

November 2014 update

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

PAX

November
2014

KEY FINDINGS

Key Findings from the November 2014 update of “Worldwide Investments in Cluster Munitions; a shared responsibility” by PAX

Contents

This document contains the Key Findings, Methodology and Summary Tables of the November 2014 update of “*Worldwide Investments in Cluster Munitions; a shared responsibility*”. The full report is available on www.paxforpeace.nl/our-work/programmes/stop-explosive-investments and on 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 munitions 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 munitions 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 munitions 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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PAX (formerly 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 PAX. 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@paxforpeace.nl.

KEY FINDINGS

1 Key Findings¹

1.1 The report and update

PAX 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, June 2012 and December 2013. This edition by PAX, dated November 2014, updates the earlier reports.²

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 bomb producers 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 munitions 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 munitions 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 26 October 2014, 114 countries had signed the convention of which 87 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)c³ should be interpreted by states to include investment in cluster munitions producers. Investing in a cluster munitions 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.

¹ 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.

² In 2013, FairFin and PAX ended their cooperation in producing the report entitled “Worldwide Investments in Cluster Munitions: a Shared Responsibility.” PAX published the present edition, dated November 2014, which is built on the previous editions published in conjunction with FairFin.

³ 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.”

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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.

1.3 The Hall of Shame^{4 & 5}

Producers on our red flag list

To identify cluster munitions 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 munitions 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 munitions producers is by no means exhaustive. We only included companies that had discernible financial links and that met the other criteria listed in chapter 1. The current report lists the following companies: ATK (Alliant Techsystems) (US), China Aerospace Science and Technology (China), Hanwha (South Korea), Norinco (China), Poongsan (South Korea), Singapore Technologies Engineering (Singapore) and Textron (US).

Investments in the producers on our red flag list

In this update of the report “Worldwide Investments in Cluster Munitions; a shared responsibility”, 151 financial institutions are identified as investing in seven producers of cluster munitions between 1 June 2011 to beginning of September 2014. Billions of US dollars are still being invested in cluster munitions 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, 151 financial institutions invested US\$27 billion in the seven cluster munitions producers included in the report. They:

- provided loans for at least US\$4.5 billion;
- provided investment banking services worth at least US\$5 billion; and
- owned or managed shares and bonds worth at least US\$17.5 billion.

Changes since our December 2013 report

The 2013 Hall of Shame contained 139 financial institutions. Of these, 103 financial institutions are still in the 2014 Hall of Shame and 36 have been removed. These 36 financial institutions have been removed for various reasons:

- For this year’s research, their investments in shares or bonds dropped below the 0,1% threshold for Asian companies and 1% threshold for American companies. In most cases these financial institutions simply sold some of these shares or bonds while retaining only enough to keep below the thresholds.

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

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

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- We found no financing for the companies on our red flag list. Their loans or investment banking services dated from before June 2011. Since that date, these institutions have provided no new financing for companies on the current red flag list.

The 2014 Hall of Shame contains 151 financial institutions. So next to the 103 financial institutions held over from 2013, 48 new ones have entered the Hall of Shame.

Top financiers of cluster munitions producers

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

Top 5 loan providers in the Hall of Shame

Financial Institution	Country of origin	LOANS in million US \$
JP Morgan Chase	United States	672,8
Bank of America	United States	379
Mitsubishi UFJ Financial	Japan	327,5
Synovus Financial Corporation	United States	325
Sumitomo Mitsui Financial Group	Japan	255

Top 5 investment banking service providers in the Hall of Shame

Financial Institution	Country of origin	INVESTMENT BANKING services in million US \$
China Everbright Group	China	620
Industrial Bank	China	357,4
Agricultural Bank of China	China	306,7
China Securities	China	298,4
JP Morgan Chase	United States	235

Top 5 asset management providers in the Hall of Shame

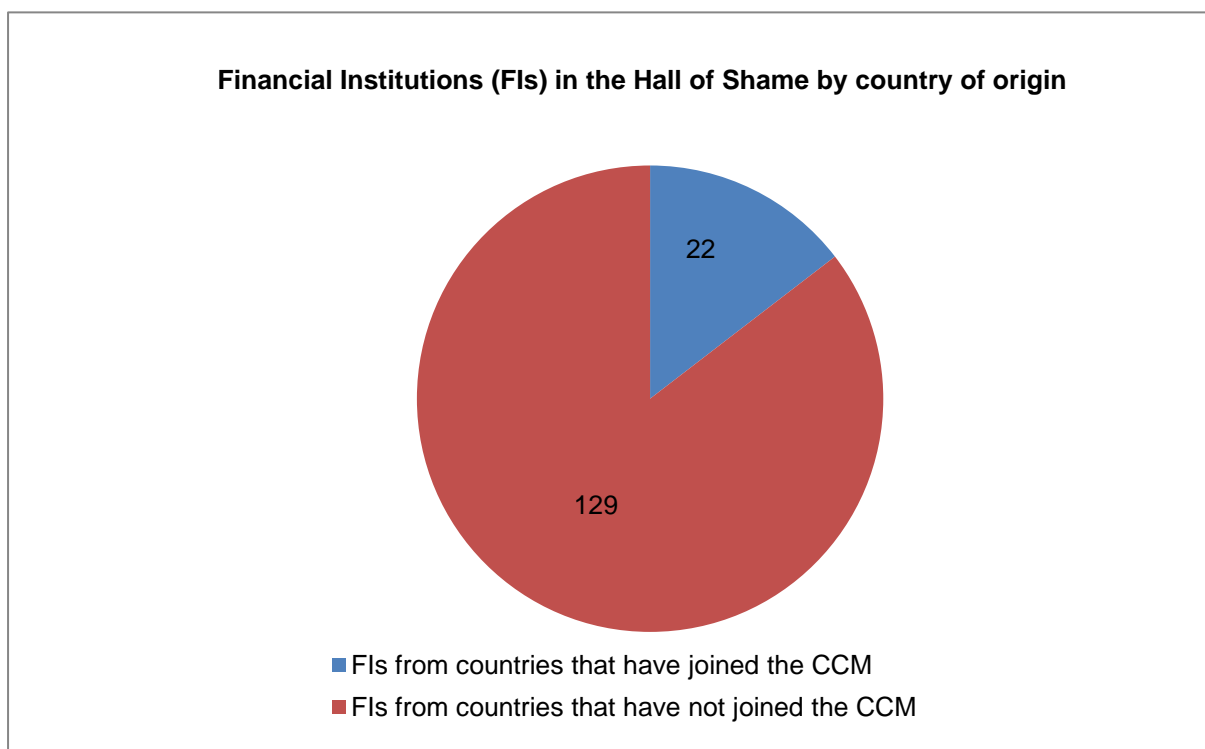
Financial Institution	Country of origin	ASSET MANAGEMENT in million US \$
Temasek Holdings	Singapore	4760,28
T. Rowe Price	United States	1310,15
Capital Group	United States	1236,16
Vanguard	United States	1067,88
BlackRock	United States	927,83

We call on all 151 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
Australia	1
Canada	2
China	21
France	2
Germany	3
India	1
Israel	1
Japan	3
Singapore	4
South Korea	22
Spain	1
Switzerland	3
Taiwan	4
United Kingdom	7
United States	76
TOTAL	151



The Hall of Shame contains 151 financial institutions from fifteen different countries. The majority of these financial institutions (129) are from countries that have not yet joined the Convention on Cluster Munitions (CCM). The other 22 financial institutions are from eight states that did join the convention. Of these 22, two financial institutions are from Canada that has signed but, at the time of writing, not yet ratified the convention. Of these 22, twenty financial institutions are from seven countries that are States Parties to the convention (Australia, France, Germany, Japan, Spain, Switzerland and the United Kingdom).

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Of the 151 financial institutions, 76 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.

1.4 Financial institutions disinvesting from cluster munitions producers⁶

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

The report has been successful in creating a race to the top amongst financial institutions that wish their policies to be featured in the Hall of Fame or runners-up category. After five reports it was time to take a close look at whether the criteria we use are still relevant and consistently applied. Additionally, since the size of both the Hall of Fame and runners-up increased significantly over the years, it was time to adjust our working method. For the 2014 report, a comprehensive and uniform questionnaire was sent to all financial institutions, rather than a general inquiry followed by more in-depth questions as was done in previous years. To ensure accuracy and consistency in the way policies are analysed for the Hall of Fame and the runners-up, all financial institutions needed to be re-examined using the standardized questionnaire format. The restructured questionnaire enabled economic research company Profundo to investigate financial institutions' policies on cluster munitions in more detail. In some cases, this revealed new information that was not previously known or clear to us and therefore affected the financial institutions' place in the report. In other cases, it turned out that certain criteria were applied differently across different financial institutions. This means that a financial institution that was listed in the 2013 Hall of Fame could now be listed in the runners-up category.

Hall of Fame

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

⁶ 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.

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When we compare the new Hall of Fame to the one in our December 2013 report, we see that ten financial institutions have entered it: financial services provider Delta Lloyd Group (the Netherlands), asset managers La Financière Responsable (France) and Sparinvest (Luxembourg), and pension funds PenSam (Denmark), Stichting Pensioenfonds Openbaar Vervoer (SPOV, Public Transport Pension Fund, the Netherlands) and Stichting Pensioenfonds Huisartsen (SPH, Pension Fund General Practitioners, the Netherlands).

In last year's report, the Co-operative Financial Services (the United Kingdom) was listed in the runners-up category. At the end of 2013, the Co-operative Bank separated from the group and changed its ownership structure. As such, we studied the Co-operative Bank's cluster munitions policy for this year's report and found it merited a place in this year's Hall of Fame. Last year's runners-up Pensioenfonds Horeca & Catering (Pension Fund Horeca & Catering, the Netherlands) and PFA Pension (Denmark) closed the loopholes that previously existed in their policies and are now included in the Hall of Fame. For Laegernes Pensionskasse (Denmark), which was listed in the 2013 runners-up category, its assessment for this year made it clear that its policy applies to all investments and is therefore granted a place in the Hall of Fame.

We welcome these financial institutions into our Hall of Fame. They show that a financial institution can establish a policy to ban every kind of investment in producers of cluster munitions.

Unlike last year, Ethias (Belgium), National Pensions Reserve Fund (Ireland), New Zealand Superannuation Fund (New Zealand) and Pensioenfonds Vervoer (Transport Industry Pension Fund, the Netherlands) no longer have a place in the Hall of Fame. This year's assessment revealed new details about the scope of these financial institutions' policies. As such, these financial institutions are now listed in the runners-up category. These financial institutions are commended for their efforts to ban investments in cluster munitions producers and are encouraged to close the remaining loopholes in their policies to be included in the Hall of Fame again in the future.⁷

All 36 financial institutions identified in the Hall of Fame are from States Parties to the CCM.

Country of origin of financial institution in the Hall of Fame	Number of financial institutions per country
Australia	1
Denmark	4
France	1
Italy	1
Luxembourg	2
Norway	4
Sweden	3
The Netherlands	19
United Kingdom	1
TOTAL	36

Types of financial institution in the Hall of Fame	Number of financial institutions per type
Ethical financial institution	4
Government-managed pension funds	5
Mainstream financial institutions	27
TOTAL	36

⁷ Another change in this year's Hall of Fame compared to the December 2013 report, is that KPA Pension (Sweden) has been included in the profile of Folksam (Sweden). As Folksam is majority owner of KPA Pension and Folksam's policies apply to all companies in its group, KPA Pension is no longer listed as a separate financial institution in this report.

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Runners-up

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

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

Four financial institutions have joined the runners-up category since our December 2013 report. These are Belfius (Belgium), National Provident Fund (New Zealand), NIBC (the Netherlands) and Standard Chartered (United Kingdom). Belfius was already listed in the 2012 edition of this report but failure to publish its policy led to the financial institution's removal from the runners-up category in last year's report. We welcome the news that Belfius has now published its exclusion policy and welcome it back in the runners-up category. Standard Chartered has been listed in the text box with financial institutions that only exclude project finance for the production of cluster munitions in previous editions of this report. As Standard Chartered clarified that its policy applies to cluster munitions producing companies, rather than only project finance for the production of cluster munitions, we have included it in this year's runners-up category.⁸

All 40 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.

Country of origin of financial institutions in the runners-up category	Number of financial institutions per country
Belgium	3
Canada	1
Denmark	2
France	4
Germany	2
Ireland	1
Italy	3
Japan	1
New Zealand	2
Spain	1
Sweden	3
Switzerland	2
The Netherlands	9
United Kingdom	6
TOTAL	40

Types of financial institution in the runners-up category	Number of financial institution per type
Private financial institutions	40

⁸ Furthermore, as we aim to include financial institutions at the group level, this year's runners-up includes Achmea instead of Syntrus Achmea (the Netherlands). Last year's report still listed Syntrus Achmea.

KEY FINDINGS

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

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

1.5 Legislation

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

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 Italy and Switzerland, action is ongoing to strengthen the existing investment prohibitions.

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.

⁹ Cluster Munition Coalition, "Briefing Paper on the Convention on Cluster Munitions (English)", March 2014, available at www.stopclustermunitions.org/media/330969/Briefing-paper-on-the-Convention-on-Cluster-Munitions-English-March-2014.pdf, last viewed 18 September 2014.

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

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3 Summary Tables

3.1 Hall of Shame

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

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

Financial Institution in the Hall of Shame	Country of origin	ATK (Alliant Techsystems) (US)	China Aerospace Science and Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Aberdeen Asset Management	United Kingdom						S	
Affiliated Managers Group	United States	S						
Aflac	United States						B	
Agricultural Bank of China	China				Y			
AJO	United States	S						
Allianz	Germany	B,S						
Allstate Corporation	United States	B						
Amalgamated Bank of Chicago	United States	L						
American Beacon Advisors	United States	B						
American International Group	United States	B						B
American United Mutual Insurance	United States							B
Ameriprise Financial	United States	B						
APS Asset Management	Singapore					S		
Arovid Associates	United States	S						
Associated Banc-Corp	United States	L						
Banco de Sabadell	Spain	L						
BancPlus	United States	L						
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			L
Bank of Communications	China		Y		Y			
Bank of East Asia	China							L

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Financial Institution in the Hall of Shame	Country of origin	ATK (Alliant Techsystems) (US)	China Aerospace Science and Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Bank of New York Mellon	United States	L,S		S		S	S	L,S,Y
Banner Bank	United States	L						
BB&T Corporation	United States	L						
BlackRock	United States	S		S		S	S	S
California First National Bancorp	United States	L						
Capital Group	United States						S	S
Carlyle Group	United States							S
Cascade Bancorp	United States	L						
Causeway Capital Management	United States			S				
Central Pacific Financial Corporation	United States	L						
Cheonanbukil Foundation School	South Korea			S				
China Construction Bank	China		Y		Y			
China Development Bank	China				Y			
China Everbright Group	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			
Citigroup	United States	L						L,Y
CNO Financial	United States							B
Comerica	United States	L						
Consus Asset Management	South Korea			S		S		
Crédit Mutuel	France	L						
Credit Suisse	Switzerland						B	
Daewoo Securities	South Korea			Y				
Davis Advisors	United States							S
DBS	Singapore							L
Deutsche Bank	Germany			S				
Dimensional Fund Advisors	United States	S		S		S		

KEY FINDINGS

Financial Institution in the Hall of Shame	Country of origin	ATK (Alliant Techsystems) (US)	China Aerospace Science and Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Discovery Capital Management	United States	S						
Dongbu Group	South Korea			Y				
E.SUN Financial	Taiwan	L						
Eastern Bank	United States	L						
Eaton Vance	United States	B		S				
Eugene Investment & Securities	South Korea			Y				
Fidelity Investments	United States	S		S				S
Fidelity Worldwide Investment	United Kingdom ¹⁰						B	S
Fifth Third Bancorp	United States	L						L
First Eagle Investment Management	United States	S						
First Niagara Financial	United States	L						
Fubon Group	Taiwan	L						
Gamco Investors	United States							S
Genworth Financial	United States							B
Goldman Sachs	United States	S						L,S,Y
Grantham, Mayo, Van Otterloo & Co. (GMO)	United States			S			S	
Groupe BPCE	France							B
Guotai Junan Securities	China				Y			
Haitong Securities	China				B			
Hana Financial	South Korea			L,Y		Y		
Hanwha Group	South Korea			S,Y		S		
Hanyang Securities	South Korea			Y				
Hartford Financial Services	United States							B
Hong Yuan Securities	China		Y					
Hua Nan Financial	Taiwan	L						
Hyundai Group	South Korea			Y		S		
Hyundai Heavy Industries	South Korea			Y				

¹⁰ Fidelity Worldwide Investments has headquarters in Bermuda, an overseas territory of the United Kingdom.

KEY FINDINGS

Financial Institution in the Hall of Shame	Country of origin	ATK (Alliant Techsystems) (US)	China Aerospace Science and Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Industrial Bank	China		Y					
Industrial & Commercial Bank of China (ICBC)	China		Y		Y			
Invesco	United Kingdom ¹¹							S
JP Morgan Chase	United States	L,B						L,Y
KB Financial Group	South Korea			B,Y		S,Y		
KDB Financial	South Korea			Y				
Keycorp	United States	L						
Knights of Columbus	United States							B
Korea Investment Holdings	South Korea			S,Y		S		
Land Bank of Taiwan	Taiwan	L						
LSV Asset Management	United States	S						
Macquarie Group	Australia					S		
MassMutual Financial	United States	B				S		B
Matthews International Capital Management	United States						S	
MetLife	United States	B						
Mirae Asset Financial Group	South Korea			S		S		
Mitsubishi UFJ Financial	Japan	L,Y						L,Y
Mizuho Financial	Japan	L						
Morgan Stanley	United States	L						L,Y
National Pension Service	South Korea			S		S		
Nationwide	United States	B						
Neuberger Berman	United States							S
New York Life Insurance Company	United States	B						B
Northern Trust	United States	L						L
Old Mutual	United Kingdom			S		S		

¹¹ Invesco is domiciled in Bermuda, an overseas territory of the United Kingdom.

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Financial Institution in the Hall of Shame	Country of origin	ATK (Alliant Techsystems) (US)	China Aerospace Science and Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
Oversea-Chinese Banking Corporation	Singapore						B	
People's Insurance Company (Group) of China (PICC)	China				Y			
People's United Financial	United States	L						
PNC Financial Services	United States	L						L,Y
Point72 Asset Management	United States	S						
Prudential	United Kingdom							B
Prudential Financial	United States	B						B
Raymond James Financial	United States	L						
Regions Financial	United States	L						
Royal Bank of Canada	Canada	L,Y						
Samsung Group	South Korea			S		S		
Schroders	United Kingdom						S	
Sealand Securities	China		Y					
Shenyin & Wanguo Securities	China		Y					
Shinhan Financial Group	South Korea			Y		Y		
Shinyoung Asset Management	South Korea					S		
Siemens Financial Services	Germany	L						
SK Securities	South Korea			Y		Y		
Standard Life	United Kingdom						S	
State Bank of India	India	L						
State Street	United States	S		S		S	S	S
Stifel Financial	United States	L						
Sumitomo Mitsui Financial Group	Japan	L						L,Y
Sun Life Financial	Canada							B
SunTrust Bank	United States	L,Y						L
Synovus Financial Corporation	United States	L						L
T. Rowe Price	United States							S
Temasek Holdings	Singapore						S	

KEY FINDINGS

Financial Institution in the Hall of Shame	Country of origin	ATK (Alliant Techsystems) (US)	China Aerospace Science and Technology (China)	Hanwha (South Korea)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Textron (US)
The London Company of Virginia	United States	S						
The Travelers Companies	United States							B
Teachers Insurance and Annuity Association (TIAA-CREF)	United States	B,S		S		S		B,S
Trimaran Capital Partners	United States	L						
Truston Asset Management	South Korea					S		
Two Sigma Investments	United States	S						
UBS	Switzerland			S				
Union Bancaire Privée	Switzerland						B	
Unum Group	United States	B						
US Bancorp	United States	L,Y						L,Y
Vanguard	United States	S		S		S	S	B,S
Wellington Management	United States							S
Wells Fargo	United States	L,Y						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		

KEY FINDINGS

Country of origin of financial institutions in the Hall of Shame	Number of financial institutions per country
Australia	1
Canada	2
China	21
France	2
Germany	3
India	1
Israel	1
Japan	3
Singapore	4
South Korea	22
Spain	1
Switzerland	3
Taiwan	4
United Kingdom	7
United States	76
TOTAL	151

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 the policy exclude cluster munitions producers?	Does the policy exclude all cluster munitions producers, (no exceptions for certain types?)	Does the policy apply to all the financial institution's products?	Are all activities of a cluster munitions company 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
The Co-operative Bank	United Kingdom	X	X	X	X	X
Delta Lloyd Group	The Netherlands	X	X	X	X	X
DNB	Norway	X	X	X	X	X
La Financière	France	X	X	X	X	X

KEY FINDINGS

Responsible						
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
Laegernes Pensionskasse	Denmark	X	X	X	X	X
Menzis	The Netherlands	X	X	X	X	X
Norwegian Government Fund – Global	Norway	X	X	X	X	X
PenSam	Denmark	X	X	X	X	X
Pensioenfonds Horeca & Catering	The Netherlands	X	X	X	X	X
Pensioenfonds Zorg en Welzijn	The Netherlands	X	X	X	X	X
PFA Pension	Denmark	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
Sparinvest	Luxembourg	X	X	X	X	X
Spoorweg Pensioenfonds	The Netherlands	X	X	X	X	X
SPW	The Netherlands	X	X	X	X	X
Stichting Pensioenfonds Huisartsen	The Netherlands	X	X	X	X	X
Stichting Pensioenfonds Openbaar Vervoer	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

Country of origin of financial institutions in the Hall of Fame	Number of financial institutions per country
Australia	1
Denmark	4
France	1
Italy	1
Luxembourg	2
Norway	4
Sweden	3
The Netherlands	19
United Kingdom	1
TOTAL	36

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 the policy exclude cluster munitions producers ?	Does the policy exclude all cluster munitions producers (no exceptions for certain types)?	Does the policy apply to all the financial institution's products?	Are all activities of a cluster munitions company excluded?
ABN Amro	The Netherlands	X	X	X		X
Achmea	The Netherlands	X	X	X		X
Aegon	The Netherlands	X	X	X		X
Aviva	United Kingdom	X	X	X		X
AXA	France	X	X	X		X
Barclays	United Kingdom	X	X	X		X
BBVA	Spain	X	X	X		X
Belfius	Belgium	X	X	X		
BNP Paribas	France	X	X	X		X
Commerzbank	Germany	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
Ethias	Belgium	X	X	X		X
Generali	Italy	X	X	X		X
HSBC	United	X	X	X		X

KEY FINDINGS

	Kingdom					
ING	The Netherlands	X	X	X		X
Intesa Sanpaolo	Italy	X	X	X		X
KBC	Belgium	X	X	X		X
Lloyds Banking Group	United Kingdom	X	X	X		X
National Pensions Reserve Fund	Ireland	X	X	X		X
National Provident Fund	New Zealand	X	X	X		X
New Zealand Superannuation Fund	New Zealand	X	X	X		X
NIBC	The Netherlands	X	X	X		
Nordea	Sweden	X	X	X		X
Nykredit	Denmark	X	X	X		X
Pensioenfonds Vervoer	The Netherlands	X	X	X		X
Rabobank	The Netherlands	X	X	X		X
Royal Bank of Canada	Canada	X	X	X		X
Royal Bank of Scotland	United Kingdom	X	X	X		X
SEB	Sweden	X	X	X		X
Société Générale	France	X	X	X		X
Standard Chartered	United Kingdom	X	X	X		X
Stichting Pensioenfonds APF	The Netherlands	X	X	X		X
Sumitomo Mitsui Trust Bank	Japan	X	X	X		X
Swedbank	Sweden	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 category	Number of financial institutions per country
Belgium	3
Canada	1
Denmark	2
France	4
Germany	2
Ireland	1
Italy	3
Japan	1
New Zealand	2
Spain	1
Sweden	3
Switzerland	2
The Netherlands	9
United Kingdom	6
TOTAL	40

Red Flag Lists in our reports					
2009	2010	2011	2012	2013	2014
Alliant Techsystems	Alliant Techsystems	Alliant Techsystems	Alliant Techsystems	Alliant Techsystems	ATK (Alliant Techsystems)
Hanwha	Hanwha	Hanwha	Hanwha	China Aerospace Science and Technology	China Aerospace Science and Technology
L-3 Communications	L-3 Communications	Lockheed Martin	Lockheed Martin	Hanwha	Hanwha
Lockheed Martin	Lockheed Martin	Norinco	Norinco	Norinco	Norinco
Poongsan	Poongsan	Poongsan	Poongsan	Poongsan	Poongsan
Roketsan	Singapore Technologies Engineering	Singapore Technologies Engineering	Singapore Technologies Engineering	Singapore Technologies Engineering	Singapore Technologies Engineering
Singapore Technologies Engineering	Textron	Splav	Splav	Textron	Textron
Textron		Textron	Textron		

KEY FINDINGS

Investments in companies on our Red Flag Lists						
	2009	2010	2011	2012	2013	2014
Total investments in Red Flag list companies (in USD)	20 billion	43 billion	39 billion	43 billion	24 billion	27 billion
Loans (in USD)	5.1 billion	3.2 billion	1.5 billion	4.1 billion	2.3 billion	4.5 billion
Investment Banking (in USD)	4.2 billion	6.7 billion	6.3 billion	8.1 billion	6.1 billion	5 billion
Asset management (in USD)	11.8 billion	33.1 billion	30.9 billion	30.4 billion	16 billion	17.5 billion

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.

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

No. The Hall of Shame is not an exhaustive list of financial institutions with investments in cluster munitions producers. We apply different thresholds to different companies for investment in shares and bonds. Due to the different shareholding structure in the various companies,¹² we chose a 0,1% floor limit for Hanwha, Poongsan, and Singapore Technologies Engineering¹³ and a 1% limit for ATK

¹² 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.

¹³ The two Chinese state-owned companies, China Aerospace Science and Technology and Norinco are not stock listed companies, so no shareholders of these companies can be found. For China Aerospace Science and Technology, there are no bond holdings in the financial database used for this research and the bond holding coverage for Norinco is very limited.

KEY FINDINGS

(Alliant Techsystems) and Textron. This threshold is a pragmatic tool designed for this research. Without these thresholds, the list of financial institutions would be too long to handle in this report. Even when a financial institution has invested in a cluster munitions producer, as long as its shares are below 0,1% in Hanwha, Poongsan, and Singapore Technologies Engineering or 1% in ATK and Textron, you will not find it on our list. Moreover, because the red flag list of producing companies is not exhaustive, a financial institution that has invested in a producing company might still not be included in our research. There is still a marked lack of transparency in the public domain about financial institutions' investments furthermore. There is little or no transparency on what credits were given to whom. That makes it complicated to find out whether a financial institution has granted a loan to a controversial company.

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

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

Are all financial institutions with a policy requiring them to disinvest from cluster munitions producers listed in the Hall of Fame and runners-up category?

No. The Hall of Fame and the runners-up category are far from comprehensive. We believe that the financial institutions listed are only the tip of the iceberg. It is impossible to research the policies of every financial institution worldwide. The Hall of Fame can be seen as an invitation to financial institutions with a comprehensive policy banning investment in cluster munitions to provide us with their policy and to publish it on their websites.

We have chosen to limit our research to policies available in the public domain, since we believe that financial institutions should be accountable for their policies. We worked within the limits imposed by language (English and Dutch) and accessibility. In some cases, we now have translations of disinvestment policies unavailable in Dutch or English in the public domain, but in most cases we were limited to documents available in Dutch or English. There are probably many more financial institutions that deserve a place in our Hall of Fame or runners-up category. Our list of financial institutions disinvesting from cluster munitions producers is an initial survey. We welcome additional information.

We have checked all shareholdings of financial institutions listed in the Hall of Fame, including those under the 1% and 0,1% threshold, just to be sure that these financial institutions indeed have no link to cluster munitions producers and fully implement their policies.

Has the methodology for assessing the policies of the financial institutions listed in the Hall of Fame and runners-up changed for this report?

The first edition of this report was published in October 2009. Updates of the report followed in April 2010, May 2011, June 2012 and December 2013. The report has been successful in creating a race to the top amongst financial institutions that wish their policies to be featured in the Hall of Fame or runners-up category. After five reports it was time to take a close look at whether the criteria we use are still relevant and consistently applied. Additionally, since the size of both the Hall of Fame and runners-up increased significantly over the years, it was time to adjust our working method. For the 2014 report, a comprehensive and uniform questionnaire was sent to all financial institutions, rather than a general inquiry followed by more in-depth questions as was done in previous years. This afforded the opportunity for a more in-depth understanding of the financial institutions' policies.

KEY FINDINGS

What does the restructured questionnaire for assessing the policies of the financial institutions listed in the Hall of Fame and runners-up mean in practice?

The restructured questionnaire allows our external economic research company Profundo to investigate financial institutions' policies on cluster munitions in great detail. To create a solid baseline again, all financial institutions listed in the 2013 report have been examined according to the restructured questionnaire. Logically, the policies of all 2014 newcomers were examined using the same restructured questionnaire.

How is it possible that a financial institution that was listed in the 2013 Hall of Fame is now listed as a runner-up?

This edition is the fifth update of the report. To ensure accuracy and consistency in the way policies are analysed for the Hall of Fame and the runners-up, all financial institutions needed to be re-examined using the standardized questionnaire format. The restructured questionnaire enabled economic research company Profundo to investigate financial institutions' policies on cluster munitions in more detail. In some cases, this revealed new information that was not previously known or clear to us and therefore affected the financial institutions' place in the report. In other cases, it turned out that certain criteria were applied differently across different financial institutions. In order to ensure consistent analyses, we streamlined our processes for the 2014 report. All entries in the Hall of Fame and runners-up categories contain descriptions as to why a financial institution is listed in that category.

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

The runners-up category lists financial institutions that took steps to ban investment in cluster munitions producers, but whose policies have loopholes. A financial institution can be applauded in the runners-up category for its policy, while at the same time be listed in the Hall of Shame for its investment. Checking whether this involvement runs counter to their policies, or whether it results from a loophole, was beyond the scope of this report. An accurate report on implementation of policies published by runners-up would require more detailed information on the investments we found. Examples of the kind of information we would still need are whether a financial link constitutes own or third-party investments, which investment fund is involved, or whether the financial link is through a fund following an index; all issues beyond the scope of our research. Moreover, a financial institution may be listed for investments made before their policy came into effect, since we research investments since June 2011.

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.

KEY FINDINGS

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

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

Researched Time Frame

- We listed a company as a cluster munitions producer when we found evidence that it was involved in producing (key components of) cluster munitions in the time span extending from 30 May 2008 to 31 August 2014.
- We listed a financial institution as an investor when we found evidence of investment in the time span extending from 1 June 2011 to the beginning of September 2014. 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 3 October 2014. 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.