

December 2013 update

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

  
**IKV PAX  
CHRISTI**

**December  
2013**

## KEY FINDINGS

# Key Findings from the December 2013 update of “Worldwide Investments in Cluster Munitions; a shared responsibility” by IKV Pax Christi

## Contents

This document contains the Key Findings, Methodology and Summary Tables of the December 2013 update of “*Worldwide Investments in Cluster Munitions; a Shared Responsibility.*” The full report is available on [www.ikvpaxchristi.nl/stopexplosiveinvestments](http://www.ikvpaxchristi.nl/stopexplosiveinvestments) and on [www.stopexplosiveinvestments.org/report](http://www.stopexplosiveinvestments.org/report).

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

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

## KEY FINDINGS

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

#### 1.1 The report and update

IKV Pax Christi (the Netherlands) and FairFin (formerly *Netwerk Vlaanderen*, Belgium) published the first report on “*Worldwide Investments in Cluster Munitions: a Shared Responsibility*” in October 2009. It was a state-of-the-art report on financial institutions' investment in companies that develop or produce cluster munitions, on financial institutions disinvesting from producers of cluster munitions and on states banning investments in cluster munitions. Updates of the report appeared in April 2010, May 2011, and June 2012. This edition by IKV Pax Christi, dated December 2013, updates the earlier reports.<sup>2</sup>

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

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

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

#### 1.2 The momentum

The Convention on Cluster Munitions (CCM) entered into force on 1 August 2010. As of 13 September 2013, 113 countries had signed the convention of which 84 are States Parties. The convention bans the use, production, stockpiling and transfer of cluster munitions. Although the CCM does not explicitly prohibit investment in cluster munitions, the prohibition on assistance that is included in article 1(1)c<sup>3</sup> should be interpreted by states to include investment in cluster munition producers. Investing in a cluster munition producer is a choice to support the production of weapons that cause unacceptable harm and undermines the commitment that the majority of the world's governments have made to ban cluster munitions by joining the convention.

Investment is banned under the prohibition on assistance in article 1(1)c and runs counter to the spirit of the CCM. However, there is not only a legal argument to make here. The problems arising from the use of cluster munitions had been widely acknowledged before 2008.

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

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

<sup>2</sup> In 2013, FairFin and IKV Pax Christi ended their cooperation in producing the report entitled “Worldwide Investments in Cluster Munitions: a Shared Responsibility.” IKV Pax Christi published the present edition, dated December 2013, which is built on the previous editions published in conjunction with FairFin.

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

## KEY FINDINGS

### 1.3 The Hall of Shame <sup>4 & 5</sup>

#### Producers on our red flag list

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

Compared to the 2012 red flag list, one company, China Aerospace Science and Technology (China), was added to the list while Lockheed Martin (United States) was removed from the list since it confirmed that it has stopped producing (key components of) cluster munitions. Splav State Research and Production Enterprise (Russia) appeared on the 2012 red flag list, but no financial links were found for this year's update. Because of this we removed it from the red flag list, even though it still markets cluster munitions.

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

In this update of the report "*Worldwide Investments in Cluster Munitions: a Shared Responsibility*", 139 financial institutions are identified as investing in seven producers of cluster munitions between 1 June 2010 to 31 August 2013. Billions of US dollars are still being invested in cluster munition producers. Producers still have no problem financing their activities, and too many financial institutions still seem to have no qualms about financing these producers.

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

- provided loans for at least US\$2.3 billion;
- provided investment banking services worth at least US\$6.1 billion; and
- owned or managed shares and bonds worth at least US\$16.0 billion.

#### Changes since our June 2012 report

The 2012 Hall of Shame contained 137 financial institutions. Of these, 102 financial institutions are still in the 2013 Hall of Shame and 35 have been removed. One financial institution was removed due to erroneous reporting of bond holdings in last year's edition.<sup>6</sup> Of the 102 financial institutions still on the list, one is listed under a parent company that was already part of last year's list; another is included as a subsidiary of a newly added parent company.<sup>7</sup> That leaves 101 companies still on the list.

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

- Twelve of these financial institutions dropped off the list because their investment was in Lockheed Martin, which has been dropped from the red flag list.
- Fifteen financial institutions had been a shareholder or bondholder of at least one company included on our red flag list in 2012, but in 2013 their investments dropped below the 1% threshold for US companies or 0.1% for Asian companies. In most cases these financial institutions simply sold some of these shares or bonds while retaining only enough to keep below the thresholds.

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

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

<sup>6</sup> Liechtensteinische Landesbank (LLB) (Liechtenstein) confirmed to Profundo in October 2013 that it has not held bonds issued by Singapore Technologies Engineering since 2007. LLB was erroneously included in the 2012 Hall of Shame due to incorrect reporting in financial data sources.

<sup>7</sup> Mellon Capital Management as part of Bank of New York Mellon, Continental Insurance Company as part of Loews Corporation.

## KEY FINDINGS

- Seven financial institutions left the Hall of Shame in 2013 because we found no financing (in the form of loans or investment banking) for companies on our red flag list. Their loans or investment banking services dated from before the start date of our research period. Since that date, these institutions have provided no new financing for companies on the current red flag list.

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

The 38 newcomers can be grouped into two categories:

- 33 financial institutions are in the 2013 Hall of Shame because they provided financing to at least one of the companies that were also on the 2012 red flag list (Alliant Techsystems, Hanwha, Norinco, Poongsan, Singapore Technologies Engineering and Textron) via:
  - a loan or investment banking service provided after the publication of last year's report
  - acquisition of a new shareholding or bondholding last year, or
  - a shareholding or bondholding that the financial institution had owned last year but that grew above the 1% threshold for US companies or 0.1% for Asian companies.
- 5 financial institutions were included in the 2013 Hall of Shame because they have:
  - provided financing for a company new on the red flag list this year, namely China Aerospace Science and Technology.

When we compare the total amount of investments in the 2013 Hall of Shame to the total amount of investments in our June 2012 Hall of Shame, we see a drop from US\$43 billion to US\$24 billion. This drop is mainly explained by the fact that investments in Lockheed Martin, no longer included on our 2013 red flag list represented over US\$20 billion in our 2012 report. The number of financial institutions that still invest in cluster munition producers is approximately the same as last year (137 financial institutions in 2012 vs. 139 financial institutions in 2013).

## KEY FINDINGS

### Top financiers of cluster munition producers

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

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

| Name of financial institution | Country of origin | Loans in million US \$ |
|-------------------------------|-------------------|------------------------|
| Bank of America               | United States     | 276                    |
| Mitsubishi UFJ Financial      | Japan             | 235                    |
| JP Morgan Chase               | United States     | 177                    |
| Citigroup                     | United States     | 135                    |
| Deutsche Bank                 | Germany           | 135                    |
| Bank of New York Mellon       | United States     | 117                    |
| <b>Total</b>                  |                   | <b>1075</b>            |

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

| Name of financial institution | Country of origin | Investment Banking services in million US \$ |
|-------------------------------|-------------------|--|
| China Everbright Bank         | China             | 827.5  |
| Agricultural Bank of China    | China             | 498.4  |
| China Merchants Bank          | China             | 462.9  |
| Industrial Bank               | China             | 373.2  |
| China Securities              | China             | 298.4  |
| <b>Total</b>                  |                   | <b>2,460.4</b>                               |

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

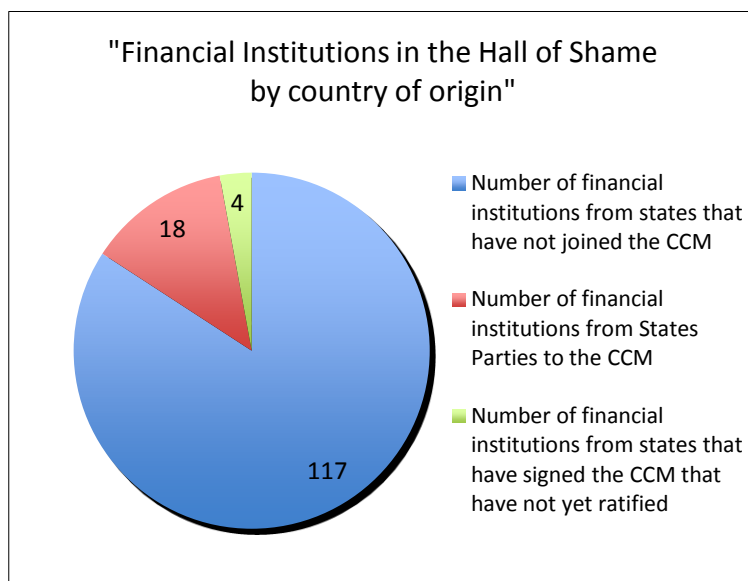
| Name of financial institution | Country of origin | Asset management in million US \$ |
|-------------------------------|-------------------|-----------------------------------|
| Temasek Holdings              | Singapore         | 5,353.6                           |
| Capital Group                 | United States     | 1,125.8                           |
| Aberdeen Asset Management     | United Kingdom    | 1,107.4                           |
| Fidelity Investments          | United States     | 754.3                             |
| Vanguard                      | United States     | 735.06                            |
| <b>Total</b>                  |                   | <b>9,076.16</b>                   |

**We call on all 139 financial institutions in the Hall of Shame to develop policies that exclude all financial links with companies involved in the production of cluster munitions.**

## KEY FINDINGS

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

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



The Hall of Shame contains 139 financial institutions from thirteen different countries. The majority of these financial institutions (117) are from countries that have not yet joined the Convention on Cluster Munitions (CCM). The other 22 financial institutions are from six states that did join the convention. Of these 22, four financial institutions are from Canada that has signed but not yet ratified the convention. Of these 22, eighteen financial institutions are from five countries that are States Parties to the convention (France, Germany, Japan, Switzerland and the United Kingdom).

Of the 139 financial institutions, 67 financial institutions are from the United States. The United States has not joined the CCM.

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

**We call on all states that have joined the Convention on Cluster Munitions to stay true to the convention and to develop legislation to ban investments in cluster munitions.**

## KEY FINDINGS

### 1.4 Financial institutions disinvesting from cluster munition producers<sup>8</sup>

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

#### **Hall of Fame**

The Hall of Fame lists those financial institutions with a far-reaching policy ending all investments in cluster munition producers. 31 financial institutions are listed in the Hall of Fame: seven government-managed pension funds, three ethical banks and twenty-one private financial institutions.

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

All 31 financial institutions identified in the Hall of Fame are from States Parties to the CCM. All these financial institutions but six (the Future Fund (Australia); Norwegian Government Pension Fund-Global (Norway), DNB (Norway), KLP (Norway), Storebrand Group (Norway); and New Zealand Superannuation Fund) are from EU member countries.

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

| Type of financial institution in the Hall of Fame | Number of financial institutions per type |
|---|---|
| Ethical bank                                      | 3   |
| Government-managed pension fund                   | 7   |
| Private financial institution                     | 21  |
| <b>Total</b>                                      | <b>31</b>                                 |

<sup>8</sup> Our Hall of Fame and the runners-up category are far from comprehensive. For this research it was impossible to research the policies of all the financial institutions worldwide. We have chosen to limit our research to policies available in the public domain, since we believe that financial institutions should be accountable for their policy. We worked within the limits imposed by language (English and Dutch) and accessibility. The Hall of Fame can be seen as an invitation to financial institutions that have a comprehensive policy to ban investment in cluster munitions producers, to provide us with their policy and to publish it on their website in order for us to include them in either the runners-up category or our Hall of Fame. The lists of financial institutions disinvesting from cluster munitions producers presented in this report are a first attempt to provide an overview and we welcome additional information.



## KEY FINDINGS

### Runners-up

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

The most common shortcomings are:

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

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

All 36 financial institutions that met our policy criteria for the runners-up category are from countries that have joined the CCM and except for Canada are all States Parties to the CCM. All the financial institutions but four (Credit Suisse (Switzerland), Royal Bank of Canada, Sumitomo Mitsui Trust Bank (Japan), and Vontobel (Switzerland) are from EU countries. All financial institutions listed as runners-up are private financial institutions.

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

| Type of financial institution in the runners-up | Number of financial institutions per type |
|---|---|
| Private financial institution                   | 36  |
| <b>Total</b>                                    | <b>36</b>                                 |

**The financial institutions in the runners-up category have taken important steps, but their policies show loopholes that could allow for investments in cluster munition producers and which should be closed.**

## KEY FINDINGS

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 munition producers. As we have seen in the Hall of Shame however, this is certainly not an automatic response by financial institutions based in or operating in signatory states to the CCM. We therefore applaud the financial institutions in the runners-up category for their steps to ban investments in cluster munition producers, and encourage other financial institutions to do the same.

### 1.5 Legislation

The Cluster Munition Coalition (CMC) believes that the prohibition to assist in the production of cluster munitions in the CCM includes a prohibition on investments in cluster munitions.<sup>9</sup> An ever growing group of states shares the interpretation that investments in cluster munitions are banned under the convention.

Since our 2012 report, four new states adopted legislation that prohibits investments in cluster munitions: Liechtenstein, the Netherlands, Samoa and Switzerland.

At the time of writing, nine states in total have adopted legislation that prohibits (various forms of) investments in cluster munitions: Belgium, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Samoa and Switzerland. In addition to these nine states that have already established national legislation, it is worth mentioning that on 27 May 2013, Denmark asked the Danish Council for Corporate Responsibility for recommendations on how to strengthen responsible investment in relation to the Mine Ban Treaty and the Convention on Cluster Munitions, including recommendations on a legal prohibition on investments.

Since our 2012 report, six new states have been added to the list of countries with interpretive statements: Canada, the Democratic Republic of Congo (DRC), the Republic of Congo, Ghana, Niger and Norway all have stated that investments in cluster munitions are or can be seen as prohibited by the convention.

In total, 27 states have not yet passed legislation against investment in cluster munitions production but they did express the view that investments in the production of cluster munitions are or can be seen as prohibited by the CCM. Australia, Bosnia and Herzegovina, Canada, Cameroon, Colombia, the Democratic Republic of Congo (DRC), the Republic of Congo, Croatia, the Czech Republic, France, Ghana, Guatemala, the Holy See, Hungary, Lao PDR, Lebanon, Madagascar, Malawi, Malta, Mexico, Niger, Norway, Rwanda, Senegal, Slovenia, the United Kingdom and Zambia all interpret (direct) investment as a prohibited form of assistance under the CCM.

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<sup>9</sup> Cluster Munition Coalition, "CMC Policy Papers on the Convention on Cluster Munitions", May 2010, available at [www.stopclustermunitions.org/wp/wp-content/uploads/2010/06/3a-cmc-policy-papers.pdf](http://www.stopclustermunitions.org/wp/wp-content/uploads/2010/06/3a-cmc-policy-papers.pdf), last viewed 20 September 2013; Cluster Munition Coalition, "Briefing Paper on the Convention on Cluster Munitions (English)", September 2013, available at [www.stopclustermunitions.org/wp/wp-content/uploads/2013/09/brief\\_eng13-september-2013\\_pdf.pdf](http://www.stopclustermunitions.org/wp/wp-content/uploads/2013/09/brief_eng13-september-2013_pdf.pdf), last viewed 21 September 2013.

## KEY FINDINGS

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

## KEY FINDINGS

### 2 Recommendations

- **States** that have joined the CCM should make clear that in prohibiting assistance, article 1(1)c of the convention prohibits investment in cluster munitions producers.
- **States** should draft national legislation prohibiting investment in producers of cluster munitions. This provides clear guidelines for financial institutions and is in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in cluster munitions production. Because all investment facilitates this production, no exceptions should be made for third-party financial services, for funds that follow an index or for civilian project financing for a company also involved in cluster munitions. Policies should not be narrowed to refusing project financing for cluster munitions.
- **Financial institutions** should inform producers of their decision to end investment because of the producers' involvement with cluster munitions. Financial institutions can set clear deadlines with a limited time frame within which a company must cease production of cluster munitions if it wishes the disinvestment decision to be reversed. When a company persists in producing cluster munitions after the deadline, the financial institution will disinvest until such time as the company terminates production of cluster munitions. New applications for investment will be declined until the company has halted all activities related to the production of cluster munitions.
- **Financial institutions** should apply their disinvestment policy to all activities: commercial banking, investment banking and asset management. All such activities aid and abet a company's production of cluster munitions. When this new course of action requires a change in investment fund management, investors should be notified of this and given a deadline for withdrawing from these funds. After this deadline, management strategy will change and shares and obligations in companies involved in cluster munitions will be sold.

## KEY FINDINGS

### 3 Summary Tables

#### 3.1 Hall of Shame

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

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

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

## KEY FINDINGS

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

## KEY FINDINGS

| Financial Institution in the Hall of Shame         | Country of origin            | Alliant Techsystems (US) | China Aerospace Science & Technology (China) | Hanwha (South Korea) | Norinco (China) | Poongsan (South Korea) | Singapore Technologies Engineering (Singapore) | Textron (US) |
|--|------------------------------|--------------------------|--|----------------------|-----------------|------------------------|--|--------------|
| Hyundai Group                                      | South Korea                  |                          |  | Y                    |                 |                        |  |              |
| Hyundai Heavy Industries                           | South Korea                  |                          |  | Y                    |                 | S                      |  |              |
| Industrial Bank                                    | China                        |                          | Y  |                      |                 |                        |  |              |
| Industrial & Commercial Bank of China (ICBC)       | China                        |                          | Y  |                      | Y               |                        |  |              |
| Invesco  | United Kingdom <sup>10</sup> | B                        |  |                      |                 |                        |  | S            |
| Iridian Asset Management                           | United States                | S                        |  |                      |                 |                        |  |              |
| JP Morgan Chase                                    | United States                | L,B                      |  |                      |                 |                        |  | L,Y          |
| KB Financial                                       | South Korea                  |                          |  | L,Y                  |                 | Y,S                    |  |              |
| Keybank  | United States                | L                        |  |                      |                 |                        |  |              |
| Korea Development Bank                             | South Korea                  |                          |  | Y                    |                 | Y                      |  |              |
| Korea Investment                                   | South Korea                  |                          |  | Y,S                  |                 | Y,S                    |  |              |
| Lazard   | United States                | B                        |  |                      |                 |                        |  |              |
| Legg Mason   | United States                |                          |  | S                    |                 | S                      |  |              |
| Loews Corporation                                  | United States                |                          |  |                      |                 |                        |  | B            |
| LSV Asset Management                               | United States                | S                        |  |                      |                 |                        |  |              |
| Manulife Financial                                 | Canada                       |                          |  |                      |                 | S                      |  |              |
| Massachusetts Mutual Life Insurance                | United States                | B                        |  |                      |                 |                        |  | B            |
| Matthews International Capital Management          | United States                |                          |  |                      |                 |                        | S  |              |
| Midas Asset Management                             | South Korea                  |                          |  |                      |                 | S                      |  |              |
| Mirae Asset Financial Group                        | South Korea                  |                          |  | S                    |                 | S                      |  |              |
| Mitsubishi UFJ Financial                           | Japan                        | L,Y                      |  |                      |                 |                        |  | L,Y          |
| Mizuho Bank  | Japan                        | L                        |  |                      |                 |                        |  |              |
| Morgan Stanley                                     | United States                |                          |  |                      |                 |                        |  | L,Y          |
| National Pension Service                           | South Korea                  |                          |  | S                    |                 | S                      |  |              |
| Newton Investment Management                       | United Kingdom               |                          |  |                      |                 |                        | S  |              |
| New York Life Insurance                            | United States                | B                        |  |                      |                 |                        |  | B            |
| Northern Trust                                     | United States                | B                        |  |                      |                 |                        |  | L,S          |
| Nuveen Investments                                 | United States                | B                        |  |                      |                 |                        |  |              |
| Old Mutual   | United Kingdom               | S                        |  | S                    |                 | S                      |  |              |
| People's Insurance Company (Group) of China (PICC) | China                        |                          |  |                      | Y               |                        |  |              |
| People's United Financial                          | United States                | L                        |  |                      |                 |                        |  |              |
| PNC Financial                                      | United States                | L                        |  |                      |                 |                        |  |              |
| Power Corporation of Canada                        | Canada                       |                          |  |                      |                 |                        | S  |              |
| Principal Financial                                | United States                | S                        |  |                      |                 |                        |  | B            |
| Prospector Partners                                | United States                | B                        |  |                      |                 |                        |  |              |

<sup>10</sup> Invesco has headquarters in Bermuda, an overseas territory of the United Kingdom.

## KEY FINDINGS

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



## KEY FINDINGS

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

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

## KEY FINDINGS

### 3.2 Hall of Fame

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

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

## KEY FINDINGS

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

## KEY FINDINGS

### 3.3 Runners-up category

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

| Financial institution in the runners-up | Country of origin  | Has the institution published its policy? | Does it exclude cluster munitions producers? | Does it exclude all cluster munitions producers, (no exceptions for certain types?) | Does the policy apply to all the financial institution's products? | Are all a company's activities excluded? |
|---|--------------------|---|--|---|--|--|
| ABN Amro                                | The Netherlands    | X   | X  | X   |  | X  |
| Aegon                                   | The Netherlands    | X   | X  | X   |  | X  |
| Aviva                                   | The United Kingdom | X   | X  | X   |  | X  |
| AXA                                     | France             | X   | X  | X   |  | X  |
| Barclays                                | The United Kingdom | X   | X  | X   |  | X  |
| BBVA                                    | Spain              | X   | X  | X   |  | X  |
| BNP Paribas                             | France             | X   | X  | X   |  | X  |
| Commerzbank                             | Germany            | X   | X  | X   |  | X  |
| Co-operative Financial Services         | The United Kingdom | X   | X  | X   |  | X  |
| Crédit Agricole                         | France             | X   | X  | X   |  | X  |
| Credit Suisse                           | Switzerland        | X   | X  | X   |  | X  |
| Danske Bank                             | Denmark            | X   | X  | X   |  | X  |
| Deutsche Bank                           | Germany            | X   | X  | X   |  | X  |
| Generali                                | Italy              | X   | X  | X   |  | X  |
| HSBC                                    | The United Kingdom | X   | X  | X   |  | X  |
| ING                                     | The Netherlands    | X   | X  | X   |  | X  |
| Intesa Sanpaolo                         | Italy              | X   | X  | X   |  | X  |
| KBC                                     | Belgium            | X   | X  | X   |  | X  |
| Laegernes Pensionskasse                 | Denmark            | X   | X  | X   |  | X  |
| Lloyds Banking Group                    | The United Kingdom | X   | X  | X   |  | X  |
| Nordea                                  | Sweden             | X   | X  | X   |  | X  |
| Nykredit                                | Denmark            | X   | X  | X   |  | X  |
| Pensioenfonds Horeca & Catering         | The Netherlands    | X   | X  | X   |  | X  |
| PFA Pension                             | Denmark            | X   | X  | X   |  | X  |
| Rabobank                                | The Netherlands    | X   | X  | X   |  | X  |
| Royal Bank of Canada                    | Canada             | X   | X  | X   |  | X  |
| Royal Bank of Scotland                  | The United Kingdom | X   | X  | X   |  | X  |
| SEB                                     | Sweden             | X   | X  | X   |  | X  |
| Société Générale                        | France             | X   | X  | X   |  | X  |
| Stichting Pensioenfonds APF             | The Netherlands    | X   | X  | X   |  | X  |
| Sumitomo Mitsui Trust Bank              | Japan              |   | X  | X   |  | X  |
| Swedbank                                | Sweden             | X   | X  | X   |  | X  |
| Syntrus Achmea                          | The Netherlands    | X   | X  | X   |  | X  |
| UniCredit Group                         | Italy              | X   | X  | X   |  | X  |
| Van Lanschot                            | The Netherlands    | X   | X  | X   |  | X  |
| Vontobel                                | Switzerland        | X   | X  | X   |  | X  |

## KEY FINDINGS

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

| Red Flag Lists in our reports      |                                    |                                    |                                    |  |
|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| 2009                               | 2010                               | 2011                               | 2012                               | 2013                                   |
| Alliant Techsystems                | Alliant Techsystems                | Alliant Techsystems                | Alliant Techsystems                | Alliant Techsystems                    |
| Hanwha                             | Hanwha                             | Hanwha                             | Hanwha                             | China Aerospace Science and Technology |
| L-3 Communications                 | L-3 Communications                 | Lockheed Martin                    | Lockheed Martin                    | Hanwha                                 |
| Lockheed Martin                    | Lockheed Martin                    | Norinco                            | Norinco                            | Norinco                                |
| Poongsan                           | Poongsan                           | Poongsan                           | Poongsan                           | Poongsan                               |
| Roketsan                           | Singapore Technologies Engineering | Singapore Technologies Engineering | Singapore Technologies Engineering | Singapore Technologies Engineering     |
| Singapore Technologies Engineering | Textron                            | Splav                              | Splav                              | Textron                                |
| Textron                            |                                    | Textron                            | Textron                            |  |

| Investments in companies on our Red Flag lists      |                  |                  |                  |                  |                 |
|---|------------------|------------------|------------------|------------------|-----------------|
|   | 2009             | 2010             | 2011             | 2012             | 2013            |
| <b>Total investments in Red Flag list companies</b> | 20 billion USD   | 43 billion USD   | 39 billion USD   | 43 billion USD   | 24 billion USD  |
| <b>Loans</b>  | 5.1 billion USD  | 3.2 billion USD  | 1.5 billion USD  | 4.1 billion USD  | 2.3 billion USD |
| <b>Investment Banking services</b>                  | 4.2 billion USD  | 6.7 billion USD  | 6.3 billion USD  | 8.1 billion USD  | 6.1 billion USD |
| <b>Asset management</b>                             | 11.8 billion USD | 33.1 billion USD | 30.9 billion USD | 30.4 billion USD | 16 billion USD  |

## KEY FINDINGS

### 4 Methodology

#### Methodology: Questions and Answers

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

No. There is still a marked lack of official information available in the public domain about the production of cluster munitions. We have chosen to include only those companies that meet the following criteria:

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

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

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

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

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

No. The Hall of Shame is not an exhaustive list of financial institutions with investments in cluster munitions producers. We apply different thresholds to different companies for investment in shares and bonds. Due to the different shareholding structure in the various companies,<sup>11</sup> we chose a 0.1% floor limit for Hanwha, Poongsan, and Singapore Technologies Engineering and a 1% limit for Alliant Techsystems (ATK) and Textron. This threshold is a pragmatic tool designed for this research. Without these thresholds, the list of financial institutions would be too long to handle in this report. Even when a financial institution has invested in a cluster munition producer, as long as its shares are below 0.1% in Hanwha, Poongsan, and Singapore Technologies Engineering or 1% in ATK and Textron, you will not find it on our list. Moreover, because the red flag list of producing companies is not exhaustive, a financial institution that has invested in a producing company might still not be included in our research. There is still a marked lack of transparency in the public domain about financial institutions' investments furthermore. There is little or no transparency on what credits were given to whom. That makes it complicated to find out whether a financial institution has granted a loan to a controversial company.

#### 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 munition producers' own publications, as well as commercial databases with information supplied by financial institutions. Research by Profundo (the Netherlands).

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<sup>11</sup> Asian companies seem to have a few large (local) shareholders and a group of foreign shareholders with less than 1%. We therefore lowered the threshold for Hanwha, Poongsan and Singapore Technologies Engineering.

## KEY FINDINGS

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

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

### **Are all financial institutions with a policy requiring them to disinvest from cluster munition 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 munition 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 munition producers and fully implement their policies.

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

We used a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy. Our list of financial institutions is not exhaustive. We contacted all financial institutions in these lists before publication to check our research findings and clarify their policies. This study takes into account only publicly available policy documents and written comments. A policy document is public when a financial institution has published it or a summary of it on its website or in its publications (e.g. annual report, sustainable development report, etc.). Research by Profundo (the Netherlands).<sup>12</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 munition producers, but whose policies have loopholes. A financial institution can be applauded in the runners-up category for its policy, while at the same time be listed in the Hall of Shame for its investment. Checking whether this involvement runs counter to their policies, or whether it results from a loophole, was beyond the scope of this report. An accurate report on implementation of policies published by runners-up would require more detailed information on the investments we found. Examples of the kind of information we would still need are whether a financial link constitutes own or third-party investments, which investment fund is involved, or whether the financial link is through a fund following an index; all issues beyond the scope of our research. Moreover, a financial institution may be listed for investments made before their policy came into effect, since we research investments since June 2010.

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<sup>12</sup> Note that the researchers cannot be held responsible when a published policy document is no longer up-to-date and/or when the financial institution gave little or no response to our questions about it.

## KEY FINDINGS

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

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

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

During our research and the conversations we had with financial institutions about this issue, many of these institutions pointed out that it is simply impossible to exclude cluster munition producers from funds following an index. Still, some financial institutions do have a policy that includes funds following an index. These examples have convinced us that it is possible to exclude producing companies from funds following an index. Although it might well be difficult, and cost more in time and/or money, we think that if it is possible it should be done. We invite financial institutions that see no possibility of meeting this criterion to demonstrate why they are unable to do so. Until then, we have chosen to list financial institutions that make an exception for funds following an index in the runners-up category, and not in the Hall of Fame.

### **Researched Time Frame**

- We listed a company as a cluster munition producer when we found evidence that it was involved in producing (key components of) cluster munitions in the time span extending from 30 May 2008 to 31 August 2013.

- We listed a financial institution as an investor when we found evidence of investment in the time span extending from 1 June 2010 to 31 August 2013. Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's investments.

- We updated the policies of financial institutions listed in the Hall of Fame and runners-up category as far as 10 October 2013. Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy.