

April 2010 update

Worldwide investments in CLUSTER MUNITIONS a shared responsibility

Summary & Key findings



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netwerk
A Different Approach to Money

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Contents

This document contains the Key Findings, Methodology and Summary Tables of the April 2010 update of “Worldwide Investments in Cluster Munitions; a shared responsibility”. The full report is available on http://www.ikvpaxchristi.nl/UK/below_thematic_security_and_disarmament_cluster_munition_home_st op_explosive_investments.htm and on <http://www.netwerkvlaanderen.be/en/clustermunitions>.

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

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

1 Key Findings¹

1.1 The report and update

In October 2009 IKV Pax Christi and Netwerk Vlaanderen presented the first edition of their report "Worldwide Investments in Cluster Munitions; a shared responsibility".

The first edition presented a state-of-the-art report on financial institutions' investment in companies that produce cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on legislative measures to prohibit investment in cluster munitions. Our research showed that over US\$20 billion was still invested in cluster munitions producers. This April 2010 edition updates the research presented in the earlier report.

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

'Worldwide investments in cluster munitions; A shared responsibility' highlights good practices of financial institutions and countries that disinvest, as well as information on the financial institutions that are still investing in cluster munitions. The report contains clear recommendations for states and financial institutions that all come down to one simple message: disinvest from producers of cluster munitions now!

There have been positive developments since the first edition came out in October 2009. In many countries, civil society has engaged with financial institutions and government representatives to talk about ways to disinvest. This engagement has resulted in some cases of financial institutions disinvesting, some parliamentary initiatives and some national legislation on investment in cluster munitions producers.² Unfortunately, a lot still needs to be done. Billions of US dollars are still being invested in cluster munitions producers. Producers still have no problem financing their activities, and many financial institutions seem to have no qualms about financing these producers.

1.2 The momentum

The Convention on Cluster Munitions (CCM) will enter into force on 1 August 2010. On that day, the Convention will become binding international law for more than 100 countries worldwide. Although the Convention on Cluster Munitions does not explicitly prohibit investments in cluster munitions, the prohibition on assistance that is included in article 1c of the Convention³, according to the report authors, should prevent states from investing in cluster munitions producers. 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 weapons that cause unacceptable harm.

As the updated report shows, there seems to be a double standard in the majority of the countries that have signed the CCM. Huge amounts are still being invested in producers of cluster munitions. From 1 August 2010, state parties to the Convention will be legally prohibited from producing cluster munitions and from assisting in the production of cluster munitions by any third party. However, banks and other financial institutions in or from many countries have been allowed to continue their investments in cluster munitions until now. This undermines the commitment more than 100 countries have made to

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

² For more information about the global campaign on disinvestment, see www.stopexplosiveinvestments.org.

³ Article 1 of the Convention on Cluster Munitions: "Each State Party undertakes never under any circumstances to: (a) Use cluster munitions; (b) Develop, produce, otherwise acquire, stockpile, retain or transfer to anyone, directly or indirectly, cluster munitions; (c) Assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention."

ban cluster munitions when they signed the convention. Investment runs counter to the spirit of the CCM. But there is not only a legal argument to make here. Since 2007, the problems arising from the use of cluster munitions have been widely acknowledged. Thus, even before the CCM opened for signature, financial institutions should have been aware of the controversy around cluster munitions and should have started disinvesting from producers of the weapons.

The responsibility to ban cluster munitions is a shared responsibility. It requires courage, and it requires effort. An international humanitarian standard has been set, and we are only months away from the entry into force of the CCM. The time to act is now for signatory states to the CCM, for non-signatory states and for financial institutions alike.

1.3 The Hall of Shame⁴

In the updated report “Worldwide Investments in Cluster Munitions” 146 financial institutions are identified as investing in seven producers of cluster munitions since 1 May 2007⁵. In the research period, these 146 financial institutions invested US \$43 billion in the seven cluster munitions producers included in this report. They:

- provided loans for a total of at least US\$3,190.26 million;
- provided investment banking services worth a total of at least US\$6,712.15 million; and
- owned or managed shares and bonds for at least US\$33,116.1 million.

Changes since October 2009

In October 2009, we identified 8 cluster munitions producers. Since then, one of these companies announced that it has discontinued the production of cluster munitions; we found no evidence to contradict this announcement.⁶ This updated report therefore examines the remaining seven producers.

Compared with October 2009, 42 financial institutions were taken out of our Hall of Shame, but 50 new financial institutions have been added⁷. These changes are mainly due to the change of our research period⁸, or because the financial institutions dropped under or climbed above our research threshold for asset management⁹.

Although the weapon has been stigmatized through widespread support from 104 countries for the Convention on Cluster Munitions and more individual financial institutions have disinvested from cluster munitions, generally there’s been no major shift in the financial sector’s investment behavior towards cluster munitions producers.

Since October 2009, none of the seven cluster munitions producers covered in this report has been hampered in its search for financial means. The following examples prove huge financial support (US\$4.24 billion through investment banking and loans) for cluster munitions producers in the last eight months.

- In September 2009, L-3 Communications issued US\$1 billion 10-year bonds. The proceeds were used for general corporate purposes. Twelve banks contributed to this issue.

⁴ The list in the Hall of Shame in this research is not an exhaustive list of financial links of financial institutions investing in producers of cluster munitions. The research on financial links has been conducted by research company Profundo (the Netherlands).

⁵ An overview of the financial institutions listed in the Hall of Shame can be found in the Summary Tables at p 13.

⁶ Until recently, Roketsan (Turkey) produced the TRK-122 122 mm rocket, that reportedly contained 56 M85 DPICM submunitions. The company’s website now states that it has discontinued production of the TRK version of the 122 mm rocket. Because no recent deliveries were found and because the company states that production has been discontinued, Roketsan is no longer considered a current cluster munitions producer.

⁷ In the October report 138 financial institutions were listed in the Hall of Shame.

⁸ The October report listed investments found between January 1 2007 until August 1, 2009. This update lists investments found between 1 May 2007 to 28 February 2010. For asset management, the portfolio as per March 2010 is included.

⁹ See under the methodology chapter, page 10, for an explanation of the applied thresholds.

- In September 2009, Textron issued US\$600 million bonds, split between five-year and 10-year bonds. The proceeds were used for general corporate purposes. Eleven banks contributed to this issue.
- In October 2009, L-3 Communications renewed its US\$1 billion three-year revolving credit facility and extended it to October 2012. Seventeen banks were involved in the banking syndicate offering this loan renewal to L-3 Communications.
- In October 2009, Poongsan issued Korean Won 50 billion (US\$54.1 million) three-year bonds. The proceeds were used for general corporate purposes.
- In November 2009, Lockheed Martin issued US\$1.5 billion bonds, split between 10-year and 30-year bonds. The proceeds were used for general corporate purposes. Twelve banks contributed to this issue.
- In February 2010, Hanwha Corp issued Korean Won 100 billion (US\$86.1 million) three-year bonds. The proceeds were used for general corporate purposes. Tong Yang Securities underwrote the complete issue.

Strong urgency remains for the financial sector and governments to tackle the disinvestment issue.

Top cluster munitions financiers

When we look at which financial institutions provided the largest amount of money to the seven selected producers, we come to the following top 5, divided by kind of financial service:

Top 5 of largest Investment Banking Services providers in our Hall of Shame

Name of Financial Institution	Country of origin	Investment Banking Services in million US \$
Bank of America	USA	873.25
JP Morgan Chase	USA	776.72
Goldman Sachs	USA	726.32
Deutsche Bank	Germany	512.65
HSBC	UK	447.33
Total		3,336.27

Top 5 of largest loan providers in our Hall of Shame

Name of Financial Institution	Country of origin	Loans in million US \$
Bank of America	USA	436.25
Citigroup	USA	321.25
Goldman Sachs	USA	250
Calyon	France	155
Barclays	UK	154.38
Total		1,316.88

- **INVESTMENT BANKING SERVICES:** Bank of America, JP Morgan Chase, Goldman Sachs, Deutsche Bank and HSBC provided the largest amount of investment banking services since May 2007. Compared to the October 2009 report, Merrill Lynch is no longer listed in this top 5, because the company has been taken over by Bank of America, which is now the largest provider of investment banking services listed in our report.
- **LOANS:** Bank of America, Citigroup, Goldman Sachs, Calyon and Barclays provided the largest amount of loans since May 2007. Compared to the October 2009 report, JP Morgan Chase is no longer listed in this top 5, because their loans to cluster munitions producers ATK and Textron were signed more than three years prior to this update. Calyon, the corporate and investment banking arm of Crédit Agricole, is a newcomer in this top 5, because of its contribution of US\$100 million to a credit facility to L-3 Communications in October 2009.

Top 5 of largest Asset Management providers in our Hall of Shame

Name of Financial Institution	Country of origin	Asset management in million US \$
State Street	USA	6,398.7
Capital Group	USA	3,598.3
Blackrock	USA	3,225.3
Temasek Holdings	Singapore	2,269.6
Vanguard Group	USA	1,754.7
Total		17,246.6

- ASSET MANAGEMENT:** State Street, Capital Group, BlackRock, Temasek Holdings and Vanguard Group provided the largest asset management services based on their portfolio by the winter of 2009-2010. State Street, Capital Group and Temasek Holdings are newcomers. Changes in this top 5 are mainly due to a change of place within the top ten financial institutions owning or managing shares of cluster munitions producers. The involvement of Temasek Holdings is solely due to its major holding of 50.31% of the shares of Singapore Technologies Engineering. Both State Street and Vanguard Group are involved in all 7 cluster munitions producers included in our report.

We call upon all 146 financial institutions in our Hall of Shame to develop policies that exclude all financial links with companies involved in producing cluster munitions.

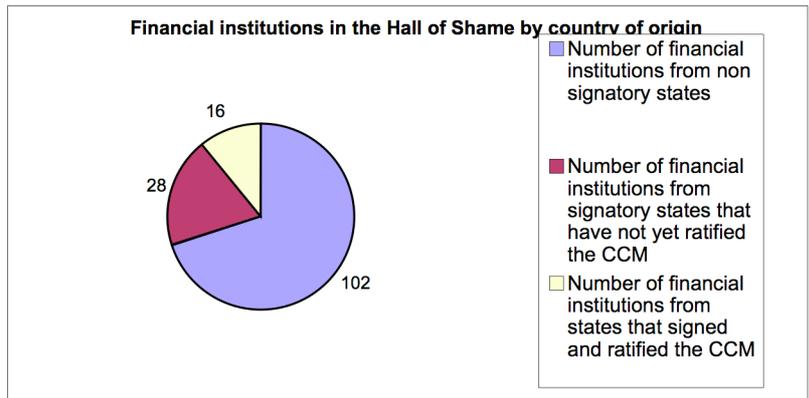
Countries of origin of the cluster munitions financiers

The Hall of Shame contains 146 financial institutions from 15 different countries. Of the 146 financial institutions, 102 financial institutions are from countries that have not (yet) signed the CCM. Sixteen financial institutions are based in four countries that have signed and ratified the CCM. Twenty-eight financial institutions are from countries that have signed but not yet ratified the CCM.

Of the 146 financial institutions, 81 financial institutions from the United States were identified. US-based financial institutions account for more than 50 percent of the financial institutions included in the Hall of Shame.

As of this update, 20 out of the 27 European Union member countries have signed the CCM, and 10 EU member countries have ratified the CCM. Thirty-two financial institutions investing in producers of cluster munitions are from EU member countries. Of these 32 financial institutions, 31 are from countries that have signed the CCM, 12 of these financial institutions are from EU countries that have not only signed but have also ratified the CCM.

Country of origin of FIs listed in the Hall of Shame	Number of FIs per country
Australia	2
Canada	4
France	5
Germany	6
Italy	1
Finland	1
Japan	4
Saudi Arabia	1
Singapore	1
South Korea	17
Spain	1
Switzerland	3
Taiwan	1
United Kingdom	18
United States of America	81
Total	146



Based upon these research findings, one may conclude that many financial institutions from countries that have signed the CCM are still investing in cluster munitions producers.

We call upon signatory states to stay true to the CCM and to develop legislation to ban investments in cluster munitions or to provide clear guidelines for financial institutions.

1.4 Financial Institutions disinvesting from cluster munitions producers¹⁰

Fortunately, more and more financial institutions have acknowledged that cluster munitions producers are not ethical or viable long-term business partners and have installed a public policy to end investments in these companies. Some of them are listed in the Hall of Fame; others are listed as runners-up.

When we compare our new Hall of Fame and runners-up category with that in the October report, we see that eight financial institutions have joined the Hall of Fame and five have joined the runners-up.¹¹ Thanks to additional research by campaigners and research institutions in Canada, the Netherlands and the Nordic region, more information was available on financial institutions with a policy to ban investments in cluster munitions producers. Moreover, campaigning efforts in several countries have contributed to increased transparency and explanations of, or additions to, disinvestment policies.

Runners-up

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

¹⁰ Our Hall of Fame and the runners-up category are far from comprehensive. For this research it was impossible to research the policies of all the financial institutions worldwide. We have chosen to limit our research to policies available in the public domain, since we believe that financial institutions should be accountable for their policy. We worked within the limits imposed by language (English and Dutch) and accessibility. The Hall of Fame can be seen as an invitation to financial institutions that have a comprehensive policy to ban investment in cluster munitions producers, to provide us with their policy and to publish it on their website in order for us to include them in either the runners-up category or our Hall of Fame. The lists of financial institutions disinvesting from cluster munitions producers presented in this report is a first attempt to provide an overview and we welcome additional information.

¹¹ An overview of the financial institutions listed in the Hall of Fame or as a runner-up can be found in the Summary Tables at p 18.

The most common shortcomings are:

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

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

These policy shortcomings can have serious complications, as is shown by AXA, BNP Paribas, Crédit Agricole (through Calyon) and HSBC. These four runners-up are also listed in the Hall of Shame. AXA manages important shareholdings in L-3 Communications and Textron, while BNP Paribas, Calyon and HSBC were involved in recent investment banking services and/or loans to Textron, Lockheed Martin and L-3 Communications.

All 17 financial institutions that met our policy criteria for the runners-up category are from countries that have signed the CCM. Six financial institutions in the runners-up category are from countries that have signed and ratified the CCM. All the financial institutions but one (from Canada) are from EU countries. All financial institutions listed as runners-up are private financial institutions.

Country of origin of FIs listed as runners-up	Number of FIs per country
Belgium	2
Canada	1
Denmark	1
France	3
Italy	1
Sweden	2
The Netherlands	5
United Kingdom	2
Total	17

Type of Financial Institution	Number of FIs per in the runners-up category type
Private financial institutions	17
Total	17

Hall of Fame

The Hall of Fame lists those financial institutions with a far-reaching policy ending all investments in cluster munitions producers. Twenty-one financial institutions are listed in the Hall of Fame: five government-managed pension funds, three ethical banks and 13 private financial institutions.

The five government-managed pension funds operate in four different countries: Ireland, Norway, New Zealand and Sweden. These countries acted according to their disapproval of cluster munitions by not investing government-managed pension money in producers of cluster munitions.

When we compare the new Hall of Fame with that in the October report, we see that eight financial institutions are new to the Hall of Fame. One moved from the Hall of Fame to become a runner-up (Folksam). The company still has a strong policy, but additional research showed that Folksam owns or manages assets in Textron under the 1% threshold. Since all financial institutions in the Hall of Fame should be fully implementing their policy, Folksam became a runner-up.

All financial institutions new to the Hall of Fame are private financial institutions. Since the ethical banks listed in the October report are representative of the many ethical banks whose focus on sustainable or value-driven investments merits a place here, no more ethical banks were listed.

Ten of the 13 private financial institutions listed in the Hall of Fame are institutions who only offer Asset Management as a financial service. They are not involved in investment banking and don't give out loans, etc. Three of the financial institutions in the Hall of Fame however, Ethias, Storebrand and DnB Nor, do provide other banking services: these financial institutions prove that it is possible for a

bank involved in a broad spectrum of financial services to exclude producers of cluster munitions from all its financial services.

All 21 financial institutions identified in the Hall of Fame are from countries that have signed the Convention on Cluster Munitions. Eight financial institutions in the Hall of Fame are from countries that have signed and ratified the CCM.

Country of origin of FIs listed in the Hall of Fame	Number of FIs per country
Belgium	1
Denmark	1
Ireland	1
Italy	1
New Zealand	1
Norway	4
Sweden	3
The Netherlands	9
Total	21

Type of Financial Institution in the Hall of Fame	Number of FIs per type
Government managed pension fund	5
Ethical bank	3
Private financial institutions	13
Total	21

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

1.5 Legislation

The Cluster Munition Coalition believes that the prohibition on assistance includes a prohibition on investments in cluster munitions.¹² Belgium adopted legislation to that effect even before the CCM opened for signature. Ireland, Lebanon, Luxembourg, Mexico, New Zealand, Norway and Rwanda have defined investment as a prohibited form of assistance under the CCM. Ireland, Luxembourg and newcomer since the October report 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 is ongoing in Germany.

¹² "Investment in Civilian Suffering To Be Halted by Future Cluster Munitions Convention", CMC policy paper, available at <http://www.stopclustermunitions.org/wp/wp-content/uploads/2009/09/disinvestment-policy-paper.pdf>, last viewed Marched 24, 2010.

2 Recommendations

- **States** that have signed the CCM should make clear that as article 1c of the Convention prohibits assistance, it prohibits investment in cluster munitions.
- **States** should provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in producers of cluster munitions, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in 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 it has 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.

3 Methodology

3.1 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:

- Certainty that the company produces cluster munitions; the evidence is available and clear.
- No evidence that the company will cease the production of cluster munitions in the next 12 months.
- Clear evidence that the company produced cluster munitions in the last two years (meaning since 30 May 2008, the day the Convention text was adopted in Dublin), or involvement in a planned production or development phase (even if this involvement is yet to be confirmed). In addition, we considered the previous year's marketing efforts (exhibitions, new product brochure, advertising on websites, etc.) as evidence of ongoing involvement in cluster munitions production.
- Financial links to the company available through official information in the public domain. When we could not find financial links in the financial information available to us, we decided to omit the company from this report. It was difficult to link state-owned companies to financial institutions.

Sources of information on companies producing cluster munitions:

Company publications, contracts with the US government and correspondence between the companies and investors. All producing companies on the red flag list were contacted prior to the October 2009 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,¹³ we chose a 0.1% floor limit for Hanwha Corporation, Poongsan, and Singapore Technologies Engineering and 1% limit for ATK, L-3 Communications, 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 Corporation, Poongsan, and Singapore Technologies Engineering and/or 1% in ATK, L-3 Communications, 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.

¹³ Asian companies seem to have a few large (local) shareholders and a group of foreign shareholders with less than 1%. That's why we 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 banning investment in cluster munitions. We also drew upon stock exchange filings and the financial institutions' and the CM producers' own publications, as well as commercial databases with information supplied by financial institutions. Since the information in these databases comes directly from the financial institutions, we trust that it is correct and have not contacted all financial institutions in the Hall of Shame before publishing this report. We welcome comments, clarifications, and corrections from governments, companies, financial institutions and others. Research by Profundo (the Netherlands).

Are all financial institutions with a policy 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 policy. We worked within the limits imposed by language (English and Dutch) and accessibility. 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.

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, worldwide campaigners 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 policy. 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, the sustainable development report, etc.). Research by Netwerk Vlaanderen (Belgium).¹⁴

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

No. We drew all data in the Hall of Shame from stock exchange filings and the financial institutions' own publications, as well as commercial databases with information obtained from financial institutions. Since the information in these databases comes directly from the financial institutions, we trust that it is correct and have not contacted all 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.

¹⁴ 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.

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 five funds, two own or manage assets in the companies in our red flag list.

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 policy, 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 (Own investments or for a third party? Which investment fund was involved? Is it a financial link through a fund following an index?)

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

No. This category lists financial institutions that took steps to ban investment in cluster munitions producers, but whose courses of action on cluster munitions has 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 in English and/or Dutch, 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 tracking 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. 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 cluster munitions producer when we found involvement in the production of (key components of) cluster munitions in the time span extending from 30 May 2008 – to 1 March 2010.
- We listed a financial institution as an investor when we have found investment in the time span extending from 1 May 2007 – to 28 February 2010. 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 25 March 2010. 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.

4 Summary Tables

4.1 Hall of Shame

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

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

Financial Institution	Country of origin	Alliant Techsystems ATK (US)	Hanwha (South Korea)	L-3 Communications (US)	Lockheed Martin (US)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Aberdeen Asset Management	United Kingdom						S	
Acadian Asset Management	United States		S					
Advent Capital Management	United States	B						
Alaska Permanent Fund Corporation (APFC)	United States	S		S	S		S	S
Allianz	Germany				B		S	
American Life	United States							B
ANZ Bank	Australia			L,Y	L			
Artio Global Management	United States	B						
Artisan Partners	United States			S				
AXA	France			S				S
Banco Bilbao Vizcaya Argentaria	Spain				L			
Bank of America	United States			L,Y	L,Y			L, X, Y
Bank of New York Mellon	United States			L,Y	L			Y,S
Bank of Tokyo-Mitsubishi UFJ	Japan			L,Y	L,Y			X,Y
Barclays	United Kingdom			L,Y	L			X,Y
Baring Asset Management	United Kingdom					S		
Barrow, Hanley, Mewhinney & Strauss	United States			S				
Batterymarch Financial Management	United States					S		
Bayerische Landesbank	Germany				L			
BlackRock	United States	S	S	S	S		S	S
BMO Financial Group	Canada				L			
BNP Paribas	France				L,Y			Y
Brave Warrior Capital	United States				S			
Caisse de Depot et Placement du Québec	Canada					S		
Calamos Holdings	United States	B		B				
California Public Employees' Retirement System (CalPERS)	United States	S		S	S			S
Calyon	France			L,Y	L			Y
Capital Group	United States				S,B		S	
Castle Creek	United States	B						

Financial Institution	Country of origin	Alliant Techsystems ATK (US)	Hanwha (South Korea)	L-3 Communications (US)	Lockheed Martin (US)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Cheonan Bukil Education Foundation	South Korea		S					
Children's Investment Fund	United Kingdom				S			
Citadel Group	United States	B						B
Citigroup	United States				L,Y			L,X,Y
Columbia Management Advisors	United States	S		S				
Comerica Bank	United States			L				
Commerzbank	Germany				L			
Commonwealth Bank of Australia	Australia						B	
Credit Suisse	Switzerland	B					S,B	X,Y
D.E.Shaw Group	United States	B						
Daewoo Securities	South Korea		Y					
Daiwa Asset Management	Japan						S	
Deutsche Bank	Germany			L,Y			S,Y	X,Y
Dimensional Fund Advisors	United States					S		
Dongbu Securities	South Korea		Y					
Eagle Capital Management	United States			S				
Epoch Investment Partners	United States	S						
Export Import Bank of Korea	South Korea		Y					
Ferox Capital Management	United Kingdom	B						
Fidelity	United States	S,B	S		S	S	B	S,B
Fiduciary Management	United States	S						
First Eagle Investment Management	United States	S						
Franklin Templeton	United States						S	
General Electric (GE)	United States	S						
Genworth Financial	United States				B			
Goldman Sachs	United States	S			Y			L,X,Y, B
Grantham Mayo Van Otterloo & Co	United States		S				S	
Hanwha Securities	South Korea		Y					
Henderson Global Investors	United Kingdom						S	
HMC Investment Bank	South Korea		Y					
Hotchkiss & Wiley Capital Management	United States				S			
HSBC	United Kingdom			L				X,Y
Institutional Capital Management	United States							S
Intesa Sanpaolo	Italy				L			
Invesco	United Kingdom ¹⁵						S	
Jackson National Life	United States			B				
Janus Capital Group	United States	S		B				

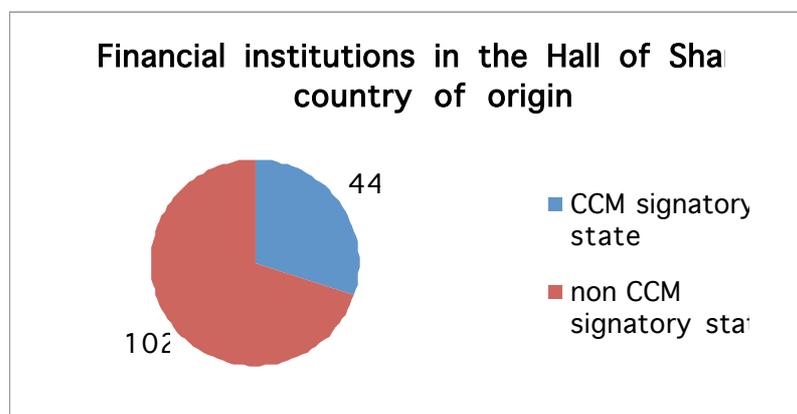
¹⁵

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

Financial Institution	Country of origin	Alliant Techsystems ATK (US)	Hanwha (South Korea)	L-3 Communications (US)	Lockheed Martin (US)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
JP Morgan Chase	United States	B,S		S	L,Y			X,Y,S
Kookmin Bank	South Korea		Y					
Korea Development Bank	South Korea		Y			Y		
Korea Investment & Securities	South Korea		Y					
Kuntien Eläkevakuutus	Finland						S	
Lazard Capital Markets	United States							Y
Legg Mason Global Asset Management	United States			S				
Lloyds Banking	United Kingdom				L,Y			
Longview Partners	United Kingdom			S				
Lord Abbet & Co	United States	B		B				
LSV Asset Management	United States			S				
Manulife Financial	Canada	S						
Martin Currie Investment Management	United Kingdom						S	
Massachusetts Mutual	United States							B
Matthews International Capital Management	United States						S,B	
Mega International Commercial Bank	Taiwan			L				
Mellon Capital Management	United States							S
Meritz Securities	South Korea		Y					
Metropolitan Life Insurance	United States	B		B	B			
MFS Investment Management	United States			B	S			
Mirae Asset Securities	South Korea		Y					
Mizuho Bank	Japan				L,Y			
Mondrian Investment Advisors	United States						S	
Morgan Stanley	United States			S,B	L,Y		Y	S,Y
National Pension Service	South Korea		S					
Natixis	France	S		S				B
Neuberger Berman	United States	S						
New Jersey Division of Investment	United States				B			
New York Life	United States				B			
Newton Investment Management	United Kingdom			S			S	
Northern Trust	United States			S	L,S			
Northwestern Mutual	United States			B	B			
Nuveen Investments	United States				S			
Oaktree Capital Management	United States	B		B				
OppenheimerFunds	United States				S			
PPM America	United States							S
Principal Financial Group	United States	S						
Prudential	United Kingdom		B					
Prudential Insurance	United States	B			B			B

Financial Institution	Country of origin	Alliant Techsystems ATK (US)	Hanwha (South Korea)	L-3 Communications (US)	Lockheed Martin (US)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Putnam Investment Management	United States			S				
Pzena Investment Management	United States			S				
Quantitative Management Associates	United States	S						
Riversource Investments	United States			B				
Riyad Bank	Saudi Arabia				L			
Royal Bank of Scotland	United Kingdom			L,Y	L,Y			
Schroder Investments	United Kingdom						B	
Scotiabank	Canada			L,Y	L			
Shin Heung Securities	South Korea		Y					
Shinhan Bank	South Korea		Y					
SK Securities	South Korea					Y		
Société Générale	France			L,Y				Y
Standard Life	United Kingdom	S						
State Street	United States	S	S	S	L,S	S	S	S
Sumitomo Mitsui Banking Corporation	Japan			L	L			
SunTrust Bank	United States			L,Y	L			
Susquehanna International Group	United States	B						
Symetra Life Insurance	United States				B			
Systemic Financial Management	United States							S
T Rowe Price Group	United States	S			S			S
Tamalpais Asset Management	United States	B						
Teachers Insurance & Annuity Association (TIAA-CREF)	United States		S	B	B			S
Temasek Holdings	Singapore						S	
Thrivent Financial	United States	B						
Tong Yang Securities	South Korea		B,Y					
UBS	Switzerland				L,Y	S	S	S,X,Y
Universal Investment Gesellschaft	Germany						S	
Unum Life Insurance	United States	B						
US Bank	United States			L	L			
Vanguard Group	United States	B,S	S	S, B	S	S	S	S
Veritas Asset Management	United Kingdom						S	
Vontobel Group	Switzerland						S	
Wachovia Bank	United States				L			Y
Wadell & Reed	United States							S
Wedge Capital Management	United States	S						
Wellington Management Company	United States				S			S
Wells Fargo Bank	United States	B		B,L,Y	L,Y			Y
WestLB	Germany				L			
Westwood Holdings Group	United States	S						

Financial Institution	Country of origin	Alliant Techsystems ATK (US)	Hanwha (South Korea)	L-3 Communications (US)	Lockheed Martin (US)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
William Street Commitment Corporation	United States				L			
Woori Investment & Securities	South Korea		Y			Y		



4.2 Hall of Fame and runners-up category

		Is the policy published?	Does the policy exclude cluster munitions producers?	Does the policy exclude all cluster munitions producers (no exceptions for certain types?)	Does the policy apply to all the products of the financial institution?	Are all a company's activities excluded?
Financial Institution	Country of origin ^{16*}					
HALL OF FAME						
ABP	The Netherlands	X	X	X	X	X
AP1 – 4	Sweden	X	X	X	X	X
AP7	Sweden	X	X	X	X	X
ASN Bank	The Netherlands	X	X	X	X	X
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
KLP	Norway	X	X	X	X	X
KPA	Sweden	X	X	X	X	X
Norwegian Government Pension Fund - Global	Norway	X	X	X	X	X
National Pensions Reserve Fund	Ireland	X	X	X	X	X
NZ Superannuation Fund	New Zealand	X	X	X	X	X
PGGM	The Netherlands	X	X	X	X	X
Philips Pension Fund	The Netherlands	X	X	X	X	X
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
Triodos Bank	The Netherlands	X	X	X	X	X
RUNNERS-UP						
ABN Amro	The Netherlands	X	X	X		X
AXA	France	X	X	X		X
BNP Paribas	France	X	X	Unknown		X
Co-operative Financial Services	United Kingdom	X	X	X		X
Crédit Agricole	France	X	X	X	Unknown	Unknown
Danske Bank	Denmark	X	X	X		X
Dexia	Belgium	X	X	X		
Folksam	Sweden	X	X	X	X	X
Fortis NL	The Netherlands	X	X	X		X
HSBC	United Kingdom	X	X	X		X
ING	The Netherlands	X	X	X		X
KBC	Belgium	X	X	X		X
Nordea	Sweden	X	X	X		X
Rabobank	The Netherlands	X	X	X		X
Royal Bank of Canada	Canada	X	X	X		X
Syntus Achmea	The Netherlands	X	X	X		X
Unicredit	Italy	X	X	X		X

¹⁶ 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