

December 2018 update

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

PAX

Chapter 2

Hall of Shame

2.1 Introduction

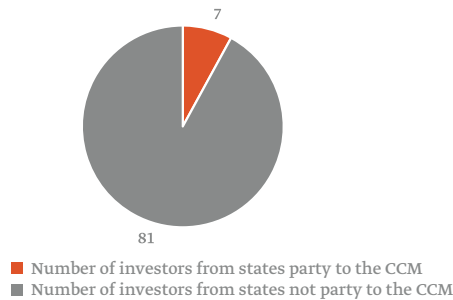
The Hall of Shame contains a list of financial institutions that still invest in cluster munitions producers. It contains the results of our research on financial institutions investing in the seven companies on the red flag list.

This years' Hall of Shame contains 88 financial institutions that together invested almost US\$9 billion in the 7 cluster munitions producers on the Red Flag List: substantially less when compared to last year's report. For an important part, this is due to the fact that two major US arms producers are no longer considered cluster munitions producers in this report. The financial research showed substantially less investors and amounts invested for the producers newly added to the list.

This years' Hall of Shame contains 88 financial institutions that together invested almost US\$9 billion in the 7 cluster munitions producers on the Red Flag List

Number of financial institutions listed in the Hall of Shame per country

Country	Number of financial institutions
Australia	1
Brazil	1
Canada	1
China	27
India	4
Norway	1
Singapore	1
South Korea	26
Switzerland	1
Taiwan	1
United Kingdom	3
United States	21
Total	88



Changes from the previous report

The 2017 Hall of Shame contained 166 financial institutions, of these, 62 are still in the Hall of Shame in 2018 and 104 have been removed. These financial institutions have been removed for various reasons:

- 15 financial institutions were in our Hall of Shame last year, but for this year's research, their investments in shares or bonds dropped below the 0.1% threshold for Asian companies.
- 89 financial institutions were taken out of the Hall of Shame because we found no financing for the red flag list companies. For 26 of these, the loans or investment banking services dated from before 1 June 2015 and are therefore outside the scope of this research (see the methodology section below). Since that date, these institutions have provided no new financing for the companies on the current red flag list. For 63 financial institutions, the investments listed in the 2017 report were with Orbital and/or Textron, which have since been removed from the red flag list.

In addition to the 62 financial institutions that remained from the 2017 report, 26 new ones have entered the Hall of Shame:

- 4 financial institutions are in the Hall of Shame because they provided a new loan or investment banking service to at least one of the companies on the 2018 red flag list;
- 7 financial institutions are in the Hall of Shame because of the acquisition of a new shareholding or bond holding;
- 3 financial institutions are in the Hall of Shame because their shareholding or bond holding reached the 0.1% threshold for Asian companies;
- 12 financial institutions are in the Hall of Shame because they have investments in one or more of the producers newly included in this report.

The total number of financial institutions in the Hall of Shame of this year's update is 88.

2.2 Methodology and definitions

Below, we address some methodological aspects of the Hall of Shame. For more explanation on the terms used, please refer to list in the glossary of terms (appendix 3).

Financial Institutions (FIs) include banks, insurance companies, pension funds, sovereign wealth funds and asset managers from all over the world.

The **investments** we find are loans and other forms of credits (commercial banking^{viii}), underwriting of share and bond issuances (investment banking^{ix}), investments in shares

VIII Commercial banking includes offering or participating in loans to cluster munitions producers via either general corporate financing or project financing. Corporate financing is providing to a company (the possibility of) a loan that is not tied to a specific part or project of the company, which means that the company can use the money as it sees fit. Project financing, on the other hand, means giving credit to a more or less defined project, such as the building of a ship. In our research we have never come across project financing for cluster munition production. This is why for the purposes of our research general corporate financing is more important.

IX Investment banking services include underwriting of bond and share issuances, which help 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.

and bonds (asset management^x) and other financial services. This can be done by financial institutions on their own behalf or on behalf of third parties. Any kind of financial link with a cluster munitions producer is considered and investment in this report.

Research company Profundo compiled this list of financial institutions based on information 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.^{xi} It is important to stress from the outset that our list is not exhaustive, not only because the sources are inherently limited to information that is somehow in the public domain, but because we apply a threshold when including investments for readability purposes.

We list investors financially involved in the Red Flag List of cluster munitions producers.

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
- The cluster munitions producer's other activities.

We include all these financial links because it is impossible for a financial institution to be sure that the financial services it provides a company will not be used to produce cluster munitions. There is no way to prevent a company from legally reallocating capital within a group. 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.

There is no way to prevent a company from legally reallocating capital within a group

Threshold

We apply a threshold for the inclusion of investment in shares and bonds in the Hall of Shame, which means we do not list these investments if they fall below the threshold. We do this for pragmatic reasons, including the readability of this report.

Due to the different shareholding structure in the various companies^{xii}, we chose a 0.1% floor limit for the Asian companies^{xiii} and a 1% limit for the other companies.

Researched time frame

We included all credits and underwriting activities dated after 1 June 2015 for which we found information. We also included all latest data on shareholdings and bond holdings available until 1 June 2018.

X Asset management means holding or managing shares or bonds that cluster munitions producers issued. Shares and bonds can be held 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 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. The financial institution can also 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, which can be 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. 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 in the remainder of this report. More information on the difference between direct and indirect financing is given in a background paper by FairFin (formerly Netwerk Vlaanderen): Netwerk Vlaanderen, "The scope of Banks' Sustainable Investment Policies: The Issue of Direct and Indirect Financing. Background paper by Netwerk Vlaanderen", May 2010, available at <https://stopexplosiveinvestments.org/wp-content/uploads/Direct-and-indirect-investments.pdf>, last viewed 12 November 2018.

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

XII The Asian companies we list have a few large (local) shareholders and a group of foreign shareholders with less than 1%. That is why we lowered the threshold for the publicly listed Asian companies.

XIII The two Chinese state-owned companies, China Aerospace Science and Industry and Norinco are not stock listed companies, so no shareholders of these companies can be found. For China Aerospace Science and Industry there are no bond holdings in the financial database used for this research and the bond holding coverage for Norinco is very limited.

2.3 Hall of Shame table

The following table contains the results of our research on which financial institutions finance the cluster munitions producers in our Red Flag List.

For readability purposes, we have only included the total amount of money invested per cluster munitions producer. We will gladly provide anyone interested with more detailed information, for example on the type of investment or the filing date of the respective entry.

More information can also be found on our website www.stopexplosiveinvestments.org/disinvestment/hall-of-shame/

All numbers in this table are in millions US\$ and have been rounded to one decimal.

Financial institution	Country	Total invested in US\$ millions	Avibras Indústria Aeroespacial	Bharat Dynamics	China Aerospace Science & Industry	Hanwha	LIG Nex1	Norinco	Poongsan
Agricultural Bank of China	China	131,4			57,7			73,7	
Anbang Insurance Group	China	9,5				3,9	2,0		3,5
AQR Capital Management	United States	9,2				9,2			
Bank of Beijing	China	5,1						5,1	
Bank of Changsha	China	25,8						25,8	
Bank of China	China	402,6			288,5			114,1	
Bank of Communications	China	152,8			79,1			73,7	
Bank of New York Mellon	United States	1,1							1,1
Bank of Ningbo	China	60,5						60,5	
Beijing Capital Group	China	100,1			39,6			60,5	
BlackRock	United States	70,5				53,4	4,7		12,4
California Public Employees' Retirement System	United States	10,8				7,5	1,6		1,7
Cape Investment & Securities	South Korea	8,9				8,9			
Causeway Capital Management	United States	25,2				25,2			
Cheonanbukil Foundation School	South Korea	52,7				52,7			
China Construction Bank	China	949,7			309,9			639,8	
China Development Bank	China	74,3			39,6			34,7	
China Everbright Group	China	73,7						73,7	
China Guangfa Bank	China	39,0						39,0	
China Investment Securities	China	5,1						5,1	
China Merchants Group	China	939,9			39,6			900,3	
China Minsheng Banking	China	157,2			57,7			99,5	
CITIC	China	336,6			36,2			300,4	
Citigroup	United States	89,6					89,6		
City of London Investment Group	United Kingdom	3,6				0,6	3,0		
Consus Asset Management	South Korea	2,3					2,3		
CSC Financial	China	474,7			153,7			321,0	
Daishin Securities	South Korea	60,9				38,4	22,5		
Dimensional Fund Advisors	United States	105,0				70,6	6,7		27,7
Dongbu Group	South Korea	13,5					13,5		
Donghai Securities	China	127,8			62,2			65,7	
Eugene Investment & Securities	South Korea	26,2				26,2			
Evergrowing Bank	China	5,1						5,1	
Fidelity Investments	United States	1,1							1,1
Florida State Board of Administration	United States	13,9				10,8			3,1
GF Securities	China	260,5						260,5	
GIC	Singapore	73,2					73,2		
GMO	United States	4,3				3,0			1,3
Guotai Junan Securities	China	325,2						325,2	

Financial institution	Country	Total invested in US\$ millions	Avibras Indústria Aeroespacial	Bharat Dynamics	China Aerospace Science & Industry	Hanwha	LIG Nex1	Norinco	Poongsan
Hana Financial	South Korea	94,6				9,1	45,3		40,2
Hankou Bank	China	60,5						60,5	
Hanwha Group	South Korea	274,8				216,4			58,5
Hanyang Securities	South Korea	65,8				21,2			44,6
Housing Development Finance Corporation	India	25,6		25,6					
Hyundai Group	South Korea	72,4				41,8			30,6
Hyundai Heavy Industries	South Korea	8,7				8,7			
IDBI Bank	India	37,0		37,0					
Industrial and Commercial Bank of China	China	171,8			57,7			114,1	
Industrial Bank of Korea	South Korea	39,2				39,2			
KB Financial Group	South Korea	238,8				146,4	71,7		20,8
KDB Financial Group	South Korea	13,5					13,5		
Kiwoom Securities	South Korea	83,0				81,2			1,8
Korea Investment Holdings	South Korea	286,5				117,0	118,6		50,9
Lemanik	Switzerland	1,5							1,5
LIG Group	South Korea	39,0				25,5	13,5		
MassMutual Financial	United States	2,3							2,3
Matthews International Capital Management	United States	2,4					2,4		
Midas International Asset Management	South Korea	2,4							2,4
Mirae Asset Financial Group	South Korea	201,3				98,3	98,4		4,6
National Pension Service	South Korea	426,8				221,0	65,8		140,0
New York Life Insurance	United States	3,5				3,5			
NongHyup Financial	South Korea	526,6				109,9	360,4		56,3
Northern Trust	United States	1,0							1,0
Norwegian Government Pension Fund Global	Norway	4,4					4,4		
Old Mutual	United Kingdom	10,8				10,8			
Orient Securities	China	22,6			22,6				
People's Insurance Company	China	39,6			39,6				
Ping An Insurance Group	China	75,8			75,8				
Power Financial Corporation	Canada	3,3				3,3			
Ryukyung PSG Asset Management	South Korea	2,0				2,0			
Safra Group	Brazil	4,7	4,7						
Samsung Group	South Korea	26,4				14,7	3,8		7,9
Shenwan Hongyuan Group	China	105,3			39,6			65,7	
Shinhan Financial Group	South Korea	106,3				57,2	8,9		40,2
Shinyoung Securities	South Korea	83,2				30,0	9,3		44,0
SK Securities	South Korea	76,1				8,9			67,2
St. James's Place Wealth Management	United Kingdom	2,3				2,3			
State Bank of India	India	73,9		73,9					
State Street	United States	2,9				2,9			
T. Rowe Price	United States	9,1					9,1		
TIAA	United States	14,0				5,2			8,8
Vanguard	United States	79,1				52,5	11,0		15,6
Victorian Funds Management Corporation	Australia	1,6					1,6		
Victory Capital	United States	5,7							5,7
Wellington Management	United States	2,1					2,1		
William Blair & Company	United States	1,6							1,6
Yes Bank	India	37,0		37,0					
Yuanta Financial	Taiwan	88,0				56,2			31,7

Appendix 1

Investments in Elbit Systems

Elbit takes over IMI Systems

IMI Systems had already been considered a cluster munitions producer and had been included on PAX' long list of cluster munitions producers in recent years. However, as we could previously not find financial links with the company, IMI Systems was not included in previous versions of this report. For more information about the cluster munitions related activities of IMI Systems, please see chapter 1.

At the time of writing it is likely that Elbit will acquire IMI Systems before the end of 2018. With the acquisition of IMI Systems, Elbit Systems will become the parent company of a cluster munitions producer and will therefore be regarded as a cluster munitions producer itself.

We call on Elbit Systems to fully end its involvement with (key components of) cluster munitions. We also call on investors in Elbit Systems to engage with this company to make it sever all its involvement with the production of cluster munitions.

Elbit Systems is not yet included on the 2018 Red Flag List because the acquisition was not yet completed at the end of the research period of this report. However, we list the financial links with Elbit in this Appendix.

Methodology

The research for the financial links in Elbit Systems is based on the same methodology as used in the Hall of Shame. This includes the application of a threshold of 1% for the inclusion of investment in shares and bonds. We included all credits and underwriting activities dated after 1 June 2015 for which we found information. We also included all latest data on share-holdings and bond holdings available until 1 June 2018. Please refer to chapter 2 for more details about the methodology.

We will gladly provide anyone interested with more detailed information, for example on the type of investment or the filing date of the respective entry. More information can also be found on our website www.stopexplosiveinvestments.org/disinvestment/hall-of-shame/

The investments

Table: investments in Elbit Systems (Israel)

All numbers in this table are in millions US\$ and have been rounded to one decimal.

Financial institution	Country	Amount invested (US\$ millions)
BNP Paribas	France	72,0
Deutsche Bank	Germany	57,0
Fidelity Investments	United States	162,8
Scotiabank	Canada	110,5
Vanguard	United States	66,9
Wells Fargo	United States	108,0

Appendix 2

Investments in Orbital ATK and Textron

Orbital ATK

Orbital ATK was listed in previous versions of this report as a cluster munitions producer. In June 2018, major US arms manufacturer Northrop Grumman acquired Orbital ATK, which will continue to operate as Northrop Grumman Innovation Systems (NGIS).

Orbital ATK produced a key component of cluster munitions: the rocket motor used in Textron's Sensor Fuzed Weapon (SFW). With Textron having made its final delivery of that weapon, Orbital ATK and its successor NGIS have declared to PAX, international investors and others that they have no involvement anymore with the SFW.

However, NGIS still holds an aging and surveillance contract with the US Air Force. The activities by NGIS under this contract can be seen as assistance with the stockpiling and/or retention of cluster munitions, which is a prohibited act under the Convention on Cluster Munitions. For more information about the cluster munitions related activities of NGIS, please see chapter 1.

We call on Northrop Grumman to fully end its involvement with (key components of) cluster munitions to the extent that it is prohibited by the Convention on Cluster Munitions as soon as possible.

Therefore, we list investors in Orbital ATK in this Appendix. We call on investors in Northrop Grumman to engage with this company to make it sever all its involvement with the continuation of stockpiling of cluster munitions.

Since the acquisition by Northrop Grumman of Orbital ATK was not yet completed when the financial research for this report was closed, we will list investors in Orbital ATK in an Appendix to this report.

Textron

Textron had been on the Red Flag List of this report since its first publication in 2009 because it produced the Sensor Fuzed Weapon cluster munition.

In an August 2016 filing to the US Securities and Exchange Commission (SEC) Textron announced that it would "discontinue production of its sensor-fuzed weapon product."

However, contracts published by the US Federal Procurement Data System show that after these announcements Textron still signed contracts with the Indian Air Force for "Sensor Fuzed Weapon Flight Test Support Extension". The latest extension of this contract, that is aimed to support India in integrating cluster munitions in its arsenal, would run at least until 30 November 2018. Furthermore, Textron is also still involved in the maintenance of cluster munitions for the US government. For more information about the cluster munitions related activities of NGIS, please see chapter 1.

We call on investors in Textron to engage with the company to make it halt any involvement with cluster munitions in a way prohibited by the Convention on Cluster Munitions as soon as possible

Textron should cease all involvement with cluster munitions as soon as it can and where possible not renew existing contracts.

Therefore, we list investors in Textron in this Appendix. We call on these investors to engage with the company to make it halt any involvement with cluster munitions in a way prohibited the Convention on Cluster Munitions prohibits as soon as possible.

Methodology

The research for the financial links in Orbital ATK and Textron is based on the same methodology as used in the Hall of Shame. This includes the application of a threshold of 1% for the inclusion of investment in shares and bonds. We included all credits and underwriting activities dated after 1 June 2015 for which we found information. We also included all latest data on share-holdings and bond holdings available until 1 June 2018. Please refer to chapter 2 for more details about the methodology.

We will gladly provide anyone interested with more detailed information, for example on the type of investment or the filing date of the respective entry. More information can also be found on our website www.stopexplosiveinvestments.org/disinvestment/hall-of-shame/

The investments

Table: investments in Orbital ATK and Textron

All numbers in this table are in millions US\$ and have been rounded to one decimal.

Financial institution	Country	Orbital ATK	Textron	Total (US\$ millions)
Allianz	Germany		396,3	396,3
Allstate	United States	43,8		43,8
Alpine Associates	United States	307,7		307,7
American Century Investments	United States		356,4	356,4
American International Group (AIG)	United States	13,8	89,5	103,3
American United Mutual Insurance	United States		77,5	77,5
Ameriprise Financial	United States	30,8		30,8
AQR Capital Management	United States	360,6		360,6
Bank Hapoalim	Israel	77,1		77,1
Bank of America	United States	281,4	358,8	640,2
Bank of China	China		40,0	40,0
Bank of New York Mellon	United States	247,8	88,0	335,8
BB&T	United States	77,1		77,1
BlackRock	United States	1526,8	2267,5	3794,3
BPCE Group	France		305,4	305,4
Capital Group	United States		2276,7	2276,7
Carlson Capital	United States	356,2		356,2
Carlyle Group	United States		331,7	331,7
Citigroup	United States	231,4	278,4	509,9
Dai-ichi Life Insurance Company	Japan		39,8	39,8
Denver Investments	United States	20,3		20,3
Dimensional Fund Advisors	United States	205,4	419,5	624,9
Eastern Bank	United States	77,1		77,1
Eaton Vance	United States	20,9		20,9
Fidelity Investments	United States	1149,8		1149,8
Fifth Third Bancorp	United States	137,1		137,1
First Eagle Investment Management	United States	1190,4		1190,4
First Niagara Financial	United States	77,1		77,1
Geode Capital Management	United States		345,9	345,9

Financial institution	Country	Orbital ATK	Textron	Total (US\$ millions)
GGCP	United States	178,3	462,6	640,9
Goldman Sachs	United States	280,6	553,2	833,8
Guggenheim Capital	United States	13,4		13,4
Hartford Financial Services	United States		225,8	225,8
Invesco	United Kingdom		714,9	714,9
JPMorgan Chase	United States	231,4	278,4	509,9
KeyCorp	United States	137,1		137,1
Liberty Mutual Insurance	United States	17,9		17,9
Loews Corporation	United States		89,9	89,9
London Company of Virginia	United States	89,8		89,8
Loop Capital	United States		8,5	8,5
Lord, Abnett & Co	United States	52,8		52,8
Magnetar Capital	United States	344,7		344,7
MassMutual Financial	United States		132,9	132,9
MetLife	United States	41,1	95,7	136,7
Mitsubishi UFJ Financial	Japan	281,4	175,2	456,6
Morgan Stanley	United States	162,7	114,1	276,9
National Western Life Group	United States		70,9	70,9
Nationwide Mutual Insurance	United States	91,0		91,0
Neuberger Berman	United States		450,5	450,5
New York Life Insurance	United States	139,0	277,2	416,2
Northern Trust	United States	77,1	357,3	434,4
Northwestern Mutual Life Insurance	United States	18,5	136,7	155,2
Old Republic International	United States	18,4		18,4
Orix Corporation	Japan		488,6	488,6
Pentwater Capital Management	United States	466,8		466,8
People's United Financial	United States	77,1		77,1
Piper Jaffray	United States	50,0		50,0
PNC Financial Services	United States	137,1	114,7	251,9
Primecap Management	United States		538,4	538,4
Principal Financial Group	United States		69,0	69,0
Prudential (UK)	United Kingdom		91,9	91,9
Prudential Financial (US)	United States		96,7	96,7
Regions Financial	United States	137,1		137,1
Royal Bank of Canada	Canada	50,0		50,0
Shenkman Capital Management	United States	14,4		14,4
State Bank of India	India	77,1		77,1
State Street	United States	487,4	1261,1	1748,5
Sumitomo Mitsui Financial Group	Japan	137,1	211,8	348,9
SunTrust	United States	281,4		281,4
Synovus Financial Corporation	United States	77,1		77,1
T. Rowe Price	United States		3942,6	3942,6
Textron Pension Fund	United States		2987,7	2987,7
Thrivent Financial	United States		39,8	39,8
TIAA	United States	89,8		89,8
Travelers	United States		66,9	66,9
US Bancorp	United States	58,1	902,3	960,4
Vanguard	United States	25,7	66,8	92,5
Victory Capital	United States	231,4	146,8	378,3
Water Island Capital	United States	1313,1	3212,6	4525,7
Wells Fargo	United States		499,5	499,5
Westchester Capital Management	United States	215,4		215,4
Western & Southern Financial	United States	303,7	276,8	580,4
Williams Capital Group	United States	167,2		167,2
Zeo Capital Advisors	United States	25,4		25,4