$1.5 million.<sup>283</sup>

## 1.2.81 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.<sup>284</sup>

### INVESTMENT BANKING

In May 2008, **Textron** Financial, a wholly owned subsidiary of **Textron**, issued US\$25 million in fifteen-month bonds. JP Morgan Chase was the sole underwriter of this issue.<sup>285</sup>

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. JP Morgan Chase, a leader of the 10-bank issuing syndicate, underwrote US\$77.9 million.<sup>286</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. JP Morgan Chase, a leader of the 10-bank issuing syndicate, underwrote US\$211.5 million.<sup>287</sup>

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. JP Morgan was one of the five bookrunners and contributed an estimated US\$75 million to the 11-bank issuing syndicate.<sup>288</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. JP Morgan Chase was one of the four bookrunners and contributed an estimated US\$250 million to the 12-bank issuing syndicate.<sup>289</sup>

### ASSET MANAGEMENT

On different filing dates, JP Morgan Chase owned or managed 2.01% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$25.1 million. The filing dates for the different bonds range between 31 October 2010 and 31 January 2011.<sup>290</sup>

On 31 December 2010, JP Morgan Chase owned or managed 3.61% of the shares of **Alliant Techsystems** valued at US\$90 million.<sup>291</sup>

On 31 December 2010, JP Morgan Chase owned or managed 1.21% of the shares of **Textron** valued at US\$79.1 million.<sup>292</sup>

## 1.2.82 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.<sup>293</sup>

## ASSET MANAGEMENT

On 31 December 2010, Keybank owned or managed 1.03% of the shares of **Alliant Techsystems** valued at US\$25.6 million.<sup>294</sup>

### 1.2.83 Killen Group (United States)

#### ASSET MANAGEMENT

On 31 December 2010, the Killen Group owned or managed 2.67% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$33.3 million.<sup>295</sup>

### 1.2.84 Knightsbridge Asset Management (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Knightsbridge Asset Management owned or managed 1.34% of the shares of **Textron** valued at US\$87.8 million.<sup>296</sup>

### 1.2.85 Kookmin Bank (South Korea)

#### INVESTMENT BANKING

In June 2008, **Hanwha Corporation** issued US\$30 million in three-year bonds. The proceeds were used for general corporate purposes. Kookmin Bank, one of two leaders of the issuing syndicate, underwrote US\$3 million.<sup>297</sup>

In June 2008, **Hanwha Corporation** issued three-year bonds worth KRW170 billion (US\$163.5 million). The proceeds were used for general corporate purposes. Kookmin Bank, one of two leaders of the issuing syndicate, underwrote US\$32.7 million.<sup>298</sup>

In February 2009, **Hanwha Corporation** issued bonds worth KRW260 billion (US\$175.5 million). The issue was split into three tranches: three-year bonds worth KRW70 billion, two-and-a-half-year bonds worth KRW140 billion and one-year bonds worth KRW50 billion. The proceeds were used for general corporate purposes. Kookmin Bank, part of the issuing syndicate, underwrote US\$6.75 million.<sup>299</sup>

In May 2010, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$129.9 million). The proceeds were used for general corporate purposes. Kookmin Bank, part of the issuing syndicate, underwrote KRW10 billion (US\$8.7 million).<sup>300</sup>

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Kookmin Bank, part of the issuing syndicate, underwrote KRW10 billion (US\$8.6 million).<sup>301</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Kookmin Bank, part of the issuing syndicate, underwrote KRW20 billion (US\$17.9 million).<sup>302</sup>

## ASSET MANAGEMENT

On 31 December 2010, Kookmin Bank-owned KB Asset Management owned or managed 0.16% of the shares of **Poongsan Corporation** valued at US\$1.9 million.<sup>303</sup>

### 1.2.86 Korea Development Bank (South Korea)

#### LOANS

In August 2008, **Poongsan Corporation** secured a KRW17.5 billion (US\$17.3 million) five-year credit facility. The proceeds were used for capital expenditures. Korea Development Bank provided the whole amount of the facility.<sup>304</sup>

In December 2008, **Poongsan Corporation** secured a KRW13 billion (US\$8.8 million) five-year credit facility. The proceeds were used for capital expenditures. Korea Development Bank provided the whole amount of the facility.<sup>305</sup>

In June 2009, **Poongsan Corporation** secured a KRW2.5 billion (US\$2 million) five-year credit facility. The proceeds were used for general corporate purposes. Korea Development Bank provided the whole amount of the facility.<sup>306</sup>

In September 2009, **Poongsan Corporation** secured a KRW10 billion (US\$8 million) five-year credit facility. The proceeds were used for capital expenditures. Korea Development Bank provided the whole amount of the facility.<sup>307</sup>

In October 2009, **Poongsan Corporation** secured a KRW13.2 billion (US\$11.2 million) five-year credit facility. The proceeds were used for capital expenditures. Korea Development Bank provided the whole amount of the facility.<sup>308</sup>

In March 2010, **Poongsan Corporation** secured a KRW92.5 billion (US\$81.2 million) two-year credit facility. The proceeds were used for capital expenditure. Korea Development Bank provided the whole amount of the facility.<sup>309</sup>

#### INVESTMENT BANKING

In June 2008, **Hanwha Corporation** issued US\$30 million in three-year bonds. The proceeds were used for general corporate purposes. Korea Development Bank was one of the two leaders of the issuing syndicate and underwrote US\$7 million.<sup>310</sup>

In June 2008, **Hanwha Corporation** issued three-year bonds worth KRW170 billion (US\$163.5 million). The proceeds were used for general corporate purposes. Korea Development Bank, one of three leaders of the issuing syndicate, underwrote US\$32.7 million.<sup>311</sup>

In October 2008, **Poongsan Corporation** issued three-year bonds worth KRW40 billion (US\$31.6 million). Korea Development Bank was one of the two leaders of the issuing syndicate.<sup>312</sup>

In February 2009, **Hanwha Corporation** issued bonds worth KRW260 billion (US\$175.5 million). The issue was split into three tranches: three-year bonds worth KRW70 billion, two-and-a-half-year bonds worth KRW140 billion and one-year bonds worth KRW50 billion. The proceeds were used for general corporate purposes. Korea Development Bank, one of the two leaders of the issuing syndicate, underwrote US\$27 million.<sup>313</sup>

In October 2009, **Poongsan Holdings** issued three-year bonds worth KRW50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. Korea Development Bank was one of the three banks in the issue syndicate underwriting an estimated US\$8.6 million.<sup>314</sup>

In April 2010, **Poongsan Holdings** issued three-year bonds worth KRW70 billion (US\$62.7 million). The proceeds were used for general corporate purposes. Korea Development Bank was one of the four banks in the issue syndicate, underwriting KRW10 million (US\$9 million).<sup>315</sup>

### 1.2.87 Korea Investment Holdings (South Korea)

#### INVESTMENT BANKING

In June 2008, **Hanwha Corporation** issued three-year bonds worth KRW170 billion (US\$163.5 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, part of Korea Investment Holdings, one of three leaders of the issuing syndicate, underwrote US\$32.7 million.<sup>316</sup>

In February 2009, **Hanwha Corporation** issued bonds worth KRW260 billion (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth KRW140 billion and one-year bonds worth KRW50 billion. The proceeds were used for general corporate purposes. Korea Investment & Securities, one of two leaders of the issuing syndicate, underwrote US\$60.8 million.<sup>317</sup>

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, part of the issuing syndicate, underwrote KRW10 billion (US\$8.6 million).<sup>318</sup>

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, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>319</sup>

#### ASSET MANAGEMENT

On 31 December 2010, Korea Investment Trust Management, which is part of Korea Investment Holdings, owned or managed 0.12% of the shares of **Hanwha Corporation** valued at US\$3.8 million.<sup>320</sup>

On 28 February 2011, Korea Investment Trust Management, which is part of Korea Investment Holdings, owned or managed 7.56% of the shares of **Poongsan Corporation** valued at US\$77.8 million.<sup>321</sup>

### 1.2.88 KTB Asset Management (South Korea)

#### ASSET MANAGEMENT

On 31 December 2010, KTB Asset Management owned or managed 0.47% of the shares of **Poongsan Corporation** valued at US\$5.6 million.<sup>322</sup>

### 1.2.89 Liberty Mutual (United States)

#### ASSET MANAGEMENT

On 30 September 2010, Liberty Mutual owned or managed 1.08% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$59.1 million.<sup>323</sup>

### 1.2.90 Lincoln National Corporation (United States)

#### ASSET MANAGEMENT

On 30 September 2010, Lincoln National Corporation owned or managed 1.07% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$59 million.<sup>324</sup>

### 1.2.91 Lloyds Banking (United Kingdom)

#### INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Lloyds TSB Bank contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>325</sup>

### 1.2.92 Loews Corporation (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Loews Corporation owned or managed 1.25% of the total outstanding bonds issued by **Textron** valued at US\$41 million.<sup>326</sup>

### 1.2.93 Lord, Abbett & Co. (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Lord, Abbett & Co. owned or managed 1.06% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$13.2 million.<sup>327</sup>

### 1.2.94 Manulife Financial (Canada)

#### ASSET MANAGEMENT

On 31 December 2010, Manulife Financial owned or managed 1.22% of the shares of **Textron** valued at US\$79.9 million.<sup>328</sup>

### 1.2.95 Massachusetts Finance Group (United States)

#### ASSET MANAGEMENT

On 30 September 2010, Massachusetts Finance Group owned or managed 1.13% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$62.5 million.<sup>329</sup>

### 1.2.96 Massachusetts Mutual (United States)

#### ASSET MANAGEMENT

On different filing dates, Massachusetts Mutual owned or managed 1.5% of the total outstanding bonds issued by **Textron** valued at US\$49.2 million. The filing dates for the different bonds range between 30 November 2010 and 31 December 2010.<sup>330</sup>

### 1.2.97 Matthews International Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Matthews International Capital Management owned or managed 1.96% of the shares of **Singapore Technologies Engineering** valued at US\$159.3 million.<sup>331</sup>

### 1.2.98 Mellon Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Mellon Capital Management owned or managed 1.74% of the shares of **Textron** valued at US\$113.5 million.<sup>332</sup>

On 31 January 2011, Mellon Capital Management owned or managed 0.11% of the shares of **Hanwha Corporation** valued at US\$4.1 million.<sup>333</sup>

On 31 December 2010, Mellon Capital Management owned or managed 0.2% of the shares of **Poongsan Corporation** valued at US\$2.2 million.<sup>334</sup>

### 1.2.99 Meritz Securities (South Korea)

#### INVESTMENT BANKING

In February 2009, **Hanwha Corporation** issued bonds worth KRW260 billion (US\$175.5 million). The issue was split into three tranches: three-year bonds worth 70 billion Korean Won, two-and-a-half-year bonds worth KRW140 billion and one-year bonds worth KRW50 billion. The proceeds were used for general corporate purposes. Meritz Securities, part of the issuing syndicate, underwrote US\$13.5 million.<sup>335</sup>

### 1.2.100 Metropolitan Life Insurance (United States)

#### ASSET MANAGEMENT

On 30 September 2010, Metropolitan Life Insurance owned or managed 2.88% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$36.1 million.<sup>336</sup>

On 30 September 2010, Metropolitan Life Insurance owned or managed 4.71% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$259.8 million.<sup>337</sup>

### 1.2.101 MFS Investment Management (United States)

#### ASSET MANAGEMENT

On 31 December 2010, MFS Investment Management owned or managed 6.01% of the shares of **Lockheed Martin** valued at US\$1,469.8 million.<sup>338</sup>

### 1.2.102 Midas Asset Management (South Korea)

#### ASSET MANAGEMENT

On 31 December 2010, Midas Asset Management owned or managed 0.16% of the shares of **Hanwha Corporation** valued at US\$4.9 million.<sup>339</sup>

### 1.2.103 Minsheng Securities (China)

#### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. Minsheng Securities participated in the nine-bank syndicate, underwriting an estimated US\$49.6 million.<sup>340</sup>

### 1.2.104 Mirae Asset Securities (South Korea)

#### INVESTMENT BANKING

In February 2009, **Hanwha Corporation** issued bonds worth KRW260 billion (US\$175.5 million). The issue was split into three tranches: three-year bonds worth KRW70 billion, two-and-a-half-year bonds worth KRW140 billion and one-year bonds worth KRW50 billion. The proceeds were used for general corporate purposes. Mirae Asset Securities, part of the issuing syndicate, underwrote US\$6.8 million.<sup>341</sup>

#### ASSET MANAGEMENT

On 30 June 2010, Mirae Asset Securities owned or managed 0.12% of the shares of **Poongsan Holdings** valued at US\$0.2 million.<sup>342</sup>

### 1.2.105 Mitsubishi UFJ Financial Group (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 was part of the 20-bank syndicate and provided US\$75 million.<sup>343</sup>

#### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ was part of the 10-bank syndicate underwriting US\$7.7 million.<sup>344</sup>



In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ was part of the 10-bank syndicate underwriting US\$14.6 million.<sup>345</sup>

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>346</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>347</sup>

In September 2010, **Alliant Techsystems** issued ten-year bonds with a total value of US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Mitsubishi UFJ Securities Co, part of the 7-bank syndicate, underwrote US\$18.4 million.<sup>348</sup>

## 1.2.106 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.<sup>349</sup>

### INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Mizuho Bank contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>350</sup>

## 1.2.107 Morgan Stanley (United States)

### INVESTMENT BANKING

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for a total value of US\$500 million on the international capital markets. The issue was the first under the US\$1.2 billion medium-term note programme that the company set up in early July 2009. Singaporean investors took just under 45% of the issue, with Hong Kong buyers taking about 37% and most of the remainder allocated to UK accounts. Morgan Stanley is one of two banks arranging the medium-term note programme and managing the first issue.<sup>351</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Morgan Stanley was one of the four bookrunners and contributed an estimated US\$250 million to the 12-bank issuing syndicate.<sup>352</sup>

## ASSET MANAGEMENT

On 31 December 2010, Morgan Stanley owned or managed 1.06% of the shares of **Textron** valued at US\$69.4 million.<sup>353</sup>

### 1.2.108 National Agricultural Cooperative Federation (South Korea)

#### LOANS

In December 2008, **Poongsan Corporation** secured a KRW3 billion (US\$2 million) four-year credit facility. The proceeds were used for capital expenditures. National Agricultural Cooperative Federation provided the whole amount of the facility.<sup>354</sup>

### 1.2.109 National Pension Service (South Korea)

#### ASSET MANAGEMENT

On 31 December 2009, National Pension Service owned or managed 7.14% of the shares of **Hanwha Corporation** worth US\$219.8 million.<sup>355</sup>

On 29 December 2010, National Pension Service owned or managed 6.03% of the shares of **Poongsan Corporation** valued at US\$71.8 million.<sup>356</sup>

### 1.2.110 Natixis (France)

#### ASSET MANAGEMENT

On 31 December 2010, Natixis Asset Management (including Loomis Sayles) owned or managed 6.21% of the total outstanding bonds issued by **Textron** valued at US\$203.1 million.<sup>357</sup>

### 1.2.111 Neuberger Berman (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Neuberger Berman owned or managed 5.29% of the shares of **Alliant Techsystems** valued at US\$131.8 million.<sup>358</sup>

### 1.2.112 New Jersey Department of Treasury (United States)

#### ASSET MANAGEMENT

On 30 November 2009, New Jersey Department of Treasury owned or managed 1.49% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$82 million.<sup>359</sup>

### 1.2.113 New York Life (United States)

#### ASSET MANAGEMENT

On 30 September 2010, New York Life owned or managed 2.42% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$133.8 million.<sup>360</sup>

On 30 September 2010, New York Life owned or managed 1.13% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$14.1 million.<sup>361</sup>

### 1.2.114 Newton Investment Management (United Kingdom)

#### ASSET MANAGEMENT

On 28 February 2011, Newton Investment Management Ltd. owned or managed 0.64% of the shares of **Singapore Technologies Engineering** valued at US\$48.6 million.<sup>362</sup>

### 1.2.115 Nomura (Japan)

#### ASSET MANAGEMENT

On 31 January 2011, Nomura owned or managed 0.1% of the shares of **Poongsan Corporation** valued at US\$1.1 million.<sup>363</sup>

### 1.2.116 Northern Trust (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Northern Trust owned or managed 1.07% of the shares of **Lockheed Martin** valued at US\$263 million.<sup>364</sup>

On 31 December 2010, Northern Trust owned or managed 1.09% of the shares of **Textron** valued at US\$71.1 million.<sup>365</sup>

### 1.2.117 Northwestern Mutual (United States)

#### ASSET MANAGEMENT

On 30 September 2010, Northwestern Mutual owned or managed 4.35% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$239.5 million.<sup>366</sup>

### 1.2.118 Nuveen Investments (United States)

#### ASSET MANAGEMENT

On 31 December 2009, Nuveen Investments (through Tradewinds Global Investors and NWQ Investment Management Company) owned or managed 2.76% of the shares of **Lockheed Martin** valued at US\$675.7 million.<sup>367</sup>

On 31 December 2010, Tradewinds Global Investors, which is part of Nuveen Investments, owned or managed 1.41% of the shares of **Alliant Techsystems** valued at US\$35.2 million.<sup>368</sup>

### 1.2.119 Och-Ziff Capital Management (United States)

ASSET MANAGEMENT

On 31 December 2010, Och-Ziff Capital Management owned or managed 1.42% of the outstanding bonds issued by **Textron** valued at US\$46.3 million.<sup>369</sup>

### 1.2.120 Oaktree Capital Management (United States)

ASSET MANAGEMENT

On 31 December 2010, Oaktree Capital Management owned or managed 3.18% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$39.7 million.<sup>370</sup>

### 1.2.121 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 was part of the 20-bank syndicate and provided US\$20 million.<sup>371</sup>

### 1.2.122 Pioneer Investments (United States)

ASSET MANAGEMENT

On 31 December 2010, Pioneer Investments owned or managed 1.43% of the shares of **Textron** valued at US\$93.2 million.<sup>372</sup>

### 1.2.123 PNC Financial Services Group (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 Bank was part of the 20-bank syndicate and provided US\$25 million.<sup>373</sup>

### 1.2.124 Principal Financial Group (United States)

ASSET MANAGEMENT

On 31 December 2010, Principal Global Investors owned or managed 1.11% of the shares of **Alliant Techsystems** valued at US\$27.7 million.<sup>374</sup>

### 1.2.125 Prudential (United Kingdom)

#### ASSET MANAGEMENT

On different filing dates, Prudential Asset Management owned or managed 0.49% of the total outstanding bonds issued by **Hanwha Corporation** valued at US\$8.4 million. The filing dates for the different bonds range between 30 September 2010 and 31 December 2010.<sup>375</sup>

On 31 December 2010, Prudential owned or managed 2.19% of the shares of **Textron** valued at US\$143.4 million.<sup>376</sup>

### 1.2.126 Prudential Insurance (United States)

#### ASSET MANAGEMENT

On 30 September 2010, Prudential Insurance owned or managed 3.31% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$174.5 million.<sup>377</sup>

On different filing dates, Prudential Insurance owned or managed 2.73% of the total outstanding bonds issued by **Textron** valued at US\$89.4 million. The filing dates for the different bonds range between 31 December 2010 and 31 January 2011.<sup>378</sup>

On different filing dates, Prudential Insurance owned or managed 1.59% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$20 million. The filing dates for the different bonds range between 30 September 2010 and 31 January 2011.<sup>379</sup>

### 1.2.127 Putnam Investment Management (United States)

#### ASSET MANAGEMENT

On 31 December 2010, Putnam Investment Management owned or managed 1.18% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$14.7 million.<sup>380</sup>

### 1.2.128 Rabobank (The Netherlands)

#### ASSET MANAGEMENT

On different filing dates, Sarasin Asset Management, which is part of the Rabobank Group, owned or managed 1.34% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$6.7 million. The filing dates of the different funds that own bonds range between 30 November 2010 and 31 January 2011.<sup>381</sup>

### 1.2.129 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.<sup>382</sup>

## INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds with a total value of US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. RBC Capital Markets, part of the 7-bank syndicate, underwrote US\$18.4 million.<sup>383</sup>

## ASSET MANAGEMENT

On 31 December 2010, RBC Capital Markets owned or managed 1.35% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$16.8 million.<sup>384</sup>

### 1.2.130 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.<sup>385</sup>

## INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Royal Bank of Scotland was one of the six dealer managers involved in the bonds issuance.<sup>386</sup>

In May 2010, **Lockheed Martin** issued bonds due in 2040 for a total value of US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. Royal Bank of Scotland acted as co-manager manager in the six-bank syndicate, underwriting an estimated US\$36.4 million.<sup>387</sup>

In September 2010, **Alliant Techsystems** issued ten-year bonds with a total value of 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.<sup>388</sup>

## ASSET MANAGEMENT

On 31 December 2010, Royal Bank of Scotland owned or managed 1.6% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$20 million.<sup>389</sup>

### 1.2.131 SAC Capital Advisors (United States)

## ASSET MANAGEMENT

On 31 December 2010, SAC Capital Advisors owned or managed 1.8% of the total outstanding bonds issued by **Textron** valued at US\$59 million.<sup>390</sup>

## 1.2.132 Samsung 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. Samsung Securities, the bookrunner of the issuing syndicate, underwrote KRW40 billion (US\$34.4 million).<sup>391</sup>

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 Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>392</sup>

### ASSET MANAGEMENT

On 31 December 2010, Samsung Investment Trust owned or managed 0.17% of the shares of **Hanwha Corporation** valued at US\$5.3 million.<sup>393</sup>

On 30 July 2010, Samsung Investment Trust owned or managed 1.03% of the shares of **Poongsan Corporation** valued at US\$7.8 million.<sup>394</sup>

On 30 July 2010, Samsung Investment Trust owned or managed 0.1% of the shares of **Poongsan Holdings** valued at US\$0.3 million.<sup>395</sup>

## 1.2.133 Sberbank (Russia)

### LOANS

In December 2009, **Splav SRPE** obtained a credit line of US\$320 million from Srednerussky Bank, part of Sberbank.<sup>396</sup>

## 1.2.134 Scepter Holdings (United States)

### ASSET MANAGEMENT

On 31 December 2010, Scepter Holdings owned or managed 2.95% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$36.8 million.<sup>397</sup>

## 1.2.135 Shanghai Pudong Development Bank (China)

### INVESTMENT BANKING

In September 2009, **Norinco** issued five-year bonds for a total value of CNY800 million (US\$117.2 million). Shanghai Pudong Development Bank participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>398</sup>

### 1.2.136 Shinhan Bank (South Korea)

#### INVESTMENT BANKING

In February 2009, **Hanwha Corporation** issued bonds worth KRW260 billion (US\$175.5 million). The issue was split into three tranches: three-year bonds worth KRW70 billion, two-and-a-half-year bonds worth KRW140 billion and one-year bonds worth KRW50 billion. The proceeds were used for general corporate purposes. Shinhan Bank participated in the issuing syndicate and underwrote US\$6.8 million.<sup>399</sup>

In April 2010, **Poongsan Holdings** issued three-year bonds worth KRW70 billion (US\$62.7 million). The proceeds were used for general corporate purposes. Shinhan Bank was one of the four banks in the issue syndicate, underwriting KRW10 million (US\$9 million).<sup>400</sup>

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).<sup>401</sup>

### 1.2.137 Shinyoung Securities (South Korea)

#### ASSET MANAGEMENT

On 31 December 2010, Shinyoung Securities owned or managed 0.59% of the shares of **Poongsan Corporation** valued at US\$7 million.<sup>402</sup>

On 31 December 2010, Shinyoung Securities owned or managed 3.39% of the shares of **Poongsan Holdings** valued at US\$10.3 million.<sup>403</sup>

### 1.2.138 Sinolink Securities (China)

#### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. Sinolink Securities participated in the nine-bank syndicate, underwriting an estimated US\$49.6 million.<sup>404</sup>

### 1.2.139 SK Securities (South Korea)

#### INVESTMENT BANKING

In October 2008, **Poongsan Corporation** issued three-year bonds worth KRW40 billion (US\$31.6 million). SK Securities was one of the two leaders of the issuing syndicate.<sup>405</sup>

In October 2009, **Poongsan Holdings** issued three-year bonds worth KRW50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. SK Securities led the issuing syndicate, underwriting an estimated US\$25 million.<sup>406</sup>

In April 2010, **Poongsan Holdings** issued three-year bonds worth KRW70 billion (US\$62.7 million). The proceeds were used for general corporate purposes. SK Securities was one of the four banks in the issue syndicate, underwriting KRW30 million (US\$26.9 million).<sup>407</sup>



In May 2010, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$129.9 million). The proceeds were used for general corporate purposes. SK Securities, the bookrunner of the issuing syndicate, underwrote KRW70 billion (US\$60.6 million).<sup>408</sup>

#### 1.2.140 Société Générale (France)

##### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Société Générale contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>409</sup>

##### ASSET MANAGEMENT

On 31 December 2010, TCW Group, a subsidiary of Société Générale, owned or managed 2.3% of the shares of **Textron** valued at US\$150.1 million.<sup>410</sup>

#### 1.2.141 State Farm (United States)

##### ASSET MANAGEMENT

On 30 September 2010, State Farm owned or managed 1.28% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$67.8 million.<sup>411</sup>

#### 1.2.142 State Street (United States)

##### ASSET MANAGEMENT

On different filing dates, State Street owned or managed 3.57% of the shares of **Textron** valued at US\$232.9 million. The filing dates of the different funds that own shares range between 31 December 2009 and 31 January 2011.<sup>412</sup>

On different filing dates, State Street owned or managed 0.18% of the shares of **Hanwha Corporation** valued at US\$7 million. The filing dates of the different funds that own shares range between 31 March 2010 and 31 January 2011.<sup>413</sup>

On different filing dates, State Street owned or managed 21.28% of the shares of **Lockheed Martin** valued at US\$5,202.7 million. The filing dates of the different funds that own shares range between 31 March 2010 and 31 January 2011.<sup>414</sup>

On 31 January 2011, State Street owned or managed 0.21% of the shares of **Poongsan Corporation** valued at US\$2.4 million.<sup>415</sup>

On different filing dates, State Street owned or managed 0.25% of the shares of **Singapore Technologies Engineering** valued at US\$16.9 million. The filing dates of the different funds that own shares range between 31 December 2009 and 31 January 2011.<sup>416</sup>

On 31 December 2010, State Street owned or managed 2.15% of the shares of **Alliant Techsystems** valued at US\$53.7 million.<sup>417</sup>

### 1.2.143 Sumitomo Trust & Banking (Japan)

#### ASSET MANAGEMENT

On 18 November 2010, Sumitomo Trust & Banking Group owned or managed 0.24% of the shares of **Singapore Technologies Engineering** valued at US\$16.2 million.<sup>418</sup>

### 1.2.144 Sun Life Financial Services (Canada)

#### ASSET MANAGEMENT

On 31 December 2010, Sun Life Financial Services owned or managed 2.66% of the total outstanding bonds issued by **Textron** valued at US\$87.9 million.<sup>419</sup>

### 1.2.145 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.<sup>420</sup>

#### INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds with a total value of 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.<sup>421</sup>

### 1.2.146 Symetra Life Insurance (United States)

#### ASSET MANAGEMENT

On 30 September 2010, Symetra Life Insurance owned or managed 1.29% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$71.2 million.<sup>422</sup>

### 1.2.147 T. Rowe Price Group (United States)

#### ASSET MANAGEMENT

On 31 December 2010, T. Rowe Price owned or managed 2.29% of the shares of **Alliant Techsystems** valued at US\$57.1 million.<sup>423</sup>

On 31 December 2010, T. Rowe Price owned or managed 1.27% of the shares of **Lockheed Martin** valued at US\$310 million.<sup>424</sup>

On 31 December 2010, T. Rowe Price owned or managed 5.39% of the shares of **Textron** valued at US\$352.1 million.<sup>425</sup>

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

### ASSET MANAGEMENT

On 31 December 2010, TIAA-CREF owned or managed 2.24% of the shares of **Textron** valued at US\$146.1 million.<sup>426</sup>

On 30 September 2010, TIAA-CREF owned or managed 2.92% of the total outstanding bonds issued by **Lockheed Martin** valued at US\$161.2 million.<sup>427</sup>

On 30 September 2010, TIAA-CREF owned or managed 1.88% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$23.5 million.<sup>428</sup>

## 1.2.149 Temasek Holdings (Singapore)

### ASSET MANAGEMENT

On 17 February 2011, Temasek Holdings owned or managed 51.33% of the shares of **Singapore Technologies Engineering** valued at US\$3,920.7 million.<sup>429</sup>

## 1.2.150 Tenor Capital (United States)

### ASSET MANAGEMENT

On 31 December 2010, Tenor Capital owned or managed 4.33% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$54.1 million.<sup>430</sup>

## 1.2.151 Tong Yang Securities (South Korea)

### INVESTMENT BANKING

In February 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Tong Yang Securities was the sole bookrunner and underwrote the issue for US\$86.1 million.<sup>431</sup>

In May 2010, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$129.9 million). The proceeds were used for general corporate purposes. Tong Yang Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.7 million).<sup>432</sup>

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Tong Yang Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.6 million).<sup>433</sup>

### ASSET MANAGEMENT

On 30 September 2010, Tong Yang Investment owned or managed 1.3% of the total outstanding bonds issued by **Hanwha Corporation** valued at US\$22.3 million.<sup>434</sup>

On 31 December 2010, Tong Yang Investment owned or managed 0.89% of the total outstanding bonds issued by **Poongsan Corporation** valued at US\$2.7 million.<sup>435</sup>

## 1.2.152 UBS (Switzerland)

### INVESTMENT BANKING

In April 2009, **Textron** issued shares for a total of US\$217.4 million. The proceeds can be used for general corporate purposes. UBS, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>436</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. UBS, part of the 10-bank syndicate, underwrote US\$14.6million.<sup>437</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. UBS contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>438</sup>

In May 2010, **Lockheed Martin** issued bonds due in 2040 for a total value of US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. UBS was one of the six dealer managers involved in the bonds issuance.<sup>439</sup>

### ASSET MANAGEMENT

On 30 April 2010, UBS Hana Asset Management, of which UBS owns 51%, owned or managed 3.93% of the shares of **Poongsan Corporation** valued at US\$26.8 million.<sup>440</sup>

On 31 December 2010, UBS owned or managed 1.89% of the shares of **Textron** valued at US\$123.6 million.<sup>441</sup>

## 1.2.153 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.<sup>442</sup>

### ASSET MANAGEMENT

On 31 December 2009, UOB Asset Management, which is part of United Overseas Bank, owned or managed 0.18% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$0.9 million.<sup>443</sup>

## 1.2.154 Universal Investment Gesellschaft (Germany)

### ASSET MANAGEMENT

On 30 June 2010, Universal Investment owned or managed 0.12% of the shares of **Singapore Technologies Engineering** valued at US\$8.2 million.<sup>444</sup>

## 1.2.155 US 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. US Bank was part of the 20-bank syndicate and provided US\$80 million.<sup>445</sup>

### INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds with a total value of US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. US Bank, part of the 7-bank syndicate, underwrote US\$36.8 million.<sup>446</sup>

## 1.2.156 Vanguard Group (United States)

### ASSET MANAGEMENT

On 31 December 2010, Vanguard Group owned or managed 1.12% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$14 million.<sup>447</sup>

On 31 December 2010, Vanguard Group owned or managed 1.31% of the shares of **Hanwha Corporation** valued at US\$40.5 million.<sup>448</sup>

On 31 December 2010, Vanguard Group owned or managed 4.97% of the shares of **Textron** valued at US\$324.7 million.<sup>449</sup>

On 31 December 2010, Vanguard Group owned or managed 0.32% of the shares of **Singapore Technologies Engineering** valued at US\$26.3 million.<sup>450</sup>

On 31 December 2010, Vanguard Group owned or managed 0.2% of the shares of **Poongsan Corporation** valued at US\$2.4 million.<sup>451</sup>

On 31 December 2010, Vanguard Group owned or managed 0.1% of the shares of **Poongsan Holdings** valued at US\$0.3 million.<sup>452</sup>

On 31 December 2010, Vanguard Group owned or managed 3.78% of the shares of **Alliant Techsystems** valued at US\$94.3 million.<sup>453</sup>

On 31 December 2010, Vanguard Group owned or managed 3.08% of the shares of **Lockheed Martin** valued at US\$753.5 million.<sup>454</sup>

On 31 December 2010, Vanguard Group owned or managed 1.35% of the outstanding bonds issued by **Lockheed Martin** valued at US\$74.5 million.<sup>455</sup>

## 1.2.157 Veritas Asset Management (United Kingdom)

### ASSET MANAGEMENT

On 31 January 2011, Veritas Asset Management owned or managed 0.64% of the shares of **Singapore Technologies Engineering** valued at US\$49 million.<sup>456</sup>

## 1.2.158 Wellington Management Company (United States)

### ASSET MANAGEMENT

On 31 December 2010, Wellington Management Company owned or managed 5.01% of the shares of **Textron** valued at US\$327 million.<sup>457</sup>

## 1.2.159 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.<sup>458</sup>

### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for a total of US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Wells Fargo contributed an estimated US\$37.5 million to the 11-bank issuing syndicate.<sup>459</sup>

In November 2009, **Lockheed Martin** issued bonds for a total of US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Wells Fargo contributed an estimated US\$62.5 million to the 12-bank issuing syndicate.<sup>460</sup>

In September 2010, **Alliant Techsystems** issued ten-year bonds with a total value of US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Wells Fargo, part of the 7-bank syndicate, underwrote US\$36.8 million.<sup>461</sup>

### ASSET MANAGEMENT

On different filing dates, Wells Fargo owned or managed 1.3% of the total outstanding bonds issued by **Alliant Techsystems** valued at US\$16.4 million. The filing dates for the different bonds range between 31 December 2010 and 31 January 2011.<sup>462</sup>

On 31 January 2011, Wells Capital owned or managed 0.13% of the shares of **Poongsan Corporation** valued at US\$1.5 million.<sup>463</sup>

## 1.2.160 Western Securities (China)

### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. Western Securities participated in the nine-bank syndicate, underwriting an estimated US\$49.6 million.<sup>464</sup>

## 1.2.161 Westwood Holdings Group (United States)

### ASSET MANAGEMENT

On 31 December 2010, Westwood owned or managed 1.15% of the shares of **Alliant Techsystems** valued at US\$28.7 million.<sup>465</sup>

## 1.2.162 Woori Investment & Securities (South Korea)

### LOANS

In March 2010, **Poongsan Corporation** secured a KRW10 billion (US\$8.5 million) one-year credit facility. The proceeds were used for general corporate purposes. Woori Bank provided the whole amount of the facility.<sup>466</sup>

### INVESTMENT BANKING

In June 2008, **Hanwha Corporation** issued three-year bonds worth KRW170 billion (US\$163.54 million). The proceeds were used for general corporate purposes. Woori Investment & Securities, part of the issuing syndicate, underwrote US\$16.4 million.<sup>467</sup>

In February 2009, **Hanwha Corporation** issued bonds worth KRW260 billion (US\$175.5 million). The issue was split into three tranches: three-year bonds worth KRW70 billion, two-and-a-half-year bonds worth KRW140 billion and one-year bonds worth KRW50 billion. The proceeds were used for general corporate purposes. Woori Investment & Securities participated in the issuing syndicate and underwrote US\$6.8 million.<sup>468</sup>

In October 2009, **Poongsan Holdings** issued three-year bonds worth KRW50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. Woori Investment & Securities was one of the three banks in the issue syndicate underwriting an estimated US\$8.6 million.<sup>469</sup>

In April 2010, **Poongsan Holdings** issued three-year bonds worth KRW70 billion (US\$62.7 million). The proceeds were used for general corporate purposes. Woori Investment & Securities was one of the four banks in the issue syndicate, underwriting KRW20 million (US\$17.9 million).<sup>470</sup>

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 Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>471</sup>

## 1.2.163 Xian International Trust & Investment (China)

### INVESTMENT BANKING

In July 2008, **Norinco** issued ten-year bonds for a total value of CNY4 billion (US\$660.8 million). The proceeds were used for general corporate purposes. Xian International Trust & Investment participated in the nine-bank syndicate, underwriting an estimated US\$49.6 million.<sup>472</sup>

## 1.2.164 Yuanta Financial Holdings (Taiwan)

### ASSET MANAGEMENT

On 31 December 2010, Yuanta Financial Holdings owned or managed 0.32% of the shares of **Poongsan Holdings**, valued at US\$1 million.

## Chapter 2

### FOCUS: Public Pension Funds and Sovereign Wealth Funds

Due to their growing importance, we think that sovereign wealth funds (SWFs) and public pension funds (PPFs) merit special attention. This second chapter takes a closer look at a few sovereign wealth funds and public pension funds.

#### 2.1.0 Introduction and Methodology

Sovereign wealth funds have been around since at least the 1950s but they have expanded dramatically over the past 10-15 years.<sup>XXI</sup> According to the International Monetary Fund (IMF), sovereign funds that probably held no more than US\$500 billion in 1990 controlled an estimated US\$3 trillion in September 2007.<sup>473</sup> International Financial Services London (IFSL) estimated in March 2009 that assets under sovereign wealth funds' management grew by 18% in 2008 to reach US\$3.9 trillion. IFSL projections are that sovereign wealth funds are likely to double their current level to reach US\$8 trillion by 2015.<sup>474</sup> Like most private equity funds, sovereign wealth funds suffered losses on their investments during the credit crisis. They had made several high-profile investments in US and European banks. Still, sovereign wealth funds increased the assets under their management by 11 per cent in 2010 to \$4,000 billion, for the second year in succession. While some SWFs have suffered withdrawals, the aggregate assets under management increased from \$3,590 billion in 2010 to \$3,980 billion at the start of 2011.<sup>475</sup>

Pension funds are even bigger institutional investors. Total assets of the world's largest 300 pension funds grew by over 8% in 2009 to US\$11.3 trillion, up by around US\$1 trillion from the 2008 figure. Despite this growth in total assets, compound annual growth of all funds during the past five years has fallen to just over 6% from the 2008 figure of 10%. The economic crisis has hit pension funds hard leaving them to recover slowly.<sup>476</sup>

They are particularly interesting because most are state owned. This becomes even more important when a sovereign wealth fund's or public pension fund's home country has signed the Convention on Cluster Munitions.

Moreover, sovereign wealth funds and public pension funds sometimes hold a substantial stake in the capital of companies. This gives them considerable voting power at annual meetings, and sometimes even one or more seats on boards of directors.

- **Definitions**

A **sovereign wealth fund** is a state-owned investment fund composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets. Sovereign wealth funds can be funds, pools, or corporations. Some funds also invest indirectly in domestic, state-owned enterprises. They also tend to prefer returns over liquidity, which gives them risk tolerance greater than that of traditional, foreign exchange reserves.<sup>477</sup>

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

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

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XXI The article dates from 2007.



- **Selection and research**

Our research targeted 15 sovereign wealth funds and public pension funds, chosen for their importance and country of origin (to ensure a broad geographical spread). For each of the funds listed below, we report all investments in producers of cluster munitions (including investments below the 1% threshold for US companies or 0.1% for Asian companies for the shares or bonds issued). These include sovereign wealth funds:

Abu Dhabi Investment Authority (United Arab Emirates)  
Alaska Permanent Fund Corporation (United States)  
Alberta's Heritage Fund (Canada)  
Australian Future Fund (Australia)  
Libyan Investment Authority (Libya)  
National Welfare Fund (Russia)  
SAFE Investment Company (China)  
SAMA Foreign Holdings (Saudi Arabia)  
Strategic Investment Fund (France)  
Swiss Federal Social Security Fund (Switzerland)

And public pension funds:

California Public Employees' Retirement System (CalPERS) (United States)  
Government Pension Investment Fund (Japan)  
National Pension Service (South Korea)  
Caixa de Previdencia dos Funcionarios do Banco do Brasil (PREVI) (Brazil)  
Quebec Pension Plan (Canada)

Many of these funds are entrusted to managers. This makes it difficult to determine in which companies they hold assets. Some funds are very transparent and publish a list with shares on their website (e.g. Alaska Permanent Fund, Swiss Federal Social Security Fund and CalPERS). We found information on assets for twelve funds, three of which own or manage assets in the companies on our red flag list. These funds are only involved through asset management, since financing and investment banking are not part of their business operations.

We have listed all the shareholdings that we could document, including those under the 1% threshold. For the rest, we applied the same research criteria used for the financial institutions in our Hall of Shame. In what follows, we describe the twelve funds for which we found information.

### **2.1.1 Abu Dhabi Investment Authority (United Arab Emirates)**

The Abu Dhabi Investment Authority (ADIA) was established in 1976. It is a sovereign wealth fund that is wholly owned by the government of Abu Dhabi. It manages the emirate's excess oil reserves from the Abu Dhabi National Oil Company (ADNOC). The Sovereign Wealth Fund Institute reports ADIA's assets as US\$627 billion.<sup>478</sup>

#### **ASSET MANAGEMENT**

At the most recent filing date, we found no evidence that ADIA owned shares in any companies on our red flag list.<sup>479</sup>

### **2.1.2 Alaska Permanent Fund Corporation (United States)**

State-owned Alaska Permanent Fund Corporation manages the funds of the Alaska Permanent Fund. This sovereign wealth fund was established when the Alaska Pipeline neared completion. At least 25% of the proceeds from mineral sales and royalties were placed in the fund. The principal may only be used for investment that generates income.<sup>480</sup>

#### ASSET MANAGEMENT

On 31 December 2010, APFC owned 0.04% of the shares of Alliant Techsystems, valued at US\$1.0 million.<sup>481</sup>

On 31 December 2010, APFC owned 0.04% of the shares of Lockheed Martin, valued at US\$10.7 million.<sup>482</sup>

On 31 December 2010, APFC owned 0.04% of the shares in **Textron**, valued at US\$2.4 million.<sup>483</sup>

### **2.1.3 Alberta's Heritage Fund (Canada)**

The Heritage Fund is Alberta's main long-term savings fund. The fund was originally established to collect a portion of Alberta's oil and gas revenues for future generations. Today the fund produces income which supports the Alberta government's health care and education programs. As at 31 December 2010, the fund's fair value stood at C\$15.0 billion (US\$15 billion).<sup>484</sup>

#### ASSET MANAGEMENT

At the most recent filing date of 31 March 2010, we found no evidence that Alberta's Heritage Fund owned shares in any companies on our red flag list.<sup>485</sup>

### **2.1.4 Caixa de Previdencia dos Funcionarios do Banco do Brasil (Brazil)**

Caixa de Previdencia dos Funcionarios do Banco do Brasil (PREVI) is the largest pension fund in Latin America. The participants of the fund are state-owned Banco do Brasil and PREVI employees.<sup>486</sup>

#### ASSET MANAGEMENT

At the most recent filing date, we found no indication that Caixa de Previdencia dos Funcionarios do Banco do Brasil held shares in any companies on our red flag list.<sup>487</sup>

### **2.1.5 California Public Employees' Retirement System (CalPERS) (United States)**

The public pension fund CalPERS (California Public Employees' Retirement System) provides retirement and health benefits for California public employees and retirees.<sup>488</sup>

#### ASSET MANAGEMENT

On 31 December 2010, CalPERS owned 0.22% of the shares in Alliant Techsystems, valued at US\$5.5 million.<sup>489</sup>

On 31 December 2010, CalPERS owned 0.26% of the shares in Lockheed Martin, valued at US\$63.6 million.<sup>490</sup>

On 31 December 2009, CalPERS owned 0.27% of the shares in Textron, valued at US\$17.6 million.<sup>491</sup>

## **2.1.6 Libyan Investment Authority (Libya)**

The Libyan Investment Authority (LIA) is a Libyan government organisation established in August 2006, by the General People's Committee of Libya (GPCO) to manage the value of Libya's oil and gas revenues and to diversify the dependence of national income.<sup>492</sup>

### **ASSET MANAGEMENT**

At the most recent filing date, we found no indication that LIA owned shares in any companies on our red flag list.<sup>493</sup>

## **2.1.7 National Pension Service (South Korea)**

The National Pension Service of Korea (NPS) is South Korea's public pension fund. It is the fourth largest in the world with US\$258 billion in assets.<sup>494</sup>

### **ASSET MANAGEMENT**

On 31 December 2009, National Pension Service owned 7.14% of the shares in Hanwha Corp., valued at US\$219.8 million.<sup>495</sup>

On 29 December 2010, National Pension Service owned 6.03% of the shares in Poongsan, valued at US\$71.8 million.<sup>496</sup>

## **2.1.8 Quebec Pension Plan (Canada)**

The Québec Pension Plan is a public insurance plan to provide basic retirement protection and death and disability insurance for persons who work (or have worked) in Québec and for their families. Québec workers and employers pay into the plan. Revenu Québec collects contributions. Caisse de Dépôt et Placement du Québec manages them.<sup>497</sup>

### **ASSET MANAGEMENT**

At the most recent filing date of 31 December 2010, we found no indication that Caisse de Dépôt et Placement du Québec held shares in any companies on our red flag list.<sup>498</sup>

## **2.1.9 SAMA Foreign Holdings (Saudi Arabia)**

SAMA Foreign Holdings is a Saudi Arabian sovereign wealth fund. The fund is controlled by the Saudi Arabian Monetary Authority (SAMA), a part of the central bank. According to the Sovereign Wealth Fund Institute, SAMA Foreign Holdings has US\$439 billion in assets under management.<sup>499</sup>

### **ASSET MANAGEMENT**

At the most recent filing date, we found no indication that SAMA Foreign Holdings held shares in any companies on our red flag list.<sup>500</sup>

### **2.1.10 SAFE Investment Company (China)**

The State Administration of Foreign Exchange (SAFE) is responsible for managing China's foreign exchange reserves. The foreign equity investments of SAFE are grouped under subsidiary SAFE Investment Company in Hong Kong. The SAFE Investment Company is organised as a privately held firm, but SAFE officials serve on its board.<sup>501</sup>

#### ASSET MANAGEMENT

At the most recent filing date, we found no indication that SAFE Investment Company held shares in any companies on our red flag list.<sup>502</sup>

### **2.1.11 Strategic Investment Fund (France)**

Le Fonds stratégique d'investissement (FSI), also called the Strategic Investment Fund (SIF), was established in November 2008. SIF was created to enhance equity and to help stabilise French firms. Caisse des Dépôts manages the fund. The government of France owns 49% and the Caisse des Dépôts et Consignations owns 51%. The firm invests in small and medium-sized French enterprises in emerging growth, growth capital, and middle-market transactions.<sup>503</sup>

#### ASSET MANAGEMENT

At the most recent filing date, we found no indication that the Strategic Investment Fund held shares in any companies on our red flag list.<sup>504</sup>

### **2.1.12 Swiss Federal Social Security Fund (Switzerland)**

The Swiss Federal Social Security Fund is the central manager of the funds and assets for the Federal Old Age and Survivors' Insurance (AHV), the Federal Disability Insurance (IV) and the Income Compensation Scheme (EO). As at 31 December 2010, the fund's total assets were CHF25.2 billion (US\$26.8 billion).<sup>505</sup>

#### ASSET MANAGEMENT

At the most recent filing date, we found no indication that the Swiss Federal Social Security Fund held shares in any companies on our red flag list.<sup>506</sup>

## Chapter 3

# Disinvesting from Cluster Munitions Producers

This third chapter answers our second research question:

Who is disinvesting from companies that produce cluster munitions?

The chapter is divided in three parts:

- The first part, the Hall of Fame, describes 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 several shortcomings.
- Finally, the third part lists states taking initiative to ban investment in cluster munitions.

### 3.1 Hall of Fame: Financial institutions pioneering in disinvestment

#### 3.1.0 Introduction and Methodology

As the previous chapter showed, many financial institutions display little responsibility when it comes to cluster munitions. They invest in 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 an 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.

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. Even if we were notified that a new policy is on its way, and were allowed access to the new policy we still could not include the new policy in the report before it became accessible to the public at large.

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 types of cluster munitions producers
  - no exceptions for any types 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 immediate 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 found, 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 arms production. 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.

### 3.1.1 ASN Bank (the Netherlands)

ASN Bank is the largest ethical bank in the Netherlands. It aims to promote a sustainable society by supporting socially responsible businesses.<sup>507</sup>

ASN's special investment criteria stipulate absolute exclusion criteria for the arms and security sector for all investments. This means it excludes companies engaged in or benefiting from war crimes, or from the manufacture of 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, 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.<sup>508</sup>

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's special investment criteria.<sup>509</sup>

### 3.1.2 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.<sup>510</sup>

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."<sup>511</sup> According to Banca Etica, this article prohibits all involvement with the arms industry.<sup>512</sup>

### 3.1.3 Triodos Bank (the Netherlands)

Triodos Bank is an ethical bank active operating in the Netherlands, Belgium, the United Kingdom, Spain, and Germany. Its 2010 balance sheet total was €3,495 million.<sup>513</sup>

Triodos' *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."<sup>514</sup>

Triodos has a strict policy on banks. They are expected to apply zero tolerance to shareholdings in, bonds of and loans for companies involved in producing cluster bombs (the one exception is passively managed funds directly related to indexes).<sup>515</sup>

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

## **TRANSPARENCY**

A salient characteristic shared by all three of these ethical banks is their 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 for each company in the portfolio.
- Banca Etica is completely transparent about its financing operations. Its website displays a list of all loans approved during the previous year.
- Triodos is transparent about companies receiving credit, providing a list of these on its website. Triodos offers complete insight into its funds' investment universes and portfolios as well.

When they select financing and investment recipients, financial institutions determine which businesses they will support. Because most other financial institutions do not make their choices public, it is impossible for clients to know what their money is being used to support. Everyone, not just the customer, has the right to know about these important choices, their impact and their risks. A bank that publishes the names of the companies to which it has approved or refused financing/investment gives observers a tool to ascertain the type of businesses with which a financial institution is involved and to verify whether the institution really does what it says it does. It allows each customer, political leader and shareholder to gather information to determine whether a financial institution is ethically responsible and 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 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.<sup>516</sup> National governments manage some of these pension funds. That makes national governments responsible for these funds' investment strategies and for managing their portfolios.

### **3.1.4 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.<sup>517</sup>

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XXII The German branch has only just set up operations. It still has to get all its technology in place. Once it is up and running on the same platform as the other branches, it will offer the same transparency.



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, a legally binding convention 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.<sup>518</sup>

On 2 December 2008, Ireland passed the *2008 Cluster Munitions and Anti-Personnel Mines Act*. 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 2009 annual report were Aerostar, Alliant Techsystems, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Northrop Grumman, Poongsan, Raytheon, and Singapore Technologies Engineering and Textron.<sup>519</sup>

### **3.1.5 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.<sup>520</sup>

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.<sup>521</sup> The guardians decided to exclude these companies after New Zealand signed the Convention on Cluster Munitions on 3 December 2008.<sup>522</sup>

The fund's website lists companies excluded for their involvement in cluster munitions production. It reviews and updates this list regularly with information from external screening agencies. The list includes Alliant Techsystems, Goodrich Corporation, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Northrop Grumman, Poongsan, Raytheon, Singapore Technologies Engineering and Textron Systems.<sup>523</sup>

### **3.1.6 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.<sup>524</sup>

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 material to states mentioned in section 3.2 of the guidelines for the management of the Fund."<sup>525</sup>

Relying on recommendations of 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.<sup>526</sup>

The Council on Ethics based its exclusion recommendations on the 2008 International Convention to Ban Cluster Munitions' technical definition of what constitutes cluster munitions.<sup>527</sup>

The Norwegian 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.<sup>528</sup> In September 2009, it reversed Thales' exclusion because the latter ceased producing cluster munitions.<sup>529</sup> In March 2011, it decided to return L-3 Communications to its investment universe, because the latter ceased producing cluster munitions.<sup>530</sup>

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

### **3.1.7 Swedish Pension Funds AP 1-4 (Sweden)**

AP 1 – 4 are four of the seven state-owned pension funds in Sweden. Sweden's pension system has two tiers: five buffer funds and a premium pension system. The five buffer funds (AP 1 – 4 and AP 6) work 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.<sup>531</sup>

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.<sup>532</sup>

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. Aside from the nine excluded companies, the Council has seven others under observation.<sup>533</sup>

Excluded are Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon and Textron.<sup>534</sup>

### 3.1.8 Swedish Pension Fund AP7 (Sweden)

AP7 is one of seven state-owned pension funds in Sweden. As stated above, Sweden's pension system has two tiers: a pay-as-you-go component and a premium pension system in which pension disbursements are based on individual savings invested in funds managed by the Premium Pension Authority (PPM). The employees may choose the PPM 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.<sup>535</sup>

In June 2008, AP7 announced that it would disinvest from companies involved in cluster munitions and nuclear weapons.<sup>536</sup> There will be no direct investments in companies thought to develop or produce cluster munitions.

AP7 listed the excluded companies in its annual report. It excluded the following companies because of their involvement in cluster munitions in 2009: Alliant Techsystems, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering, Textron, Toshiba.<sup>537</sup>

#### 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)

### 3.1.9 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.<sup>538</sup> With €237 billion assets under management as per 31 December 2010, ABP is one of the largest pension funds in the world. The fund is under APG's management.<sup>539</sup>

In March 2007, after a documentary entitled "The Cluster Bomb Feeling"<sup>540</sup> 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."<sup>541</sup> This is still ABP's official policy on this issue, a summary is found in its 2009 Responsible Investment Report.<sup>542</sup>

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 2010. As of the 1st of January 2011, it excludes the following companies: Aerostar, Aeroteh, Alliant Techsystems, Aryt Industries, General Dynamics, Hanwha, Kaman, L-3 Communications, Larsen & Toubro, Lockheed Martin, Magellan Aerospace, Norinco, Poongsan, Singapore Technologies Engineering, Tata Power, Textron, Valentec Systems, Zodiac Aerospace.<sup>543</sup>

### **3.1.10 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.<sup>544</sup>

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.<sup>545</sup>

ATP maintains an exclusion list. Its website has a list of the companies excluded per year in 2005 – 2009. 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 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, General Dynamics, GenCorp, Goodrich, Ishikawajima-Harima Heavy Industries, L-3 Communications, Lockheed Martin, Magellan Aerospace, Poongsan, Raytheon, Rheinmetall, Saab, and Thales.<sup>546</sup>

### **3.1.11 BPF Bouw (the Netherlands)**

BPF Bouw is the industry-wide pension fund for the Dutch construction industry. It administers pensions for about 14,500 companies and manages €26.4 billion in assets.<sup>547</sup>

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.<sup>548</sup>

At 1 January 2011, BPF Bouw's investment universe excluded 18 companies. This list is the same as ABP's: Aerostar, Aeroteh, Alliant Techsystems, Aryt Industries, General Dynamics, Hanwha, Kaman, L-3 Communications, Larsen & Toubro, Lockheed Martin, Magellan Aerospace, Norinco, Poongsan, Singapore Technologies Engineering, Tata Power, Textron, Valentec Systems, Zodiac Aerospace.<sup>549</sup>

### **3.1.12 DnB NOR (Norway)**

DnB NOR is Norway's largest financial services group, with total combined assets of NOK 2,076 billion (€267 billion<sup>550</sup>). It offers a wide variety of financial services: banking, asset management, life and pension insurances, investment banking.<sup>551</sup>

DnB NOR'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."<sup>552</sup>

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.<sup>553</sup> The guidelines also apply to suppliers of mutual funds in which DnB NOR invests or which it offers to its customers.<sup>554</sup>

DNB NOR maintains an internal blacklist of companies. As at 28th February 2011, 9 companies were excluded for involvement in cluster munitions.<sup>555</sup>

### **3.1.13 Ethias (Belgium)**

Ethias is a Belgian insurance and banking company. It is the fourth largest insurance company of Belgium, with a market share of 10.4%.<sup>556</sup>

Ethias Bank has a deontological code that forbids giving credit to companies involved in the production of or trade in weapons. It restricts its asset management to government bonds in the euro-zone. Since 2009, screening agency Forum Ethibel audits Ethias' entire balance and investment universe annually to verify its compliance with its mission and codes.<sup>557</sup>

Ethias Insurance subjects all financial reserves under its management to its investment code. This code excludes cluster munitions producers. Ethias Insurance maintains a blacklist and currently bans 11 companies for their association with anti-personnel mines, weapons with depleted uranium and cluster munitions. On the list are: Alliant Techsystems, AviChina, BAE Systems, EADS, Forges de Zeebrugge, Lockheed Martin, Poongsan, Raytheon, Rheinmetall, Singapore Technologies Engineering and Thales.<sup>558</sup>

### **3.1.14 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, managing SEK 270 billion (€30.4 billion<sup>559</sup>) in assets.<sup>560</sup>

In 2008, Folksam responded to the CCM by selling its interest in companies that produce or sell cluster munitions. Folksam's policy applies to all in-house products.<sup>561</sup>

In our 2010 edition, we found that Folksam owned or managed shares in Textron. Confronted with this information, Folksam researched the Textron case and concluded that it should indeed consider Textron as a cluster munitions producer. Folksam has therefore added Textron to its exclusion list and has disinvested from Textron.<sup>562</sup> As our research findings confirmed this, we restored Folksam to the Hall of Fame.

### **3.1.15 KLP (Norway)**

KLP – Kommunal Landspensjonskasse – is one of Norway's largest life insurance companies with total assets of NOK 271.7 billion (€34.9 billion<sup>563</sup>). It provides pension, financing and insurance services to local government and state health enterprises as well as to public and private companies.<sup>564</sup>

KLP has developed product-based exclusion criteria. As such, KLP does not invest in companies producing cluster munitions and other weapons violating humanitarian principles.<sup>565</sup>

Each year, it publishes its exclusion list in its socially responsible investment (SRI) report. In 2010, it excluded nine companies for their involvement in cluster munitions: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon and Textron. Singapore Technologies Engineering was excluded due to the company's involvement in anti-personnel mines.<sup>566</sup>

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."<sup>567</sup>

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

### **3.1.16 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 and the Swedish Association of Local Authorities and Regions owns 40%. In 2009, KPA held SEK 58.68 billion (€6.6 billion<sup>568</sup>) in invested assets.<sup>569</sup>

KPA Pension does not invest in companies or groups that produce weapons. KPA 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).<sup>570</sup>

### **3.1.17 Pensioenfond Vervoer (the Netherlands)**

The Transport Industry Pension Fund, founded in 1964, is the transport industry pension fund and is by and for employers and employees in goods transport, private bus transport, taxi transport, mobile crane hire and inland ferry services. Invested assets exceed €6 billion.<sup>571</sup>

Pensioenfond Vervoer uses an exclusion list of companies in which it does not want to invest. The list encompasses companies producing cluster munitions. Per 1st of May 2010, the list contains the following cluster munitions producers: Aeroteh, Ashot Ashkelon, Alliant Techsystems, Cobham, General Dynamics, Goodrich, Hanwha, Kaman, L-3 Communications, Lockheed Martin, Norinco, Poongsan, Singapore Technologies Engineering, Textron, Valentec Systems and Zodiac.<sup>572</sup>

The fund's responsible investment policy covers only 53.5% of its investments. Its policy does not apply to investments in state obligations and Dutch mortgages.<sup>573</sup> There is no risk that either of these investment categories will invest in cluster munitions producers.

### **3.1.18 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 of pension funds. PGGM's largest client is *Pensioenfond Zorg en Welzijn* (PFZW), with pension assets of around €99 billion. PFZW sets its own investment policy. PGGM manages PFZW's assets and administers its pension scheme.<sup>574</sup>

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.<sup>575</sup>

It published a list of excluded companies on its website. Excluded for involvement in cluster munitions are AeroStar, Aryt Industries, General Dynamics, Goodrich Corporation, Hanwha, Kaman, L-3 Communications, Lockheed Martin, Magellan Aerospace, Poongsan, Raytheon, Saab, Singapore Technologies Engineering, Textron and Zodiac.<sup>576</sup>

PGGM's 2009 annual report states that PGGM could guarantee that 98% of its portfolio was consistent with its exclusions policy. It wrote, "That does not mean that the other 2% do violate it, but we cannot guarantee that no investments will be made which contravene the provisions of the policy or the exclusions list."<sup>577</sup> Further information from PGGM showed that the remaining 2% was mainly made up of fund investments and funds-of-funds.<sup>578</sup> A 2010 PGGM press release states that PGGM would start its own dedicated managed account platform for hedge-fund investments, so that it could do better in applying its responsible investment policy.<sup>579</sup>

### **3.1.19 Philips Pension Fund (the Netherlands)**

Philips Pension Fund's €13 billion in assets<sup>580</sup> make it one of the largest corporate retirement plans in the Netherlands. It offers pension services to employees of Philips Electronics.<sup>581</sup>

In 2008, Philips fund started to integrate environmental, social and governance (ESG) criteria across its total investments. This implied excluding companies linked to cluster weapons production. The fund maintains an unpublished list of cluster munitions producers for this purpose.<sup>582</sup>

### **3.1.20 PME (the Netherlands)**

PME is the pension fund for the Dutch metal industry. It administers pensions for more than 1,200 companies and more than 150,000 customers. PME has €22.4 billion in assets under management.<sup>583</sup>

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 or other investment products involved in products that breach international agreements that the Dutch government has signed.<sup>584</sup> After establishing this guideline, PME disinvested from anti-personnel mine and cluster munitions producers.<sup>585</sup>

PME has published its investment exclusion list on its website. The list contains mainly companies in the arms industry. With the exception of Splyav, all cluster munitions producers covered in this report are on PME's blacklist.<sup>586</sup>

### **3.1.21 PNO Media (the Netherlands)**

PNO Media, a Dutch media industry pension fund, manages pensions for some 375 media companies and organisations. PNO Media has €2.5 billion in assets under management.<sup>587</sup>

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. PNO Media lists the principles of proportionality and distinction. Its investment policy excludes investment in cluster munitions.<sup>588</sup>

PNO Media published its blacklist of excluded companies on its website. Per 25th of January 2011, the following companies were excluded because of their involvement in cluster munitions and anti-personnel mines: Aerostar, Alliant Techsystems, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Northrop Grumman, Poongsan, Raytheon, Singapore Technologies Engineering and Textron.<sup>589</sup>

PNO Media is transparent about all of its investments. It publishes an overview on its website which is updated quarterly.<sup>590</sup>

### 3.1.22 Spoorwegpensioenfond (the Netherlands)

The Spoorwegpensioenfond offers a pension plan for companies and past and present employees in the railway transport industry. It manages €10.6 billion in assets for 30,000 active participants and 25,000 pensioners from more than 70 affiliated companies.<sup>591</sup>

Under its responsible investments policy, the Spoorwegpensioenfond's board decided in 2007 not to invest in certain businesses, among which were producers of controversial weapons. The fund defines controversial weapons as cluster, nuclear, biological and chemical weapons, weapons with depleted uranium and anti-personnel landmines.<sup>592</sup> The Spoorwegpensioenfond also excludes companies that have a significant shareholding in a company producing cluster munitions.<sup>593</sup>

The Spoorwegpensioenfond uses an exclusion list to apply its responsible investments policy. The Spoorwegpensioenfond blacklisted 32 companies in 2010. It did not publish its complete blacklist, but only the list of companies from which it disinvested. There are six companies on the public list: General Dynamics, L-3 Communications, Lockheed Martin, Northrop Grumman, Raytheon and Textron.<sup>594</sup>

### 3.1.23 Storebrand Group (Norway)

Storebrand Group is a leading player on the Nordic market for pensions, life and health insurance, banking and asset management.<sup>595</sup>

Storebrand Group barred cluster munitions producers from its investment portfolios. It updated this policy in May 2009 to reflect the Convention on Cluster Munitions. This 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 the second quarter of 2009, Storebrand excluded six companies linked to cluster munitions from its investment universe. The situation remained unchanged in the 4th quarter of 2010. Storebrand has not made its list of excluded companies public.<sup>596 XXIII</sup>

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XXIII In our October 2009 research for financial links made by the financial institutions listed in the Hall of Fame in the companies of our red flag list, including shareholdings under the 1% threshold, we found three investments made by Storebrand:

In March 2009, Storebrand owned or managed shares of L-3 Communications, Lockheed Martin and Textron, valued at respectively US\$0.17, US\$0.46 and US\$0.03 million. (Thomson ONE Database, viewed July 2009, [www.thomsonone.com](http://www.thomsonone.com)).

Storebrand informed us in that period that these findings are due to a legal question: When SPP mutual funds were transferred from Handelsbanken to Storebrand in 2009, the fund mandates had to be approved by the Swedish government (Finansinspektionen). For certain of SPPs funds, such approval had not yet been given. Storebrand confirmed that a meeting was set up between SPP and Finansinspektionen in the near future to discuss this issue specifically. As soon as Finansinspektionen would give their approval, portfolios would be adjusted to Storebrand's policy, which would include the exclusion of cluster munitions producers. (Written answer from Storebrand to Netwerk Vlaanderen on 8 October 2009). In March 2010 Storebrand informed us on the not approval by Finansinspektionen to apply Storebrand's SRI standards on SPP Index Funds. The only legal solution for Storebrand is a change of the names of the SPP Index Funds. Storebrand has started this time consuming procedure, which will be ended in the 3rd Quarter of 2010. (Written communication from Storebrand to Netwerk Vlaanderen dated 12 March 2010). In March 2011, Storebrand informed us that there has



## **Blacklists**

Several financial institutions have put the companies they exclude on a blacklist. Not all companies are identical, since not all financial institutions share the same premises when drafting a list. Some start from their own investment universe and exclude cluster munitions producers from that (e.g. Norwegian Pension Fund). 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). This explains why lists differ.

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

## **3.2 Runners-up Financial Institutions**

### **3.2.0 Introduction and Methodology**

The second part of this chapter contains a list of runners-up financial institutions. 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 still have financial 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 policies 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 are eager to include 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.

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been a further delay. Swedish authorities deemed implementing responsible investment criteria in the index funds such a big change that they could not allow it without reclassifying the funds and notifying present clients. Storebrand has started doing this and hopes to finish by the end of Q2 2011. That is why Storebrand is still listed in the Hall of Fame. We found similar owned or managed shares in two of the three companies in the Thomson One database in March 2011. Since the third company is no longer listed in the red flag list in this edition, we did not investigate filings on this third company.

- **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 types of cluster munitions producers
  - no exceptions for any types 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 an 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.

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. The policy is there, but its 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 index funds. 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 index funds 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.

### **3.2.1 ABN Amro (the Netherlands)**

ABN Amro, a Dutch private bank, was rescheduled in the last three years. At the end of March 2010, ABN Amro moved from being part of ABN Amro Holding to being an independent bank under the supervision of the Dutch central bank. 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.<sup>597</sup> Its total assets per 30 June 2010 came to €404.8 billion.<sup>598</sup>

ABN Amro and Fortis Bank Nederland each had its own policy on cluster munitions before the merger.<sup>599</sup> The new entity decided that it would apply what had been ABN Amro's policy. At this point in time, the bank is finalising its choices for either ABN Amro's or Fortis Bank Nederland's policies on various topics. After this phase, the bank will start updating its current policies, after which it will publish its new policies or summaries of them.<sup>600</sup>

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.”<sup>XXIV601</sup>

### **How to gain a place in the Hall of Fame?**

The choice to further use the ABN Amro policy instead of the Fortis Bank Nederland policy is a good one, since the Fortis policy did not apply to investments on behalf of clients. To be listed in the Hall of Fame though, ABN Amro would have to extend its policy to all its products. Right now, there is still a loophole. Clients with discretionary managed portfolio accounts can still request that companies producing cluster munitions be included in their portfolios.

### **3.2.2 AXA (France)**

AXA, based in France, provides banking, insurance and investment services to 96 million customers worldwide. AXA focuses mainly on insurance and asset management.<sup>602</sup> AXA Bank Europe coordinates AXA's banking activities. These cater to the retail market.<sup>603</sup>

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.

AXA maintains an unpublished list of cluster munitions producers<sup>604</sup> to implement its disinvestment policy.

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

### **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, index funds, and the funds that AXA group investment managers manage for institutional investors. Right now, it covers only the investment of AXA Group's general account insurance assets and retail (non-index-based) mutual funds that AXA Investment managers manage.

### **3.2.3 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.<sup>605</sup>

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. The policy now states that the BBVA Group will not be involved in financing those operations related to the defence material or dual use products where the goods subject to the operation are related to cluster bombs.<sup>606</sup> The policy makes sure that no loan or investment banking service is given to a producer of cluster munitions. However, the policy does not yet cover the bank's asset management division. To implement its policy, BBVA uses a non-public exclusion list.<sup>607</sup>

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XXIV Current policies will not be available on the ABN Amro website until they are updated and put in a coherent framework. They are expected to be available online by the third quarter of 2011.

### **How to gain a place in the Hall of Fame?**

To join our Hall of Fame, BBVA should extend its rule against financing cluster bombs to all its financing activities. It is currently restricted to lending and investment banking services.

#### **3.2.4 BNP Paribas (France)**

BNP Paribas, with headquarters in France, has operations in over 83 countries.<sup>608</sup> As of 30 June 2010, its total assets reach €2,237 billion, making it the world's largest bank by assets.<sup>609</sup>

In December 2010, BNP Paribas issued a new policy on the defence sector, which 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.

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.<sup>610</sup> These entities follow the same exclusion list as BNP Paribas and exclude producers of cluster munitions from all funds they actively manage.<sup>611</sup> External asset managers are actively monitored and strongly encouraged to implement similar standards. An exception is made for index-linked products.

To carry out this policy, BNP Paribas uses an exclusion list, which is not made public. An external expert helped BNP Paribas to draft and implement its list.<sup>612</sup>

### **How to gain a place in the Hall of Fame?**

The BNP Paribas's updated policy is much stricter than the old version. To be listed in the Hall of Fame, however, BNP Paribas would have to extend its policy to index-linked products and to discretionary mandates. These last loopholes should be closed.

#### **3.2.5 Commerzbank (Germany)**

Commerzbank is the second largest credit institution in Germany, and one of Europe's major banks. Since Dresdner Bank merged into Commerzbank, Commerzbank has become one of the leading banks for private and corporate customers in Germany. Commerzbank has around 14 million private customers as well as 1 million business and corporate customers worldwide.<sup>613</sup>

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.<sup>614</sup> 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.<sup>615</sup>

To implement its policy, Commerzbank receives external research on controversial weapons from an independent analyst quarterly. Additionally, the bank systematically scans NGO publications.<sup>616</sup>

### **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.

## **3.2.6 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.<sup>617</sup>

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."<sup>618</sup> 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.<sup>619</sup>

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.<sup>620</sup>

In 2011, the Co-operative has additionally committed to extend its ethical screening activities to the £1 billion in investments underpinning their key insurance products (motor and home insurance). This means that the bank's Ethical Policy statement now extends to the investments underpinning these insurance products.<sup>621</sup>

However, the policy does not extend to the Co-operative Investments / Asset Management and Co-operative Insurance's other insurance products. Rather, it uses an ethical engagement policy, which means it will invest in most companies but will try to use its influence as shareholder to improve the companies' ethical performance. This does not mean it will refuse to invest in certain business activities.<sup>622</sup>

### **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 the bank's policy to the group's other insurance (apart from motor and home insurance) and investment activities. Its engagement is too restrictive, because attempts to influence a company's policy without threatening to withdraw that investment lack muscle.

Nevertheless, the Co-operative Bank has a good policy on cluster munitions.

## **3.2.7 Crédit Agricole (France)**

Crédit Agricole group provides retail banking services, specialised financial services, asset management, insurance, private banking and corporate and investment banking to 59 million customers in more than 70 countries.<sup>623</sup> As of 30 June 2011, its assets reach €1,900.6 billion, making it the 7th largest bank worldwide by assets.<sup>624</sup>

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.<sup>625</sup> 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.<sup>626</sup>

Crédit Agricole uses an exclusion list to implement this policy, but has not published it. External consultants drew up the list.<sup>627</sup> 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.

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### **How to gain a place in the Hall of Fame?**

The new Crédit Agricole policy is much better than the previous one. To be listed in the Hall of Fame, however, 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.

## **3.2.8 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.<sup>629</sup>

*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 cease to 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."<sup>630</sup>

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.<sup>631</sup>

### **How to gain a place in the Hall of Fame?**

We welcome the Credit Suisse policy, which encompasses most of the bank's products and services. To be listed in the Hall of Fame, however, 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.

## **3.2.9 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.<sup>632</sup>

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 Ethix 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.<sup>633</sup>

Currently, the bank excludes 30 companies, 12 of which because of involvement in cluster munitions. Among them are Aerostar, Alliant Techsystems, Aryt Industries, Danya Cebus, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering and Textron.<sup>634</sup>

### **How to gain a place in the Hall of Fame?**

To be listed in the Hall of Fame, Danske Bank would have to extend its policy to all the bank's financial products. The SRI policy currently covers only asset management, not the bank's credit 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.

### **3.2.10 Dexia Bank (Belgium)**

Dexia is a European bank. It ranks among the three largest banks in Belgium and Luxembourg and holds a strong position in Turkey, and also operates in Slovakia. The bank offers a wide range of retail, commercial and private banking services as well as insurance products to more than 8 million customers.<sup>635</sup>

Since the Belgian Act of 20 March 2007 forbidding investment in cluster munitions producers, Dexia has based its policy on the conditions stipulated in the act. Dexia bars companies with certain and known involvement in the sale, manufacture, use or possession of cluster munitions from all its banking and insurance activities.<sup>636</sup>

### **How to gain a place in the Hall of Fame?**

Because Dexia's policy is based on the Belgian law of 20 March 2007, we find in it the same two exceptions contained in the law. Eliminating those exemptions would merit Dexia a place in our Hall of Fame.

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

### **3.2.11 HSBC (United Kingdom)**

HSBC, headquartered in London (United Kingdom), is one of the largest private financial institutions in the world. It operates in 87 countries. HSBC provides personal financial services, commercial banking, global banking and markets and private banking services to around 100 million customers worldwide.<sup>637</sup>

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."<sup>638</sup>

All HSBC's loans and investment banking services to cluster munitions producers, as published in our Hall of Shame section of this report, pre-date the new HSBC policy. HSBC will terminate these relations at the earliest opportunity. 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. Renewal of such loans after publication of the policy would cause HSBC's removal from this runners-up category.<sup>639</sup>

### **How to gain a place in the Hall of Fame?**

To be listed in the Hall of Fame, HSBC's policy should apply to all its activities. Its current policy only applies



to investments where it is the principal investor (i.e. where HSBC owns and profits from the investment). It does not apply to investments where HSBC acts on behalf of customers and where HSBC does not make the underlying investment decision.<sup>640</sup>

### 3.2.12 ING (the Netherlands)

ING Group is a global financial service company of Dutch origin, operating in the fields of banking, insurance and asset management. Per 31 December 2010, its total assets were worth €1.2 billion.<sup>641</sup>

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. This means that, as of 9 September 2009, it will sever ties with any company involved in these kinds of weapons. The policy applies to all ING business activities, among which its commercial banking services, proprietary assets and funds as well as investment products and services.<sup>642</sup> In line with policy requirements, all ING managed funds worldwide should be clean of cluster munitions producers.<sup>643</sup> Currently, it has excluded 30 companies for links to controversial weapons, among which are companies involved in cluster munitions.<sup>644</sup>

#### **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 individual clients that explicitly ask to invest in a cluster munitions producer. Such requests should be refused.

### 3.2.13 KBC (Belgium)

KBC is a Belgian integrated banking and insurance group. It is a major financial player in Central and Eastern Europe.<sup>645</sup>

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.<sup>646</sup>

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 published a blacklist with 49 weapon producers. The list is based on in-house and external research from Ethix SRI Advisors. All companies in this report are blacklisted.<sup>647</sup>

KBC's list is remarkable in that it bans all companies that ever produced cluster munitions, except for those that have publicly announced that they have ceased producing them and that they will abstain from doing so in the future. KBC writes to the companies in confidence to ascertain this.<sup>648</sup>

#### **How to gain a place in the Hall of Fame?**

To be listed in the Hall of Fame, KBC needs just one more element: its policy should cover all investments. KBC now exempts some index-linked investment funds for institutional investors. Apart from that, KBC has a clear, far-reaching and transparent policy on weapon systems.

### 3.2.14 Laegernes Pensionskasse (Denmark)

The Medical Doctors Pension Fund (Laegernes Pensionskasse) offers member services, investments, banking operations and administration to its members. As of December 2009, it had about €6.5 billion in assets under management.<sup>649</sup>

The *Medical Doctors Pension Fund Policy for Socially Responsible Investments* states that the pension fund does not invest in companies that manufacture cluster munitions.<sup>650</sup> The policy covers the majority of actively and passively managed listed equity portfolios.<sup>651</sup>

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.<sup>652</sup>

#### **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.

### 3.2.15 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.<sup>653</sup>

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.<sup>654</sup> Nordea's exclusion list contains: Aerotech, Alliant Techsystems, Aryt Industries, Doosan Corporation, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering and Textron.<sup>655</sup>

#### **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.

### 3.2.16 Nycredit (Denmark)

Nycredit is a Danish commercial bank and asset manager, with assets under management for a sum of DKK 95 billion (€12.7 billion<sup>656</sup>) in 2010.<sup>657</sup>

Nycredit 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.

Nycredit's policy includes the Group's own portfolio as well as investment products applied in their investments concepts. The policy also applies to investments that Nycredit has outsourced to external managers. It screens investment portfolios twice a year and disposes of securities of non-compliant companies.<sup>658</sup>

To implement the policy, Nycredit 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, EADS, Finmeccanica, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Magellan Aerospace, Poongsan, Raytheon, Singapore Technologies Engineering and Textron. All of these companies are excluded from investments, but not all for the reason of cluster munitions involvement.<sup>659</sup>

#### **How to gain a place in the Hall of Fame?**

To be listed in the Hall of Fame, Nycredit should close the following loopholes:

- Nycredit's policy does not yet cover all products: mortgage loans or corporate finance are covered by Nycredit's credit policy which has no specific focus on cluster munitions.
- Nycredit 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. This loophole should be closed.

### **3.2.17 Pensioenfond Horeca & Catering (the Netherlands)**

Pension Fund Horeca & Catering (PH&C) is the occupational pension fund for the Dutch hospitality and catering industries. It is an industry-wide fund with around 850,000 participants on the current or former payrolls of some 36,000 employers. That makes PH&C one of the 10 largest pension funds in the Netherlands on both counts. The assets under management count up to €3.6 billion.<sup>660</sup>

Since 1 January 2008, PH&C has carried out an exclusion policy conform the Norwegian Government's Pension Fund policy.<sup>XXV</sup> As such, PH&C does not invest in companies that manufacture cluster bombs.<sup>661</sup>

According to the *Benchmark Responsible Investments for Pension Funds in the Netherlands 2010*, the exclusion policy applies to 96% of the public equity investments and to all corporate bonds. There is an exception for the US small cap funds, to which the SRI criteria do not apply.<sup>662</sup>

The list of excluded companies shows PH&C's fund managers which companies to avoid. This list relies on the Norwegian Government Pension Fund's list. Currently, the list contains the following companies implicated in production of cluster munitions: Alliant Techsystems, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon and Textron.<sup>663</sup>

#### **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.

### **3.2.18 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 48 countries.<sup>664</sup>

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. Rabobank's policy does not apply to investments placed on behalf of their clients.<sup>665</sup>

Rabobank has a different policy for investments placed on behalf of their clients. There, Rabobank first talks with the companies. If a company linked to controversial weapons does not change course within a specific period, the investment customer will be advised to withdraw his/her investment from it.

In October 2009, Robeco, Rabobank's largest Asset Manager, decided to bar companies producing cluster munitions and other controversial weapons from the funds it actively manages.<sup>666</sup>

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XXV The Norwegian Government Pension Fund Policy is explained under 3.1.6 of the Hall of Fame section of this report.

Rabobank maintains an unpublished list of cluster bomb producers to implement its divestment policy.

### **How to gain a place in the Hall of Fame?**

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

## **3.2.19 Royal Bank of Canada (Canada)**

Royal Bank of Canada (RBC) offers personal and commercial banking, insurance, corporate, investment banking and other financial services around the globe. The bank operates in 55 countries, serving over 18 million clients.<sup>667</sup> Based on its assets, which per 30 June 2010 reached €1,932.1 billion, it is the 4th largest player in the world.<sup>668</sup>

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 of transactions entailing producing or trading in equipment or material for cluster munitions. RBC did not clarify sufficiently the scope of this policy revision to Mines Action Canada.<sup>669</sup>

### **How to gain a place in the Hall of Fame?**

To be listed in the Hall of Fame, RBC should clarify the scope of its policy and extend it to all its financial activities, including commercial banking, investment banking and asset management. Although RBC's revised policy seems to be broader, the real scope is not clear yet.

## **3.2.20 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. In 2009, SEB had roughly € 150 billion in assets under management.<sup>670</sup>

The SEB's 2009 CSR Report presented its policy on cluster munitions. 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 index funds.<sup>671</sup> All index funds are screened for cluster munitions except the OMX Stockholm Benchmark Index funds as there are no producers of cluster munitions in this index.<sup>XXVI672</sup>

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.<sup>673</sup> SEB excludes the following companies because of their involvement with cluster munitions: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan and Textron.<sup>674</sup>

### **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. SEB informed us that it has started a process to do so.

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XXVI 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.

### 3.2.21 SPF Akzo Nobel (the Netherlands)

Akzo Nobel Pension Fund provides retirement benefits for Akzo Nobel employees. It has €7.4 billion in assets under management.<sup>675</sup>

Akzo Nobel's exclusion policy states that Akzo Nobel 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 records companies producing controversial weapons.<sup>676</sup>

#### **How to gain a place in the Hall of Fame?**

Akzo Nobel would have to instruct all asset managers to apply its exclusion policy and so close this last loophole. Currently, Akzo Nobel 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.<sup>677</sup>

### 3.2.22 Syntrus Achmea (the Netherlands)

Syntrus Achmea is a Dutch pension company offering pension services, real estate, fiduciary management and asset management. Syntrus Achmea has over €57 billion in assets under management.<sup>678</sup>

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.<sup>679</sup> Since July 2010, this policy applies to the pool of fixed-interest securities and to pension fund mandates, but only if they want this.<sup>680</sup> Moreover, 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.<sup>681</sup>

Syntrus Achmea works with an external screening agency to maintain an unpublished list of cluster munitions producers.<sup>682</sup>

#### **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, e.g. the index-linked funds and all pension fund mandates.

### 3.2.23 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. At the end of September 2010 UniCredit held €968.8 billion in assets.<sup>683</sup>

UniCredit Group's 2007 Sustainability Report contained the key criteria for its defence sector policy. One of these deals with cluster munitions. It says, "UniCredit Group abstains from any involvement with companies manufacturing, maintaining or trading such controversial products as nuclear or biological weapons of mass destruction, cluster bombs, mines and Uranium 238".<sup>684</sup>

#### **How 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. UniCredit's responses to Netwerk Vlaanderen's questions left no doubt that there are still loopholes in its policy. "... in the case of any conflict between the Policy and local applicable law, the latter shall prevail." This a familiar loophole used to exempt investment funds from a policy. In a response to questions about this loophole, UniCredit said it would conduct a feasibility study to find out whether it can apply its policy to its asset management product range.<sup>685</sup>
- UniCredit should also explain whether and how it applies its policy to holdings and company groups. Does it apply to an entire company when one of its subsidiaries is implicated in cluster munitions?

### 3.2.24 WestLB (Germany)

WestLB AG is a European commercial bank. With total assets of € 251.2 billion as at 30 June 2010, it is one of Germany's leading financial service providers. Working in close partnership with savings banks, WestLB offers the full range of products and services of a universal bank, focusing on lending, structured finance, capital market, asset management, transaction services and real estate finance.<sup>686</sup>

Its *Policy for Environmental and Social Issues* contains a section on arms and military equipment that states that under no circumstances will it finance production and trading in land mines and stray ammunition. Transactions within the meaning of this policy include all the bank's business activities, e.g. financings, capital market products, equity participations, assumption of advisory functions, etc., irrespective of whether the Bank plays a leading role or simply participates in a transaction.<sup>687</sup>

The policy does not reverse past investments. It did not end an on-going contract with Lockheed Martin that started before the policy was adopted.<sup>688</sup>

WestLB does not use an exclusion list. Instead, each transaction is checked using all available information (in-house sector expertise and research, media, NGO research etc.) to shape its investment decision.<sup>689</sup>

#### **How to gain a place in the Hall of Fame?**

To be listed in the Hall of Fame, WestLB would have to apply its policy to all its subsidiaries. Today, the policy only applies to West LB AG. WestLB is currently updating this policy. The final draft version extends its scope to subsidiaries in which WestLB holds a majority share. WestLB should apply its policy to all its subsidiaries.

## **The policy only covers project financing for cluster munitions**

The following five 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 in these policies, 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 weapon producers to finance their cluster munitions facilities from their general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities. That means these banks really do no more than exclude cluster munitions producers from financial support they never use. 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 their policy to become eligible for the runners-up list or even our Hall of Fame.

## **ANZ (Australia / New Zealand)**

The Australian / New Zealand ANZ Banking Group operates in more than 32 countries including Australia, Dubai, New Zealand, the USA and other countries in the Pacific, Europe, and Asia. It has assets of AUS\$476.99 billion (€297.2 billion).<sup>690</sup>

ANZ published a defence policy document in December 2007. It reviewed this policy in late 2010 in response to a protest card campaign by the Synod of Victoria and Tasmania, Uniting Church in Australia and others. Its new military equipment policy states that “ANZ will not be involved with direct financing or contract bonding related to the sale or manufacturing of controversial weapons (specifically cluster munitions and anti-personnel landmines)”, which repeats its December 2007 policy. However, the second part of the policy is new. It says that “ANZ does not wish to be involved more broadly with customers that are involved in the production of components designed for specific use in these weapons.”

The new policy continues to describe two practical processes to drive implementation:

1. “we engage actively with existing defence industry clients that have been identified as allegedly producing components for cluster munitions to inform them of our policy.”
2. “we seek assurances that these companies are either not engaged in the production of these weapons or their component parts, or are in the process of winding down these production lines within a reasonable timeframe (e.g. such as subsequent to fulfilment of existing contractual obligations, if relevant).”<sup>691</sup>

To identify companies producing components of cluster munitions, ANZ refers to information that Netwerk Vlaanderen and IKV Pax Christi have provided in earlier versions of this report, and to assertions made against defence sector clients elsewhere in the public domain or brought to ANZ's attention directly by external stakeholders. If ANZ is assured that the assertions about a current

client are accurate, that the production of cluster munitions components has not ceased or that the client does not intend to cease production of cluster munitions components at the end of an existing contract, then the appropriate senior executive managers will reconsider the on-going relationship. Here, relationship means any type of project finance and different sorts of corporate banking services, like payroll funding, credit facilities, bond facilities, etc. ANZ defines reasonable timeframe as the shortest possible time in which a company could be reasonably expected to extricate itself from involvement with cluster munitions and anti-personnel landmines given the customer's present circumstances.

According to ANZ, only two of its current clients were linked to the production of cluster munitions or components thereof; one company's contracts relating to cluster munitions will end in 2013. Because ANZ considers this a reasonable timeframe, it will not terminate its relationship with this company. ANZ has requested information from another company to learn whether they are still producing cluster munitions.<sup>692</sup>

### **How to gain a place in the Hall of Fame?**

To gain a place in the Hall of Fame, ANZ would have to exclude producers of cluster munitions from all its financing. Now, ANZ is only strict about excluding direct financing or contract bonding related to the production of controversial weapons, which is another way of saying project financing. ANZ has an engagement policy that governs its transactions with a company producing cluster munitions, but it does not unequivocally say that it will stop dealing with a company that does not abandon this production. Its engagement is too restrictive, because attempts to influence a company's policy without threatening to withdraw investment lack muscle.

## **Intesa Sanpaolo (Italy)**

Intesa Sanpaolo is a banking group that resulted from the merger of Banca Intesa and Sanpaolo IMI, two Italian banks. 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 11.3 million customers.<sup>693</sup>

Intesa Sanpaolo's 2007 weapons policy states that the group bans new financial transactions linked to trading in and manufacture of weapons, weapons components and related products.<sup>694</sup> The group is currently updating its policy. According to Intesa Sanpaolo, the new policy will be committed to refusing all support to cluster munitions producers.<sup>695</sup> We cannot comment on this new policy because it has not been finalised and made public yet.

### **How to gain a place in the Hall of Fame?**

We hope the upcoming policy will address the following points:

- Intesa Sanpaolo would have to exclude cluster munitions producers from its asset management and investment banking activities. Its rule is currently restricted to loans.
- The bank would have to eliminate exceptions and would have to terminate all involvement in cluster munitions producers. Its current policy exempts transactions linked to on-going intergovernmental agreements and to transactions begun or agreed to before the policy was officially issued. If there are difficulties in transferring operations to another bank, the bank may proceed with the operation. The bank would have to publish any such exemptions on its website.
- The bank would have to expand its policy to all a company's activities. It is currently restricted to activities linked to trade in and manufacture of weapons, weapons components and related products. This means that it bans financing only for cluster munitions while putting no restrictions on general corporate financing.



## 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 around banking operations, and including credit card services, leasing, information services, and securities. As of 30 September 2010, it has a capital stock of 2,337.9 billion yen (€19.9 billion<sup>696</sup>).<sup>697</sup>

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.<sup>698</sup> 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."<sup>699</sup>

### How to gain a place in the Hall of Fame?

- Sumitomo Mitsui 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 company's activities, not just those related to the production of cluster munitions.

## Standard Chartered (United Kingdom)

Standard Chartered is a London-based group, operating in more than 70 countries and territories around the globe.<sup>700</sup>

The group's policy on defence equipment and armaments states that Standard Chartered will not, under any circumstances, support the manufacture or distribution of any weapons or munitions. This specific policy applies to lending money to fund defence equipment contracts.<sup>701</sup> Standard Chartered is currently updating its policy, which will extend the coverage of their defence equipment policy. Details were not available for this year's report.<sup>702</sup>

### How to gain a place in the Hall of Fame?

- Standard Chartered 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 company's activities, not just those related to the production or distribution of cluster munitions.

We hope these issues will be addressed in the upcoming policy.

## Toronto Dominion Bank (Canada)

TD Bank is a large Canadian banking group offering a full range of banking services to about 19 million customers. As of 31 January 2011, TD Bank had CDN\$616 billion (€445.56 billion<sup>703</sup>) in assets.<sup>704</sup>

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."<sup>705</sup>

### 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 company's activities, not just those related to the production or distribution of cluster munitions.

## 3.3 Countries' Best Practices

### 3.3.0 Introduction and Methodology

Based on the results of research in this report, and the research and experience that other NGOs report, 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 banks' social responsibility divisions, cluster munitions production has yet to suffer from underfunding. Stringent international regulation and legislation will be needed to stem the flow of capital to cluster munitions production.

Unfortunately, there seems to be no tradition of legislated restrictions on investment. On the contrary, economic deregulation and the globalisation in the financial sector have dramatically loosened governments' grip on the allocation of financial resources. While banks often argue that governments, not banks, should decide whether investments in certain sectors should be forbidden, governments argue that banks will have to 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 production. Any governmental effort to oppose the misery that cluster munitions cause should include efforts to dry up the supply capital that funds cluster munitions production.

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

- **Research**

To be considered as a country banning investments in cluster munitions, a country must either have stated officially that it considers investment to be part of the 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 four categories. Firstly we look at states that have installed national legislation that bans investment as part of the CCM. After that we look at states that have not enshrined disinvestment in national legislation (yet) but that made interpretive statements that reflect the interpretation that (direct) investments are 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. Lastly, we look at other legislation, by which we mean any other legislation that bans investments in cluster munitions but is not part of national implementation of the CCM.

In what follows we first describe the three states that have installed legislation as part of the Convention on Cluster Munitions.

## **DISINVESTMENT AS PART OF THE CONVENTION ON CLUSTER MUNITIONS - LEGISLATION**

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.<sup>706</sup>

### **3.3.1 Ireland**

#### **BACKGROUND**

Ireland was a driving force behind the Oslo process. It deserves much of the credit for the successful outcome of the negotiations and the convention’s strength. It signed and ratified the Convention on Cluster Munitions on 3 December 2008.<sup>707</sup>

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.<sup>708</sup>

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.<sup>709</sup>

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

The prohibition is set out in Part 4 of the act.<sup>710</sup>

*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**

- Ireland was the first country to specify an investment ban in the text ratifying the CCM. This is an important example for other countries.
- The law leaves no doubt about what is excluded from investments. It prohibits investment in the cluster munitions producers (whether for munitions-linked or other activities). These producers include producers of specifically designed components of cluster munitions.
- The law prohibits many investment products: equity and debt securities issued by a munitions company, collective investment undertakings or investment products that invest in the involved companies (unless the company and/or the financial product severs its link to cluster munitions).

- The law stipulates that the investor has a role to play. He/She “shall endeavour to avoid the investment of public money in a munitions company” and he/she must “exercise due diligence” when investing in collective products.
- 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.
- 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 says nothing about withdrawing bank guarantees; the Irish government can still grant a guarantee to a bank that invests in cluster munitions producers.
- It is not clear how the law will be enforced: the law does not stipulate that the investment of public money should be made public to ensure that none is invested in companies that produce cluster munitions. There are no provisions setting criteria for determining which companies are involved in the manufacture of prohibited munitions or their components.

### 3.3.2 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. This included a prohibition for all persons or businesses from knowingly financing cluster munitions or explosive submunitions.<sup>711</sup> 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”<sup>XXVII</sup>*

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.<sup>712</sup>

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.<sup>713</sup>

#### COMMENTARY

- 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

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XXVII Original text: “Il est interdit à toute personne physique ou morale de financer, en connaissance de cause, des armes à sous-munitions ou des sous-munitions explosives.” Translated by Katherine Harrison, Landmine Action.

financing’.<sup>714</sup> The term knowingly could be a loophole in this legislation. It shrugs off responsibility for identifying transactions related to cluster munitions. 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. Luxembourg could consider doing the same as Belgium, where the state is obliged to draw up a list of cluster munitions producers.

- The text does not define financing. This word’s scope should be pinned down precisely, because it is open to multiple interpretations.
- The law forbids financing cluster munitions. It does not explain whether this means that cluster munitions producers are excluded from financing, or whether the exclusion covers only the act of producing cluster munitions. The latter would permit general purpose financing for cluster munitions producers.
- The law does not provide for monitoring tools, producer or financier lists, auditing methods, etc. 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 Meeting of States Parties to the Convention on Cluster Munitions in Lao PDR, Luxembourg announced that it would set up an ethics commission, “...minister Asselborn launched the idea to create an ethical council in the Grand Duchy of Luxembourg that 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) and that 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”<sup>XXVIII</sup>. This commission would be of great assistance in monitoring investments and enforcing the law.<sup>715</sup>

### 3.3.3 New Zealand

#### BACKGROUND

On 10 December 2009, the New Zealand parliament unanimously passed its legislation to implement the Convention of Cluster Munitions. This Cluster Munitions (Prohibition) Bill contains a prohibition on investments in companies that manufacture cluster munitions. Late amendments after strong campaigning by the Aotearoa New Zealand Cluster Munition Coalition added this investment ban to the law. The law 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.”<sup>716</sup>*

The law defines clearly what it means by funds when it says, “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.”

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XXVIII 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.” Translation by Esther Vandenbroucke, Netwerk Vlaanderen.

The law contains strong and clear wording on penalties for those who breach the law.

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

- The addition of the words knowingly and intention could pose a problem. This term shrugs off responsibility for identifying transactions related to cluster munitions. It could release banks from their duty of due diligence and operate with scrutiny. It is important to define precisely what knowingly and intention mean. The law contains penalty clauses; nevertheless, complications arise when it comes to proving that money was intentionally used to produce cluster munitions. If the law contains no clear and unambiguous definitions for intention and knowledge, there is a danger that the law will be interpreted as covering only project financing for cluster munitions and that cluster munitions producers would still be able to obtain funding. That would be one enormous loophole, given the ease with which companies can redirect funds internally.
- 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.

## DISINVESTMENT AS PART OF THE CONVENTION ON CLUSTER MUNITIONS – MINISTERIAL AND INTERPRETIVE STATEMENTS

As stated above, several countries have confirmed the position of the CMC that article 1(1)c of the CCM on prohibiting assistance includes a prohibition on investing in cluster munitions. Colombia, Croatia, France, Guatemala, the Holy See, Ireland, Lebanon, Madagascar, Malawi, Mexico, New Zealand, Norway, Rwanda, the United Kingdom and Zambia have defined investment as one the prohibited types of assistance.

Colombia, Madagascar and Rwanda have not yet ratified the convention, but have stated that they consider investment to be among the prohibited types of assistance. The other countries all ratified the convention. Since these countries have as yet neither proposed nor enacted legislation, we cannot offer a commentary. Nevertheless, we include them in the list of countries that consider investment to be prohibited under the Convention.

During the First Meeting of States Parties to the Convention on Cluster munitions, held on 9-12 November 2010 in Vientiane, Lao PDR, governments showed a high level of support for banning investments in cluster munitions producers.<sup>717</sup> The number of states that interpret investments to be prohibited under the convention seems to be growing.

### 3.3.4 Australia

The Australian government is working on the Criminal Code Amendment (Cluster Munitions) Prohibition Bill to ratify the Convention on Cluster Munitions. The Criminal Code Amendment is still debated in Australia. It would allow for indirect financing of cluster munition development and production through financing of companies involved in such activities, provided the financier does not intend the finance to be used for the purpose of developing or producing cluster munitions.<sup>718</sup> When asked about the issue again in March 2011 in a debate in the Australian senate, the Attorney General's Department on the Bill expressed

its view 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”.<sup>719</sup>

### 3.3.5 Colombia

The Republic of Colombia signed the Convention on Cluster Munitions on 3 December 2008. The ratification process is underway.<sup>720</sup>

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”<sup>XXIX</sup> as prohibited under article 1(1)c of the CCM.<sup>721</sup>

### 3.3.6 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 entry into force on 1 August 2010.<sup>722</sup>

Responding to a questionnaire by the Cluster Munition 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 by the CCM.<sup>723</sup>

### 3.3.7 France

The French government gave an interpretative 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 offenses 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 Parliament the necessary legislative changes.”<sup>XXX724</sup>

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XXIX 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.” Translation by Esther Vandebroucke, Netwerk Vlaanderen.

XXX 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.” Translation by Esther Vandebroucke, Netwerk Vlaanderen.



### **3.3.8 Guatemala**

The Republic of Guatemala signed the Convention on Cluster Munitions in Oslo on 3 December 2008<sup>725</sup> and ratified it on 3 November 2010.<sup>726</sup>

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.<sup>727</sup>

### **3.3.9 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.<sup>728</sup>

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 globalized 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.”<sup>729</sup>

### **3.3.10 Lebanon**

The Republic of Lebanon signed the Convention on Cluster Munitions in Oslo on 3 December 2008<sup>730</sup> and ratified it on 5 November 2010.<sup>731</sup>

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.”<sup>732</sup>

### **3.3.11 Madagascar**

The Republic of Madagascar signed the Convention on Cluster Munitions in Oslo on 3 December 2008.<sup>733</sup>

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.<sup>734</sup> This view was reiterated in the statement Madagascar made on the First Meeting of State Parties 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”.<sup>735</sup>

### **3.3.12 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 entry into force of the convention on 1 August 2010.<sup>736</sup>

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.<sup>737</sup>

### **3.3.13 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 ratifications that triggered entry into force of the convention on 1 August 2010.<sup>738</sup>

**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 assistance prohibition under Article 1 (c) of the Convention precludes financing and investment in corporations linked with the production of cluster munitions.”**<sup>739</sup>

### **3.3.14 Mexico**

The United Mexican States signed the Convention on Cluster Munitions on 3 December 2008 and ratified 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 entry into force of the convention on 1 August 2010.<sup>740</sup>

In a letter to Human Rights Watch dated 4 March 2009, Ambassador Juan Manuel Gómez Robledo from the Ministry of Foreign Affairs wrote that “Also, it is Mexico’s opinion that investment for the production of cluster munitions is also prohibited by the Convention.”<sup>741</sup>

### **3.3.15 Rwanda**

The Republic of Rwanda signed the Convention on Cluster Munitions in Oslo on 3 December 2008 and has started its ratification process.<sup>742</sup>

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.”<sup>743</sup>

### **3.3.16 The United Kingdom**

The UK “Cluster Munitions (Prohibition) Bill” received Royal Assent on 25 March 2010. 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.”<sup>744</sup>

The legislation does not prohibit indirect financing of cluster munitions, but the government intends 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.

### 3.3.17 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 entry into force of the convention on 1 August 2010.<sup>745</sup>

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.<sup>746</sup>

## OTHER LEGISLATION

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

One example is the European Community, which expressed 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 sub-munitions.”<sup>747</sup>

In October 2007, this call was repeated in the European Parliament’s resolution Towards A Global Treaty To Ban All Cluster Munitions. There, 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.”<sup>748</sup>

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.

In what follows, you will find information on Belgium’s legislation and an assessment of this legislation’s strengths and weaknesses.

### 3.3.18 Belgium

#### BACKGROUND

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

The Belgian Act Prohibiting the Financing of the Production, Use and Possession of Anti-personnel Mines and Submunitions supplements article 8 of the Act of 8 June 2006 governing economic and individual activities involving arms. The text is as follows:<sup>749</sup>

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

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

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

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

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

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

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

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

*This prohibition does not apply to investment institutions where the investment policy under the articles of association or management regulations is to follow the composition of a specific share or bond index.*

*Similarly, the prohibition on financing does not apply to the well-defined projects of a company on the list, insofar as the financing does not envisage activities as stated in this article.*

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

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

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

*Art. 5. This act comes into force on the day it is published in the Belgian Monitor.<sup>XXXI</sup>*

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XXXI 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. ➤

## COMMENTARY

- The law states the exact meaning of financing, which it defines as ‘any kind of financial support, more concrete credits, bank guarantees or the acquisition for own account of the financial instruments these companies have issued.’ This definition is comprehensive and avoids the need for discussions about how to interpret the term.
- However, the law explicitly mentions two exceptions:
  - It says that “This prohibition does not apply to investment institutions where the investment policy under the articles of association or management regulations is to follow the composition of a specific share or bond index”. This means that index funds may still contain shares in or obligations issued by companies that produce or sell anti-personnel mines, depleted uranium weapons and cluster munitions. This exception weakens the law.
- The ban does not apply to financing specific projects by these companies when it can be demonstrated that the financing cannot 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 the fact 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 for companies identified as anti-personnel mines or cluster munitions producers, but only when the project has nothing to do with the forbidden activities. This may sound like a reasonable exception, but it frees companies to transfer to projects that are connected with anti-personnel mines or cluster munitions funds that would otherwise have been needed for other purposes. This can legitimise financing for companies committed to very controversial activities that contravene international humanitarian law. When passing legislation, other countries should close this loophole.
- The law contains no penalties, nor does it assign responsibility for enforcement.

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L’interdiction de financement ne s’applique pas non plus aux projets bien déterminés d’une entreprise figurant dans cette liste, pour autant que le financement ne vise aucune des activités mentionnées dans cet article.

L’entreprise est tenue de confirmer ceci dans une déclaration écrite.’

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

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

**Art. 5.** La présente loi entre en vigueur le jour de sa publication au *Moniteur belge*.

(Loi interdisant le financement de la fabrication, de l’utilisation ou de la détention de mines antipersonnel et de sous-munitions, available at <http://staatsbladclip.zita.be/staatsblad/wetten/2007/04/26/wet-2007003169.html>, viewed 12 March 2011. Translated by certified translator P. van Weeghel; text in IKV Pax Christi’s archives.

## PARLIAMENTARY INITIATIVES

In some states, parliamentarians have taken steps to ban investments in cluster munitions. These states have no legislation yet, so we cannot offer a commentary. Instead, we offer an update on the current state of these efforts.

### 3.3.19 Germany

In March 2010, campaigners in Germany supported an initial parliamentary motion by the German Green Party calling for a realignment of financial markets, including a ban on investments in cluster munitions. Because three other parties - including one ruling party- showed support for an investment ban, campaigners hope that parliament will pass a binding law in the near future. In February 2011, the Green Party tabled a motion to amend Germany's War Weapons Control Act (Kriegswaffenkontrollgesetz) to include a prohibition on direct and indirect investments in companies producing, developing and trading cluster munitions. Article 1.1.C of the Convention on Cluster Munitions would be interpreted more stringently to include a prohibition on investment so that the intention of the Convention cannot be undermined.<sup>XXXII750</sup>

### 3.3.20 Italy

In Italy, a bill was introduced in the Senate on 26 April 2010. Written with the help of advisors from the Italian ethical bank; Banca Etica, the bill prohibits all Italian financial institutions from "financing the production, use, repair, promotion, sale, distribution, import, export, storage, possession or transport of anti-personnel mines and cluster munitions and the submunitions thereof".<sup>XXXIII751</sup>

The bill was assigned to the Senate Financial Commission. No date had yet been set for a debate on this issue at the time of writing.

### 3.3.21 the Netherlands

The Dutch Ministry of Foreign Affairs reported that it believes that investment in cluster munitions production runs counter to the spirit of, but is not necessarily banned by, the Convention on Cluster Munitions. In the same letter to Parliament in September 2008, the Ministry of Foreign Affairs stated that the convention cannot be applied to private institutions or persons and that an additional law banning investment in cluster munitions was not deemed necessary.<sup>752</sup>

In December 2009, Dutch Socialist and Labour parties called upon the government to pass a law in parliament that would prohibit investments in cluster munitions.<sup>753</sup> The motion was adopted by a majority of votes. On 31 March 2010, the Dutch caretaker Ministers of Finance and of Social Affairs announced that they would not to implement the motion. In May 2010, the Ministry of Foreign Affairs provided an explanation for this

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XXXII Interesting in the German debate is that some investors agreed with the Green Party's interpretation of Article 1(1)c of the Convention. Allianz Global Investors Europe for example stated in a press release in January 2011 not to further invest in companies that produce cluster munitions and anti-personnel mines in order to watch the regulations made by the Convention on Cluster Munitions. The same refers to other major German investment groups like DWS and Union Investment and their public investment funds and pension funds. (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 [http://www.allianzglobalinvestors.de/web/main?page=/cms-out/ueber-uns/press/releases/2011/PM\\_20110124\\_01.html](http://www.allianzglobalinvestors.de/web/main?page=/cms-out/ueber-uns/press/releases/2011/PM_20110124_01.html), viewed 24 March 2011; "Unethisches Investment Riester-Sparer unterstützen Streubombenhersteller", Spiegel Online 05 January 2011, available at <http://www.spiegel.de/wirtschaft/service/0,1518,737774,00.html>, viewed 24 March 2011.

XXXIII Original text: "[...] il finanziamento della produzione, utilizzo, riparazione, promozione, vendita, distribuzione, importazione, esportazione, stoccaggio, detenzione o trasporto delle mine antipersona, delle munizioni e submunizioni a grappolo." Translation by Suzanne Oosterwijk, IKV Pax Christi.

refusal, saying that the convention applies only to States Parties and not to individuals or private institutions. In March 2011 the Dutch Senate again posed questions, expressing their support for legislation to ban direct and demonstrable investments by law. The Senate adopted a motion on 29 March 2011 calling for a prohibition on direct and demonstrable investments in the production, sale and distribution of cluster munitions.<sup>XXXIV754</sup>

### 3.3.22 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 on that same day.<sup>755</sup>

The Convention on Cluster Munitions was implemented in Norway in a separate law on cluster munitions as set out in Proposition n° 7. It has not yet been formalised.<sup>756</sup>

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

Proposition n° 7 concludes that, in the Ministry's view, this assessment is also true of the prohibition on aiding and abetting set out in the Convention on Cluster Munitions. Therefore, it cannot be excluded that private investment, for example, in companies that develop or produce cluster munitions, may be incompatible with the Convention.<sup>757</sup>

The Proposition n°7 has not yet been adopted. Nevertheless, it seems to be used as a tool to explain the CCM in Norway.<sup>758</sup> Although it is not illegal to finance cluster munitions in Norway, the Council on Ethics of the Norwegian Petroleum Fund has taken steps to ensure that the Norwegian Government is not investing in cluster munitions producers.

### 3.3.23 Switzerland

On 10 March 2010 the Swiss parliament adopted two motions that prohibit any investments in banned weapons, like cluster munitions and anti-personnel landmines.<sup>759</sup> The Swiss Council of States approved the motion on 17 June 2010.

Because Switzerland signed the Convention on Cluster Munitions in 2008, but has not yet ratified it, it is expected that these motions will be incorporated in the development of the implementation legislation to ratify the convention.

Because Switzerland is home to many large financial institutions, these motions and the expected legislation can have a major impact on how financial markets regard the cluster munitions issue.

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XXXIV Original Dutch text: "[...] een verbod op aantoonbare directe investeringen in de productie, verkoop en distributie van clustermunities". Translation by Roos Boer, IKV Pax Christi.

## 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 their policies and practices 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 –index funds 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 Members of Parliament and governments have started giving time and attention to disinvestment. During the 1<sup>st</sup> Meeting of State Parties in Lao PDR in November 2011, support for prohibitions on the financing of cluster munitions production seemed to have gained momentum. Several states mentioned the need to stop investments in these weapons. Our report tells of 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 signed the CCM should make clear that as article 1(1)c of the convention prohibits assistance, it prohibits investment in cluster munitions producers.
- **States** should provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in cluster munitions producers, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in cluster munitions production. Because any investment facilitates this production, no exceptions should be made for third-party financial services, for index funds 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 that they have decided to end investment because of the company's involvement with cluster munitions. Financial institution 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 set deadline, the financial institution should disinvest until the company terminates production of cluster munitions. New applications for investment should be declined until the company has halted all activities related to the production of cluster munitions.
- **Financial institutions** should apply their disinvestment policies 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 be 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.

#### **Ethical Bank**

Ethical banks are usually small, 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.

#### **Index funds<sup>760</sup>**

An index fund 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.

### **Insurance Company<sup>761</sup>**

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.

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

### **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 Fund<sup>762</sup>**

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 Fund<sup>763</sup>**

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 Fund<sup>764</sup>**

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

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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 munition that has previously led to exclusion of companies from the Fund.
- Furthermore, in the *Jane’s Missiles and Rockets database*, there is description and pictures of the weapon from the IDEX Arms Exhibition in Abu Dhabi, UAE, in February 2007. It is described that Hanwha Corporation has on exhibit a “*lightweight 70 mm MLRS-system*” with associated cluster munitions.
- At the Council’s request, Norges Bank has written to the company in order to inquire whether the company produces cluster munitions, and specifically to clarify whether the “*Scattering Bomb*” is a cluster weapon.
- The company responded to the enquiry on May 7th, 2007, and clarified the following:
- “Hanwha Corporation was officially designated as a defense contractor in 1974. Since then, it has specialized in munitions, whose production process has been under strict government control and all of which have been supplied only to the Korean government. Hanwha Corporation has manufactured MLRS and 2,75” MPSM5, which can be classified as cluster/cargo munitions and has also produced KCBU-58B in the past. However, we have developed and supplied such items in cooperation with the government’s initiative for selfdefense, not for any other unethical purpose.”*
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