

June 2012 update

# Worldwide investments in CLUSTER MUNITIONS a shared responsibility

1320-12-342-5822  
GRANAT, BOMBLET, 155 mm, DM662,  
HLA-SPR

**LOT RHU98H7501**

ENHETSLAST-DATA:

FAREKODE:	1.1 D	VEKT:	396 kg
EFF.NEI:	28 kg	VOLUM:	0.26 m <sup>3</sup>
TOT.NEI:	28 kg	L:	0.74 m
ANT.KOLLI:	1 stk	B:	0.37 m
ANT.ENH:	8 stk	H:	0.97 m

  
IKV PAX  
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more than money

June  
2012

**Utrecht, June 2012**

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

**Authors**

Roos Boer (IKV Pax Christi, the Netherlands)  
Suzanne Oosterwijk (IKV Pax Christi, the Netherlands)  
Stijn Suijs (FairFin, Belgium)  
Esther Vandenbroucke (FairFin, Belgium)

**Research by**

Roos Boer (IKV Pax Christi, the Netherlands)  
Jan Willem Van Gelder (Profundo, the Netherlands)  
Suzanne Oosterwijk (IKV Pax Christi, the Netherlands)  
Stijn Suijs (FairFin, Belgium)  
Esther Vandenbroucke (FairFin, Belgium)

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Ms. C. Romanik

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Norway, 4 September 2009.  
Stockpiles of artillery delivered 155mm DM662 cluster munitions in Norway.  
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For additional information please contact [info@ikvpaxchristi.nl](mailto:info@ikvpaxchristi.nl).

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 and May 2011. This edition, dated June 2012, updates the earlier reports.

# STATE-OF-THE-ART REPORT

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# Executive Summary, Recommendations and Methodology

## Executive Summary

IKV Pax Christi (the Netherlands) and FairFin<sup>1</sup> (formerly *Netwerk Vlaanderen*, Belgium) published the first report on “Worldwide Investments in Cluster Munitions: a Shared Responsibility” in October 2009.<sup>1</sup> It was a state-of-the-art report (SOAR) 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 and May 2011.<sup>2</sup> This edition, dated June 2012, updates the earlier reports.

The Convention on Cluster Munitions (CCM) categorically bans the use, production, stockpiling and transfer of cluster munitions. 94 countries signed the convention at the Oslo Signing Conference held 3-4 December 2008. The convention entered into force on 1 August 2010.

Article 1(1)c of the CCM states, “*Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.*” It seems obvious that financing the production of cluster munitions constitutes ‘assistance’ or ‘encouragement’, as the Cluster Munition Coalition (CMC) also points out in its policy paper.<sup>3</sup> However, States Parties’ implementation of this convention might not automatically result in a ban on investments in cluster munitions. The process to ban cluster munitions is well underway. Many countries that have signed the convention are now drafting national implementation legislation, and/or have started to implement the convention.

Even before the CCM opened for signature, there was an international consensus on problems stemming from the indiscriminate nature of cluster munitions. This means that from a moral perspective financial institutions should not have needed the CCM to terminate their investment in companies producing cluster munitions. Some financial institutions took this step and banned all investment in cluster munitions even before the convention was negotiated in May 2008; others persisted in supporting the production of these indiscriminate weapons.

*“Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.”*

We emphasise that, at this point, there is still a lack of official information in the public domain about the production of cluster munitions and investment in cluster munitions producers. That is why the information in this report is by no means exhaustive. We explain our methodology in the methodology part of this executive summary and at the beginning of each chapter.

We hope that this information will stimulate states, financial institutions and civil society to further the convention’s goal to halt the unacceptable humanitarian harm to which cluster munitions give rise. There have been positive developments since the first edition came out in October 2009. Civil society in many countries has engaged with financial institutions and government representatives to talk about ways to disinvest. Parliamentary initiatives emerged; in some cases financial institutions disinvested or states took action by adopting legislation on investment in cluster munitions producers.<sup>4</sup> Unfortunately, a lot still needs to be done. In 2006, Handicap International reported that civilians make up 98% of all cluster munitions’ victims.<sup>5</sup> Ending the human suffering directly attributable to cluster munitions requires national legislation that reflects the spirit of the CCM. Governments must present clear guidelines by introducing and enforcing legislation that prohibits investment in cluster munitions producers. When no such legislation is in place, financial institutions have a moral obligation to act on their own and disinvest from cluster munitions. When they finance companies that produce cluster munitions, financial

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1 In March 2012 *Netwerk Vlaanderen* changed its name into FairFin: [www.fairfin.be](http://www.fairfin.be).

institutions assist these companies to produce an indiscriminate weapon that has been the object of opprobrium of states and civil society worldwide.

We have identified many of the financial institutions that still invest in cluster munitions producers – over four years after the text of the Convention on Cluster Munitions was negotiated in Dublin. You will find the names of these financial institutions in the first part of the report, the Hall of Shame.

“When they finance companies that produce cluster munitions, financial institutions assist these companies to produce.”

## Hall of Shame

The Hall of Shame contains a list of financial institutions that still invest in cluster munitions producers. The first step in our research was to identify which companies are involved in the production of cluster munitions. To identify these companies, Dutch research company Profundo used a variety of sources including reports by NGOs, exclusion lists maintained by financial institutions banning investment in cluster munitions, information published by the producing companies, contracts with the US government and correspondence between the companies and investors. From this list we have selected a short list to include in our research. We call it our red flag list. It is important to note that our red flag list of cluster munitions producers is by no means exhaustive. We only included companies that had discernible financial links and that met the other criteria listed in chapter 1. In October 2009, we listed 8 cluster munitions producers.<sup>6</sup> Since then, two of these companies announced that they had ceased producing (components of) cluster munitions.<sup>7</sup> The 2011 edition of the report included two new companies. The current report lists the same companies as last year.

We define investor as someone financially involved in a cluster munitions manufacturer. We consider any financial link to be an investment regardless of:

- the investor’s importance for the cluster munitions producer;
- the investment’s importance for the investor’s portfolio;
- the contribution of cluster munitions production to the company’s total turnover; or
- the cluster munitions producer’s other activities.

“It is impossible for a financial institution to be sure that the financial services provided to a company will not be used for the production of cluster munitions.”

We choose this definition because it is impossible for a financial institution to be sure that the financial services provided to a company will not be used for the production of cluster munitions. It is common for weapon producers to finance their cluster munitions facilities from their general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities. There is no way to prevent a company from legally reallocating capital within a group. Including clauses in a general corporate loan contract that prohibit companies from using borrowed or invested funds to manufacture cluster munitions, or that restrict a company’s use of the financing to civilian projects will not prevent the money from being used to manufacture cluster munitions.

The 137 financial institutions that we identified as having financial links to the companies on our red flag list are listed in a table in the Summary Tables section. The table also contains the various types of involvement that these companies engage in. Research institute Profundo (the Netherlands) provided a list of financial institutions derived from stock exchange filings and other publications by financial institutions and cluster munitions producers, as well as from databases with information supplied by financial institutions.<sup>II</sup>

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

The 2011 Hall of Shame contained 164 financial institutions. Of these, 116 financial institutions are still in the 2012 Hall of Shame and 48 have been removed.

Of the 116 financial institutions still on the list, 8 have taken on the name of their respective parent companies. For two financial institutions this means they have become part of a company already in the list.<sup>III</sup> That leaves 114 financial institutions still in the Hall of Shame, because they have a financial relationship with at least one company included on our red flag list.

The 48 financial institutions no longer in the Hall of Shame can be grouped into two categories:

- 37 financial institutions had been a shareholder or bondholder of at least one company included on our red flag list in 2011, but in 2012 their investments dropped below the 1% threshold for US companies or 0.1% for Asian companies. In most cases these financial institutions simply sold some of their shares or bonds in a company on our list while retaining just enough to fall below the thresholds.
- 11 financial institutions left the Hall of Shame in 2012 because financing (in the form of loans or investment banking) for companies on our red flag list dated from before May 2009. Since that date, these institutions have provided no new financing for companies on our red flag list.

The 2012 Hall of Shame contains 137 financial institutions. So next to the 114 financial institutions held over from 2011, 23 new ones have joined the Hall of Shame.

The 23 newcomers are in the 2012 Hall of Shame because they provided financing to at least one of the companies on the red flag list 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.

In the research period, these 137 financial institutions invested almost US\$43 billion in the eight cluster munitions producers included in the report. They:

1. Provided loans for at least US\$4.1 billion;
2. Provided investment banking services worth at least US\$8.1 billion; and
3. Owned or managed shares and bonds for at least US\$30.4 billion.

## Hall of Fame and runners-up

The second part of our research, the Hall of Fame, focuses on financial institutions that have disinvested from cluster munitions producers. Many financial institutions adjusted their policy after the CCM opened for signature. To identify financial institutions with a policy on cluster munitions, FairFin (formerly *Netwerk Vlaanderen*, Belgium) researched a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. Since the investment policy is usually stipulated by the banking group and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy. The list of financial institutions provided in this report is by no means exhaustive; we welcome additions from all interested parties.

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III Acadian became part of Old Mutual, China Securities of CITIC Securities, Natixis of Groupe BPCE, HI Investment & Securities of Hyundai Heavy Industries, Kookmin Bank of KB Financial Group, Massachusetts Fine Group and Massachusetts Mutual of Massachusetts Mutual Financial Group, MFS Investment Management of Sun Life Financial Services.

Our research identified 56 financial institutions with a policy on cluster munitions available in the public domain in English and/or Dutch. In some cases we have received translations of disinvestment policies that were not available in Dutch or English in the public domain. 27 of the 56 financial institutions made it into our Hall of Fame. These financial institutions have barred all investment in cluster munitions producers. An overview of all institutions in our Hall of Fame members can be found in the Summary Tables section.

29 of the 56 financial institutions included in our research have a policy on cluster munitions, but show certain shortcomings. Creating a runners-up category allowed us to highlight financial institutions that took steps to ban investment in cluster munitions producers, but whose course of action on cluster munitions has certain flaws. We commend these financial institutions for their efforts while pointing out the remaining steps to acquire a place in our Hall of Fame. The most common shortcomings are:

“We commend these financial institutions for their efforts.”

- Taking only the financial institutions’ own involvement into account, not that of third parties
- Exempting project financing for civil purpose
- Exempting funds following an index

The consensus among investors seems to be evolving. Where only a few financial institutions excluded companies producing cluster munitions when the Oslo process started, a wider group of investors seems to have become aware that producers of cluster munitions are not feasible business partners. A Novethic study shows that nearly 80% of the researched sample<sup>IV</sup> now identifies investment in controversial weapons as a reputational risk.<sup>8</sup> Another Novethic study reached a similar conclusion: it shows that “many investors have reached a consensus on excluding controversial weapons (anti-personnel mines and cluster munitions).”<sup>9</sup>

This evolution is reflected in the Hall of Fame and runners-up sections of our report. Three years of research and worldwide campaigning has culminated in more financial institutions deciding to exclude cluster munitions producers. Our research shows that ethical banks, small pension funds or government managed funds are not alone in disinvesting from these companies; global financial actors like BNP Paribas, HSBC and Royal Bank of Scotland are moving in this direction as well. These financial institutions show that although it takes time and effort to bring about change, it can be done.

Some financial institutions apply their policy only to project financing for the production of cluster munitions. This means that these policies do not affect money supplied for general corporate purposes. Since financial institutions cannot guarantee that the funds it lends to, or invests in, a cluster munitions producer will not be used to produce cluster munitions; this is a major flaw in the policy. There is no way to prevent a company from legally reallocating capital within a group. Therefore, financial institutions that only exclude project finance are not listed as runners-up. However, we do assess these financial institutions’ policies. We welcome the fact that they have taken a first step, and encourage them to go all the way toward excluding producers of cluster munitions from their investments.

When we compare the new Hall of Fame to the one in our May 2011 report, we see that four new financial institutions have entered it. Two of them are government-managed pension funds. The Australian Future Fund and the Luxembourg Compensation Fund (See section 2.1.5 and 2.1.4 below) have both decided to bar all investments in producers of cluster munitions. One financial institution, WestLB, appeared in the runners-up category in the earlier editions of this report. Its new policy merits a place

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IV A representative sample of asset owners across 11 European countries was surveyed on how they perceive the integration of environmental, social and governance (ESG) criteria in the way they manage their investments. The 259 respondents break down relatively evenly among private insurers, mutual insurance companies and pension funds, both public or private, corporate or non corporate. Their assets totalise nearly €4,540 billion.

in the Hall of Fame. We welcome WestLB's steps. They show that a financial institution can decide to adjust its policy and ban every kind of investment in producers of cluster munitions. The fourth newcomer in our Hall of Fame is SNS REAAL, a Dutch banker-insurer. One financial institution in our Hall of Fame has changed a bit. Ethias used to be a bank and insurance company. In 2011 the bank was sold, leaving only the insurance part of Ethias now listed in the Hall of Fame. Optima Bank purchased Ethias' banking operations. Optima Bank has expressed its intention to adopt a deontological code similar to Ethias Bank's, which included not investing in producers of cluster munitions. We hope to be able to assess this code in our next update.

Six financial institutions have joined the runners-up category since our May 2011 report. Our 2011 report said that Intesa Sanpaolo (Italy) only excluded project financing for the production of cluster munitions. However, later in 2011, Intesa Sanpaolo decided to exclude companies producing cluster munitions from its lending and investment banking activities. This is a big step forward; we commend Intesa Sanpaolo for taking this step by giving it a place in our runners-up category. The other five did either not publish any or an appropriate divestment policy before, or we did not have access to adequate information before. Three of those are UK financial institutions: Royal Bank of Scotland, Lloyds Banking Group and Aviva. The other two are Société Générale (France) and AEGON (the Netherlands).

Two financial institutions in the runners-up category changed their name: Akzo Nobel Pensioenfondsen became Stichting Pensioenfondsen APF, and Dexia changed to Belfius.

Worth mentioning here are four financial institutions that had already been listed as runners-up in 2011. Although they made significant improvements to their policies, they are still among the runners-up. ABN Amro (the Netherlands), BBVA (Spain), the Co-operative Financial Services (United Kingdom) and HSBC (United Kingdom) have all adjusted their policies and made substantive and positive changes to them. Yet these still have loopholes that they will need to fix before they fully meet the criteria for our Hall of Fame. We hope to see these changes soon, so that we can welcome those four institutions to the Hall of Fame in our next year's report.

#### - Increased awareness and transparency

Since our first report in October 2009 we have observed increased awareness among campaigners, states and financial institutions alike. In October 2009, the Cluster Munition Coalition launched the 'Stop Explosive Investments' campaign which promotes divestment from cluster bomb producers, encourages financial institutions to articulate clearer guidelines on ethical investment with respect to cluster munitions, and urges governments to adopt legislation banning investments in cluster munitions. Since the campaign launch, campaigners in more than 18 countries have taken action on divestment.<sup>V</sup>

These campaigning efforts have helped to increase transparency and to augment explanations of, or additions to, financial institutions' divestment policies. Moreover, divestment campaigns have stimulated financial institutions that did not have divestment policies to adopt them. Worldwide campaigns, conversations, studies and media work have done much to expand substantially the information available for our report, including more transparency from weapon-producing companies. Financial institutions' greater awareness has multiplied the frequency of their responses to our questions. This, too, nourishes into our research.

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

- Vigorous campaign efforts

A quick look at the new financial institutions appearing in the 2012 report shows that a strong disinvestment campaign targeted the United Kingdom. Royal Bank of Scotland, Aviva and Lloyds Banking Group have all adopted or updated policies in 2011, which gained them entrance to the runner-up list. Moreover, Co-operative Financial Services strengthened its policy.

In Germany, campaigners have put additional pressure on Deutsche Bank. Although Deutsche Bank has stated publicly that it bans investments in producers of cluster munitions, it refuses to publish its policy. This denies its customers the opportunity to learn about its investment choices. Moreover, further research by Facing Finance<sup>10</sup> and the results in the Hall of Shame of this report both show that Deutsche Bank is still heavily involved in producers of cluster munitions. DWS, a full Deutsche Bank subsidiary has, however, adopted a policy to exclude producers of cluster munitions from its investments and is in the process of making it public. We hope that its parent company will follow its example. BayernInvest, the asset management division of BayernLB, and LBBW Asset Management, the asset management division of Landesbank Baden-Württemberg, have published policies that exclude producers of cluster munitions. Since we only study the group's policies, we hope that BayernLB and Landesbank Baden-Württemberg will follow the examples of their subsidiaries and adopt a policy that excludes producers of cluster munitions. Deka bank has adopted a policy to ban producers of cluster munitions from some of the funds it offers, but it refused to publish its policy. We hope it will change that decision so that we can assess their policy in our report. Finally, WestLB has updated its policy, which has gained it entrance to the Hall of Fame.

Campaign efforts in Spain have ensued in a policy shift at BBVA. As mentioned above, the bank has significantly strengthened its stance against cluster munitions production.

In Luxembourg, campaigners have been drawing the attention of the public and its political leaders to the issue of cluster munitions for many years. Thanks to these efforts, when the Convention on Cluster Munitions came into force in August 2010, some MPs discovered that the Compensation Fund had investments in producers of cluster munitions. As a result, the issue was much discussed in Luxembourg. That compelled the Compensation Fund to remove these investments from its portfolios.

Thanks to the campaign in Japan, two more Japanese banks, Mizuho Bank and Tokyo Mitsubishi UFJ, published a summary of their policy. We welcome this decision, but since their policies do not meet the criteria for being listed as a runner-up, these policies have not been assessed in this report. We hope these banks will strengthen their policies by the time of our next update.

### Countries' Best Practices

The Cluster Munition Coalition believes that the prohibition on assistance in the CCM includes a prohibition on investments in cluster munitions.<sup>VI</sup> An ever growing group of states shares the view that the convention bans investment in cluster munitions. Since our 2011 report, one new state adopted legislation that prohibits financial assistance to the production of cluster munitions: Italy. Seven new states issued interpretive statements since our 2011 report: Bosnia and Herzegovina, Cameroon, the Czech Republic, Hungary, Lao PDR, Senegal and Slovenia all consider investments in cluster munitions as prohibited by the convention.

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

VI Cluster Munition Coalition, “CMC Policy Papers on the Convention on Cluster Munitions”, May 2010, available at <http://www.stopclustermunitions.org/wp/wp-content/uploads/2010/06/3a-cmc-policy-papers.pdf>, last viewed 12 May 2012.

At the time of this writing, five states in total have adopted legislation that prohibits (various forms of) investments in cluster munitions: Belgium, Ireland, Italy, Luxembourg and New Zealand. In total, 21 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 prohibited by the CCM. Australia, Bosnia and Herzegovina, Cameroon, Colombia, Croatia, the Czech Republic, France, Guatemala, the Holy See, Hungary, Lao PDR, Lebanon, Madagascar, Malawi, Malta, Mexico, Rwanda, Senegal, Slovenia, the United Kingdom and Zambia all interpret (direct) investment as a prohibited form of assistance under the CCM. Parliamentary initiatives to legislate against investment in cluster munitions are ongoing in Norway, the Netherlands and Switzerland.

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

## 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 provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in producers of cluster munitions, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in cluster munitions production. Because all investment facilitates this production, no exceptions should be made for third-party financial services, for 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.



## 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 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,<sup>VII</sup> we chose a 0.1% floor limit for Hanwha, Poongsan, and Singapore Technologies Engineering and a 1% limit for Alliant Techsystems (ATK), Lockheed Martin 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, Lockheed Martin 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.

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

### **Sources Of Information For The Hall Of Shame**

We used a variety of sources including reports by NGOs and exclusion lists maintained by financial institutions that ban investment in cluster munitions. We also drew upon stock exchange filings and the financial institutions' and the cluster munitions producers' own publications, as well as commercial databases with information supplied by financial institutions. Research by Profundo (the Netherlands).

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

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

### **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 divestment 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 divesting from cluster munitions producers is an initial survey. We welcome additional information.

We have checked all shareholdings of financial institutions listed in the Hall of Fame, including those under the 1% and 0.1% threshold, just to be sure that these financial institutions indeed have no link to cluster munitions producers and fully implement their policies.

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

We used a variety of sources: NGO reports, screening agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. Since 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 FairFin (Belgium).<sup>VIII</sup>

VIII 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.

## **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 May 2009.

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

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

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

During our research and the conversations we had with financial institutions about this issue, many of these institutions pointed out that it is simply impossible to exclude cluster munitions producers from funds following an index. Still, some financial institutions do have a policy that includes 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 15 March 2012.
- We listed a financial institution as an investor when we found evidence of investment in the time span extending from 1 May 2009 to 31 March 2012. 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 27 April 2012. 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.

# Summary Tables

## Hall of Shame

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

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

Financial Institution in the Hall of Shame	Country of origin	Alliant Techsystems (US)	Hanwha (South Korea)	Lockheed Martin (US)	Norinco (China)	Poongsan (South Korea)	Singapore Technologies Engineering (Singapore)	Splav (Russia)	Textron (US)
Aberdeen Asset Management	United Kingdom						S		
Agricultural Bank of China	China				Y				
AIG	United States			B					
Allianz	Germany	B,S		S					
Allstate	United States	B		B					
American Family Insurance	United States						B		
Ameriprise Financial	United States	B		S					
ANZ Bank	Australia			L,Y					
APS Asset Management	Singapore					S			
Aronson + Jonson + Ortiz	United States	S							
AXA	France	B				S	B		
Bank of America	United States	L,Y		L,Y					L,Y
Bank of Beijing	China				Y				
Bank of China	China				Y <sup>IX</sup>				
Bank of Communications	China				Y				
Bank of New York Mellon	United States	L							L,Y,S
Bank of Shanghai	China				Y				
Barclays	United Kingdom			L					X,Y
BB&T	United States	L							
BlackRock	United States	S	S	S					S
BNP Paribas	France	L		Y		S			Y
BPCE	France								B
Breeden Capital Management	United States	S							
Capital Group	United States			S			S		S
Castle Creek Arbitrage	United States	B							

IX Apart from underwriting bonds issues for Norinco, Bank of China has also signed a strategic agreement with the company.

<b>Financial Institution in the Hall of Shame</b>	<b>Country of origin</b>	<b>Alliant Techsystems (US)</b>	<b>Hanwha (South Korea)</b>	<b>Lockheed Martin (US)</b>	<b>Norinco (China)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Splav (Russia)</b>	<b>Textron (US)</b>
Chang Hwa Commercial Bank	Taiwan	L							
China Construction Bank	China				Y				
China Development Bank	China				Y				
China Everbright Bank	China				Y				
China Merchants Bank	China				Y				
China Minsheng Bank	China				Y				
Citadel	United States	B							
CITIC Securities	China				Y				
Citigroup	United States			L,Y					L,Y
Consus Asset Management	South Korea					S			
Continental Insurance	United States								B
Crédit Agricole	France			L,Y					Y
Credit Suisse	Switzerland						B		
Daewoo Securities	South Korea		Y						
Davis Selected Advisers	United States			S					
DBS Bank	Singapore			L					
Deutsche Bank	Germany	S					Y		L
Dimensional Fund Advisors	United States		S			S			
Dongbu Securities	South Korea		Y						
Dreman Value Management	United States	S							
Eugene Investment & Securities	South Korea		Y						
Export Import Bank of Korea	South Korea					L			
Fidelity	United States	S,B		S		S	B		S
Fiduciary Management	United States	S							
First Eagle Investment Management	United States	S		S					
First Financial	Taiwan	L							
Franklin Templeton	United States					S			S
General Electric	United States	L							
Genworth Financial	United States			B					
Goldman Sachs	United States			L,Y					L,S, Y
Grantham Mayo Van Otterloo & Co	United States		S				S		
Guotai Junan Securities	China				Y				
Hana Financial	South Korea		L,Y						
Hanyang Securities	South Korea		Y						
Hanwha Securities	South Korea		S,Y						

<b>Financial Institution in the Hall of Shame</b>	<b>Country of origin</b>	<b>Alliant Techsystems (US)</b>	<b>Hanwha (South Korea)</b>	<b>Lockheed Martin (US)</b>	<b>Norinco (China)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Splav (Russia)</b>	<b>Textron (US)</b>
Hartford Financial Services Group	United States			B					B
Hotchkis & Wiley Capital Management	United States	S		S					
Hua Nan Financial	Taiwan	L							
Hyundai Heavy Industries	South Korea		Y			S			
Industrial Bank	China				Y				
Industrial & Commercial Bank of China (ICBC)	China				Y				
Intesa Sanpaolo	Italy			Y					
Invesco	United Kingdom <sup>X</sup>	S					S		S
Jackson National Life Insurance	United States			B					
JP Morgan Chase	United States	B,L,S		L,Y					L,X,Y
KB Financial	South Korea		L,S,Y						
Keybank	United States	L							
Korea Development Bank	South Korea		Y			L,Y			
Korea Investment	South Korea		Y			S			
Liberty Mutual	United States			B					
Liechtensteinische Landesbank (LLB)	Liechtenstein						B		
Lincoln Financial	United States			B					
Lloyds Banking	United Kingdom			L,Y					
Manulife Financial	Canada			B					
Massachusetts Mutual Life Insurance	United States	B		B					B
Matthews International Capital Management	United States					S	S		
Mellon Capital Management	United States					S			
Metropolitan Life Insurance	United States	B		B					
Mirae Asset Financial	South Korea		S			S			
Mitsubishi UFJ Financial	Japan	L,Y		L,Y					L,Y
Mizuho Bank	Japan	L		L,Y					
Morgan Stanley	United States			L,Y			Y		L,Y
National Pension Service	South Korea		S			S			
New York Life Insurance	United States	B		B					
Northeast Investors Trust	United States	B							
Northern Trust	United States			L,S					L,S
Northwestern Mutual	United States			B					

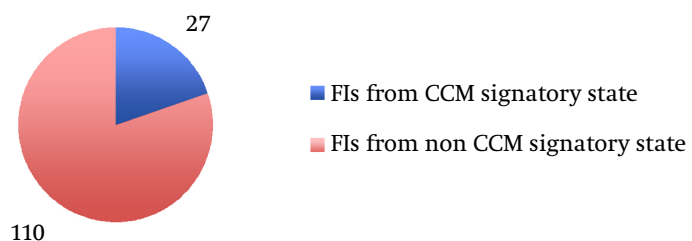
X Invesco has headquarters in Bermuda, an overseas territory of the United Kingdom.

<b>Financial Institution in the Hall of Shame</b>	<b>Country of origin</b>	<b>Alliant Techsystems (US)</b>	<b>Hanwha (South Korea)</b>	<b>Lockheed Martin (US)</b>	<b>Norinco (China)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Splav (Russia)</b>	<b>Textron (US)</b>
Nuveen Investments	United States	S							
Och-Ziff Capital Management	United States								B
Oaktree Capital Management	United States	B							
Old Mutual	United Kingdom		S						
People's Insurance Company (Group) of China (PICC)	China				Y				
People's United Financial	United States	L							
PNC Financial	United States	L							
Principal Financial	United States			B					
Prudential	United Kingdom								S
Prudential Financial	United States	B		B					B
Riyad Bank	Saudi Arabia			L					
Royal Bank of Canada	Canada	L,Y		L,Y					
Royal Bank of Scotland	United Kingdom	L,B,Y		L,Y					
Samsung	South Korea		S,Y			S			
Sberbank	Russia							L	
Schroder Investment Management	United Kingdom						S		
Shanghai Pudong Development Bank	China				Y				
Shinhan Bank	South Korea		Y			Y			
Shinyoung Securities	South Korea					S			
SK Securities	South Korea		Y			Y			
Société Générale	France								S,Y
State Farm	United States			B					
State Street	United States	S	S	L,S		S			S
Sumitomo Mitsui	Japan			L,Y					Y
Sun Life Financial	Canada			S					B
SunTrust Bank	United States	L,Y							
Symetra Life Insurance	United States			B					
T. Rowe Price	United States			S					S
Teachers Insurance & Annuity Association (TIAA-CREF)	United States	B	S	B		S			S
Temasek	Singapore						S		
TongYang Securities	South Korea		B,Y			S,B			
Truston Asset Management	South Korea					S			
UBS	Switzerland		B	L,Y		B			S
United Overseas Bank	Singapore	L							
Unum	United States	B							

<b>Financial Institution in the Hall of Shame</b>	<b>Country of origin</b>	<b>Alliant Techsystems (US)</b>	<b>Hanwha (South Korea)</b>	<b>Lockheed Martin (US)</b>	<b>Norinco (China)</b>	<b>Poongsan (South Korea)</b>	<b>Singapore Technologies Engineering (Singapore)</b>	<b>Splav (Russia)</b>	<b>Textron (US)</b>
US Bancorp	United States	L,Y		L,Y					
Vanguard	United States	S	S	B,S		S	S		S
Veritas Asset Management	United Kingdom						S		
Wellington Management Company	United States			S					
Wells Fargo Bank	United States	B,L,Y		L,Y		S			Y
Western & Southern Mutual	United States	S							
Williams Capital	United States								Y
Woori Financial	South Korea		S,Y			L,Y			
Yurie Asset Management	South Korea					S			
Zazove Associates	United States	B							B



**Financial Institutions (FIs) in the Hall of Shame  
by country of origin**



Country of origin of financial institutions in the Hall of Shame	Number of financial institutions per country
Australia	1
Canada	3
China	16
France	5
Germany	2
Italy	1
Japan	3
Liechtenstein	1
Russia	1
Saudi Arabia	1
Singapore	4
South Korea	22
Switzerland	2
Taiwan	3
The United Kingdom	9
The United States	63
<b>Total</b>	<b>137</b>

## Hall of Fame

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

<b>Financial institution in the Hall of Fame</b>	<b>Country of origin*</b>	<b>Has the institution published its policy?</b>	<b>Does it exclude cluster munitions producers?</b>	<b>Does it exclude all cluster munitions producers, (no exceptions for certain types?)</b>	<b>Does the policy apply to all the financial institution's products?</b>	<b>Are all a company's activities excluded?</b>
ABP	The Netherlands	X	X	X	X	X
ASN Bank	The Netherlands	X	X	X	X	X
ATP	Denmark	X	X	X	X	X
Banca Etica	Italy	X	X	X	X	X
BPF Bouw	The Netherlands	X	X	X	X	X
DNB	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
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
Pensioenfond Vervoer	The Netherlands	X	X	X	X	X
PGGM	The Netherlands	X	X	X	X	X
Philips Pension Fund	The Netherlands	X	X	X	X	X
PME	The Netherlands	X	X	X	X	X
PNO Media	The Netherlands	X	X	X	X	X
SNS REAAL	The Netherlands	X	X	X	X	X
Spoorwegpensioenfond	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
West LB	Germany	X	X	X	X	X

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

<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
Germany	1
Ireland	1
Italy	1
Luxembourg	1
New Zealand	1
Norway	4
Sweden	4
The Netherlands	11
<b>Total</b>	<b>27</b>

## Runners-up

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

<b>Financial institution in the Runners-up</b>	<b>Country of origin*</b>	<b>Has the institution published its policy?</b>	<b>Does it exclude cluster munitions producers?</b>	<b>Does it exclude all cluster munitions producers, (no exceptions for certain types?)</b>	<b>Does the policy apply to all the financial institution's products?</b>	<b>Are all a company's activities excluded?</b>
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
BBVA	Spain	X	X	X		X
Belfius Bank and Insurances	Belgium		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
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
Nordea	Sweden	X	X	X		X
Nycredit	Denmark	X	X	X		X
Pensioenfonds Horeca & Catering	The Netherlands	X	X	X		X
Rabobank	The Netherlands	X	X	X		X
Royal Bank of Canada	Canada	X	X	X		X
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
Syntrus Achmea	The Netherlands	X	X	X		X
UniCredit Group	Italy	X	X	X		X

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

<b>Country of origin of financial institutions in Runners-up</b>	<b>Number of financial institutions per country</b>
Belgium	2
Canada	1
Denmark	3
France	4
Germany	1
Italy	2
Spain	1
Sweden	2
Switzerland	1
The Netherlands	7
The United Kingdom	5
<b>Total</b>	<b>29</b>

### **Countries' Best Practices**

The following digest presents all states mentioned in the Countries' Best Practice section.

<b>Legislation</b>	<b>Interpretive statement</b>	<b>Parliamentary action/draft legislation</b>
Belgium	Australia	The Netherlands
Ireland	Bosnia and Herzegovina	Norway
Italy	Cameroon	Switzerland
Luxembourg	Colombia	
New Zealand	Croatia	
	The Czech Republic	
	France	
	Guatemala	
	The Holy See	
	Hungary	
	Lao PDR	
	Lebanon	
	Madagascar	
	Malawi	
	Malta	
	Mexico	
	Rwanda	
	Senegal	
	Slovenia	
	The United Kingdom	
	Zambia	

## Introduction

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

## Cluster Munitions and the Oslo Process

The third of December 2008 marked an important day for international humanitarian law. Reports of the suffering that cluster munitions caused among civilian populations had alarmed people and drawn international attention to the issue for decades. On December 3 and 4, 94 states signed the Convention on Cluster Munitions (CCM), which categorically prohibits the use, production, transfer and stockpiling of cluster munitions.

Cluster munitions pose a serious threat to civilian populations during and after an attack. Cluster munitions are designed to blanket a large area containing one or more targets. They can be fired by artillery and rocket systems or dropped by aircraft; they spread dozens, or even hundreds, of submunitions or bomblets over an area that can be the size of several football fields. Distributing submunitions over such a broad area results in a large chance of civilian casualties during and after the attack. Many bomblets or submunitions fail to explode on impact. They remain on the ground like landmines that kill and injure civilians long after the conflict has ended.

“During the war we ran away from our village. We came back once the war was over. When we got back I was with three other girls from my family in front of the house when the thing exploded. I found the thing, and I started playing with it. I didn't know exactly what it was. I dropped it and it exploded. [...] When I was injured I could feel from the beginning that I didn't have the leg anymore. I knew that.”

Rasha Zayoun, cluster munitions survivor and Ban Advocate, Maaraka Sour, South Lebanon<sup>XI</sup>

The Oslo process started in February 2007. At the invitation of the Norwegian Government, 49 countries met after government talks in the traditional forum for weapons issues failed. The resulting Oslo Declaration called for creating by 2008 a legally binding instrument that would prohibit the use, production, transfer and stockpiling of cluster munitions that cause unacceptable harm to civilians.<sup>11</sup> At the ensuing international conferences, the number of supporting countries grew at a steady pace. The CCM opened for signature in December 2008.

The Oslo process was marked by resolute cooperation among a broad range of actors whose common goal was to stop the humanitarian harm that cluster munitions cause. The achievements of the Mine Ban Treaty, the International Criminal Court and the Convention on the Rights of Persons with Disabilities were all milestones. The CCM is yet another strong example of how a broad partnership between governments, key international organisations and civil society actors, here united in the Cluster Munition Coalition (CMC)<sup>XII</sup>, can produce a convention that can make a difference for civilians during and after a conflict.

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XI Rasha Zayoun is a cluster munitions survivor and Ban Advocate from South Lebanon. For more information about her story and about the Ban Advocates, see: <http://blog.banadvocates.org>.

XII The Cluster Munition Coalition (CMC) is an international coalition working to protect civilians from the effects of cluster munitions by promoting universal adherence to, and full implementation of, the Convention on Cluster Munitions. CMC membership numbers around 350 civil society organisations from 90 countries. See: <http://www.stopclustermunitions.org>.

The CCM entered into force on 1 August 2010. At the time of writing, 111 countries have signed and 71<sup>XIII</sup> have ratified the convention. The universal adoption and implementation of the Convention on Cluster Munitions are critical steps toward enhancing human security during and after armed conflict and toward providing assistance to survivors.

Article 1(1)c of the Convention on Cluster Munitions states, “Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.”<sup>12</sup> Financing is clearly an act of support: financing a cluster munitions producer facilitates production. Several states and civil society organisations have confirmed that the CCM prohibits investment in companies that produce cluster munitions.<sup>13</sup>

Financing and investing are active choices, based on a clear assessment of a company and its plans. Investing in a cluster munitions producer therefore is a choice to support the production of these weapons that cause unacceptable harm. A CMC policy paper on disinvestment explains, “States should explicitly acknowledge that the treaty prohibits investments in producers of cluster munitions and should adopt legislation that prohibits investments in companies that develop and/or produce cluster munitions or key components thereof.”<sup>14</sup>

As we will see in Chapter 2, several states have passed legislation prohibiting investment in companies that produce cluster munitions. Since our first publication in this series in October 2009, we see that more and more states have taken action to prevent investments in cluster munitions as a means to cease the production of these weapons elsewhere. We encourage other states to do the same and provide clear guidelines for financial institutions (FIs) operating within their territory. In the end, however, financial institutions will have to be the ones to ensure that investments in companies that produce cluster munitions cease. This publication presents an inexhaustive state-of-the-art report on financial institutions’ investments in companies that develop or produce cluster munitions and on legislative measures to prevent investments in cluster munitions. In presenting this information we want to encourage financial institutions, state actors and civil society to engage in a constructive discussion and work towards a world free of cluster munitions.

## Financial Institutions’ Power and Responsibility

A wide range of financial institutions operate in our globalised world. These include privately owned companies and state-owned institutions. Banks, insurance companies, investment funds, investment banks, pension funds, export credit agencies, multilateral financial institutions, government funds and many others play a crucial role in allocating financial resources. Since a large majority of companies and governments rely on the financial markets and financial institutions to find the operating capital, these financial institutions play a key role in every segment of human activity. In choosing which companies and projects they will finance and invest in, these institutions foster certain (business) evolutions.

Although we see that a growing number of financial institutions have made a serious effort to disinvest from cluster munitions, many find it difficult to implement their policy or have, as yet, no policy on investment in companies that produce cluster munitions. The Hall of Shame in Chapter 1 lists a whole range of examples of financial institutions that still invest in or offer financial services to cluster munitions

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XIII By 24 April 2012 the following countries had ratified the CCM: Afghanistan, Albania, Antigua and Barbuda, Austria, Belgium, Bosnia and Herzegovina, Botswana, Bulgaria, Burkina Faso, Burundi, Cape Verde, Chile, Comoros, Cook Islands, Costa Rica, Côte d’Ivoire, Croatia, Czech Republic, Denmark, Dominican Republic, Ecuador, El Salvador, Fiji, France, Germany, Ghana, Grenada, Guatemala, Guinea-Bissau, Holy See, Honduras, Ireland, Italy, Japan, Lao PDR, Lebanon, Lesotho, Lithuania, Luxembourg, Macedonia FYR, Malawi, Mali, Malta, Mauritania, Mexico, Moldova, Monaco, Montenegro, Mozambique, Netherlands, New Zealand, Nicaragua, Niger, Norway, Panama, Portugal, St. Vincent and the Grenadines, Samoa, San Marino, Senegal, Seychelles, Sierra Leone, Slovenia, Spain, Swaziland, Sweden, Trinidad and Tobago, Tunisia, United Kingdom, Uruguay and Zambia.

producers. These investments raise serious ethical concerns for these financial institutions. These concerns arise from two arguments: the controversial character of cluster munitions and the complicity of the investor. Cluster munitions are widely acknowledged to be unacceptable weapons. In signing the CCM, more than 110 countries have agreed to ban these weapons. Financial institutions should, therefore, avoid any involvement in the manufacture of these weapons. Financial institutions sometimes regard financing or providing financial services to companies as a neutral activity. But investing in a company clearly supports that company's objectives by raising the capital it needs to pursue them. In delivering a financial service to a company, a financial institution signifies its approval of this company's objectives. Financing a company involved in cluster munitions facilitates production of these weapons. Moreover, this support is indispensable. All financial institutions should follow the example of those that have already insisted that companies in their portfolio end their involvement in the production and/or development of cluster munitions, and that they disinvest from companies that ignore this demand.

Fortunately, parallel to the Oslo process and since the CCM came about, a growing number of financial institutions have recognised their responsibility to withdraw support from companies manufacturing cluster munitions. These financial institutions have banned cluster munitions producers from their investment portfolios. Chapter 2 describes financial institutions' policies on investment in cluster munitions. Many financial institutions have stated publicly that they will disinvest from cluster munitions producers; an increasing number of them has already done so. We applaud these efforts and feel they can serve as an example for other financial institutions. This report highlights those financial institutions whose investment guidelines take into account the civilian suffering that cluster munitions cause. Our Hall of Fame shows great examples of financial institutions that have shouldered their responsibility and implemented a comprehensive policy to disinvest from cluster munitions. The runners-up category in the same chapter lists financial institutions that have made a serious effort to adopt and implement a policy to disinvest from cluster munitions, but have some shortcomings in either the policy or its implementation.

## Our Research

The goal of our research is to deliver an up to date state-of-the-art report on the involvement of financial institutions worldwide in companies that produce and/or develop cluster munitions. This goal is rooted in the following two research questions:

1. Which financial institutions invest in companies that produce cluster munitions? Chapter 1 contains a list of companies and investors.
2. Who is disinvesting from companies that produce cluster munitions? Chapter 2 contains a list of financial institutions that have done so and a list of states that condemn this type of investment.

Profundo did the research on producing companies and financial links, FairFin did the research on the financial institutions' policies.

We hope that the information provided here will encourage states, financial institutions and civil society to advance the convention's goal to halt the unacceptable humanitarian harm to which cluster munitions give rise.



# Chapter 1

## Hall of Shame: Financial Involvement and Investments

This first chapter answers our first research question:

**Which financial institutions are financially involved in companies that produce cluster munitions?**

The chapter is divided in two parts:

- The first part describes the companies selected for this study.
- The second part gives a list of financial institutions investing in cluster munitions manufacturers.

### 1.1 Red Flag List of Cluster Munitions Producers

#### 1.1.0 Introduction and Methodology

The goal of our research is to deliver an up-to-date state-of-the-art report on the involvement of financial institutions worldwide in companies that produce and/or develop cluster munitions. Before we identify these financial institutions, it is important to have a clear understanding of what we mean by cluster munitions and how we define a cluster munitions producer.

- **Definitions**

Our research project adopted the definition of cluster munitions and explosive submunitions in the Convention on Cluster Munitions:

**Cluster munitions** means a conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, and includes those explosive submunitions. It does not mean the following:

1. A munition or submunition designed to dispense flares, smoke, pyrotechnics or chaff; or a munition designed exclusively for an air defence role;
2. A munition or submunition designed to produce electrical or electronic effects;
3. A munition that, in order to avoid indiscriminate area effects and the risks posed by unexploded submunitions, has all of the following characteristics:
  - i. Each munition contains fewer than ten explosive submunitions;
  - ii. Each explosive submunition weighs more than four kilograms;
  - iii. Each explosive submunition is designed to detect and engage a single target object;
  - iv. Each explosive submunition is equipped with an electronic self-destruction mechanism;
  - v. Each explosive submunition is equipped with an electronic self-deactivating feature;

**Explosive submunition** means a conventional munition that in order to perform its task is dispersed or released by a cluster munitions and is designed to function by detonating an explosive charge prior to, on or after impact;<sup>15</sup>

We define a **cluster munitions producer** as follows:

- Any company or group of companies that, in its own name or through a subsidiary, develops or produces cluster munitions and/or explosive submunitions according to the definitions in the Convention on Cluster Munitions.
- Any company or group of companies that, in its own name or through a subsidiary, develops or produces key components of cluster munitions or explosive submunitions. Key components are components which form an integral and indispensable part of the cluster munitions or explosive submunition.

We consider a company or group of companies to be a cluster munitions producer when any part, however small, of its total turnover is derived from producing (key components for) cluster munitions or explosive submunitions, regardless of the nature of the company's other activities.

We do so, because most cluster munitions are produced by companies that also produce other defence and/or civil products. Companies and groups can easily reallocate capital internally; profit from one production line can be invested in other production lines; money for general corporate purposes can be used for any of the company's activities, etc. Focussing solely on financing for cluster munitions is impossible and undesirable given the companies' financial structures. Moreover, even if a company only gets 1% of its turnover from cluster munitions, this 1% can represent a considerable amount of money and can mean the production of large amounts of cluster munitions.

- **Selection and research**

#### **Criteria for inclusion on the long list**

For this research project we have compiled a long list of cluster munitions producers that meet at least one of the following two criteria:

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

A clear description of a delivery of the product in a company publication or trade journal is considered as sufficient evidence that a company is involved in present or planned production. This is also the case when a budget line for the product is included in a recent government budget.

If over the past year the company has advertised (key components for) cluster munitions or explosive submunitions at exhibitions, in brochures, or on its website, this is seen as evidence of development or production. However, if other evidence is found that contradicts this or if the advertising refers to (key components for) cluster munitions or explosive submunitions that, to our knowledge, have not been produced since 30 May 2008, we do not place the company on the long list.

As a consequence, some companies which mention (key components for) cluster munitions or explosive submunitions on their websites are not included on the long list. A brochure may date from before May 2008, or other evidence may suggest that these products are no longer being produced. Furthermore, some companies that produce (key components for) cluster munitions or explosive submunitions at present are not included on the long list because we could not find sufficient evidence of their production activities.

## From long list to short list (our “red flag list”)

For all cluster munitions producers on the long list we researched if financial links with one or more financial institutions could be confirmed with reliable information in the public domain. Chapter 1 section 2 contains short information of the links we found.

When we could find no links to financial institutions, we decided not to include the cluster munitions producer in this report. This was mostly the case with state-owned and privately-owned companies. Because these companies are not taken into account, the short list of companies in this report can by no means be considered an exhaustive list of the companies, worldwide, involved in the production of (key components for) cluster munitions or explosive submunitions at present.

“The short list of companies in this report can by no means be considered an exhaustive list.”

### 1.1.1 Alliant Techsystems (United States)

Alliant Techsystems (ATK) is the world’s largest manufacturer of ammunition and a leading supplier of precision systems and electronic warfare. The company is also active in space and propulsion systems.<sup>16</sup>

In 1992, ATK won a contract to produce the **CBU-87/B Combined Effects Munition** for the US Air Force.<sup>17</sup> The CBU-87/B contains 202 BLU-97/B submunitions. Aerojet manufactured the bomb, while ATK manufactured the submunitions and packed them into the bomb. The CBU-87/B was widely used in the first Gulf War and in Kosovo. Since 2000, they were equipped with the Wind Corrected Munitions Dispenser guidance tail kit produced by Lockheed Martin (see paragraph 1.1.3). Since then, the CBU-87/B was designated as CBU-103.<sup>18</sup>

The last time the CBU-103 was mentioned in the US Defense Department budget was in 2006.<sup>19</sup> This means that production was terminated in that year.

American Ordnance, a joint venture of Alliant Techsystems and Day & Zimmermann, has a contract with the US Army to operate and maintain the Iowa Army Ammunition Plant in Burlington (Iowa) and the Milan Army Ammunition Plant in Milan (Tennessee).<sup>20</sup> A brochure dating from September 2008, which was still available on the American Ordnance website in February 2011, states that the Milan Army Ammunition Plant produces the **M74 APAM Grenade** for the US Military and other State Department approved customers. This is the submunition used in the warhead of the ATACMS M39 missile which was produced by Lockheed Martin (see paragraph 1.1.3). By March 2012 the brochure had been removed from the website.

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

American Ordnance also is capable of producing the 155mm **M864 projectile** produced since the 1980s, which is loaded with 24 M46 and 48 M42 DPICM submunitions.<sup>22</sup> In 2003 the US Army launched its M864 Recapitalization Program. The programme strategy is to remove the M42 and M46 grenades from unserviceable M864 projectiles, remove the existing M223 grenade fuzes from the grenades and replace them with a self-destruct fuze to achieve a significant reduction in the dud rate. The grenades were then Loaded, Assembled and Packed (LAP) to the projectiles again.<sup>23</sup>

Alliant Techsystems also is the designer and producer of the rocket motor for the **Sensor Fuzed Weapon (SFW)**<sup>24</sup>, produced by Textron Defense Systems (see paragraph 1.1.8). We consider the SFW to be a cluster munition under the definition of the Convention on Cluster Munitions. ATK produces a key component for this type of cluster munitions. The following information on ATK’s contribution to the SFW was available on the ATK website in February 2010:

“The BLU-108 submunitions released from the Sensor Fuzed Weapon (SFW) are propelled by an ATK Missions Systems designed and produced rocket motor. The SFW was designed specifically to provide upward axial thrust and rotational torque to the BLU-108 submunition, releasing the skeet warheads at the end of motor burn. The upward thrust and rotational torque is achieved by utilizing dual tangential nozzles in the ATK rocket motor. The SFW is the first smart air-to-surface munition to enter production for the U.S. Air Force. The SFW, a 1,000-pound class weapon, contains ten BLU-108 submunitions, each with four smart Skeet warheads, for 40 warheads. Designed for stand-off deployment from a wide variety of aircraft, SFW’s versatility and superior lethality make it a weapon of choice for anti-armor, destruction of enemy air defense, and many other combat missions.”<sup>25</sup>

This information was no longer available on ATK’s website in 2011. However, as a supplier for an important component of the SFW, ATK has been involved in several SFW contracts concluded by Textron Defense Systems with the US Air Force. In March 2006, Textron Systems announced that it had been awarded a US\$108 million contract by the US Air Force for its Fiscal Year 2006 procurement of the SFW. The three-year contract was part of an on-going long-term pricing agreement (LTPA). Overall, Textron Systems would deliver approximately 6,500 SFWs to the US Air Force by the end of 2013.<sup>26</sup>

The most recent US Air Force contract with Textron we found on SFW deliveries is a “\$92,938,707 firm-fixed-price contract modification” dated 31 January 2007 which “provides for 291 Sensor Fuzed Weapons (SFW) Full Rate Production, Lot 12 option exercise.”<sup>27</sup> This same contract was modified in February 2009 for an additional \$9,527,490 of SFWs. According to the US Department of Defense “This action will provide 30 additional Sensor Fuzed Weapons, Full Rate Production Lot 12. At this time, the entire amount has been obligated. Eglin Air Force Base is the contracting activity.”<sup>28</sup>

In its annual report for the fiscal year ended March 2011, Alliant Techsystems confirms that it was recently involved in these SFW supplies to the US Air Force: “ATK’s sole-source contracts accounted for 58% of U.S. Government sales in fiscal 2011 and include the following programs: (...) **Sensor Fuzed Weapon propulsion systems**, (...).”<sup>29</sup>

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

In February 2012, Alliant Techsystems announced that the US Army had selected it to develop an alternative warhead for the Guided Multiple Launch Rocket System (GMLRS). It would act as subcontractor to GMLRS’s prime contractor Lockheed Martin (see paragraph 1.1.3). The alternative warhead is meant to eliminate the use of submunitions. It would be a drop-in replacement for the currently fielded Dual-Purpose Improved Conventional Munition (DPICM) warhead.<sup>30</sup>

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

### 1.1.2 Hanwha (South Korea)

Hanwha Corporation, the former Korea Explosives Corporation, is a world business leader in industrial explosives production, and in construction, trade, machinery, and pharmaceuticals.<sup>31</sup> The South Korean company was officially designated a defence contractor in 1974. Since then, it has specialised in munitions, whose productions process is under strict government control and for which the South Korean Government is the sole customer.<sup>32</sup>

Hanwha produces **130 mm Multiple Launch Rocket System (MLRS)** and **2.75” Multi-purpose submunitions (MPSM)**. The company confirmed its manufacture of these types of cluster munitions in a written answer to Norway’s Government Pension Fund in 2007.<sup>33</sup>

In February 2010, Hanwha Corporation still advertised the 130 mm MLRS and the 2.75” MPSM on its website. It described the 130 mm MLRS as a rocket launcher that could “launch multiple rockets into concentrated enemy encampments across a wide area.”<sup>34</sup> The company’s website identified the 2.75-inch MPSM as the “HE MPSM K224 Warhead [that] contains 9 each multipurpose submunitions for use against personnel, material and light armour.”<sup>35</sup>

In January 2011, the 2.75” MPSM was still on the company’s website, but the 130 mm MLRS had been removed. The company described the 2.75” MPSM as a “weapons system for air-to-surface operations by combat helicopters and jet fighters.”<sup>36</sup>

By March 2012, however, both the 2.75” MPSM and the 130 mm MLRS had been removed from the company’s website. Research by Handicap International and Facing Finance in 2011, however, showed that Hanwha still offered 2.75” submunitions and 120mm mortar bombs with cluster ammunition at the 2011 IDEX (International Defence Exhibition).<sup>37</sup>

The mechanical fuze M577A1 and the electronic proximity fuze M732, both used for cluster ammunitions, were listed on the company website in March 2012.<sup>38</sup>

In February 2010 Hanwha also mentioned on its website a so-called **Scattering Bomb for Aircraft** that is mounted on an aircraft and designed “to destroy massed enemy positions and ground troops.”<sup>39</sup> The Ethical Council of the Norwegian Pension Fund states that although it has been unable to find further information on this weapon, “it seems that this is a category of cluster munition that has previously led to exclusion of companies from the Fund.”<sup>40</sup>

In January 2011, no information could be found on this type of cluster munition on the company’s website.

Hanwha is on the red flag list because the company has marketed the MPSM submunitions on its website since May 2008, and marketed the 2.75” submunitions and 120mm mortar bombs with cluster ammunition in 2011. There is no evidence that it had ceased production of this type of submunition since May 2008.

### 1.1.3 Lockheed Martin (United States)

Lockheed Martin is a global security company that is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.<sup>41</sup>

Lockheed Martin has been involved in the production of several components of cluster munitions in the past, such as the **Wind Corrected Munitions Dispenser (WCMD)**<sup>42</sup> of which development started in 1995 and which was used for the first time in Iraq in 2003.<sup>43</sup> The WCMD is an affordable guidance kit, which was adapted among others to the CBU-87/B Combined Effects Munition (CEM) and CBU-97 Sensor Fuzed Weapon (SFW) cluster bombs.<sup>44</sup>

The CBU-87/B was produced with Alliant Techsystems (see paragraph 1.1.1). “Due to the inaccuracy of CBU-87/B when dropped from higher altitudes, the USAF has developed the Wind Corrected Munitions Dispenser (WCMD) as an add-on package. Produced by Lockheed Martin, the WCMD kit contains an inertial navigation system and control fins. When modified as a WCMD, a CBU-87/B becomes a CBU-103.”<sup>45</sup>

Similarly, the CBU-97 with WCMD is designated CBU-105. Textron still produces the CBU-105 (see paragraph 1.1.8).

In 2005, Lockheed Martin was awarded a US\$52.9 million contract to produce 1,655 WCMD tail kits and 100 WCMD-Extended Range (ER) wing kits for the US Air Force. This brought the number of WCMDs for the US Air Force to approximately 28,000. The ER wing kits add a wing kit to the GPS version of the WCMD tail kit to obtain a better range and accuracy.<sup>46</sup>

Although Lockheed Martin no longer promotes the WCMD on its website, elsewhere on its website the company devoted a chapter to the WCMD in the “Lockheed Martin Missile and Fire Control Products 2008” brochure, which was still available in January 2011.<sup>47</sup>

The last time the CBU-103 (which is a CBU-87/B equipped with a WCMD) was mentioned in the budget of the US Department of the Army was in 2006.<sup>48</sup> This means that production was terminated in that year.

Lockheed Martin also produced the Army Tactical Missile System (ATACMS) for the US Army and allied armies. In the product listing on the company’s website in March 2012, Lockheed Martin states that “each ATACMS missile is packaged in a Multiple Launch Rocket System look-alike launch pod and is fired from the MLRS family of launchers.”<sup>49</sup> The ATACMS is produced in several variants, including the **ATACMS M39** missile, which has a warhead loaded with M74 APAM Grenade submunitions. A brochure from American Ordnance (a joint venture of Alliant Techsystems and Day & Zimmermann) dated September 2008 (see paragraph 1.1.1) reported that the M74 APAM Grena was produced at the Milan Army Ammunition Plant. The last time the ATACMS M39 was mentioned in the budget of the US Department of the Army was in fiscal year 2005. The last delivery was scheduled for July 2004.<sup>50</sup> A 500-pound unitary warhead have replaced the M74 submunitions in the ATACMS Block1A Unitary missile, for which Lockheed Martin was awarded a US\$47 million US Army contract in 2006 for delivery in the second quarter of 2008.<sup>51</sup>

Lockheed Martin’s most recent cluster munition product is the **Guided Multiple Launch Rocket System (GMLRS) missile** which it has produced since 2003. It developed and produced two variants of the GMLRS: the M31 with a unitary warhead and the M30 with a warhead consisting of 404 M101 DPICM submunitions. In 1994 Lockheed Martin was assigned prime contractor for the GMLRS contract with the US Army, which makes the company responsible for the entire program.<sup>52</sup>

In February 2010, Lockheed Martin described the M30 GMLRS on its website as follows: The M30 GMLRS “incorporates a GPS-aided inertial guidance package integrated on a product-improved rocket body. Small canards on the guided rocket nose provide basic manoeuvrability and enhance the accuracy of the system. It will carry a warhead payload of 404 Dual Purpose Improved Conventional Munition (DPICM) submunitions.”<sup>53</sup> Although the M30 GMLRS has recently been removed from the product list on the website, a 2006 brochure containing it was still available on the website in February 2010.<sup>54</sup>

L-3 Communications’ Fuzing and Ordnance Systems division produced the self-destruct fuze for the M101 DPICM submunition.<sup>55</sup>

In early 2009, the US Government decided that the US Army would cease procurement of DPICMs and only buy unitary rockets after the deliveries of previously contracted DPICM rockets are complete, presumably in the summer of 2009. The export of cluster munitions that leave behind more than 1 per cent of their submunitions as duds was also prohibited.<sup>56</sup> “The M30 rocket will be placed in the war reserve inventory and will require the approval of a combat commander before they are used. After 2018, they can no longer be used. In future production, the warhead containing DPICM will be replaced by an alternative non-cluster munitions warhead.”<sup>57</sup> As of 2011, the U.S. Army stated that it still fielded both GMLRS variants, but that the unitary warhead is the only one currently in production.<sup>58</sup>

In February 2012, Alliant Techsystems (see paragraph 1.1.1) announced that the US Army had selected it to develop an alternative warhead for the Guided Multiple Launch Rocket System (GMLRS). It would act as a subcontractor to GMLRS’s prime contractor Lockheed Martin. The alternative warhead is meant to eliminate the use of submunitions. It would be a drop-in replacement for the currently fielded Dual-Purpose Improved Conventional Munition (DPICM) warhead.<sup>59</sup>

Despite the new US legislation prohibiting the export of cluster munitions, Lockheed Martin was allowed to proceed with the export of 130 M30 Guided MLRS DPICM rocket pods to the United Arab Emirates in March 2009, under a contract that was published in September 2006.<sup>60</sup> This is the last published export contract for this version of the M30 rocket.

Lockheed Martin has never publicly stated or confirmed that it has stopped or will stop the production of the GMLRS or other cluster munitions. In April 2010, Lockheed Martin confirmed to Reuters that it would cease supplying delivery vehicles for submunitions before the Convention on Cluster Munitions' "transitional period" is concluded.<sup>61</sup> However, the "transitional period" the company referred to probably concerns the destruction (within eight years after the entry into force of the Convention on Cluster Munitions) and not the production of cluster munitions, for which the Convention on Cluster Munitions contains no transition period.

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

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

In reply to an information request by Aviva insurance company in 2011, Lockheed Martin confirmed its ongoing involvement in cluster munition production under a contract due to terminate in 2013.<sup>62</sup>

In March 2012, the company stated on its website that "Lockheed Martin systems also include smart submunitions to give the warfighter maximum flexibility [...]."<sup>63</sup>

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

#### **1.1.4 Norinco (China)**

China North Industries Corporation (Norinco) produces a full range of air-dropped and surface-launched cluster munitions. The company manufactures the type 83 projectile, type 59 projectile, type 62 projectile, type 66 projectile and type 2 bomb.<sup>64</sup>

The 130 mm type 59 cannon cargo projectile is a "separate loading ammunition, with the variable propelling charge system contained in a brass cartridge case. The steel projectile is made up of three main assemblies: the nosecone, body and base. The hollow body contains 35 Type 81 dual-purpose High-Explosive Anti-Tank (HEAT) bomblets."<sup>65</sup>

Norinco has also developed a 250 kg version of its 360 kg anti-tank cluster bomb. The Type 2 is "a simple cluster bomb designed to be air launched and to open at a pre-set altitude over the target to distribute its load of bomblets over a large area. The Type 2 cluster bomb has three basic loading options; Anti-Personnel and Anti-Materiel/vehicle (APAM) fragmentation bomblets; Anti-Personnel (AP) bomblets; or Anti-Tank (AT) bomblets."<sup>66</sup>

In September 2008, Norinco presented its AR2 300mm long-range MLRS during the Africa Aerospace and Defense Exhibition.<sup>67</sup>

In 2010, Norinco launched its AR3 Multi-Launch Rocket System (MLRS), which is marketed in two versions using different rockets. "The BRC3 is an unguided rocket carrying submunitions with a maximum range of 70km, and the BRC4 is of a similar type but range is extended to 130km. BRE2 is fitted with a conventional

high-explosive warhead and has a maximum range of 130km and the BRE3 has a similar range but features GPS/INS guidance for increased accuracy.”<sup>68</sup>

In 2011, research at IDEX (International Defence Exhibition) by Handicap International and Facing Finance found evidence that Norinco marketed Type 90B 122mm and W-120 273mm cluster munition projectiles for MLRS.<sup>69</sup>

Most of the information above is derived from Jane’s Ammunition Handbook. The product page of Norinco’s website is not working properly, so it is unknown if the products mentioned are currently being advertised by the company on its website.

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

### 1.1.5 Poongsan (South Korea)

Poongsan, a leading defence company in South Korea, develops military and sporting ammunition.<sup>70</sup> Poongsan has been involved in the production of two types 155 mm artillery cluster munitions: **DP-ICM TP/K308** and **DP-ICM K310**. The K308 version was still advertised on Poongsan’s website in January 2011 while the K310 version no longer appeared on the product lists.<sup>71</sup>

In January 2011, Poongsan’s website still mentioned the Dual Purpose Improved Conventional Munitions (DPICM) TP/K308.<sup>72</sup> It is a 155 mm artillery shell, said to contain 88 “bomblets”, e.g. small, explosive submunitions that characterise cluster munitions.<sup>73</sup> DPICM K308 and K310 are listed only in the Korean version of the catalogue as of March 2012.<sup>74</sup> Research at IDEX (International Defence Exhibition) by Handicap International and Facing Finance found evidence that Poongsan is still selling the K310.<sup>75</sup> Poongsan also produced the DPICM K310 - a projectile with 49 submunitions with self-destruct fuze,<sup>76</sup> which it co-produced with Pakistan Ordnance Factories.<sup>77</sup> It was first produced in April 2008.<sup>78</sup>

In April 2009, Poongsan exported a new consignment of inert components for 155 mm K310 artillery shells to Pakistan Ordnance Factories’ Sanjwal plant. The munition parts were described in detail on shipping documents including “155MM K310 Dummy Kit” and “KM577 Dummy Metallic Fuze.” Revenue authority documents reveal another consignment of inert components for K310 artillery shells from Poongsan Corporation in February 2010– again described in detail on shipping documents as 4 pallets of “of 155MM K310 TP Projectile (Dummy).”<sup>79</sup> The 155mm K221 bomblets used in the K310 are listed in the English version of the ammunition catalogue that was available on the company website in March 2012.<sup>80</sup>

Poongsan’s subsidiary Poongsan FNS produces various kinds of fuzes. In March 2012 the company website also states that Poongsan FNS produced MLRS (multiple launch rocket system).<sup>81</sup>

Poongsan is included on the red flag list because there is evidence that the company produced DPICM K310 and TP/K308 cluster munitions after May 2008. No evidence was found that these types of cluster munitions were no longer produced since then. The company has not publicly stated that it will end its involvement within the coming 12 months.

### 1.1.6 Singapore Technologies Engineering (Singapore)

Singapore Technologies Engineering Ltd (ST Engineering) is an integrated engineering group specialising in innovative solutions and services in the aerospace, electronics, land systems and marine sectors.<sup>82</sup>



Advanced Material Engineering Pte Ltd., a subsidiary of Singapore Technologies Kinetics which is the land systems arm of Singapore Technologies Engineering<sup>83</sup>, produces cluster munitions. It has produced at least two versions of the **155 mm High-Explosive (HE) Dual Purpose-Improved Conventional Munition (DPICM)**, cluster munitions with 64 submunitions with a mechanical self-destruct fuze. Singapore Technologies Engineering claimed that the dud rate had been reduced to 3%.<sup>84</sup>

Although the 155 mm HE DP-ICM no longer appears in the official product list on Singapore Technologies Engineering's website, a January 2007 brochure containing it is still available via the website in March 2012.<sup>85</sup>

On 26 November 2008, Singapore announced that it would impose an indefinite moratorium on the export of cluster munitions with effective immediately.<sup>86</sup>

In November 2008, AFP press agency quoted a company spokeswoman as saying that, "We do not produce cluster munitions for export, nor are we a subcontractor to anyone that does. [...] To date, we have never exported any cluster munitions."<sup>87</sup>

In May 2010, Singapore Technologies Engineering, when asked by Landmine and Cluster Muniton Monitor whether it was currently producing cluster munitions, stated, "ST Engineering does not produce cluster munitions for export, nor are we a sub-contractor to anyone who does. We are committed to work with the Singapore government and abide by the moratorium imposed by the Singapore government on the export of cluster munitions. ST Engineering is committed to working with the government, defense contractors and international organisations to bring about a truly international and enduring solution to the humanitarian concerns over cluster munitions."<sup>88</sup>

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

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

Splav claims to be the world's leading manufacturer of multiple rocket launcher systems (MLRS).<sup>89</sup>

The company advertises various 122mm, 220mm, and 300mm rocket projectiles with cluster warheads on its website.<sup>90</sup> Among the projectiles are the 300 mm 9M55K Rocket Projectile which contains 96 submunitions, the 300 mm 9M55K4 Rocket Projectile which contains 25 submunitions, and the 300 mm 9M55K5 which contains 646 submunitions all used in the company's "Smerch" multiple rocket launcher system (MRLS), used by land forces.<sup>91</sup>

The 122 mm "Grad" and "Grad-1" MLRS are advertised for use with various rocket projectiles, including the 9M217 Unguided Rocket Projectile with Sensor-fuzed Submunitions Scattering Cluster Warhead containing 2 submunitions, and the 9M218 Unguided Rocket Projectile with Shaped-Charge Fragmentation Submunitions Scattering Warhead containing 45 submunitions.<sup>92</sup>

The 220 mm "Uragan" MLRS is advertised on the site for use with 9M27K 220 mm Rocket Projectile with Fragmentation Submunitions Scattering Cluster Warhead containing 30 fragmentation submunitions.<sup>93</sup>

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

### 1.1.8 Textron (United States)

Textron is a multi-industry company, consisting of numerous subsidiaries and operating units. One subsidiary is Textron Systems Corporation, whose operating unit Textron Defense Systems manufactures air launched weapons, smart submunitions, intelligent battlefield munitions and sensor systems, and ground and airborne surveillance systems.<sup>94</sup>

On its website, Textron had separate sections on its products available in January 2011. While these are no longer available, a brochure dated 2010 provides the following information: “Known as **CBU-97** and **CBU-105**, Textron Defense Systems’ SFW is the first and only combat-proven clean battlefield weapon of its kind in the U.S. Air Force inventory. [...] The SFW, a 1,000-pound class weapon, contains 10 Textron Defense Systems BLU-108 submunitions – each with four smart Skeet warheads, for 40 warheads. One SFW can detect and engage many fixed and moving land and littoral combat targets simultaneously within 121,400 square meters (30 acres). This wide-area capability enables the SFW to halt an invading force and attack air defense sites while significantly reducing the number of aircraft sorties. Designed for standoff deployment from a wide selection of aircraft, the SFW’s versatility and superior lethality make it the weapon of choice for anti-armor, destruction of enemy air defense and many other combat missions. It can be deployed from U.S. or NATO tactical aircraft in all weather conditions, day or night, and is certified on most Air Force fighter and bomber aircraft. Each smart Skeet warhead can defeat a variety of moving and stationary targets including parked aircraft, mobile radars and jammers, air defense vehicles and support vehicles.”<sup>95</sup>

The first version of the SFW was designated CBU-97. Later the Wind Corrected Munitions Dispenser (WCMD) produced by Lockheed Martin (see paragraph 1.1.3) was added to the weapon. A SFW with WCMD is designated CBU-105.

In the military press, Textron claims that its “SFW leaves a clean battlefield.”<sup>96</sup> Textron argues that the weapon contains self-destruct and self-neutralisation features and that the SFW feature “nearly eliminates risk of unexploded submunitions.” The company also believes that the SFW is not a cluster munition as defined in the Convention on Cluster Munitions.<sup>97</sup>

However, Textron’s claims of strike accuracy and the reliability of the self-destruct mechanisms with less than 1% UXO have been contested.<sup>98</sup> States Parties to the CCM have never concurred with Textron’s view that the SFW would not fall under the prohibition of the Convention on Cluster Munitions. The Legal Commentary to the Convention on Cluster Munitions published by Oxford University Press also explicitly contests this.

Textron Defense Systems’ Selectively Targeted Skeet (STS) submunition, which is comparable to the BLU-108 “sensor-fuzed smart submunition” is no longer advertised on the company website in March 2012.<sup>99</sup>

One of the suppliers contributing to the SFW is Alliant Techsystems (see paragraph 1.1.1), which produces the SFW’s rocket motor.

The SFW has been sold primarily to the US Air Force, under various contracts. In March 2006, Textron Defense Systems announced that it has been awarded a US\$108 million contract by the US Air Force for its Fiscal Year 2006 procurement of the SFW. The three-year contract was part of an on-going long-term pricing agreement (LTPA). Overall, Textron Defense Systems would deliver approximately 6,500 SFWs to the US Air Force by the end of 2013.<sup>100</sup>

The most recent US Air Force contract with Textron Defense Systems for SFW deliveries that we could find is a “\$92,938,707 firm-fixed-price contract modification” dated 31 January 2007 which “provides for 291 Sensor Fuzed Weapons (SFW) Full Rate Production, Lot 12 option exercise.”<sup>101</sup> This same contract was modified in February 2009 for an additional US\$9,527,490 of SFWs. According to the US Department of Defense “This action will provide 30 additional Sensor Fuzed Weapons, Full Rate Production Lot 12. At this time, the entire amount has been obligated. 683rd ARSS/SYKA, Eglin Air Force Base is the contracting activity.”<sup>102</sup>

Since July 2004, Textron Defense Systems also sold SFWs to other countries, mostly under US Air Force Foreign Ministry Sales (FMS) contracts. The US ban on export licenses for cluster bombs that was signed into law in March 2009 excludes cluster bombs with an UXO rate of less than 1%. As Textron claims an UXO rate of less than 1% for the CB-105, Textron is still allowed to export this product.

Contracts via FMS include e.g.:

- Turkey: Textron Systems announced in November 2006 that it had received a contract from the United States Air Force for a FMS to sell the SFW to the Turkish Air Force (TuAF).<sup>103</sup>
- Oman: Textron Defense Systems is also reported to have delivered SFWs to Oman between 2006 and 2008.<sup>104</sup>
- United Arab Emirates (UAE): The UAE signed a contract with Textron in November 2007. As a result of this contract, Textron Defense Systems delivered an unknown number of CBU-105 SFWs, valued at US\$57 million, to the UAE in June 2010.<sup>105</sup>
- South Korea: In April 2010, it was announced that South Korea had selected Textron Defense Systems' SFW for integration with Korea Aerospace Industries' developmental F/A-50 light attack aircraft. Through a FMS led by the Eglin Air Force Base Air Armament Center and the Defense Acquisition Program Administration of South Korea, Textron Defense Systems expected to begin providing inert integration rounds starting in 2010.<sup>106</sup> The FMS contract has not been signed yet. In December 2011, the sale of 305 CBU-105 SFW to South Korea was announced in the press. Delivery of the cluster bombs will start in 2014 and be completed in 2017.<sup>107</sup>
- India: In December 2010 the following FMS contract was closed with Textron Defense Systems: "\$257,737,338 contract which will provide for 512 sensor-fuzed weapons CBU-105 production units and 44 training units. This contract supports foreign military sales to India. At this time, \$126,291,295 has been obligated. Eglin Air Force Base is the contracting activity."<sup>108</sup> In February 2011 Textron officially announced that it had received this contract to produce SFWs for the government of India. The company received the US\$126 million initial funding.<sup>109</sup>
- Saudi Arabia: In June 2011, the Defense Security Cooperation Agency notified the U.S. Congress of a possible sale of 404 CBU-105 SFW to the Government of Saudi Arabia.<sup>110</sup>

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

## 1.2 The Investments

### 1.2.0 Introduction and Methodology

This section contains the results of our research on financial institutions investing in the eight companies on the red flag list. It answers the question on which financial institutions are financially involved in companies that produce cluster munitions.

Before turning to this question, we will describe the various financial services that financial institutions offer and define the terms used in our research.

- **How financial institutions get involved with cluster munitions producers**

Banks and other financial institutions provide various types of financial services to cluster munitions producers. The most important are commercial banking, investment banking and asset management.

#### **Commercial Banking (Loans)**

Commercial banking includes offering or participating in loans to cluster munitions producers via either general corporate financing or project financing.

#### **Investment banking**

Investment banking services include helping cluster munitions producers to sell shares and bonds to investors (asset managers, insurance companies, etc.), regardless of how the proceeds are used (most of the time for general corporate services), and offering financial advisory services.

#### **Asset Management**

Asset management means holding or managing shares or bonds that cluster munitions producers issued either on the investors' behalf or on behalf of third parties (which includes the development and/or sale of investment funds containing stocks or debt securities from cluster munitions producers).

Asset management can result in a financial institution's involvement with cluster munitions producers in various ways. The financial institution can act on behalf of a third party when buying shares in or bonds issued by a company. Most of the time this means the third party, a person or an institution, is buying one or more shares in an investment fund that the financial institution markets. The financial institution's asset manager manages this fund using an investment strategy. The financial institution can also buy shares in and bonds issued by a company on its own behalf. This makes the financial institution a shareholder or bondholder in this company.

This distinction is often referred to as a financial institution's direct and indirect involvement. However, since there is no universal definition of the terms 'direct' or 'indirect' financing, and since these terms are used for different contents, we choose not to use these terms here.<sup>XIV</sup>

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XIV More information on the difference between direct and indirect financing is given in a background paper by FairFin (formerly *Netwerk Vlaanderen*): *Netwerk Vlaanderen*, "The scope of Banks' Sustainable Investment Policies: The Issue of Direct and Indirect Financing. Background paper by *Netwerk Vlaanderen*", May 2010, available at [http://www.stopexplosiveinvestments.org/uploads/pdf/Direct\\_and\\_indirect\\_investments.pdf](http://www.stopexplosiveinvestments.org/uploads/pdf/Direct_and_indirect_investments.pdf), last viewed 26 April 2012.

- **Definitions**

**Financial Institutions** (FIs) include major banks, insurance companies, pension funds, sovereign wealth funds and asset managers from every country in the world.

**Investments** are loans and other forms of credits, underwriting of share and bond issues, investments in shares and bonds and other financial services. Financial institutions can invest on their own behalf or for third parties.

- **Research**

We consider any kind of financial or investment link with a cluster munitions producer to be financial involvement with this producer.

We apply different thresholds to different companies for investment in shares and bonds. Due to the different shareholding structure in the various companies,<sup>xv</sup> we chose a 0.1% floor limit for Hanwha Corporation, Poongsan, and Singapore Technologies Engineering and a 1% limit for ATK, Lockheed Martin and Textron. Since there are so many shareholders in ATK, Lockheed Martin and Textron that hold less than 1% of the shares, listing all of them is beyond the scope of this report. We made a pragmatic choice to apply the abovementioned thresholds.

Research institute Profundo (the Netherlands) provided a list of financial institutions derived from stock exchange filings and other publications by financial institutions and cluster munitions producers, as well as from commercial databases with information supplied by financial institutions.

We included all credits and underwriting activities dated after 1 May 2009 for which we found information and also included data on shareholdings and bond holdings available in April 2012, the date Profundo concluded its research on financial links to cluster munitions producers.

We define investor as someone financially involved in a cluster munitions producer. The following factors are irrelevant to our definition:

- The investor's importance for the cluster munitions producer;
- The investment's importance for the investor's portfolio;
- The contribution of cluster munitions production to the company's total turnover; or
- Cluster munitions producer's other activities.

We consider them irrelevant, because a financial institution cannot possibly be certain that the financial services it provides for a company will not be used to produce cluster munitions. It is common for weapon producers to finance cluster munitions facilities from general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities.

As we already noted, the list in the Hall of Shame is not an exhaustive list of financial institutions with investments in cluster munitions producers. We apply different thresholds to different companies for investment in shares and bonds. Since the red flag list is not exhaustive, a financial institution could have invested in a producing company not included in our research. There is little or no transparency on what credits were given to whom. This makes it very hard to find out whether a financial institution has granted a loan to a controversial company.

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XV Asian companies seem to have a few large (local) shareholders and a group of foreign shareholders with less than 1%. That is why we lowered the threshold for Hanwha, Poongsan and Singapore Technologies Engineering.

- **Results**

The following contains the results of our research on which financial institutions finance the cluster munitions producers in our red flag list. Each paragraph contains the following information:

- The institution's name and country of origin for each financial relationship.
- The types of financial relations with the various companies for each financial institution. We group these relations by type: loans, investment banking and asset management. We list financial activities chronologically for each subgroup.
- The name of the recipient company, the amount, date and (if known) the purpose for each financial relation. We provide the maturity date and interest rate for loans.

### 1.2.1 Aberdeen Asset Management (United Kingdom)

#### ASSET MANAGEMENT

On 24 February 2012, Aberdeen Asset Management owned or managed 10.70% of the shares of **Singapore Technologies Engineering** valued at US\$834.7 million.<sup>111</sup>

### 1.2.2 Agricultural Bank of China (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. Agricultural Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>112</sup>

In March 2010, **Norinco** issued one-year bonds for CNY1.5 billion (US\$219.8 million). Agricultural Bank of China acted as joint bookrunner in the syndicate, underwriting an estimated US\$44 million.<sup>113</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Agricultural Bank of China participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>114</sup>

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. Agricultural Bank of China acted as joint bookrunner in the nine-bank syndicate, underwriting an estimated US\$60.2 million.<sup>115</sup>

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. Agricultural Bank of China acted as joint bookrunner in the ten-bank syndicate, underwriting an estimated US\$86.2 million.<sup>116</sup>

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. Agricultural Bank of China participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.<sup>117</sup>

### 1.2.3 AIG (United States)

#### ASSET MANAGEMENT

On 31 December 2011, American General Life, which is part of AIG, owned or managed 1.31% of the outstanding bonds issued by **Lockheed Martin** valued at US\$90.6 million.<sup>118</sup>

### 1.2.4 Allianz (Germany)

#### ASSET MANAGEMENT<sup>XVI</sup>

On filing dates between 31 December 2011 and 31 March 2012, Pimco, which is part of Allianz, owned or managed 1.47% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$13.9 million.<sup>119</sup>

On 31 December 2011, NEJ Investment Group, which is part of Allianz, owned or managed 4.34% of the shares of **Alliant Techsystems** valued at US\$81.8 million.<sup>120</sup>

On 31 December 2011, Allianz subsidiaries Allianz Global Investors Capital and NEJ Investment Group owned or managed 1.15% of the shares of **Lockheed Martin** valued at US\$299.7 million.<sup>121</sup>

### 1.2.5 Allstate (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Allstate owned or managed 2.83% of the outstanding bonds of **Alliant Techsystems** valued at US\$26.9 million.<sup>122</sup>

On 31 December 2011, Allstate owned or managed 2.41% of the outstanding bonds issued by **Lockheed Martin** valued at US\$167.6 million.<sup>123</sup>

### 1.2.6 American Family Insurance (United States)

#### ASSET MANAGEMENT

On 31 December 2011, American Family Insurance owned or managed 1.00% of the bonds issued by **Singapore Technologies Engineering** valued at US\$5.0 million.<sup>124</sup>

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XVI Allianz Global Investors Europe has announced in a press release in January 2011 that “the mutual funds of Allianz Global Investors Europe do not invest in companies that manufacture cluster bombs or anti-personnel mines.” Since the filings published in this report are the most recent filings available, we cannot verify if Allianz effectively sold these positions. Allianz’ policy is not public (yet); therefore, we cannot comment on it or include it in our Hall of Fame or runners-up category. (Allianz Global Investors Europe, “Allianz Global Investors Europe does not invest in manufacturers of cluster munitions and anti-personnel mines”, Press Release, 24 January 2011, available at [http://www.allianzglobalinvestors.de/web/main?page=/cms-out/ueber-uns/press/releases/2011/PM\\_20110124\\_01.html](http://www.allianzglobalinvestors.de/web/main?page=/cms-out/ueber-uns/press/releases/2011/PM_20110124_01.html), last viewed 24 March 2011.

## 1.2.7 Ameriprise Financial (United States)

### ASSET MANAGEMENT

On 31 December 2011, Ameriprise Financial owned or managed 1.80% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$17.1 million.<sup>125</sup>

On 31 December 2011, Ameriprise Financial's subsidiary Columbia Management Investment Advisors owned or managed 1.36% of the shares of **Lockheed Martin** valued at US\$358.3 million.<sup>126</sup>

## 1.2.8 ANZ Bank (Australia)

### LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. ANZ Bank was one of the participants in the syndicate and provided US\$55 million.<sup>127</sup>

### INVESTMENT BANKING

In May 2010, **Lockheed Martin** issued bonds due in 2040 for US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. ANZ Bank was one of the six dealer managers involved in the bonds issuance.<sup>128</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. ANZ Securities participated in 15-bank issuing syndicate, underwriting US\$10 million.<sup>129</sup>

## 1.2.9 APS Asset Management (Singapore)

### ASSET MANAGEMENT

On 30 November 2011, APS Asset Management owned or managed 0.66% of the shares of **Poongsan Holding** valued at US\$1.1 million.<sup>130</sup>

## 1.2.10 Aronson + Jonson + Ortiz (United States)

### ASSET MANAGEMENT

On 31 December 2011, investment manager Aronson + Jonson + Ortiz owned or managed 1.04% of the shares of **Alliant Techsystems** valued at US\$19.6 million.<sup>131</sup>

## 1.2.11 AXA (France)

### ASSET MANAGEMENT

On filing dates between 31 December 2011 and 29 February 2012, AXA owned or managed 1.48% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$14.5 million.<sup>132</sup>



On 31 December 2011, AXA-owned AllianceBernstein owned or managed 0.32% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$1.6 million.<sup>133</sup>

On 4 January 2012, AXA-owned AllianceBernstein owned or managed 4.78% of the shares of **Poongsan Corporation** valued at US\$37.5 million.<sup>134</sup>

## 1.2.12 Bank of America (United States)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Bank of America was part of the 20-bank syndicate and provided US\$100 million.<sup>135</sup>

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Bank of America was one of the five bookrunners and provided US\$135 million.<sup>136</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Bank of America was one of the five bookrunners and provided US\$120 million.<sup>137</sup>

### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Bank of America was one of the five bookrunners in the 11-bank issuing syndicate, underwriting US\$105.6 million.<sup>138</sup>

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Bank of America was one of the four bookrunners in the 12-bank issuing syndicate, underwriting US\$150 million.<sup>139</sup>

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Bank of America, part of the 7-bank syndicate, underwrote US\$129 million.<sup>140</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Merrill Lynch was one of the five bookrunners in the 15-bank issuing syndicate. Merrill Lynch underwrote US\$220 million.<sup>141</sup>

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Bank of America Merrill Lynch was one of the five bookrunners in the 9-bank issuing syndicate. Bank of America Merrill Lynch underwrote US\$100 million.<sup>142</sup>

### 1.2.13 Bank of Beijing (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>143</sup>

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>144</sup>

In March 2010, **Norinco** issued one-year bonds for CNY1.5 billion (US\$219.8 million). Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>145</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Bank of Beijing participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>146</sup>

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. Bank of Beijing participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.<sup>147</sup>

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. Bank of Beijing participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.<sup>148</sup>

In September 2011, **Norinco** issued five-year bonds for of CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. Bank of Beijing participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.<sup>149</sup>

### 1.2.14 Bank of China (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>150</sup>

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). BOC International, which is part of Bank of China, participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>151</sup>

In March 2010, **Norinco** issued one-year bonds for CNY1.5 billion (US\$219.8 million). Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>152</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Bank of China participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>153</sup>

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. Bank of China participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.<sup>154</sup>

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. Bank of China participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.<sup>155</sup>

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. Bank of China participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.<sup>156</sup>

#### OTHER FINANCE

In January 2010, **Norinco** signed a US\$7.3 billion strategic agreement with Bank of China. The partners will cooperate in several financing sectors, such as credit provision, cash management, international clearance, investment and insurance.<sup>157</sup>

### 1.2.15 Bank of Communications (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. Bank of Communications participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>158</sup>

In March 2010, **Norinco** issued one-year bonds for CNY1.5 billion (US\$219.8 million). Bank of Communications participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>159</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Bank of Communications participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>160</sup>

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. Bank of Communications participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.<sup>161</sup>

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. Bank of Communications participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.<sup>162</sup>

### 1.2.16 Bank of New York Mellon (United States)

#### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Bank of New York Mellon was part of the 20-bank syndicate and provided US\$35 million.<sup>163</sup>

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Bank of New York Mellon was one of the participants in the syndicate and provided US\$75 million.<sup>164</sup>

## INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Bank of New York Mellon participated in the 11-bank issuing syndicate, underwriting US\$9.6 million.<sup>165</sup>

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. BNY Mellon Capital Markets participated in the 9-bank issuing syndicate and underwrote US\$6.5 million.<sup>166</sup>

## ASSET MANAGEMENT

On filing dates between 31 December 2011 and 29 February 2012, Bank of New York Mellon and its subsidiaries Pershing, Insight Investment Management and The Boston Company Asset Management owned or managed 1.41% of the shares of **Textron** valued at US\$72.8 million.<sup>167</sup>

### 1.2.17 Bank of Shanghai (China)

## INVESTMENT BANKING

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). Bank of Shanghai participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>168</sup>

### 1.2.18 Barclays (United Kingdom)

## LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Barclays Bank was one of the participants in the syndicate and provided US\$55 million.<sup>169</sup>

## INVESTMENT BANKING

In April 2009, **Textron** issued shares for US\$217.4 million. The proceeds can be used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$7.7 million.<sup>170</sup>

In April 2009, **Textron** issued US\$540 million in four-year bonds. The proceeds can be used for general corporate purposes. Barclays, part of the 10-bank syndicate, underwrote US\$14.6 million.<sup>171</sup>

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Barclays was one of the five bookrunners in the 11-bank issuing syndicate, underwriting US\$105.6 million.<sup>172</sup>

## 1.2.19 BB&T (United States)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. BB&T was part of the 20-bank syndicate and provided US\$35 million.<sup>173</sup>

## 1.2.20 BlackRock (United States)

### ASSET MANAGEMENT

On 29 February 2012, BlackRock owned or managed 1.04% of the shares of **Hanwha Corporation** valued at US\$24.7 million.<sup>174</sup>

On 31 December 2011, BlackRock owned or managed 8.13% of the shares of **Alliant Techsystems** valued at US\$153.3 million.<sup>175</sup>

On dates between 31 December 2011 and 31 January 2012, BlackRock owned or managed 5.36% of the shares of **Lockheed Martin** valued at US\$1,405.7 million.<sup>176</sup>

On 31 December 2011, BlackRock owned or managed 6.05% of the shares of **Textron** valued at US\$312.0 million.<sup>177</sup>

## 1.2.21 BNP Paribas (France)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Bank of the West, a subsidiary of BNP Paribas, was part of the 20-bank syndicate and provided US\$30 million.<sup>178</sup>

### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. BNP Paribas participated in the 11-bank issuing syndicate, underwriting US\$14.4 million.<sup>179</sup>

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. BNP Paribas participated in the 12-bank issuing syndicate, underwriting US\$30.0 million.<sup>180</sup>

### ASSET MANAGEMENT

On 31 July 2011, BNP Paribas owned or managed 0.10% of the shares of **Poongsan Corporation** valued at US\$1.13 million. Shinhan Paribas Asset Management, of which BNP Paribas owns 50%, owned or managed another 0.04% of the shares of Poongsan Corporation valued at US\$0.3 million on 31 December 2011.<sup>181</sup>

### 1.2.22 BPCE (France)

#### ASSET MANAGEMENT

On 29 February 2012, BPCE (via its subsidiaries Natixis and Loomis Sayles) owned or managed 8.61% of the outstanding bonds issued by **Textron** valued at US\$286.4 million.<sup>182</sup>

### 1.2.23 Breeden Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Breeden Capital Management owned or managed 1.20% of the shares of **Alliant Techsystems** valued at US\$22.7 million.<sup>183</sup>

### 1.2.24 Capital Group (United States)

#### ASSET MANAGEMENT

On 24 February 2012, Capital Group owned or managed 5.48% of the shares of **Singapore Technologies Engineering** valued at US\$427.8 million.<sup>184</sup>

On 31 December 2011, Capital Group owned or managed 17.74% of the shares of **Lockheed Martin** valued at US\$4,658.7 million.<sup>185</sup>

On 31 December 2011, Capital Group owned or managed 2.51% of the shares of **Textron** valued at US\$29.9 million.<sup>186</sup>

### 1.2.25 Castle Creek Arbitrage (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Castle Creek Arbitrage owned or managed 1.44% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$13.7 million.<sup>187</sup>

### 1.2.26 Chang Hwa Commercial Bank (Taiwan)

#### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Chang Hwa Commercial Bank was part of the 20-bank syndicate and provided US\$10 million.<sup>188</sup>

### 1.2.27 China Construction Bank (China)

#### INVESTMENT BANKING

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

In March 2010, **Norinco** issued one-year bonds for CNY1.5 billion (US\$219.8 million). China Construction Bank participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>190</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Construction Bank acted as joint bookrunner in the 10-bank syndicate, underwriting an estimated US\$120.8 million.<sup>191</sup>

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Construction Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.<sup>192</sup>

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. China Construction Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.<sup>193</sup>

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Construction Bank acted as a joint bookrunner in the ten-bank syndicate, underwriting an estimated US\$88.2 million.<sup>194</sup>

## 1.2.28 China Development Bank (China)

### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Development Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>195</sup>

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

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

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

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Development Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.<sup>199</sup>

## 1.2.29 China Everbright Bank (China)

### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Everbright Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>200</sup>

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). China Everbright Bank acted as the bookrunner for the issue, underwriting an estimated US\$46.8 million.<sup>201</sup>

In March 2010, **Norinco** issued one-year bonds for CNY1.5 billion (US\$219.8 million). China Everbright Bank acted as joint bookrunner in the syndicate, underwriting an estimated US\$44 million.<sup>202</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Everbright Bank participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>203</sup>

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Everbright Bank acted as joint bookrunner in the nine-bank syndicate, underwriting an estimated US\$60.2 million.<sup>204</sup>

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. China Everbright Bank acted as joint bookrunner in the ten-bank syndicate, underwriting an estimated US\$86.2 million.<sup>205</sup>

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Everybright Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.<sup>206</sup>

### 1.2.30 China Merchants Bank (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Merchants Bank acted as joint bookrunner, underwriting an estimated US\$58.7 million.<sup>207</sup>

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). China Merchants Bank and China Merchants Securities both participated in the nine-bank syndicate, together underwriting an estimated US\$15.6 million.<sup>208</sup>

In March 2010, **Norinco** issued one-year bonds for CNY1.5 billion (US\$219.8 million). China Merchants Bank participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>209</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Merchants Bank acted as joint bookrunner in the 10-bank syndicate, underwriting an estimated US\$120.8 million.<sup>210</sup>

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Merchants Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.<sup>211</sup>

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. China Merchants Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.<sup>212</sup>

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Merchants Bank acted as a joint bookrunner in the ten-bank syndicate, underwriting an estimated US\$88.2 million.<sup>213</sup>



### 1.2.31 China Minsheng Bank (China)

#### INVESTMENT BANKING

In May 2009, **Norinco** issued five-year bonds for CNY2 billion (US\$293.6 million). The proceeds were used for general corporate purposes. China Minsheng Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.2 million.<sup>214</sup>

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). China Minsheng Bank participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>215</sup>

In March 2010, **Norinco** issued one-year bonds for CNY1.5 billion (US\$219.8 million). China Minsheng Banking Corporation participated in the nine-bank syndicate, underwriting an estimated US\$18.9 million.<sup>216</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). China Minsheng Bank participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>217</sup>

In November 2010, **Norinco** issued one-year bonds for CNY2 billion (US\$301 million). The proceeds were used to replenish working capital. China Minsheng Bank participated in the nine-bank syndicate, underwriting an estimated US\$25.9 million.<sup>218</sup>

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. China Minsheng Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.<sup>219</sup>

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. China Minsheng Bank participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.<sup>220</sup>

### 1.2.32 Citadel (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Citadel owned or managed 4.19% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$39.7 million.<sup>221</sup>

### 1.2.33 CITIC Securities (China)

#### INVESTMENT BANKING

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. CITIC Securities participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.<sup>222</sup>

### 1.2.34 Citigroup (United States)

#### LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Citibank was one of the five bookrunners and provided US\$135 million.<sup>223</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Citibank was one of the five bookrunners and provided US\$120 million.<sup>224</sup>

#### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Citigroup was one of the five bookrunners in the 11-bank issuing syndicate, underwriting US\$105.6 million.<sup>225</sup>

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Citigroup was one of the four bookrunners in the 12-bank issuing syndicate, underwriting US\$450 million.<sup>226</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Citi was one of the five bookrunners in the 15-bank issuing syndicate. Citi underwrote US\$410 million.<sup>227</sup>

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Citigroup Global Markets was one of the five bookrunners in the 9-bank issuing syndicate. Citigroup Global Markets underwrote US\$100 million.<sup>228</sup>

### 1.2.35 Consus Asset Management (South Korea)

#### ASSET MANAGEMENT

On 31 December 2011, Consus Asset Management owned or managed 0.14% of the shares of **Poongsan Corporation**, valued at US\$0.9 million.<sup>229</sup>

### 1.2.36 Continental Insurance (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Continental Insurance owned or managed 1.17% of the total outstanding bonds issued by **Textron** valued at US\$39.0 million.<sup>230</sup>

### 1.2.37 Crédit Agricole (France)

#### LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Crédit Agricole was one of the participants in the syndicate and provided US\$55 million.<sup>231</sup>

#### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Calyon, which is part of Crédit Agricole, participated in the 11-bank issuing syndicate, underwriting US\$9.6 million.<sup>232</sup>

In May 2010, **Lockheed Martin** issued bonds due in 2040 for US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. Crédit Agricole was one of the six dealer managers involved in the bonds issuance.<sup>233</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Crédit Agricole participated in the 15-bank issuing syndicate, underwriting US\$80 million.<sup>234</sup>

### 1.2.38 Credit Suisse (Switzerland)

#### ASSET MANAGEMENT

On 31 January 2012, Credit Suisse owned or managed 0.16% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$0.8 million.<sup>235</sup>

### 1.2.39 Daewoo Securities (South Korea)

#### INVESTMENT BANKING

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote an estimated KRW50 billion (US\$46.5 million).<sup>236</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Daewoo Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>237</sup>

### 1.2.40 Davis Selected Advisers (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Davis Selected Advisers owned or managed 1.58% of the shares of **Lockheed Martin** valued at US\$414.3 million.<sup>238</sup>

### 1.2.41 DBS Bank (Singapore)

#### LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. DBS Bank was one of the participants in the syndicate and provided US\$37.5 million.<sup>239</sup>

### 1.2.42 Deutsche Bank (Germany)

#### LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Deutsche Bank was one of the five bookrunners and provided US\$135 million.<sup>240</sup>

#### INVESTMENT BANKING

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for US\$500 million on the international capital markets. The issue was the first under the US\$1.2 billion medium-term note programme that the company set up in early July 2009. Singaporean investors took just under 45% of the issue, with Hong Kong buyers taking about 37% and most of the remainder was allocated to UK accounts. Deutsche Bank is one of the two banks arranging the medium-term note programme and managing the first issue.<sup>241</sup>

#### ASSET MANAGEMENT

On 31 December 2011, Deutsche Bank owned or managed 1.46% of the shares of **Alliant Techsystems** valued at US\$27.4 million.<sup>242</sup>

### 1.2.43 Dimensional Fund Advisors (United States)

#### ASSET MANAGEMENT

On 29 February 2012, Dimensional Fund Advisors owned or managed 1.12% of the shares of **Poongsan Holdings** valued at US\$2.1 million.<sup>243</sup>

On 29 February 2012, Dimensional Fund Advisors owned or managed 1.23% of the shares of **Poongsan Corporation** valued at US\$10.44 million.<sup>244</sup>

On 29 February 2012, Dimensional Fund Advisors owned or managed 1.16% of the shares of **Hanwha Corporation** valued at US\$27.5 million.<sup>245</sup>

### 1.2.44 Dongbu Securities (South Korea)

#### INVESTMENT BANKING

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Woori Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).<sup>246</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Dongbu Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>247</sup>

#### 1.2.45 Dreman Value Management (United States)

##### ASSET MANAGEMENT

On 31 December 2011, Dreman Value Management owned or managed 1.76% of the shares of **Alliant Techsystems** valued at US\$33.1 million.<sup>248</sup>

#### 1.2.46 Eugene Investment & Securities (South Korea)

##### INVESTMENT BANKING

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Eugene Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>249</sup>

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Eugene Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).<sup>250</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Eugene Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>251</sup>

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

##### LOANS

In March 2010, **Poongsan Corporation** secured a KRW50 billion (US\$42.5 million) one-year credit facility. The proceeds were used for general corporate purposes. Export Import Bank of Korea provided the whole amount of the facility.<sup>252</sup>

#### 1.2.48 Fidelity (United States)

##### ASSET MANAGEMENT

On filing dates between 31 December 2011 and 31 January 2012, Fidelity owned or managed 1.41% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$13.3 million.<sup>253</sup>

On 31 October 2011, Fidelity owned or managed 0.26% of the outstanding bonds of **Singapore Technologies Engineering** valued at US\$1.3 million.<sup>254</sup>

On 31 December 2011, Fidelity owned or managed 1.12% of the shares of **Lockheed Martin** valued at US\$293.9 million.<sup>255</sup>

On 29 February 2012, Fidelity owned or managed 0.18% of the shares of **Poongsan Corporation** valued at US\$1.5 million.<sup>256</sup>

On 31 December 2011, Fidelity owned or managed 9.65% of the shares of **Textron** valued at US\$499.3 million.<sup>257</sup>

On 31 December 2011, Fidelity owned or managed 6.27% of the shares of **Alliant Techsystems** valued at US\$118.2 million.<sup>258</sup>

#### 1.2.49 Fiduciary Management (United States)

##### ASSET MANAGEMENT

On 31 December 2011, Fiduciary Management owned or managed 2.40% of the shares of **Alliant Techsystems** valued at US\$45.3 million.<sup>259</sup>

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

##### ASSET MANAGEMENT

On 31 December 2011, First Eagle Investment Management owned or managed 13.03% of the shares of **Alliant Techsystems** valued at US\$245.9 million.<sup>260</sup>

On 31 December 2011, First Eagle Investment Management owned or managed 1.18% of the shares of **Lockheed Martin** valued at US\$310.9 million.<sup>261</sup>

#### 1.2.51 First Financial (Taiwan)

##### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. First Commercial Bank was part of the 20-bank syndicate and provided US\$10 million.<sup>262</sup>

#### 1.2.52 Franklin Templeton (United States)

##### ASSET MANAGEMENT

On 31 December 2011, Franklin Templeton owned or managed 0.81% of the shares of **Poongsan Corporation** valued at US\$5.1 million.<sup>263</sup>

On 31 December 2011, Franklin Templeton owned or managed 1.01% of the shares of **Textron** valued at US\$52.4 million.<sup>264</sup>

#### 1.2.53 General Electric (United States)

##### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase

working capital and to finance capital expenditures and acquisitions. GE Capital was part of the 20-bank syndicate and provided US\$70 million.<sup>265</sup>

## 1.2.54 Genworth Financial (United States)

### ASSET MANAGEMENT

On 31 December 2011, Genworth Financial owned or managed 1.66% of the outstanding bonds issued by **Lockheed Martin** valued at US\$114.6 million.<sup>266</sup>

## 1.2.55 Goldman Sachs (United States)

### LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Goldman Sachs was one of the participants in the syndicate and provided US\$107.5 million.<sup>267</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Goldman Sachs was one of the participants in the syndicate and provided US\$55 million.<sup>268</sup>

### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs was one of the five bookrunners in the 11-bank issuing syndicate, underwriting US\$105.6 million.<sup>269</sup>

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs participated in the 12-bank issuing syndicate, underwriting US\$60.0 million.<sup>270</sup>

In May 2010, **Lockheed Martin** issued bonds due in 2040 for US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. Goldman Sachs was one of the six dealer managers involved in the bonds issuance.<sup>271</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs participated in the 15-bank issuing syndicate, underwriting US\$80 million.<sup>272</sup>

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Goldman Sachs was one of the five bookrunners in the 9-bank issuing syndicate. Goldman Sachs underwrote US\$80.25 million.<sup>273</sup>

## ASSET MANAGEMENT

On filing dates between 30 September 2011 and 31 December 2011, Goldman Sachs owned or managed 3.29% of the shares of **Textron** valued at US\$170.4 million.<sup>274</sup>

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

## ASSET MANAGEMENT

On 31 January 2011, GMO owned or managed 0.15% of the shares of **Singapore Technologies Engineering** valued at US\$10.6 million.<sup>275</sup>

On 30 November 2011, GMO owned or managed 0.95% of the shares of **Hanwha Corporation** valued at US\$22.1 million.<sup>276</sup>

### 1.2.57 Guotai Junan Securities (China)

## INVESTMENT BANKING

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). Guotai Junan Securities participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>277</sup>

In November 2010, **Norinco** issued five-year bonds for CNY4 billion (US\$603.9 million). Guotai Junan Securities participated in the 10-bank syndicate, underwriting an estimated US\$45.3 million.<sup>278</sup>

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. Guotai Junan Securities participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.<sup>279</sup>

### 1.2.58 Hana Financial (South Korea)

## LOANS

In June 2011, **Hanwha Corporation** secured a KRW50 billion (US\$45.4 million) credit facility, maturing in December 2012, from Hana Bank. The proceeds were used for general corporate purposes.<sup>280</sup>

## INVESTMENT BANKING

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$170.4 million). The proceeds were used for general corporate purposes. Hana Daetoo Securities was one of the joint bookrunners, underwriting KRW30 billion (US\$28.1 million).<sup>281</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Hana Daetoo Securities was one of the joint bookrunners, underwriting KRW20 billion (US\$17.9 million).<sup>282</sup>



## 1.2.59 Hanyang Securities (South Korea)

### INVESTMENT BANKING

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Hanyang Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$17.9 million).<sup>283</sup>

## 1.2.60 Hanwha Securities (South Korea)

### INVESTMENT BANKING

In May 2010, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$129.9 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote KRW60 billion (US\$52 million).<sup>284</sup>

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote KRW20 billion (US\$17.2 million).<sup>285</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>286</sup>

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Hanwha Securities was part of the issuing syndicate, underwriting KRW30 billion (US\$28.1 million).<sup>287</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Hanwha Securities, part of the issuing syndicate, underwrote KRW30 billion (US\$26.8 million).<sup>288</sup>

### ASSET MANAGEMENT

On filing dates between 31 December 2011 and 6 March 2012, Hanwha Securities owned or managed 0.31% of the shares of **Hanwha Corporation** valued at US\$7.0 million.<sup>289</sup>

## 1.2.61 Hartford Financial Services Group (United States)

### ASSET MANAGEMENT

On 31 December 2011, Hartford Financial Services Group owned or managed 1.44% of the outstanding bonds issued by **Lockheed Martin** valued at US\$100.4 million.<sup>290</sup>

On 31 December 2011, Hartford Financial Services Group owned or managed 1.83% of the outstanding bonds issued by **Textron** valued at US\$61.2 million.<sup>291</sup>

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

### ASSET MANAGEMENT

On 31 December 2011, Hotchkis and Wiley Capital Management owned or managed 1.50% of the shares of **Lockheed Martin** valued at US\$393.3 million.<sup>292</sup>

On 31 December 2011, Hotchkis and Wiley Capital Management owned or managed 2.68% of the shares of **Alliant Techsystems** valued at US\$50.6 million.<sup>293</sup>

## 1.2.63 Hua Nan Financial (Taiwan)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Hua Nan Commercial Bank was part of the 20-bank syndicate and provided US\$15 million.<sup>294</sup>

## 1.2.64 Hyundai Heavy Industries (South Korea)

### INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. HI Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.7 million).<sup>295</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. HI Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>296</sup>

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. HI Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).<sup>297</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. HI Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>298</sup>

### ASSET MANAGEMENT

On 31 December 2011, Hyundai Heavy Industries, via its subsidiary HI Asset Management, owned or managed 0.45% of the shares of **Poongsan Corporation** valued at US\$2.8 million.<sup>299</sup>

## 1.2.65 Industrial Bank (China)

### INVESTMENT BANKING

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). Industrial Bank participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>300</sup>

## 1.2.66 Industrial & Commercial Bank of China (ICBC) (China)

### INVESTMENT BANKING

In September 2011, **Norinco** issued five-year bonds for CNY1.5 billion (US\$235.1 million). The proceeds were used for project financing and loan payment. ICBC participated in the ten-bank syndicate, underwriting an estimated US\$7.3 million.<sup>301</sup>

## 1.2.67 Intesa Sanpaolo (Italy)

### INVESTMENT BANKING

In May 2010, **Lockheed Martin** issued bonds due in 2040 for US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. Banca IMI, part of Intesa Sanpaolo, was one of the six dealer managers involved in the bonds issuance.<sup>302</sup>

## 1.2.68 Invesco (United Kingdom)

### ASSET MANAGEMENT

On filing dates between 10 November 2011 and 29 February 2012, Invesco owned or managed 0.14% of the shares of **Singapore Technologies Engineering** valued at US\$8.2 million.<sup>303</sup>

On 31 December 2011, Invesco owned or managed 2.42% of the shares of **Alliant Techsystems** valued at US\$45.6 million.<sup>304</sup>

On 31 December 2011, Invesco owned or managed 2.80% of the shares of **Textron** valued at US\$144.8 million.<sup>305</sup>

## 1.2.69 Jackson National Life Insurance (United States)

### ASSET MANAGEMENT

On 31 December 2011, Jackson National Life Insurance owned or managed 1.04% of the outstanding bonds issued by **Lockheed Martin** valued at US\$72.6 million.<sup>306</sup>

## 1.2.70 JP Morgan Chase (United States)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. JP Morgan Chase was part of the 20-bank syndicate and provided US\$35 million.<sup>307</sup>

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. JP Morgan Chase was one of the five bookrunners and provided US\$135 million.<sup>308</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. JP Morgan Chase was one of the five bookrunners and provided US\$120 million.<sup>309</sup>

## INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. JP Morgan Chase was one of the five bookrunners in the 11-bank issuing syndicate, underwriting US\$105.6 million.<sup>310</sup>

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. JP Morgan Chase was one of the four bookrunners in the 12-bank issuing syndicate, underwriting US\$450 million.<sup>311</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. JP Morgan Chase was one of the five bookrunners in the 15-bank issuing syndicate. JP Morgan Chase underwrote US\$410 million.<sup>312</sup>

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. JP Morgan Securities was one of the five bookrunners in the 9-bank issuing syndicate. JP Morgan Securities underwrote US\$100 million.<sup>313</sup>

## ASSET MANAGEMENT

On filing dates between 31 October 2011 and 29 February 2012, JP Morgan Chase owned or managed 2.48% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$23.6 million.<sup>314</sup>

On filing dates between 31 December 2011 and 29 February 2012, JP Morgan Chase owned or managed 4.40% of the shares of **Alliant Techsystems** valued at US\$83.1 million.<sup>315</sup>

### 1.2.71 KB Financial (South Korea)

## LOANS

In December 2010, **Hanwha Corporation** secured a KRW80.0 billion (US\$74.8 million) two-year credit facility from Kookmin Bank. The proceeds were used as working capital.<sup>316</sup>

## INVESTMENT BANKING

In May 2010, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$129.9 million). The proceeds were used for general corporate purposes. KB Kookmin Bank, part of the issuing syndicate, underwrote KRW10 billion (US\$8.7 million).<sup>317</sup>

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. KB Kookmin Bank, part of the issuing syndicate, underwrote KRW10 billion (US\$8.6 million).<sup>318</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. KB Kookmin Bank, part of the issuing syndicate, underwrote KRW20 billion (US\$17.9 million).<sup>319</sup>

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. KB Investment & Securities was the bookrunner and underwrote an estimated KRW50 billion (US\$46.5 million).<sup>320</sup>

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$196.4 million). The proceeds were used for general corporate purposes. KB Investment & Securities as one of the bookrunners underwrote KRW30 billion (US\$28.1 million).<sup>321</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. KB Investment & Securities was one of the joint bookrunners, underwriting KRW40 billion (US\$35.8 million).<sup>322</sup>

## ASSET MANAGEMENT

On 29 February 2012, KB Asset Management owned or managed 1.53% of the shares of **Hanwha Corporation** valued at US\$36.4 million.<sup>323</sup>

### 1.2.72 Keybank (United States)

#### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Keybank was part of the 20-bank syndicate and provided US\$50 million.<sup>324</sup>

### 1.2.73 Korea Development Bank (South Korea)

#### LOANS

In June 2009, **Poongsan Corporation** secured a KRW2.5 billion (US\$2 million) five-year credit facility. The proceeds were used for general corporate purposes. Korea Development Bank provided the whole amount of the facility.<sup>325</sup>

In September 2009, **Poongsan Corporation** secured a KRW10 billion (US\$8 million) five-year credit facility. The proceeds were used for capital expenditures. Korea Development Bank provided the whole amount of the facility.<sup>326</sup>

In October 2009, **Poongsan Corporation** secured a KRW13.2 billion (US\$11.2 million) five-year credit facility. The proceeds were used for capital expenditures. Korea Development Bank provided the whole amount of the facility.<sup>327</sup>

In March 2010, **Poongsan Corporation** secured a KRW92.5 billion (US\$81.2 million) two-year credit facility. The proceeds were used for capital expenditure. Korea Development Bank provided the whole amount of the facility.<sup>328</sup>

## INVESTMENT BANKING

In October 2009, **Poongsan Holdings** issued three-year bonds worth KRW50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. Korea Development Bank was one of the three banks in the issue syndicate underwriting an estimated US\$8.6 million.<sup>329</sup>

In April 2010, **Poongsan Holdings** issued three-year bonds worth KRW70 billion (US\$62.7 million). The proceeds were used for general corporate purposes. Korea Development Bank was one of the four banks in the issue syndicate, underwriting KRW10 million (US\$9 million).<sup>330</sup>

In May 2011, **Poongsan Holdings Corporation** issued three-year bonds worth KRW100 billion (US\$91.8 million). The proceeds were used for general corporate purposes. Korea Development Bank, part of the 4-bank issuing syndicate, underwrote KRW30 billion (US\$27.5 million).<sup>331</sup>

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Korea Development Bank, part of the issuing syndicate, underwrote an estimated KRW50 billion (US\$46.5 million).<sup>332</sup>

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$170.4 million). The proceeds were used for general corporate purposes. Korea Development Bank, part of the issuing syndicate, underwrote KRW50 billion (US\$46.7 million).<sup>333</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Korea Development Bank, part of the issuing syndicate, underwrote KRW20 billion (US\$17.9 million).<sup>334</sup>

### 1.2.74 Korea Investment (South Korea)

## INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.6 million).<sup>335</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Korea Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>336</sup>

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Korea Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).<sup>337</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Korea Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>338</sup>

## ASSET MANAGEMENT

On 29 February 2012, Korea Investment Management, which is part of Korea Investment, owned or managed 7.59% of the shares of **Poongsan Corporation** valued at US\$64.4 million.<sup>339</sup>

On 31 December 2011, Korean Investment Management also held 0.39% of the shares of **Poongsan Holding** valued at US\$0.6 million.<sup>340</sup>

## 1.2.75 Liberty Mutual (United States)

### ASSET MANAGEMENT

On 31 December 2011, Liberty Mutual owned or managed 1.01% of the outstanding bonds issued by **Lockheed Martin** valued at US\$70.1 million.<sup>341</sup>

## 1.2.76 Liechtensteinische Landesbank (Liechtenstein)

### ASSET MANAGEMENT

On 31 December 2011, LLB owned or managed 0.3% of the outstanding bonds issued by **Singapore Technologies Engineering** valued at US\$1.5 million.<sup>342</sup>

## 1.2.77 Lincoln Financial (United States)

### ASSET MANAGEMENT

On 31 December 2011, Lincoln Financial owned or managed 1.39% of the outstanding bonds issued by **Lockheed Martin** valued at US\$97.3 million.<sup>343</sup>

## 1.2.78 Lloyds Banking (United Kingdom)

### LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Lloyds TSB was one of the participants in the syndicate and provided US\$55 million.<sup>344</sup>

### INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Lloyds TSB Bank participated in the 12-bank issuing syndicate, underwriting US\$30.0 million.<sup>345</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Lloyds Securities participated in the 15-bank issuing syndicate, underwriting US\$10 million.<sup>346</sup>

## 1.2.79 Manulife Financial (Canada)

### ASSET MANAGEMENT

On 31 December 2011, Manulife's subsidiary John Hancock owned or managed 1.07% of the outstanding bonds issued by **Lockheed Martin** valued at US\$74.2 million.<sup>347</sup>

## 1.2.80 Massachusetts Mutual Life Insurance (United States)

### ASSET MANAGEMENT

On filing dates between 31 December 2011 and 29 February 2012, Massachusetts Mutual owned or managed 2.13% of the outstanding bonds issued by **Textron** valued at US\$71.0 million.<sup>348</sup>

On 31 December 2011, Massachusetts Mutual owned or managed 1.14% of the outstanding bonds of **Alliant Techsystems** valued at US\$10.8 million.<sup>349</sup>

On filing dates between 30 November 2011 and 29 February 2012, Massachusetts Mutual owned or managed 1.42% of the outstanding bonds issued by **Lockheed Martin** valued at US\$98.7 million.<sup>350</sup>

## 1.2.81 Matthews International Capital Management (United States)

### ASSET MANAGEMENT

On 29 February 2012, Matthews International Capital Management owned or managed 2.85% of the shares of **Singapore Technologies Engineering** valued at US\$222.0 million.<sup>351</sup>

On 31 December 2011, Matthews International Capital Management owned or managed 0.17% of the shares of **Poongsan Corporation** valued at US\$1.1 million.<sup>352</sup>

## 1.2.82 Mellon Capital Management (United States)

### ASSET MANAGEMENT

On 29 February 2012, Mellon Capital Management owned or managed 0.12% of the shares of **Poongsan Corporation** valued at US\$1.0 million.<sup>353</sup>

## 1.2.83 Metropolitan Life Insurance (United States)

### ASSET MANAGEMENT

On 31 December 2011, Metropolitan Life Insurance owned or managed 4.27% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$40.6 million.<sup>354</sup>

On 31 December 2011, Metropolitan Life Insurance owned or managed 2.60% of the outstanding bonds issued by **Lockheed Martin** valued at US\$179.9 million.<sup>355</sup>

## 1.2.84 Mirae Asset Financial (South Korea)

### ASSET MANAGEMENT

On filing dates between 31 December 2011 and 29 February 2012, Mirae Asset Financial owned or managed 0.51% of the shares of **Poongsan Corporation** valued at US\$3.59 million.<sup>356</sup>

On filing dates between 31 December 2011 and 29 February 2012, Mirae Asset Financial Group owned or managed 0.13% of the shares of **Hanwha Corporation** valued at US\$3.0 million.<sup>357</sup>



## 1.2.85 Mitsubishi UFJ Financial (Japan)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Bank of Tokyo-Mitsubishi UFJ was part of the 20-bank syndicate and provided US\$75 million.<sup>358</sup>

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ was one of the five bookrunners and provided US\$135 million.<sup>359</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ was one of the participants in the syndicate and provided US\$85 million.<sup>360</sup>

### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ participated in the 11-bank issuing syndicate, underwriting US\$14.4 million.<sup>361</sup>

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Bank of Tokyo-Mitsubishi UFJ participated in the 12-bank issuing syndicate, underwriting US\$30.0 million.<sup>362</sup>

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Mitsubishi UFJ Securities, part of the 7-bank syndicate, underwrote US\$18.4 million.<sup>363</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Mitsubishi UFJ Securities participated in the 15-bank issuing syndicate, underwriting US\$80 million.<sup>364</sup>

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Mitsubishi UFJ Securities participated in the 9-bank issuing syndicate and underwrote US\$20 million.<sup>365</sup>

## 1.2.86 Mizuho Bank (Japan)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Mizuho Bank was part of the 20-bank syndicate and provided US\$70 million.<sup>366</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Mizuho Bank was one of the participants in the syndicate and provided US\$85 million.<sup>367</sup>

#### INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Mizuho Bank participated in the 12-bank issuing syndicate, underwriting US\$30.0 million.<sup>368</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Mizuho Securities participated in the 15-bank issuing syndicate, underwriting US\$80 million.<sup>369</sup>

### 1.2.87 Morgan Stanley (United States)

#### LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Morgan Stanley was one of the participants in the syndicate and provided US\$107.5 million.<sup>370</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Morgan Stanley was one of the participants in the syndicate and provided US\$55 million.<sup>371</sup>

#### INVESTMENT BANKING

In July 2009, **Singapore Technologies Engineering** issued 10-year bonds with an interest rate of 4.80% for US\$500 million on the international capital markets. The issue was the first under the US\$1.2 billion medium-term note programme that the company set up in early July 2009. Singaporean investors took just under 45% of the issue, with Hong Kong buyers taking about 37% and most of the remainder allocated to UK accounts. Morgan Stanley is one of two banks arranging the medium-term note programme and managing the first issue.<sup>372</sup>

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Morgan Stanley was one of the four bookrunners in the 12-bank issuing syndicate, underwriting US\$150 million.<sup>373</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Morgan Stanley was one of the five bookrunners in the 15-bank issuing syndicate. Morgan Stanley underwrote US\$220 million.<sup>374</sup>

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Morgan Stanley was one of the five bookrunners in the 9-bank issuing syndicate. Morgan Stanley underwrote US\$80.25 million.<sup>375</sup>

## 1.2.88 National Pension Service (South Korea)

### ASSET MANAGEMENT

On 27 October 2011, National Pension Service owned or managed 7.17% of the shares of **Hanwha Corporation** worth US\$191.3 million.<sup>376</sup>

On 5 October 2011, National Pension Service owned or managed 8.20% of the shares of **Poongsan Corporation** valued at US\$71.3 million.<sup>377</sup>

## 1.2.89 New York Life Insurance (United States)

### ASSET MANAGEMENT

On 31 December 2011, New York Life owned or managed 3.19% of the outstanding bonds issued by **Lockheed Martin** valued at US\$220.5 million.<sup>378</sup>

On filing dates between 31 December 2011 and 29 February 2012, New York Life owned or managed 4.29% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$40.7 million.<sup>379</sup>

## 1.2.90 Northeast Investors Trust (United States)

### ASSET MANAGEMENT

On 31 September 2011, Northeast Investors Trust owned or managed 1.05% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$10.0 million.<sup>380</sup>

## 1.2.91 Northern Trust (United States)

### LOANS

In March 2011, **Textron** secured a US\$1.0 billion five-year credit facility from a 9-bank syndicate. The proceeds were used for general corporate purposes. Northern Trust was one of the participants in the syndicate and provided US\$35 million.<sup>381</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Northern Trust was one of the participants in the syndicate and provided US\$37.5 million.<sup>382</sup>

### ASSET MANAGEMENT

On 31 December 2010, Northern Trust owned or managed 1.02% of the shares of **Lockheed Martin** valued at US\$265.9 million.<sup>383</sup>

On 31 December 2011, Northern Trust owned or managed 1.09% of the shares of **Textron** valued at US\$56.6 million.<sup>384</sup>

### 1.2.92 Northwestern Mutual (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Northwestern Mutual owned or managed 3.15% of the outstanding bonds issued by **Lockheed Martin** valued at US\$218.2 million.<sup>385</sup>

### 1.2.93 Nuveen Investments (United States)

#### ASSET MANAGEMENT

On filing dates between 31 December 2011 and 29 February 2012, Nuveen Investments (through Tradewinds Global Investors and Nuveen Asset Management) owned or managed 12.67% of the shares of **Alliant Techsystems** valued at US\$250.7 million.<sup>386</sup>

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

#### ASSET MANAGEMENT

On 31 December 2011, Och-Ziff Capital Management owned or managed 1.1% of the outstanding bonds issued by **Textron** valued at US\$36.5 million.<sup>387</sup>

### 1.2.95 Oaktree Capital Management (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Oaktree Capital Management owned or managed 3.88% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$36.9 million.<sup>388</sup>

### 1.2.96 Old Mutual (United Kingdom)

#### ASSET MANAGEMENT

On 31 January 2012, Old Mutual subsidiary Acadian Asset Management owned or managed 0.33% of the shares of **Hanwha Corporation** valued at US\$8.0 million.<sup>389</sup>

### 1.2.97 People's Insurance Company (Group) of China (PICC) (China)

#### INVESTMENT BANKING

In May 2011, **Norinco** issued one-year bonds for CNY1.5 billion (US\$230.9 million). The proceeds were used as general working capital. PICC Asset Management participated in the ten-bank syndicate, underwriting an estimated US\$7.2 million.<sup>390</sup>

## 1.2.98 People's United Financial (United States)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. People's United Bank was part of the 20-bank syndicate and provided US\$20 million.<sup>391</sup>

## 1.2.99 PNC Financial (United States)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. PNC Bank was part of the 20-bank syndicate and provided US\$25 million.<sup>392</sup>

## 1.2.100 Principal Financial (United States)

### ASSET MANAGEMENT

On filing dates between 31 December 2011 and 29 February 2012, Principal Financial owned or managed 1.05% of the outstanding bonds issued by **Lockheed Martin** valued at US\$72.3 million.<sup>393</sup>

## 1.2.101 Prudential (United Kingdom)

### ASSET MANAGEMENT

On 31 December 2011, Prudential owned or managed 1.40% of the shares of **Textron** valued at US\$72.3 million.<sup>394</sup>

## 1.2.102 Prudential Financial (United States)

### ASSET MANAGEMENT

On 31 December 2011, Prudential Financial owned or managed 2.64% of the outstanding bonds issued by **Lockheed Martin** valued at US\$182.3 million.<sup>395</sup>

On filing dates between 31 December 2011 and 29 February 2012, Prudential Financial owned or managed 2.67% of the outstanding bonds issued by **Textron** valued at US\$89.1 million.<sup>396</sup>

On filing dates between 31 December 2011 and 29 February 2012, Prudential Financial owned or managed 2.8% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$26.5 million.<sup>397</sup>

### 1.2.103 Riyadh Bank (Saudi Arabia)

#### LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Riyadh Bank was one of the participants in the syndicate and provided US\$37.5 million.<sup>398</sup>

### 1.2.104 Royal Bank of Canada (Canada)

#### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Royal Bank of Canada was part of the 20-bank syndicate and provided US\$70 million.<sup>399</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Royal Bank of Canada was one of the participants in the syndicate and provided US\$55 million.<sup>400</sup>

#### INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. RBC Capital Markets, part of the 7-bank syndicate, underwrote US\$18.4 million.<sup>401</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. RBC Capital Markets participated in the 15-bank issuing syndicate, underwriting US\$10 million.<sup>402</sup>

### 1.2.105 Royal Bank of Scotland (United Kingdom)

#### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Royal Bank of Scotland was part of the 20-bank syndicate and provided US\$80 million.<sup>403</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Royal Bank of Scotland was one of the five bookrunners and provided US\$120 million.<sup>404</sup>

#### INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Royal Bank of Scotland participated in the 12-bank issuing syndicate, underwriting US\$60.0 million.<sup>405</sup>

In May 2010, **Lockheed Martin** issued bonds due in 2040 for US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. Royal Bank of Scotland acted as co-manager manager in the six-bank syndicate, underwriting an estimated US\$36.4 million.<sup>406</sup>

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Royal Bank of Scotland, part of the 7-bank syndicate, underwrote US\$73.7 million.<sup>407</sup>

#### ASSET MANAGEMENT

On 31 December 2011, Royal Bank of Scotland owned or managed 2.11% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$20.0 million.<sup>408</sup>

### 1.2.106 Samsung (South Korea)

#### INVESTMENT BANKING

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. Samsung Securities, the bookrunner of the issuing syndicate, underwrote KRW40 billion (US\$34.4 million).<sup>409</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Samsung Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>410</sup>

#### ASSET MANAGEMENT

On 31 29 February 2012, Samsung Asset Management owned or managed 0.32% of the shares of **Hanwha Corporation** valued at US\$7.7 million.<sup>411</sup>

On 29 February 2012, Samsung Asset Management owned or managed 1.40% of the shares of **Poongsan Corporation** valued at US\$11.9 million.<sup>412</sup>

### 1.2.107 Sberbank (Russia)

#### LOANS

In December 2009, **Splav SRPE** obtained a credit line of US\$320 million from Srednerussky Bank, part of Sberbank.<sup>413</sup>

### 1.2.108 Schroder Investment Management (United Kingdom)

#### ASSET MANAGEMENT

On 31 July 2011, Schroder Investment Management owned or managed 0.17% of the shares of **Singapore Technologies Engineering** valued at US\$13.4 million.<sup>414</sup>

## 1.2.109 Shanghai Pudong Development Bank (China)

### INVESTMENT BANKING

In September 2009, **Norinco** issued five-year bonds for CNY800 million (US\$117.2 million). Shanghai Pudong Development Bank participated in the nine-bank syndicate, underwriting an estimated US\$7.8 million.<sup>415</sup>

## 1.2.110 Shinhan Bank (South Korea)

### INVESTMENT BANKING

In April 2010, **Poongsan Holdings** issued three-year bonds worth KRW70 billion (US\$62.7 million). The proceeds were used for general corporate purposes. Shinhan Bank was one of the four banks in the issue syndicate, underwriting KRW10 million (US\$9 million).<sup>416</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Shinhan Bank, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>417</sup>

In May 2011, **Poongsan Holdings Corporation** issued three-year bonds worth KRW100 billion (US\$91.8 million). The proceeds were used for general corporate purposes. Shinhan Investment, part of the 4-bank issuing syndicate, underwrote KRW20 billion (US\$18.4 million).<sup>418</sup>

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Shinhan Investment was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).<sup>419</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Shinhan Investment, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>420</sup>

## 1.2.111 Shinyoung Securities (South Korea)

### ASSET MANAGEMENT

On 31 December 2011, Shinyoung Securities owned or managed 1.04% of the shares of **Poongsan Corporation** valued at US\$6.6 million.<sup>421</sup>

On 31 December 2011, Shinyoung Securities owned or managed 3.85% of the shares of **Poongsan Holdings** valued at US\$6.25 million.<sup>422</sup>

## 1.2.112 SK Securities (South Korea)

### INVESTMENT BANKING

In October 2009, **Poongsan Holdings** issued three-year bonds worth KRW50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. SK Securities led the issuing syndicate, underwriting an estimated US\$25 million.<sup>423</sup>



In April 2010, **Poongsan Holdings** issued three-year bonds worth KRW70 billion (US\$62.7 million). The proceeds were used for general corporate purposes. SK Securities was one of the four banks in the issue syndicate, underwriting KRW30 million (US\$26.9 million).<sup>424</sup>

In May 2010, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$129.9 million). The proceeds were used for general corporate purposes. SK Securities, the bookrunner of the issuing syndicate, underwrote KRW70 billion (US\$60.6 million).<sup>425</sup>

In May 2011, **Poongsan Holdings Corporation** issued three-year bonds worth KRW100 billion (US\$91.8 million). The proceeds were used for general corporate purposes. SK Securities, part of the 4-bank issuing syndicate, underwrote KRW30 billion (US\$27.5 million).<sup>426</sup>

### 1.2.113 Société Générale (France)

#### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. SG Securities, part of Société Générale, participated in the 11-bank issuing syndicate, underwriting US\$9.6 million.<sup>427</sup>

#### ASSET MANAGEMENT

On 31 December 2011, TCW Group, a subsidiary of Société Générale, owned or managed 1.71% of the shares of **Textron** valued at US\$88.6 million.<sup>428</sup>

### 1.2.114 State Farm (United States)

#### ASSET MANAGEMENT

On 31 December 2011, State Farm owned or managed 1.20% of the outstanding bonds issued by **Lockheed Martin** valued at US\$83.0 million.<sup>429</sup>

### 1.2.115 State Street (United States)

#### LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. State Street Bank and Trust was one of the participants in the syndicate and provided US\$55 million.<sup>430</sup>

#### ASSET MANAGEMENT

On filing dates between 30 November 2011 and 29 February 2012, State Street owned or managed 3.51% of the shares of **Textron** valued at US\$182.8 million.<sup>431</sup>

On filing dates between 30 September 2011 and 29 February 2012, State Street owned or managed 0.16% of the shares of **Hanwha Corporation** valued at US\$3.78 million.<sup>432</sup>

On filing dates between 30 November 2011 and 29 February 2012, State Street owned or managed 19.78% of the shares of **Lockheed Martin** valued at US\$5,193.3 million.<sup>433</sup>

On 29 February 2012, State Street owned or managed 0.21% of the shares of **Poongsan Corporation** valued at US\$1.8 million.<sup>434</sup>

On 31 December 2011, State Street owned or managed 2.22% of the shares of **Alliant Techsystems** valued at US\$41.8 million.<sup>435</sup>

## 1.2.116 Sumitomo Mitsui (Japan)

### LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Sumitomo Mitsui Banking was one of the participants in the syndicate and provided US\$37.5 million.<sup>436</sup>

### INVESTMENT BANKING

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. SMBC Nikko Capital Markets participated in the 15-bank issuing syndicate, underwriting US\$10 million.<sup>437</sup>

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. SMBC Nikko Capital Markets participated in the 9-bank issuing syndicate and underwrote US\$6.5 million.<sup>438</sup>

## 1.2.117 Sun Life Financial (Canada)

### ASSET MANAGEMENT

On 31 December 2011, Sun Life Financial owned or managed 2.57% of the outstanding bonds issued by **Textron** valued at US\$85.7 million.<sup>439</sup>

On 31 December 2011, Sun Life Financial subsidiary MFS Investment Management owned or managed 5.66% of the shares of **Lockheed Martin** valued at US\$1,487.0 million.<sup>440</sup>

## 1.2.118 SunTrust Bank (United States)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. SunTrust Bank was part of the 20-bank syndicate and provided US\$80 million.<sup>441</sup>

### INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. SunTrust Bank, part of the 7-bank syndicate, underwrote US\$36.8 million.<sup>442</sup>

### 1.2.119 Symetra Life Insurance (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Symetra Life Insurance owned or managed 1.51% of the outstanding bonds issued by **Lockheed Martin** valued at US\$104.9 million.<sup>443</sup>

### 1.2.120 T. Rowe Price (United States)

#### ASSET MANAGEMENT

On 31 December 2011, T. Rowe Price owned or managed 1.36% of the shares of **Lockheed Martin** valued at US\$357.2 million.<sup>444</sup>

On 31 December 2011, T. Rowe Price owned or managed 9.21% of the shares of **Textron** valued at US\$476.4 million.<sup>445</sup>

### 1.2.121 Teachers Insurance & Annuity Association (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Teachers Insurance & Annuity Association (TIAA-CREF) owned or managed 2.18% of the shares of **Textron** valued at US\$112.6 million.<sup>446</sup>

On 31 January 2012, TIAA-CREF owned or managed 0.32% of the shares of **Poongsan Holding** valued at US\$0.6 million.<sup>447</sup>

On 31 January 2012, TIAA-CREF owned or managed 0.11% of the shares of **Hanwha Corporation** valued at US\$2.6 million.<sup>448</sup>

On 31 December 2011, TIAA-CREF owned or managed 3.19% of the outstanding bonds issued by **Lockheed Martin** valued at US\$220.7 million.<sup>449</sup>

On 31 December 2011, TIAA-CREF owned or managed 3.58% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$34.0 million.<sup>450</sup>

### 1.2.122 Temasek (Singapore)

#### ASSET MANAGEMENT

On 24 February 2012, Temasek owned or managed 50.89% of the shares of **Singapore Technologies Engineering** valued at US\$3,970.6 million.<sup>451</sup>

### 1.2.123 TongYang Securities (South Korea)

#### INVESTMENT BANKING

In February 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. TongYang Securities was the sole bookrunner and underwrote the issue for US\$86.1 million.<sup>452</sup>

In May 2010, **Hanwha Corporation** issued three-year bonds worth KRW150 billion (US\$129.9 million). The proceeds were used for general corporate purposes. TongYang Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.7 million).<sup>453</sup>

In August 2010, **Hanwha Corporation** issued three-year bonds worth KRW100 billion (US\$86.1 million). The proceeds were used for general corporate purposes. TongYang Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.6 million).<sup>454</sup>

#### ASSET MANAGEMENT

On filing dates between 30 September 2011 and 31 December 2011, TongYang Investment owned or managed 0.94% of the outstanding bonds issued by **Hanwha Corporation** valued at US\$16.7 million.<sup>455</sup>

On 31 December 2011, TongYang Investment owned or managed 0.79% of the outstanding bonds issued by **Poongsan Corporation** valued at US\$2.6 million.<sup>456</sup>

On 31 December 2011, TongYang Investment owned or managed 0.27% of the shares of **Poongsan Corporation** valued at US\$1.7 million.<sup>457</sup>

#### 1.2.124 Truston Asset Management (South Korea)

##### ASSET MANAGEMENT

On 9 January 2012, Truston Asset Management owned or managed 0.20% of the shares of **Poongsan Corporation** valued at US\$1.6 million.<sup>458</sup>

#### 1.2.125 UBS (Switzerland)

##### LOANS

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. UBS was one of the participants in the syndicate and provided US\$55 million.<sup>459</sup>

##### INVESTMENT BANKING

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. UBS participated in the 12-bank issuing syndicate, underwriting US\$30.0 million.<sup>460</sup>

In May 2010, **Lockheed Martin** issued bonds due in 2040 for US\$728.2 million. These notes were issued in exchange for a portion of the company's outstanding bonds that would mature between 2016 and 2036. UBS was one of the six dealer managers involved in the bonds issuance.<sup>461</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. UBS Securities participated in the 15-bank issuing syndicate, underwriting US\$80 million.<sup>462</sup>

## ASSET MANAGEMENT

On 31 December 2011, UBS Hana Asset Management owned or managed 0.73% of the bonds issued by **Hanwha Corporation** valued at US\$13.1 million.<sup>463</sup>

On 31 December 2011, UBS Hana Asset Management owned or managed 2.63% of the bonds issued by **Poongsan Corporation** valued at US\$8.7 million.<sup>464</sup>

On filing dates between 31 December 2011 and 29 February 2012, UBS owned or managed 3.09% of the shares of **Textron** valued at US\$160.3 million.<sup>465</sup>

### 1.2.126 United Overseas Bank (Singapore)

#### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. United Overseas Bank was part of the 20-bank syndicate and provided US\$30 million.<sup>466</sup>

### 1.2.127 Unum (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Unum owned or managed 1.64% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$15.6 million.<sup>467</sup>

### 1.2.128 US Bancorp (United States)

#### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. US Bank was part of the 20-bank syndicate and provided US\$80 million.<sup>468</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. U.S. National Bank Association was one of the participants in the syndicate and provided US\$85 million.<sup>469</sup>

#### INVESTMENT BANKING

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. US Bank, part of the 7-bank syndicate, underwrote US\$36.8 million.<sup>470</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. U.S. Bancorp Securities participated in the 15-bank issuing syndicate, underwriting US\$80 million.<sup>471</sup>

## 1.2.129 Vanguard (United States)

### ASSET MANAGEMENT

On 31 December 2011, Vanguard owned or managed 1.40% of the shares of **Hanwha Corporation** valued at US\$30.0 million.<sup>472</sup>

On 31 December 2011, Vanguard owned or managed 5.95% of the shares of **Textron** valued at US\$307.6 million.<sup>473</sup>

On 31 December 2011, Vanguard owned or managed 0.34% of the shares of **Singapore Technologies Engineering** valued at US\$21.4 million.<sup>474</sup>

On 31 December 2011, Vanguard owned or managed 0.24% of the shares of **Poongsan Corporation** valued at US\$1.53 million.<sup>475</sup>

On 31 December 2011, Vanguard owned or managed 0.38% of the shares of **Poongsan Holdings** valued at US\$0.6 million.<sup>476</sup>

On 31 December 2011, Vanguard owned or managed 4.76% of the shares of **Alliant Techsystems** valued at US\$89.4 million.<sup>477</sup>

On 31 December 2011, Vanguard owned or managed 3.49% of the shares of **Lockheed Martin** valued at US\$916.8 million.<sup>478</sup>

On 31 December 2011, Vanguard owned or managed 2.30% of the outstanding bonds issued by **Lockheed Martin** valued at US\$159.9 million.<sup>479</sup>

## 1.2.130 Veritas Asset Management (United Kingdom)

### ASSET MANAGEMENT

On 31 July 2011, Veritas Asset Management owned or managed 0.63% of the shares of **Singapore Technologies Engineering** valued at US\$48.6 million.<sup>480</sup>

## 1.2.131 Wellington Management Company (United States)

### ASSET MANAGEMENT

On 31 December 2011, Wellington Management owned or managed 1.13% of the shares of **Lockheed Martin** valued at US\$295.7 million.<sup>481</sup>

## 1.2.132 Wells Fargo Bank (United States)

### LOANS

In October 2010, **Alliant Techsystems** secured a US\$1 billion five-year credit facility, comprising a US\$600 million revolver and a US\$400 million term loan. The proceeds were used for refinancing, to increase working capital and to finance capital expenditures and acquisitions. Wells Fargo Bank was part of the 20-bank syndicate and provided US\$80 million.<sup>482</sup>

In August 2011, **Lockheed Martin** secured a US\$1.5 billion five-year credit facility from a 21-bank syndicate. The proceeds were used for general corporate purposes. Wells Fargo was one of the five bookrunners and provided US\$120 million.<sup>483</sup>

#### INVESTMENT BANKING

In September 2009, **Textron** issued bonds for US\$600 million in two tranches. The first tranche was for US\$350 million in five-year bonds and the second tranche was for US\$250 million in ten-year bonds. The proceeds were used for general corporate purposes. Wells Fargo participated in the 11-bank issuing syndicate, underwriting US\$14.4 million.<sup>484</sup>

In November 2009, **Lockheed Martin** issued bonds for US\$1.5 billion in two tranches. The first tranche was for US\$900 million in ten-year bonds and the second tranche was for US\$600 million in thirty-year bonds. The proceeds were used for general corporate purposes. Wells Fargo participated in the 12-bank issuing syndicate, underwriting US\$30.0 million.<sup>485</sup>

In September 2010, **Alliant Techsystems** issued ten-year bonds for US\$350 million. The proceeds were used for general corporate purposes and to reduce indebtedness. Wells Fargo, part of the 7-bank syndicate, underwrote US\$36.8 million.<sup>486</sup>

In September 2011, **Lockheed Martin** issued bonds for US\$2.0 billion in three tranches: US\$600 million in 30-year bonds, US\$900 million in 10-year bonds and US\$500 million in 5-year bonds. The proceeds were used for general corporate purposes. Wells Fargo was one of the five bookrunners in the 15-bank issuing syndicate. Wells Fargo underwrote US\$220 million.<sup>487</sup>

#### ASSET MANAGEMENT

On 29 February 2012, Wells Fargo owned or managed 2.99% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$17.7 million.<sup>488</sup>

On 31 January 2012, Wells Capital owned or managed 0.13% of the shares of **Poongsan Corporation** valued at US\$1.0 million.<sup>489</sup>

### 1.2.133 Western & Southern Mutual (United States)

#### ASSET MANAGEMENT

On 31 December 2011, Western & Southern Mutual via its subsidiary Fort Washington Investment Advisors managed or owned 1.55% of the shares of **Alliant Techsystems** valued at US\$29.2 million.<sup>490</sup>

### 1.2.134 Williams Capital (United States)

#### INVESTMENT BANKING

In September 2011, **Textron** issued bonds for US\$500 million in two tranches: US\$250 million in 5-year bonds and US\$250 million in 10-year bonds. The proceeds were used for general corporate purposes. Williams Capital participated in the 9-bank issuing syndicate and underwrote US\$6.5 million.<sup>491</sup>

## 1.2.135 Woori Financial (South Korea)

### LOANS

In March 2010, **Poongsan Corporation** secured a KRW10 billion (US\$8.5 million) one-year credit facility. The proceeds were used for general corporate purposes. Woori Bank provided the whole amount of the facility.<sup>492</sup>

### INVESTMENT BANKING

In October 2009, **Poongsan Holdings** issued three-year bonds worth KRW50 billion (US\$42.2 million). The proceeds were used for general corporate purposes. Woori Investment & Securities was one of the three banks in the issue syndicate underwriting an estimated US\$8.6 million.<sup>493</sup>

In April 2010, **Poongsan Holdings** issued three-year bonds worth KRW70 billion (US\$62.7 million). The proceeds were used for general corporate purposes. Woori Investment & Securities was one of the four banks in the issue syndicate, underwriting KRW20 million (US\$17.9 million).<sup>494</sup>

In February 2011, **Hanwha Corporation** issued three-year bonds worth KRW110 billion (US\$98.3 million). The proceeds were used for general corporate purposes. Woori Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>495</sup>

In May 2011, **Poongsan Holdings Corporation** issued three-year bonds worth KRW100 billion (US\$91.8 million). The proceeds were used for general corporate purposes. Woori Investment & Securities, part of the 4-bank issuing syndicate, underwrote KRW20 billion (US\$18.4 million).<sup>496</sup>

In June 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$186.0 million). The proceeds were used for general corporate purposes. Woori Investment & Securities, part of the issuing syndicate, underwrote an estimated KRW50 billion (US\$46.5 million).<sup>497</sup>

In September 2011, **Hanwha Corporation** issued three-year bonds worth KRW200 billion (US\$187.0 million). The proceeds were used for general corporate purposes. Woori Investment & Securities was part of the issuing syndicate, underwriting KRW10 billion (US\$9.3 million).<sup>498</sup>

In November 2011, **Hanwha Corporation** issued three-year bonds worth KRW180 billion (US\$160.9 million). The proceeds were used for short-term debt payment and general corporate purposes. Woori Investment & Securities, part of the issuing syndicate, underwrote KRW10 billion (US\$8.9 million).<sup>499</sup>

### ASSET MANAGEMENT

On 29 February 2012, Woori Asset Management owned or managed 0.10% of the shares of **Hanwha Corporation** valued at US\$2.3 million.<sup>500</sup>

## 1.2.136 Yurie Asset Management (South Korea)

### ASSET MANAGEMENT

On 31 December 2011, Yurie Asset Management owned or managed 0.38% of the shares of **Poongsan Corporation** valued at US\$2.4 million.<sup>501</sup>

On 31 December 2011, Yurie Asset Management owned or managed 1.00% of the shares of **Poongsan Holding** valued at US\$1.6 million.<sup>502</sup>



1.2.137

Zazove Associates (United States)

ASSET MANAGEMENT

On 31 December 2011, Zazove Associates owned or managed 2.19% of the outstanding bonds issued by **Alliant Techsystems** valued at US\$20.8 million.<sup>503</sup>

On 31 December 2011, Zazove Associates owned or managed 1.02% of the outstanding bonds issued by **Textron** valued at US\$34.1 million.<sup>504</sup>

## Chapter 2

# Disinvesting from Cluster Munitions Producers

This second chapter answers our second research question:

### **Who is disinvesting from companies that produce cluster munitions?**

The chapter is divided in three parts:

- The first part, the Hall of Fame, describes those financial institutions with a clear and comprehensive policy on cluster munitions.
- The second part, the list of runners-up, lists financial institutions with a policy that displays certain shortcomings.
- Finally, the third part lists states taking initiative to ban investment in cluster munitions.

## **2.1 Hall of Fame: Financial institutions pioneering in disinvestment**

### **2.1.0 Introduction and Methodology**

As the previous chapter showed, many financial institutions display little responsibility when it comes to cluster munitions. They invest in cluster munitions producers, despite international consensus that cluster munitions are controversial and indiscriminate weapons. Some financial institutions either regard investment as a neutral activity or consider ethical decisions to be the government's responsibility. Others shift responsibility to their clients by referring to ethical savings and/or investment products. This ignores the fact that clients do not always realise which companies are included in investment funds or what activities these companies are involved in. Moreover, this does not diminish the financial institutions' responsibility.

Cluster munitions are incapable of distinguishing civilians from military targets. This makes cluster munitions indiscriminate weapons, conflicting with international humanitarian law. The Convention on Cluster Munitions provides a strong legal basis for banning cluster munitions. In its wake, a growing group of financial institutions has come to accept responsibility for implementing a clear and far-reaching policy on dealing with cluster munitions producers. These financial institutions do not consider cluster munitions producers appropriate business partners. They do not condone business relations with cluster munitions producers, regardless the nature of the business relation and regardless the activity of the cluster munitions producer they want to invest in. Producing cluster munitions, regardless of their importance in a company's total turnover, makes a company a no-go business partner for these investors. We welcome these initiatives and see them as examples for other financial institutions.

We have listed these financial institutions in our Hall of Fame.

## • **Selection and research**

To identify financial institutions with a policy on cluster munitions, we researched a variety of sources: NGO reports, screening-agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. We worked within the limits imposed by language (English and Dutch) and accessibility. In some cases we have received translations of disinvestment policies that were not available in Dutch or English in the public domain, but in most cases we were limited to policies' availability in Dutch or English. The Hall of Fame is far from comprehensive. We believe that the financial institutions listed are only the tip of the iceberg. It is impossible to research the policies of every financial institution worldwide. Financial institutions that did not respond to our questions on their published policies were not included in this chapter. Our Hall of Fame is an invitation to financial institutions with a comprehensive policy banning investment in cluster munitions to provide us with their policies and to publish it on their websites in order for us to include them in either the runners-up category or the Hall of Fame.

Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy. We contacted all financial institutions in this list prior to publication to verify our research findings and to be sure we interpreted their policies correctly. We only include policies publicly available at the time of writing.

Financial institutions must meet the following criteria to be included in our Hall of Fame:

- An investor must be transparent and accountable on its cluster munitions policy. This means that the investor has published its policy and/or a summary of it.
- Its policy must exclude investment in cluster munitions producers (recalling past investment and avoiding further investment).
- The policy must have an 'all-in' comprehensive scope:
  - no exceptions for any types of cluster munitions producers
  - no exceptions for any types of activities by cluster munitions producers
  - no exceptions for any type of financing or investment by the investor

We researched investment in red flag companies for each financial institution in our Hall of Fame. This included shareholdings under the thresholds we use for the Hall of Shame. We chose to do so because any involvement at all in a cluster munitions producer, after publication of a policy excluding this, is evidence of poor implementation. When we found evidence that financial institutions listed in our Hall of Fame had financial links with cluster munitions producers, we contacted the institution to confront it with our findings. When there were no legal constraints preventing a financial institution's immediate disinvestment, we removed it from our Hall of Fame.

## • **Results**

This chapter provides the results of our search on financial institutions with a clear and far-reaching policy to exclude producers of cluster munitions.

Every section contains the name of each financial institution, its country of origin, a brief profile and a summary of its policy.

We have listed the financial institutions alphabetically within three main categories: ethical banks, government managed financial institutions and mainstream private financial institutions.

## ETHICAL BANKS

Ethical banks are usually smaller banks, founded to serve as a source of capital for sustainable projects and companies. Sustainable energy, organic food, social projects and cultural activities are examples of fields in which these banks invest. By their nature these banks do not get involved in arms production. They usually have detailed procedures to avoid investing in unethical industries like arms production. The ethical banks in this chapter are representative of the many ethical banks whose sharp focus on sustainable or value-driven investments merits a place here.

### 2.1.1 ASN Bank (the Netherlands)

ASN Bank is the largest ethical bank in the Netherlands. It aims to promote a sustainable society by supporting socially responsible businesses.<sup>505</sup>

ASN Bank's Issue Paper on Human Rights sets absolute criteria excluding all investment in the arms and security sector. This means it excludes companies that engage in or benefit from war or armed conflict, or that manufacture or trade in arms. ASN Bank states that as a result of this policy it will refrain from providing any type of funding for or investment in companies that develop, manufacture, distribute or trade in arms. The term arms refers to all types of conventional weapons, ammunition, weapon parts, supporting technologies and associated expertise. For a precise definition of arms, ASN Bank uses the Common Military List of the European Union. This list contains an extensive summary of arms, parts and chemicals as well as ICT products and services. Furthermore, ASN Bank excludes companies that manufacture products used primarily in armaments in addition to having a civil application.<sup>506</sup>

Moreover, ASN Bank will not invest in a financial institution unless the institution leaves no doubt about the where its investments end up and unless the ultimate recipient meets ASN Bank's special investment criteria.<sup>507</sup>

### 2.1.2 Banca Etica (Italy)

Banca Etica is an Italian cooperative bank that operates exclusively in the field of sustainable, alternative finance. Banca Etica has developed partnerships with institutes and organisations throughout Europe to develop civil economy, ethical finance and fair trade.<sup>508</sup>

Article 5 of its founding charter states that, "any and all financial relations with the economic activities that, even in an indirect manner, inhibit the human development and contribute to fundamental human rights violations are excluded."<sup>509</sup> According to Banca Etica, this article prohibits all involvement with the arms industry.<sup>510</sup>

### 2.1.3 Triodos Bank (the Netherlands)

Triodos Bank is an ethical bank active operating in the Netherlands, Belgium, the United Kingdom, Spain, and Germany.<sup>511</sup> Its 2011 balance sheet total was €4.3 million.<sup>512</sup>

Triodos Bank's *Position on Arms* states that the bank will not invest in, or cooperate with private companies using, producing or selling arms. This also applies to companies providing tailor-made components and services for the arms industry or that are essential to the functioning of arms. It also stresses that "in any event we will not accept involvement – either directly or indirectly through a secondary financial relationship – in the production, sale, or transfer of anti-personnel mines and cluster bombs."<sup>513</sup>

Triodos Bank has a strict policy on banks. They are expected to apply zero tolerance to shareholdings in, bonds of and loans for companies involved in producing cluster bombs (the one exception is passively managed funds directly related to indexes).<sup>514</sup>

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

### **Transparency**

One salient characteristic shared by all three of these ethical banks is transparency about their investments:

- ASN Bank's annual report states its investment criteria and lists the names of the companies in which it has invested over the past year. Its website shows the investment universe for each of its investment funds; this includes a brief description of each company in the portfolio.
- Banca Etica is completely transparent about its financing operations. Its website displays a list of all loans approved since its creation.
- Triodos Bank is transparent about companies receiving credit, providing a list of these on its website. Triodos Bank displays its funds' investment universes and portfolios as well.

When they select financing and investment recipients, financial institutions determine which businesses they will support. Since most other financial institutions do not disclose their choices, it is impossible for clients to know the purposes for which their money is being used. Everyone, not just customers, has the right to know about these important choices, their impact and their risks. A bank that publishes the names of the companies with which it has done or has refused to do business helps observers ascertain the type of businesses with which it is involved and verify whether it really does what it says it does. It allows each customer, political leader and shareholder to gather information to determine whether it is acting in an ethically responsible manner and whether it keeps its promises.

Finally, a published list of shareholdings is a public appreciation of the selected companies.

Similarly, the publication of exclusion lists - lists of companies intentionally not selected - is a way of stating that these companies do not meet the criteria used.

## **GOVERNMENT-MANAGED PENSION FUNDS**

A pension fund is a pool of assets forming an independent legal entity. Pension plan contributions buy rights to pension plan benefits.<sup>515</sup> National governments manage some of these pension funds. That makes national governments responsible for these funds' investment strategies and for managing their portfolios.

### **2.1.4 Fonds de Compensation (Luxembourg)**

The "Fonds de Compensation de la Sécurité Sociale, SICAV-FIS", was created in 2007 as a specialised investment fund to invest part of Luxembourg's excess pension reserves.<sup>516</sup>

In September 2010, the Compensation Fund's administrative council put 10 companies on an exclusion list because it suspected them of producing cluster bombs or antipersonnel mines.<sup>517</sup> At the end of 2011,

the fund has formalised its environmental, social and governance (ESG) criteria by establishing rules excluding companies that do not respect the Convention on Cluster Munitions or any other international conventions ratified by the Grand Duchy of Luxembourg.

The administrative council of the Fund commissioned GES Investment Services to analyse its investment universe to identify companies that do not respect these international conventions. The first exclusion list was drawn up in November 2011. The list will be revised every semester. All fund managers have been ordered to apply the list, effective immediately, and to sell all assets held in any of the companies on the exclusion list.<sup>518</sup> The list includes the following companies in the Aerospace and Defence sector: BAE Systems, Boeing, EADS, Elbit Systems, Finmeccanica, General Dynamics, Honeywell, L-3 Communications, Lockheed Martin, Northrop Grumman, Raytheon, Safran, Singapore Technologies Engineering and Textron.<sup>519</sup>

### **2.1.5 The Future Fund (Australia)**

The Future Fund was established by the Future Fund Act 2006 to assist future Australian governments meet the cost of public sector superannuation liabilities by delivering investment returns on contributions to the Fund. Per 31 December 2011, the Future Fund assets amounted to \$73.07 billion (€57.16 billion<sup>520</sup>).<sup>521</sup>

Australia has ratified a number of international conventions and treaties that limit certain activities. Where the Fund's board becomes aware that the activities of an entity or a funding activity may contravene such a convention or treaty, it will consider excluding or removing the investment from the Fund's portfolio.<sup>522</sup> Australia has signed the Convention on Cluster Munitions. A draft bill amending the criminal code (Cluster Munitions Prohibition Bill 2010) has passed in the House of Representatives and is currently before the Australian senate.<sup>523</sup> The Future Fund's management agency's answers to questions in the Australian senate's Finance and Public Administration Legislation Committee leave no doubt that the Fund excludes companies producing cluster munitions from its investment portfolio.

To ensure compliance it uses an exclusion list based on a combination of expert and desktop research.<sup>524</sup>

### **2.1.6 National Pensions Reserve Fund (Ireland)**

The Irish National Pension Reserve Fund (NPRF) was established to meet as much as possible of the cost of social welfare and public service pensions from 2025 onwards, when this cost is expected to rise as the population ages. The National Pension Reserve Fund Commission manages the fund. The Minister of Finance appoints the commission's members.<sup>525</sup>

On 3 March 2008, Ireland's NPRF announced it would withdraw €27 million from investments in six international companies linked to cluster munitions production. This announcement was made following a specific request from the government to withdraw from companies involved in the manufacture of cluster munitions. At the time, the Irish government worked on establishing the Convention on Cluster Munitions, a legally binding convention to prohibit cluster munitions. The fund withdrew from all (Raytheon, General Dynamics, Lockheed Martin, Alliant Techsystems and L-3 Communications) but one (Thales) of the companies, since the NPRF did not consider the latter a cluster munitions producer.<sup>526</sup>

On 2 December 2008, Ireland passed the *2008 Cluster Munitions and Anti-Personnel Mines Act*. The NPRF policy is based on this. After the act was passed, the Irish NPRF disinvested from seven companies and excluded from consideration four others in which it had not yet invested. The NPRF's reasons for excluding these companies were their involvement in manufacturing cluster munitions or anti-personnel mines or the companies' failure to dissociate themselves from the manufacture of these weapons. The companies on the exclusion list in the 2010 annual report were Aerostar, Alliant Techsystems, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Northrop Grumman, Poongsan, Raytheon, and Singapore Technologies Engineering and Textron.<sup>527</sup>

## 2.1.7 New Zealand Superannuation Fund (New Zealand)

The New Zealand Superannuation Fund accumulates and invests state contributions. It was created in 2001 to provide partial coverage for the future cost of funding New Zealand superannuation payments. Like many countries around the world, New Zealand has an ageing population, with the number of retired persons expected to double by 2050. Accordingly, the cost of paying for New Zealand's superannuation bill is also expected to double in this period. Guardians appointed by the Governor General on the recommendation of the Minister of Finance manage the fund.<sup>528</sup>

The guardians established a responsible investment framework with guidelines based on international conventions, New Zealand law and Crown actions. The guardians' website reveals a strong preference to engage with companies as a means of improving their behaviour. Nevertheless, the guardians decided in December 2008 to disinvest from companies involved in cluster bomb production. The CCM and the New Zealand government's example, combined with the fact that it was unlikely the companies could be persuaded to stop manufacturing, convinced the guardians that it was best to exclude them.

On 30 June 2007, prior to the decision to disinvest, the fund held investments totalling more than €10 million in companies that an external screening agency has since identified as being potentially linked to cluster munitions production. In March 2008, the guardians decided to develop an engagement, disinvestment and exclusion plan for dealing with companies involved in the manufacture of cluster munitions.<sup>529</sup> The guardians decided to exclude these companies after New Zealand signed the Convention on Cluster Munitions on 3 December 2008.<sup>530</sup>

The fund's website lists companies excluded for their involvement in cluster munitions, nuclear explosive devices and anti-personnel mines. It reviews and updates this list regularly with information from external screening agencies. The list includes Alliant Techsystems, Goodrich Corporation, General Dynamics, Hanwha, Honeywell International, Kratos Defence & Security Solutions Inc., L-3 Communications, Lockheed Martin, Northrop Grumman, Poongsan, Raytheon, Singapore Technologies Engineering and Textron Systems.<sup>531</sup>

## 2.1.8 Norwegian Government Pension Fund – Global (Norway)

The Norwegian Government Pension Fund – Global was set up to manage the state's oil revenues. Large petroleum revenues resulted in substantial financial assets in the government pension fund. The fund's purpose is to facilitate government savings needed to meet the rapid rise in public pension expenditures expected in the coming years, and to support a long-term management of petroleum revenues.<sup>532</sup>

In 2004, the Norwegian government adopted ethical guidelines for the government pension fund. A new, updated version of these guidelines appeared on 1 March 2010. Section 2 describes the exclusion of companies from the Fund's investment universe. It is stated that "the assets in the Fund shall not be invested in companies which themselves or through entities they control:

- a) Produce weapons that violate fundamental humanitarian principles through their normal use;
- b) Produce tobacco;
- c) Sell weapons or military materiel to states mentioned in section 3.2 of the guidelines for the management of the Fund."<sup>533</sup>

Relying on recommendations of the Council on Ethics for the Government Pension Fund – Global, the Ministry of Finance has excluded several cluster munitions producers since the ethical guidelines came into force. The Council's recommendation dated 16 June 2005 explains its interpretation of the guidelines on cluster weapons. It defines cluster weapons as weapons that

violate the fundamental humanitarian principle by not making a distinction between military and civilian goals.<sup>534</sup>

The Council on Ethics based its exclusion recommendations on the 2008 International Convention to Ban Cluster Munitions' technical definition of what constitutes cluster munitions.<sup>535</sup>

The Norwegian Pension Fund - Global excluded the following companies from its portfolio since 2005 because they manufactured what were thought to be key components for cluster bombs: Alliant Techsystems, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon, Thales and Textron.<sup>536</sup> In September 2009, it reversed Thales' exclusion because the latter ceased producing cluster munitions.<sup>537</sup> In March 2011, it decided to readmit L-3 Communications to its investment universe, because the latter ceased producing cluster munitions.<sup>538</sup> Its current list is: Alliant Techsystems, General Dynamics, Hanwha, Lockheed Martin, Poongsan, Raytheon and Textron.<sup>539</sup>

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

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

AP 1 – 4 are four of the seven state-owned pension funds in Sweden. Sweden's pension system has two tiers: five buffer funds and a premium pension system. The five buffer funds (AP 1 – 4 and AP 6) work on a pay-as-you-go system in which current pension contributions pay current income pension benefits. These buffer funds should provide spare capital for when state pension funds payments exceed tax revenues as ageing baby-boomers increase demands on the pension system.<sup>540</sup>

On 1 January 2007, a joint ethical committee, called the Ethical Council, was established for the National Swedish Pension Funds. This committee monitors and analyses the portfolio holdings of the first to fourth AP Funds to ensure that portfolio companies are not a party to crimes against international conventions to which Sweden is a signatory.<sup>541</sup>

In response to the Oslo treaty, the Ethical Council ordered a screening in 2008 of companies suspected of having links to cluster munitions. It identified nine companies that produce or market cluster munitions or their components. The Council recommended that these companies be excluded from the four funds' investment universe. All four funds later shed these holdings. Aside from the nine excluded companies, the Council has seven others under observation.<sup>542</sup>

Excluded are Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon, Singapore Technologies Engineering and Textron.<sup>543</sup>

### **2.1.10 Swedish Pension Fund AP7 (Sweden)**

AP7 is one of six state-owned pension funds in Sweden. As stated above, Sweden's pension system has two tiers: a pay-as-you-go component and a premium pension system in which pension disbursements are based on individual savings invested in funds managed by the Swedish Pension Agency (PM). The employees may choose the PM fund they want to manage their pension capital and the way it is to be done. The Seventh AP Fund manages the pension capital of those with no preference.<sup>544</sup>



In June 2008, AP7 announced that it would disinvest from companies involved in cluster munitions and nuclear weapons.<sup>545</sup> There will be no direct investments in companies thought to develop or produce cluster munitions.

AP7 listed the excluded companies in its annual report. It excluded the following companies because of their involvement in cluster munitions in 2011: Doosan, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Singapore Technologies Engineering and Textron.<sup>546</sup>

### **Government-managed financial institutions**

The government-managed pension funds listed above are examples of governmental best practices. These countries take their firm disapproval of cluster munitions seriously and act accordingly by not investing government-managed pension money in cluster munitions producers.

The 2008-2009 financial crisis and the subsequent government bank bailout have changed the financial landscape. Many banks now have government shareholders. This creates a new situation with opportunities for governments to make financial institutions abide by international conventions that the governments have signed. Governments can use their position as shareholders to change a bank's policy on cluster munitions to ensure none of the bank's money is invested in cluster munitions producers.

## **MAINSTREAM FINANCIAL INSTITUTIONS (private)**

### **2.1.11 ABP (the Netherlands)**

ABP is the pension fund for employers and employees working for the Dutch government and in education. It provides income security in cases of disability, death and retirement and is based on the principles of solidarity and non-profit. With €261 billion assets under management as per 31 March 2012, ABP is one of the largest pension funds in the world. The fund is under APG's management.<sup>547</sup>

In March 2007, after a documentary entitled "The Cluster Bomb Feeling"<sup>548</sup> drew attention to the fact that several major Dutch pension funds had invested in companies linked to the production of anti-personnel landmines and cluster bombs, ABP decided to exclude such companies from its portfolio. It sold all shares and bonds in them within a month of this decision.

Its 2007 responsible investment policy review explained this commitment, "ABP does not invest in companies that are directly involved in the production of anti-personnel landmines, cluster bombs, and chemical or biological weapons. Direct involvement covers companies which produce a complete weapon or the greater part of it or produce munitions-related key components of the weapon, such as sub-munitions, fuzes and warheads."<sup>549</sup> This is still ABP's official policy on this issue, a summary is found in its 2010 Responsible Investment Report.<sup>550</sup>

ABP has drawn up a public list of companies to be excluded from investments. ABP's board revised this list when it evaluated its exclusion policy in 2011. As of the 1st of January 2012, it excludes the following companies producing cluster munitions: Aerostar, Aerotech, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, Hanwha, Kaman, Larsen & Toubro, Lockheed Martin, Norinco, Poongsan, Singapore Technologies Engineering, Tata Power and Textron.<sup>551</sup>

### 2.1.12 ATP (Denmark)

ATP is a Danish pension fund, administering a number of pension schemes, including some for the Danish state. ATP manages pension contributions from approximately 4.5 million customers.<sup>552</sup>

ATP's policy of *Social Responsibility in Investments - Weapons* incorporated the Convention on Cluster Munitions when it adopted the governing principle that companies must respect international conventions and agreements that Denmark had endorsed. Denmark signed the Convention on Cluster Munitions in December 2008 and ratified it on 12 February 2010.

Consistent with the Danish government's support of the Oslo process to ban cluster munitions, ATP, in 2006, disinvested from companies engaged in cluster munitions production.<sup>553</sup>

ATP maintains an exclusion list. Its website has a list of the companies excluded per year in 2005 – 2009. From 2010 onwards, the exclusion list will be updated on the website each time an exclusion is implemented and ATP's board has been informed. Since ATP only maintains information on companies in which it has equities, there is no complete list of companies excluded for violating ATP's socially responsible investment policy. The factors that led to exclusion may, therefore, have changed without ATP's knowledge. Since 2005, the following companies were excluded due to their involvement in cluster munitions: AeroStar, Alliant Techsystems, BAE Systems, General Dynamics, GenCorp, Goodrich, Ishikawajima-Harima Heavy Industries, L-3 Communications, Lockheed Martin, Magellan Aerospace, Poongsan, Raytheon, Rheinmetall, Saab, and Thales.<sup>554</sup>

### 2.1.13 BPF Bouw (the Netherlands)

BPF Bouw is the industry-wide pension fund for the Dutch construction industry. It administers pensions for about 14,000 companies and manages €29.3 billion in assets.<sup>555</sup>

On 1 January 2010, BPF Bouw transferred management of its assets from Cordares to APG. APG maintains one cluster munitions policy and exclusion list for all its clients. BPF Bouw does not invest in companies directly involved in cluster munitions. It considers the following situations direct involvement:

- a) Production of all or most of a complete weapons system
- b) Production of important munitions-related weapon components like submunitions, fuzes and warheads.<sup>556</sup>

On 1 January 2012, BPF Bouw's investment universe excluded 16 companies. This list is the same as ABP's and contains the following companies producing cluster munitions: AeroStar, Aeroteh, Alliant Techsystems, Aryt Industries, Ashot Ashkelon, Hanwha, Kaman, Larsen & Toubro, Lockheed Martin, Norinco, Poongsan, Singapore Technologies Engineering, Tata Power and Textron.<sup>557</sup>

### 2.1.14 DNB (Norway)

DNB is Norway's largest financial services group, with total assets of NOK 2,126 billion (€281 billion<sup>558</sup>). It offers a wide variety of financial services: loans, savings, advisory services, insurance and pension products.<sup>559</sup> Before November 11<sup>th</sup> 2011, DNB was known as DNB NOR.<sup>560</sup>

DNB's *Ethical Investment Guidelines* state that "DNB NOR will not finance or invest in companies involved in anti-personnel mines and cluster weapons, or in companies which develop and produce central components for use in weapons of mass destruction as a key part of their operations."<sup>561</sup>

The group's policy applies to all funds managed by or sold through its asset management and/or life insurance and pensions activities. For its credit activities, it defines cluster munitions producers as high-risk customers that it will not finance.<sup>562</sup> The guidelines also apply to suppliers of mutual funds in which DNB invests or which it offers to its customers.<sup>563</sup>

DNB maintains an internal blacklist of companies. As of 31 December 2011, 9 companies were excluded for involvement in cluster munitions.<sup>564</sup>

### **2.1.15 Ethias (Belgium)**

Ethias used to be a Belgian insurance and banking company. After Ethias Bank was sold to Optima Bank in 2011, only the insurance part remains under the name Ethias.<sup>565</sup> It is the fourth largest insurance company in Belgium, with a market share of 10.4%.<sup>566</sup>

Ethias subjects all financial reserves under its management to its investment code. This code excludes cluster munitions producers.<sup>567</sup> Ethias maintains a blacklist and currently bans 8 companies for their association with cluster munitions: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, Lockheed Martin, Poongsan, Raytheon and Textron.<sup>568</sup>

### **2.1.16 Folksam (Sweden)**

Folksam is a Swedish insurance company that offers a wide variety of insurance, savings and loan products. It is one of the largest Swedish investment managers, managing SEK 280 billion (€31.8 billion<sup>569</sup>) in assets.<sup>570</sup>

In 2008, Folksam responded to the CCM by selling its interest in companies that produce or sell cluster munitions. Folksam's policy applies to all in-house products.<sup>571</sup>

### **2.1.17 KLP (Norway)**

KLP – Kommunal Landspensjonskasse – is Norway's largest life insurance company with total assets of NOK 291.78 billion (€38.42 billion<sup>572</sup>). It provides pension, financing and insurance services to local government and state health enterprises as well as to public and private companies.<sup>573</sup>

KLP has developed product-based exclusion criteria. As such, KLP does not invest in companies producing cluster munitions and other weapons violating humanitarian principles.<sup>574</sup>

Each year, it publishes its exclusion list in its socially responsible investment (SRI) report. In 2011, it excluded seven companies for their involvement in cluster munitions: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, Poongsan, Raytheon and Textron. Singapore Technologies Engineering was excluded due to the company's involvement in anti-personnel mines.<sup>575</sup>

KLP seems to be very careful about getting involved in cluster munitions. This is apparent from the reasons it gives for excluding General Dynamics, "In late 2010, the company states that no marketing, manufacture or stockpiling of these weapons is carried out by the company currently. However, the company has no policy related to cluster munitions and cannot guarantee that it would not produce the products again."<sup>576</sup>

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

### **2.1.18 KPA (Sweden)**

KPA Pension is a Swedish pension fund offering customised pension and insurance solutions for the public sector. KPA Pension combines secure pension plans with social responsibility. Folksam owns 60% of KPA and the Swedish Association of Local Authorities and Regions owns 40%. In 2009, KPA held SEK 58.68 billion (€6.6 billion<sup>577</sup>) in invested assets.<sup>578</sup>

KPA Pension does not invest in companies or groups that produce weapons. KPA uses a clear and comprehensive definition of weapons. This definition includes cluster munitions as well as platforms for weapons (e.g. aircraft or vehicles used to launch weapons) and strategic products (e.g. electronics for ammunition, which are essential to ensure that weapon systems work).<sup>579</sup>

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

Pensioenfond Vervoer (The Transport Industry Pension Fund), founded in 1964, is by and for employers and employees in goods transport, private bus transport, taxi transport, mobile crane hire and inland ferry services. Invested assets amount to nearly €11 billion.<sup>580</sup>

Pensioenfond Vervoer uses an exclusion list of companies in which it does not want to invest. The list encompasses companies producing cluster munitions. As of 24 February 2012, the list contains the following cluster munitions producers: Aeroteh, Ashot Ashkelon, Alliant Techsystems, Goodrich, Hanwha, Kaman, Lockheed Martin, Norinco, Poongsan, Singapore Technologies Engineering and Textron.<sup>581</sup>

The fund's responsible investment policy covers only 53.5% of its investments. Its policy does not apply to investments in state obligations and Dutch mortgages.<sup>582</sup> There is no risk that either of these investment categories will invest in cluster munitions producers.

### **2.1.20 PGGM (the Netherlands)**

PGGM is a cooperative set up to provide income protection for everyone in the healthcare and social work services. PGGM manages the more than €100 billion assets belonging to 6 pension funds.<sup>583</sup>

PGGM applies a responsible investment policy that excludes controversial weapons. PGGM's exclusion policy states that it will not invest on behalf of its clients in companies that have a substantial involvement in the production of or trade in cluster munitions or other controversial weaponry. Substantial involvement means that a company produces or trades in end products or components essential for the weapons' operation. PGGM adopted the Convention on Cluster Munitions' definition of cluster bombs when the convention took effect. Before that, it relied on the Red Cross' guidelines.<sup>584</sup>

It published a list of excluded companies on its website. Excluded for involvement in cluster munitions are Aerostar, Aryt Industries, GenCorp, General Dynamics, Goodrich Corporation, Hanwha, Kaman, L-3 Communications, Lockheed Martin, Poongsan, Raytheon, Singapore Technologies Engineering, Textron and Zodiac.<sup>585</sup>

PGGM's 2011 annual report states that PGGM could guarantee that 99% of its portfolio was consistent with its exclusions policy. It wrote, "that does not mean that the remaining 1% breaches the policy; it simply means that we cannot state with certainty that it complies with the policy."<sup>586</sup> Our research has shown that PGGM does not invest in the producers of cluster munitions on our red flag list.

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

Philips Pension Fund's €13.5 billion in assets make it one of the largest corporate retirement plans in the Netherlands.<sup>587</sup> It offers pension services to employees of Philips Electronics.<sup>588</sup>

In 2008, Philips fund started to integrate environmental, social and governance (ESG) criteria across all its investments. This implied excluding companies linked to cluster weapons production. The fund maintains an unpublished list of cluster munitions producers for this purpose.<sup>589</sup>

### **2.1.22 PME (the Netherlands)**

PME is the pension fund for the Dutch metal industry. It administers pensions for more than 1,200 companies and more than 150,000 customers. PME has €23.0 billion in assets under management.<sup>590</sup>

In 2007, PME strengthened its own guidelines for responsible investments and set up its investment guidelines. It established *10 PME Principles for Responsible Investing*. One of them states that PME will not invest in companies or other investment products involved in products that breach international agreements that the Dutch government has signed.<sup>591</sup> After establishing this guideline, PME disinvested from anti-personnel mine and cluster munitions producers.<sup>592</sup>

PME has published its investment exclusion list on its website. The list contains mainly companies in the arms industry. With the exception of Splav, all cluster munitions producers covered in this report are on PME's blacklist.<sup>593</sup>

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

PNO Media, a Dutch media industry pension fund, manages pensions for some 375 media companies and organisations. PNO Media has €3.2 billion in assets under management.<sup>594</sup>

PNO Media's sustainable investment code states that it does not wish to be involved in the production of weapons or weapon systems (including essential components) that are prohibited under international law or are in breach of fundamental humanitarian principles. PNO Media lists the principles of proportionality and distinction. Its investment policy excludes investment in cluster munitions.<sup>595</sup>

PNO Media published its blacklist of excluded companies on its website. As of 14 October 2011, the following companies were excluded because of their involvement in cluster munitions and anti-personnel mines: Aerostar, Aeroteh, Doosan, Hanwha, L-3 Communications, Northrop Grumman, Poongsan, Singapore Technologies Engineering and Textron.<sup>596</sup>

PNO Media is transparent about all of its investments. It publishes an overview on its website which is updated quarterly.<sup>597</sup>

### **2.1.24 SNS REAAL (the Netherlands)**

SNS REAAL is a Dutch banker-insurer, primarily focused on the retail market in the Netherlands, including small and medium-sized businesses. It offers three core product groups: savings and investments, mortgages and other property finance, insurance and pensions.<sup>598</sup> With a balance sheet total of €132 billion (end 2011), SNS REAAL is one of the major financial bank assurance companies in the Netherlands.<sup>599</sup>

SNS Asset Management (SNS AM) is SNS REAAL's asset manager. SNS AM uses responsible investing criteria for all asset classes. It does not invest in businesses linked to cluster bombs and munitions. Its fundamental investment principles state that "involvement in the production and development of (essential, non-dual use components of) weapon systems, and the provision of services for the development, use and maintenance of weapon systems, which are in violation with the (articles of) conventions stipulated in the Introduction [including the Convention on Cluster Munitions] lead to exclusion."<sup>600</sup>

SNS Asset Management policy's criteria apply to all assets under SNS REAAL's management, including the discretionary mandates. It does not apply to the 4% of assets managed externally. When looking for new external investment managers, SNS AM includes responsible investment requirements in its other criteria. Consequently, SNS AM's current external investment managers have adopted and implemented a responsible investment strategy that is in line with that of SNS AM. Moreover, SNS Asset Management has translated its investment philosophy into a product, which it offers as an alternative to traditional products following an index: the SNS Responsible Index Fund – Equity Europe, Equity US and Equity Asia only invests in companies that trade in compliance with SNS AM's fundamental principles.

SNS Bank is SNS REAAL's credit provider. Its human rights policy states that it does not invest in activities (production and trade) of companies in the controversial weapons industry, like cluster munitions.<sup>601</sup>

### **2.1.25 Spoorwegpensioenfonds (the Netherlands)**

The railway pension fund, Spoorwegpensioenfonds, offers a pension plan for companies and past and present employees in the railway transport industry. It manages €10.6 billion in assets for 30,000 active participants and 25,000 pensioners from more than 70 affiliated companies.<sup>602</sup>

Under its responsible investments policy, the Spoorwegpensioenfonds' board decided in 2007 not to invest in certain businesses, among which were producers of controversial weapons. The fund defines controversial weapons as cluster, nuclear, biological and chemical weapons, weapons with depleted uranium and anti-personnel landmines.<sup>603</sup> The Spoorwegpensioenfonds also excludes companies that have a significant shareholding in a company producing cluster munitions.<sup>604</sup>

The Spoorwegpensioenfonds uses an exclusion list to apply its responsible investments policy. The Spoorwegpensioenfonds blacklisted 32 companies in 2010. It did not publish its complete blacklist, but only the list of companies from which it disinvested. There are six companies on the public list: General Dynamics, L-3 Communications, Lockheed Martin, Northrop Grumman, Raytheon and Textron.<sup>605</sup>

### **2.1.26 Storebrand Group (Norway)**

Storebrand Group is a leading player on the Nordic market for pensions, life and health insurance, banking and asset management.<sup>606</sup>

Storebrand Group barred cluster munitions producers from its investment portfolios. It updated this policy in May 2009 to reflect the Convention on Cluster Munitions. This policy covers all funds under Storebrand's management.

It continually monitors the nearly 4000 companies in its investment universe to rule out unacceptable business practices. In addition to in-house analysts, Storebrand calls in external expertise to analyse weapon systems. In the second quarter of 2009, Storebrand excluded six companies linked to cluster munitions from its investment universe. The situation remained unchanged in the 1st quarter of 2012. Storebrand has not made its list of excluded companies public.<sup>607</sup>

## 2.1.27 West LB (Germany)

WestLB AG is a European commercial bank with assets of € 251.2 billion. As of 30 June 2010, it was one of Germany's leading financial service providers. The European Commission approved a restructuring plan for WestLB in December 2011. This plan is currently being implemented. The business with savings banks and public-sector clients, will be split off from WestLB by 30 June 2012 and will be transferred to Helaba. WestLB will continue as a service and portfolio management bank.<sup>608</sup>

WestLB updated its *Policy for Environmental and Social Issues* in 2011. This policy contains a section on arms and military equipment that states that under no circumstances will it finance production and trading in land mines and stray ammunition. Transactions within the meaning of this policy include all the bank's business activities, e.g. financings, capital market products, equity participations, assumption of advisory functions, etc., irrespective of whether the Bank plays a leading role or simply participates in a transaction.<sup>609</sup>

The policy does not reverse past investments. It did not end an on-going contract with Lockheed Martin that started before the policy was adopted.<sup>610</sup>

WestLB does not use an exclusion list. Instead, each transaction is checked using all available information (in-house sector expertise and research, media, NGO research etc.) to shape its investment decision.<sup>611</sup>

### **Blacklists**

Several financial institutions have put the companies they exclude on a blacklist. Not all lists are identical, since not all financial institutions rely on the same premises when drafting a list. Some start from their own investment universes and exclude cluster munitions producers from that (e.g. Norwegian Pension Fund). Others start from companies listed in an index (DACS, MCSI, Dow Jones, BEL 20, etc.), or with headquarters in a given geographical area (America or Europe).

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

## 2.2 Runners-up Financial Institutions

### 2.2.0 Introduction and Methodology

The second part of this chapter contains a list of runners-up financial institutions. They, too, have made significant efforts to ban cluster munitions from their investment portfolios. Still, their policies are not sufficiently comprehensive for our Hall of Fame. They have policies, but loopholes in these still permit them to finance cluster munitions producers. The runners-up category, we should note, is much diversified and the policies' scope differs widely. In some cases, a policy does not apply to all a company's activities, or does not cover all a financial institution's services. Other financial institutions may have a more extensive policy, yet be weak on implementation. These financial institutions still have links with cluster munitions producers, even though this runs contrary to their stated principles. The runners-up category is far from comprehensive. We believe that the financial institutions listed are only the tip of the iceberg. It is impossible to research the policy of every financial institution worldwide. The runners-up category can be seen as an invitation to financial institutions that have comprehensive policies prohibiting investment in cluster munitions to provide us with their policy and to publish it on their websites. We are eager to include them as runners-up or members of our Hall of Fame.

We commend the financial institutions in the runners-up category for their policies, but take the liberty of pointing out a few shortcomings.

- **Research**

Financial institutions have to meet the following criteria to be considered a runner-up:

- An investor must be transparent and accountable on its cluster munitions policy. This means that the investor has published its policy and/or a summary of it.
- Its policy must exclude investment in cluster munitions producers (recalling past investment and resolving to avoid further investment).

The runners-up category lists financial institutions which meet the two foregoing criteria. They differ from those in our Hall of Fame in that they do not yet meet the following criteria:

- The policy must have an 'all-in' comprehensive scope:
  - no exceptions for any types of cluster munitions producers
  - no exceptions for any types of activities by cluster munitions producers
  - no exceptions for any type of financing or investment
  - no breaches of this all-in comprehensive policy after the publication or announced implementation date of the policy.

- **Results**

To identify financial institutions with a policy on cluster munitions, we researched a variety of sources such as NGO reports, screening agency information, financial institutions' reports and websites, information from campaigners worldwide and other public sources. We worked within the limits imposed by language (English and Dutch) and accessibility. In some cases we have received translations of disinvestment policies that are not publicly available in Dutch or English, but in most cases we were limited to policies' availability in Dutch or English. This following list is therefore by no means exhaustive. We welcome additions from those able to provide them.



Since the banking group usually sets the investment policy and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy.

In what follows you find the results of our search for financial institutions with a policy to exclude cluster munitions producers. However, either this policy is insufficiently comprehensive or else it is not fully implemented. For this reason, we have not yet enshrined these institutions in our Hall of Fame.

We contacted all the financial institutions in this list prior to publication to verify our research findings and to be sure we understood their policy correctly.

The list contains the name and the country of origin of each financial institution, as well as a brief profile and a summary of its policy.

Next, we explain what still needs to be done for the financial institution to be included in the Hall of Fame. In other words, we point out the shortcomings of the institution's policy in a positive way, indicating how it can adjust its policy to make this policy more effective and far-reaching.

The financial institutions are listed in alphabetical order.

The following financial institutions all have policies with certain shortcomings. They have policies, but their scope is too limited. The most common flaws are:

**Taking only its own involvement into account, not that of third parties**

Several banks have policies that look only at their own involvement, meaning how they invest their own funds. Their policies do not extend to the funds they invest for their clients. This is a major flaw because most of the money that a financial institution invests belongs to third parties. Banks argue that they do not want to impose ethical choices on their clients. This is a weak argument, considering that few banks are transparent about their investments. When a bank does not detail its investments, its current and potential customers cannot make informed choices. Moreover, it is inconsistent for a financial institution to profit from selling investments in cluster munitions producers to others, while not wanting to invest its own funds in them.

**Exempting project financing for civil purpose**

There is no way to prevent a company from legally reallocating capital within a group. Adding stipulations to a general corporate loan prohibiting the company from using borrowed funds to produce cluster munitions, or restricting the financing to a company's civilian projects do not prevent this money from freeing other funds for cluster munitions production.

**Exempting funds following an index**

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

### 2.2.1 ABN Amro (the Netherlands)

ABN Amro, a Dutch private bank, was rescheduled in the last three years. At the end of March 2010, ABN Amro moved from being part of ABN Amro Holding to being an independent bank under the supervision of the Dutch central bank. On 1 July 2010, the legal merger between ABN Amro Bank and Fortis Bank Nederland (formerly part of the Dutch-Belgian Fortis group) was completed, creating a combined entity called ABN Amro Bank N.V.<sup>612</sup> Its assets as of 31 December 2011 came to €404.68 billion.<sup>613</sup>

ABN Amro and Fortis Bank Nederland each had its own policy on cluster munitions before the merger.<sup>614</sup> The new entity decided that it would apply what had been ABN Amro's policy. The updated policy was published mid-May 2012.<sup>615</sup>

ABN Amro was one of the first mainstream European banks to tackle the cluster munitions issue. In 2004, it released a policy guideline on cluster munitions that said, "We do not invest in or finance controversial weapons like anti-personnel mines, cluster munitions, nuclear weapons or components for these weapons."<sup>616</sup>

ABN Amro has now expanded its policy on investments in cluster munitions. It has extended restrictions – which have been in place since 2004 for Discretionary Portfolio Management and Asset Management – to all the service concepts that the bank offers to retail and private banking clients (including investment advisory services and execution only). Clients with current positions will be requested to close their positions. These adjustments are expected to be completed by mid-2012.<sup>617</sup>

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

The update of ABN Amro's policy looks promising. We await publication of its updated policy to see whether the adjustments will give ABN Amro a place in the Hall of Fame in our next update.

### 2.2.2 AEGON (the Netherlands)

AEGON is an international provider of life insurance, pensions and asset management. AEGON has nearly 47 million customers in more than 20 countries around the world.<sup>618</sup>

Since November 2011, AEGON has had a Responsible Investment Policy paper with a part on cluster munitions. It states that AEGON excludes companies directly involved in the manufacture, development, trading and maintenance of cluster munitions from being considered an investment candidate for its general account. This general account consists of funds held for the insurance company's own account, and shareholders' funds available for investment. It does not yet apply to hedge funds and funds following an index for its own account or for third party investments.<sup>619</sup>

AEGON uses a public exclusion list to implement its policy. It lists 19 companies as of April 2012. These include all companies on our red flag list, except for SPLAV.<sup>620</sup>

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

AEGON should expand its policy to all funds. Now it does not cover third party investments. Moreover, for its own funds, the policy does not apply to hedge funds and funds following an index. These loopholes should be closed.

### 2.2.3 Aviva (United Kingdom)

Aviva is the world's sixth largest insurance company providing customers with insurance, savings and investment products. It is the UK's largest insurer and one of Europe's leading providers of life and general insurance. Mid-2011, it had £352 billion (€431 billion<sup>621</sup>) in funds under management.<sup>622</sup>

In 2008, Aviva decided that the manufacture of cluster munitions and anti-personnel mines undermined fundamental human rights and as such that Aviva Group should not hold securities linked to companies involved in the manufacture of cluster munitions on its own account, specifically in shareholder funds. The Aviva Board has decided in 2012 that this exclusion should be applied to Aviva policyholder funds as well. Aviva is currently working to implement this decision. We welcome this expansion of the scope of the policy and look forward to see the results.

Aviva works with Ethix SRI Advisors to identify companies involved in the manufacture of cluster munitions. In 2010, they identified 11 such companies and wrote to all asking them either to reassure that they were no longer involved in cluster munitions or anti-personnel mine manufacture or to face being placed on their stop list that prohibits capital held on Aviva's own account from being invested in securities associated with that company. Ethix SRI Advisors helps Aviva perform an annual review of companies involved in cluster munitions and anti-personnel mines. At the time of writing, 12 companies were on Aviva's stop list due to their involvement in cluster munitions or anti-personnel mines. These are: Alliant Techsystems, Arty Industries, Doosan, GenCorp, General Dynamics, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering and Textron.<sup>623</sup> Where new companies are identified as involved, Aviva will seek to disinvest these holdings within six months.<sup>624</sup>

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

To be listed in the Hall of Fame, Aviva should extend its policy to all assets managed for third parties. It now covers only assets managed for its own account.

#### **2.2.4 AXA (France)**

AXA, based in France, provides banking, insurance and investment services to 95 million customers worldwide. AXA focuses mainly on insurance and asset management.<sup>625</sup> AXA Bank Europe coordinates AXA's banking activities. These cater to the retail market.<sup>626</sup>

In July 2007, AXA decided to begin withdrawing its own investment funds from companies that produce cluster munitions. This included investment by the group's general account insurance assets. AXA Investment Managers (AXA's wholly owned asset management subsidiary) decided to disinvest from holdings in companies that produce or sell cluster munitions from the retail mutual funds (non-index-based) it manages.

AXA maintains an unpublished list of cluster munitions producers to implement its disinvestment policy.<sup>627</sup>

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

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

To be listed in the Hall of Fame, AXA would have to extend its policy to all its products, meaning the assets that other AXA group asset managers manage on behalf of third parties, funds following an index, and the funds that AXA group investment managers manage for institutional investors. Right now, it covers only the investment of AXA Group's general account insurance assets and retail (non-index-based) mutual funds that AXA Investment managers manage.

#### **2.2.5 BBVA (Spain)**

BBVA is an international financing group, offering retail banking, business banking, and investment banking operations. The bank operates in Spain, Latin America and Mexico; it is one of the 15 largest US commercial banks and one of the few large international groups operating in China and Turkey.<sup>628</sup>

Since 2005, BBVA Group has had a rule governing defence industry financing. A 2008 revision of its *Principles, Criteria and Rules of Procedure for Defence Industry Lending Proposals* banned the group's involvement in transactions linked to cluster munitions. A second revision took place in 2010. It covered BBVA's lending and investment banking operations. In 2012, BBVA organised a new revision. Its *Rules of Conduct in Defence* now state that BBVA will not invest in nor provide financial services to companies that are involved in arms that are considered controversial, like cluster munitions. The policy now applies to all units and subsidiaries of the BBVA Group worldwide and to all financial services.<sup>629</sup> BBVA's policy applies to passively managed assets as well.<sup>630</sup>

To implement its policy, BBVA uses a non-public exclusion list.

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

The 2012 revision of BBVA's policy has made its stance against cluster munitions much stronger. To join our Hall of Fame, however, BBVA should extend its rule against financing cluster bombs to its external asset managers and to discretionary mandates.

## **2.2.6 Belfius Bank and Insurances (Belgium)**

In 2011 the former Dexia Group went through a major restructuring. The state of Belgium became the owner of Dexia Bank Belgium, in March 2012. It was renamed Belfius Bank and Insurance.<sup>631</sup> Belfius is now completely separate from the Dexia SA Group.<sup>632</sup> Belfius offers a wide range of retail, public, commercial and private banking services as well as insurance products to more than 4 million customers.<sup>633</sup>

Since the Belgian Act of 20 March 2007 forbidding investment in cluster munitions producers, Dexia has based its policy on the conditions stipulated in the act. Belfius follows the same policy.<sup>634</sup> It bars companies with certain and known involvement in the sale, manufacture, use or possession of cluster munitions from all its banking and insurance activities.<sup>xvii</sup>

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

Because Belfius' policy is based on the Belgian law of 20 March 2007, we find in it the same two exceptions contained in the law. Eliminating those exemptions would merit Belfius a place in our Hall of Fame. Belfius' policy therefore should apply to all investments, including funds following an index. Moreover, its policy should apply to all a company's activities, including project finance for civil purposes.

## **2.2.7 BNP Paribas (France)**

BNP Paribas, with headquarters in France, has operations in over 80 countries.<sup>635</sup> As of 31 December 2011, its assets reached €1,965 billion.<sup>636</sup>

In December 2010, BNP Paribas issued a new policy on the defence sector, which states that BNP Paribas does not want to provide financial products and services to, or invest in, companies that produce, trade or store cluster munitions or are dedicated for key components. A company is involved as well when it provides assistance, technology or services dedicated to cluster munitions.

The policy applies to all of BNP Paribas's activities (lending, debt and equity capital markets, guarantees and advisory work, etc.) and to all BNP Paribas entities managing proprietary assets. Financing agreements that predate the policy will be reviewed accordingly upon their renewal or as they are due for review. BNP Paribas entities managing third-party assets reflect this policy and develop standards adapted to their businesses that will exclude any stock or issues that do not comply with these standards.<sup>637</sup> These entities

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XVII The current policies are not yet available on Belfius' website due to the brand change from Dexia to Belfius. The policies are expected to be available online before the summer of 2012.

follow the same exclusion list as BNP Paribas and exclude producers of cluster munitions from all funds they actively manage.<sup>638</sup> No exception is made for entities under fiduciary obligation or for discretionary mandates.<sup>639</sup> External asset managers are actively monitored and strongly encouraged to implement similar standards.

To carry out this policy, BNP Paribas uses an exclusion list, which is not made public. An external expert helped BNP Paribas to draft and implement its list.<sup>640</sup>

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

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

#### **Fiduciary duty**

Some financial institutions asserted that disinvestment is inconsistent with their fiduciary duty to maximize profits. This assumes that an unconstrained portfolio is more likely to have a higher rate of return. However, there are strong financial reasons to disinvest from cluster munitions producers (in addition to the legal and ethical considerations). Investing in companies producing cluster munitions can damage an institution's reputation, which might negatively affect its profits.<sup>641</sup> It is interesting to note that one of the largest financial institutions in the world, BNP Paribas, makes no exception for entities under fiduciary obligation and thereby counters the notion that fiduciary duty would prevent a financial institution from disinvesting in cluster munitions producers.

### **2.2.8 Commerzbank (Germany)**

Commerzbank is one of the leading banks for private and corporate customers in Germany. Commerzbank has around 15 million private customers as well as 1 million business and corporate customers worldwide.<sup>642</sup>

Commerzbank's weapons policy is described in its *Guidelines Governing Armaments Transactions*, which states that Commerzbank does not accompany financial transactions related to weapons thought controversial, such as cluster munitions.<sup>643</sup> The guideline applies to the entire company and includes corporate finance, trade finance, and investment-banking activities. Commerzbank does not offer own products that invest in producers of controversial weapons. The same applies to funds from other investment companies that it recommends to its private clients. Commerzbank's reputational risk department clears selected funds for links to controversial weapons before putting them on sale. The policy does not apply to passively managed funds like funds following an index.<sup>644</sup>

To implement its policy, Commerzbank receives external research on controversial weapons from an independent analyst quarterly. Additionally, the bank systematically scans NGO publications.<sup>645</sup>

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

Commerzbank should apply its policy to all its products, including funds following an index. Moreover, requests from clients that explicitly ask for or choose funds which contain a controversial company should be refused.

## 2.2.9 Co-operative Financial Services (United Kingdom)

Co-operative Financial Services is part of the Co-operative Group, the UK's largest consumer cooperative. Co-operative Financial Services is a group of businesses that includes Co-operative Insurance, Co-operative Bank and Co-operative Investments. Co-operative Bank offers a range of financial products, from current accounts over savings accounts to credit cards and loans. Co-operative Insurance offers a variety of insurance products and Co-operative Investments products include unit trusts, investment bonds and pensions.<sup>646</sup>

Co-operative Bank has an ethical policy which it updates regularly to reflect its customers' views. This policy consists of a statement on cluster munitions that said, "We will not finance the manufacture or transfer of indiscriminate weapons, e.g. cluster bombs and depleted uranium munitions."<sup>647</sup> This means that the group will not finance any company that manufactures, sells or directly exports cluster munitions or that exports strategic parts or services for cluster munitions.<sup>648</sup>

To put this into practice, all business customers are required to complete an ethical policy questionnaire. The bank's ethical policy unit reviews business applications against its policy statements to decide whether the bank can offer the applicant business banking facilities.<sup>649</sup>

In late 2011, the Co-operative Asset Management decided to stop investing in companies that manufacture or supply specialist equipment for cluster munitions. All active portfolios are no longer invested in such holdings and no further investments have or will be made through these funds. Revenues from the Co-op Insurance available for investments are covered by the Co-op Asset Management policy. The policy applies to external asset managers as well. By the end of April 2012, the Co-operative Asset Management will also have divested all of their funds that follow an index passively.<sup>650</sup>

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

The new Co-operative Asset Management policy is a major step forward. To be listed in the Hall of Fame, however, the Co-operative Financial Services would have to extend its policy to discretionary mandates.

## 2.2.10 Crédit Agricole (France)

Crédit Agricole group provides retail banking services, specialised financial services, asset management, insurance, private banking and corporate and investment banking to 54 million customers worldwide.<sup>651</sup>

In November 2010, Crédit Agricole published a framework text for dealing with and excluding counterparties with ties to the arms industry. Its view on controversial weapons is that investments on the bank's own account or on behalf of third parties (apart from indexed investing), financing of any sort, and services (insurance, mergers & acquisitions, advisory, etc.) are forbidden for companies linked to the production, storage or sale of cluster bombs. The policy does not apply to indexed investments.<sup>652</sup> It does apply to discretionary mandates as long as the host country of a specific Crédit Agricole branch or subsidiary has signed the Ottawa and Oslo treaties and therefore prohibits the production, use, storage, sale and transfer of anti-personnel landmines and cluster bombs.<sup>653</sup>

Crédit Agricole uses an exclusion list to implement this policy, but has not published it. External consultants drew up the list.<sup>654</sup> Crédit Agricole has devised a procedure for current investments in companies producing cluster munitions. Its objective is to end this investment within a reasonable period.<sup>655</sup>

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

To be listed in the Hall of Fame, Crédit Agricole would have to extend its policy to cover index-linked products. Moreover, its policy only applies to discretionary mandates when the host country of a specific Crédit Agricole branch or subsidiary has signed the Convention on Cluster Munitions. The policy should apply to all discretionary mandates.

### 2.2.11 Credit Suisse (Switzerland)

Credit Suisse was founded in 1856. It provides private banking, investment banking and asset management to companies, institutional clients and high-net-worth private clients worldwide, as well as retail clients in Switzerland.<sup>656</sup>

*Credit Suisse' Position on Anti-Personnel Mines and Cluster Munitions*, published in November 2010, states that Credit Suisse will not enter into business relationships with producers of anti-personnel mines and cluster munitions and the bank is terminating all business activities with such companies. It also states that, "Credit Suisse will cease to hold securities of anti-personnel mines or cluster munitions producers in its proprietary trading book or to include them in its actively-managed retail and institutional funds and in discretionary mandates. In addition, Credit Suisse will refrain from issuing research recommendations on such companies."<sup>657</sup>

Credit Suisse uses an exclusion list to implement the policy, which is based in part on information provided by its advisor, Ethix SRI Advisors. The bank does not make this list public.<sup>658</sup>

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

We welcome the Credit Suisse policy, which encompasses most of the bank's products and services. To be listed in the Hall of Fame, however, the policy should apply to funds following an index. Credit Suisse should also eliminate the exception for individual clients that explicitly ask to invest in a company known to be a cluster munitions producer. Such requests should be refused.

### 2.2.12 Danske Bank (Denmark)

Measured by total assets, Danske Bank Group is the largest financial enterprise in Denmark and one of the largest in the Nordic region. The group offers banking, insurance, mortgage finance and asset management services to Danish and international customers.<sup>659</sup>

Danske Bank adopted a SRI (socially responsible investment) policy for investing customer funds and the group's own strategic portfolio. The SRI policy is based on several internationally recognised norms, one of them being the Convention on Cluster Munitions. There are three steps in the investment procedure. First, the investment portfolio is screened against internationally recognised norms and principles. Swedish company Ethix SRI Advisors screens the portfolios regularly. Second, if a company violates the norm, Danske Bank engages in a dialogue with the company to determine whether the company intends to change its behaviour. Depending on the result, the third step is to sell or retain the investment.<sup>660</sup>

In 2011, Danske Bank decided on a policy level that companies excluded from their investment universe would also be excluded from its other banking activities. Since mid-2011, Danske Bank has cross-checked its credit exposure against its exclusion list.<sup>661</sup> The implementation procedures of this policy are not completely in place yet however.<sup>662</sup>

Currently, the bank excludes 27 companies, 10 of which because of involvement in cluster munitions. Among them are Alliant Techsystems, Aryt Industries, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering and Textron.<sup>663</sup>

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

We welcome Danske Bank's decision to extend its policy to credits. To be listed in our Hall of Fame, Danske Bank would need to extend it to all its banking activities. Moreover, there are several exceptions within asset management: the policy does not cover funds-of-funds, structured products, individual securities or derivatives. This makes the policy much lighter than it could be.

### 2.2.13 HSBC (United Kingdom)

HSBC, headquartered in London (United Kingdom), is one of the largest private financial institutions in the world. It operates in 87 countries. HSBC provides personal financial services, commercial banking, global banking and markets and private banking services to around 100 million customers worldwide.<sup>664</sup>

In February 2010, HSBC published a new *Defence Equipment Sector Policy*. The passage addressing cluster munitions states, “HSBC does not provide financial services to customers – including holding companies – which manufacture or sell anti-personnel mines or cluster bombs. We do not provide financial services for transactions involving such weapons.”<sup>665</sup>

Where HSBC has agreed long-term loans that pre-date the policy or has inherited such loans through an acquisition, it claims to be contractually obliged to respect that loan up to the agreed maturity date.<sup>666</sup> HSBC confirmed in 2012 that it has terminated all ties with customers known to contravene the prohibition against cluster bombs and anti-personnel mines.<sup>667</sup>

Additionally, HSBC Global Asset Management has installed a policy which excludes companies producing cluster munitions across its full actively managed investment range, effective from late 2010.<sup>668</sup> This applies to some external managers as well (those that manage their Luxembourg-based funds) but not all. The policy does not apply to passively managed funds. HSBC does actively engage with index providers to encourage the exclusion of any company producing cluster munitions from funds in their passive investment range that follow an index.<sup>669</sup>

It relied on research organisation Ethix SRI Advisors to compile a list of excluded companies.<sup>670</sup>

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

To be listed in the Hall of Fame, HSBC should apply its policy to all its external asset managers and to all funds where HSBC has a passive mandate.

### 2.2.14 ING (the Netherlands)

ING Group is a global financial service company of Dutch origin, operating in the fields of banking, insurance and asset management. Per 31 December 2010, its total assets were worth €1.2 billion.<sup>671</sup>

On 9 September 2009, ING adopted a new, more comprehensive, policy on controversial weapons. ING’s policy on cluster munitions states that it will in no way engage in companies directly involved in cluster munitions. This means that, as of 9 September 2009, it will sever ties with any company involved in these kinds of weapons. The policy applies to all ING business activities, among which its commercial banking services, proprietary assets and funds as well as investment products and services.<sup>672</sup> In line with policy requirements, all ING managed funds worldwide should be clean of cluster munitions producers.<sup>673</sup> Currently, it has excluded 30 companies for links to controversial weapons, among which are companies involved in cluster munitions.<sup>674</sup>

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

To be listed in the Hall of Fame, the ING policy should include all ING products. This means the policy should also apply to funds following an index. ING should also eliminate the exception for individual clients that explicitly ask to invest in a cluster munitions producer. Such requests should be refused.



## 2.2.15 Intesa Sanpaolo (Italy)

Intesa Sanpaolo is the banking group that resulted from the merger of two Italian banks, Banca Intesa and Sanpaolo IMI. It leads the Italian market and has a strong international presence in Central-Eastern Europe and the Mediterranean basin. The group offers its services to about 11.3 million customers.<sup>675</sup>

Intesa Sanpaolo's 2007 weapons policy states that the group bans new financial transactions linked to trade in and manufacture of weapons, weapons components and related products.<sup>676</sup> The group updated its policy in 2011 to state that it bans all banking activity linked to research in, production of or trade in controversial weapons or weapons banned by international treaties, like cluster bombs.<sup>677</sup> The policy covers credits and investment banking.

To implement its policy, Intesa Sanpaolo uses a short exclusion list, adopted by analysing several international reports.<sup>678</sup>

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

We welcome Intesa Sanpaolo's decision to expand its policy from only covering project finance for cluster munitions to general corporate financing. To be listed in the Hall of Fame, however, Intesa Sanpaolo would have to exclude cluster munitions producers from its asset management activities. Its rule is currently restricted to loans and investment banking. Moreover, the policy does not explicitly forbid financing a holding company's civilian operations even when one of its subsidiaries is involved in producing cluster munitions. Intesa Sanpaolo has said that it keeps careful watch to avoid indirectly financing such subsidiaries through the parent company. However, this is insufficient since a company can easily reallocate money within the group. Intesa Sanpaolo should therefore exclude holding companies when one of its subsidiaries is involved in the production of cluster munitions.

## 2.2.16 KBC (Belgium)

KBC is a Belgian integrated banking and insurance group. It is a major financial player in Central and Eastern Europe.<sup>679</sup>

KBC's policy on investment in the weapons industry dates from 2004. KBC refuses to invest in any company involved in developing, manufacturing or trading in controversial weapons systems or their essential components. Weapons are considered controversial when there is broad public support for banning them. This refers specifically to biological weapons, anti-personnel mines, cluster bombs and munitions and weapons containing depleted uranium.<sup>680</sup>

The policy covers all KBC's activities including commercial banking, asset management and investment banking. KBC has drafted a straightforward, practical policy and put it into practice strictly and thoroughly. KBC published a blacklist with 58 weapon producers. The list is based on in-house and external research from Ethix SRI Advisors. All companies in this report are blacklisted.<sup>681</sup>

KBC's list is remarkable in that it bans all companies that ever produced cluster munitions, except for those that have publicly announced that they have ceased producing them and that they will abstain from doing so in the future. KBC relies on Ethix SRI Advisors' services to ascertain this.<sup>682</sup>

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

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

### 2.2.17 Laegernes Pensionskasse (Denmark)

The Medical Doctors Pension Fund (Laegernes Pensionskasse) offers member services, investments, banking operations and administration to its members, approximately 35,000 persons.<sup>683</sup>

The *Medical Doctors Pension Fund Policy for Socially Responsible Investments* states that the pension fund does not invest in companies that manufacture cluster munitions.<sup>684</sup> The policy covers the majority of actively and passively managed listed equity portfolios.<sup>685</sup>

To implement the policy, the Medical Doctors Pension Fund uses a restricted list. The Fund works with an SRI consultant that helps the fund decide which companies to exclude and that regularly screens the fund's equity portfolio to see whether the investments are in line with its SRI policy.<sup>686</sup>

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

The policy does not apply to some mutual funds where the fund does not have a majority. This loophole should be closed.

### 2.2.18 Lloyds Banking Group (United Kingdom)

Lloyds Banking Group is the largest retail bank in the UK. The group has more than 25 million customers. Halifax, Bank of Scotland and Scottish Widows are some of its famous subsidiaries.<sup>687</sup>

The Lloyds Banking Group's human rights policy states that "in addition to obeying the laws, rules and regulations of every country in which we operate, the Group will respect and support the United Nations, Universal Declaration of Human Rights, together with the International Labour Organisation (ILO) Fundamental Conventions, covering freedom of association, the abolition of forced labour, equality and the elimination of child labour."<sup>688</sup> When asked about cluster munitions specifically, it said that this human rights policy implies that Lloyds Banking Group does not knowingly provide bank financing to support the manufacture of cluster munitions. In a few months, Lloyds will publish online the full human rights policy, including the part on cluster munitions. It implies that it refuses to invest in any company involved in cluster munitions.<sup>689</sup>

Additionally, in 2011, SWIP and the other of Lloyds Banking Group's investment businesses decided to identify and disinvest from overseas companies for which it had strong evidence of involvement in activities prohibited by the convention. This applies to all funds where SWIP and other Lloyds Banking Group companies control the fund's investment policy. The group relies on an Ethix SRI Advisors black list.

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

Neither Lloyds Banking Group nor SWIP have yet published their position on cluster munitions on their website or in reports. They did, however, refer to it in the media.<sup>690</sup> We were informed that Lloyds and SWIP will publish a policy document in 2012. We are looking forward to this publication. Failure to publish this information will mean removing Lloyds Banking Group from the runners-up category. Moreover, SWIP's policy does not cover discretionary mandates, external fund managers or passively managed funds. These loopholes should be closed.

### 2.2.19 Nordea (Sweden)

Nordea offers capital market products, savings products, asset management and life and pension products to approximately 11 million customers in the Nordic region and some new European markets. It is one of the largest financial services groups in the Nordic and Baltic Sea regions.<sup>691</sup>

In June 2009, following upon Sweden's signing the Convention on Cluster Munitions the previous December, Nordea decided to exclude from its investment universe companies involved in producing cluster munitions. Nordea worked with Swedish company Ethix SRI Advisors to identify companies involved in cluster munitions and other illegal weapons, which comprise biological weapons, chemical weapons, non-detectable fragments, blinding laser weapons and anti-personnel mines.<sup>692</sup> Nordea's exclusion list contains: Aeroteh, Alliant Techsystems, Aryt Industries, Doosan, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering and Textron.<sup>693</sup>

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

Nordea should extend its exclusion policy to all of its products, e.g. its financing activities. It currently covers all assets managed by Nordea Investment Management, but exempts capital market and savings products.

### **2.2.20 Nycredit (Denmark)**

Nycredit is a Danish commercial bank and asset manager, with assets under management for a sum of DKK 101 billion (€13.57 billion<sup>694</sup>) in 2011.<sup>695</sup>

Nycredit implemented a sustainable investments policy in 2008. This states that investment in a company should only be excluded when the company is in clear breach of the agreed standards, e.g. when it produces weapons that contravene a UN convention. Cluster bombs are mentioned explicitly as an example.

Nycredit's policy includes the Group's own portfolio as well as investment products applied in their investments concepts. The policy also applies to investments that Nycredit has outsourced to external managers. It screens investment portfolios twice a year and disposes of securities of non-compliant companies.<sup>696</sup>

To implement the policy, Nycredit uses a public list of excluded companies, for which it cooperates with GES investment managers. This list contains the following companies: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Raytheon, Singapore Technologies Engineering and Textron. All of these companies are excluded from investments, but not all for the reason of cluster munitions involvement.<sup>697</sup>

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

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

Moreover, Nycredit says that when it comes to asset management, it has not yet found a way to apply the policy on index-linked products which means that the policy does not cover them. These loopholes should be closed.

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

Pension Fund Horeca & Catering (PH&C) is the occupational pension fund for the Dutch hospitality and catering industries. It is an industry-wide fund with around 900,000 participants on the current or former payrolls of some 36,000 employers. That makes PH&C one of the 10 largest pension funds in the Netherlands on both counts. The assets under management count up to €3.6 billion.<sup>698</sup>

Since 1 January 2008, PH&C has carried out an exclusion policy conform the Norwegian Government's Pension Fund policy.<sup>XVIII</sup> As such, PH&C does not invest in companies that manufacture cluster bombs.<sup>699</sup>

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XVIII The Norwegian Government Pension Fund Policy is explained under 2.1.8 of the Hall of Fame section of this report.

According to the *Benchmark Responsible Investments for Pension Funds in the Netherlands 2010*, the exclusion policy applies to 96% of the public equity investments and to all corporate bonds. There is an exception for the US small cap funds, to which the SRI criteria do not apply.<sup>700</sup>

The list of excluded companies shows PH&C's fund managers which companies to avoid. This list relies on the Norwegian Government Pension Fund's list. Currently, the list contains the following companies implicated in production of cluster munitions: Alliant Techsystems, General Dynamics, Hanwha, Lockheed Martin, Poongsan, Raytheon and Textron.<sup>701</sup>

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

PH&C should apply its exclusion policy to investment funds like the US small cap funds as well.

### **2.2.22 Rabobank (the Netherlands)**

Rabobank Group offers a full range of financial services founded on cooperative principles. The bank serves some 10 million clients around the world and operates in 44 countries.<sup>702</sup>

The bank does not want to use its own funds to finance or invest in any activity related to cluster bombs or other controversial weapons. It may not provide financing for controversial companies and/or for controversial purposes.<sup>703</sup>

For third party assets, the implementation differs. Rabobank does not provide clients with investment advice about companies active in the domain of controversial weapons, nor does it allow investors to directly buy into such companies.<sup>704</sup> Moreover, in October 2009, Robeco, Rabobank's largest Asset Manager, decided to bar companies producing cluster munitions and other controversial weapons from the funds it actively manages.<sup>705</sup> Rabobank's policy does however not apply for other asset managers it works with, or for passive managed funds. Rabobank is in dialogue with fund managers who do not yet exclude controversial weapons.<sup>706</sup>

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

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

The bank should extend its more stringent policy to all its products, including the externally managed funds and the funds following an index.

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

The Royal Bank of Canada (RBC) offers personal and commercial banking, insurance, corporate, investment banking and other financial services around the globe. The bank operates in 58 countries, serving over 15 million clients.<sup>707</sup>

At the end of 2009, RBC revised its policy on cluster munitions and other issues. Previously, its policy stated that RBC would not be involved in directly financing companies producing material for cluster bombs. The revised version includes avoiding providing implicit or indirect financing support for transactions involving the financing of companies producing or trading in equipment or material for cluster munitions.<sup>708</sup> This prohibition included commercial banking but it does not extend to asset management and investment banking.

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

To be listed in the Hall of Fame, RBC should extend its policy to all its financial activities, including investment banking and asset management.

## 2.2.24 Royal Bank of Scotland (United Kingdom)

The Royal Bank of Scotland Group is a large international banking and financial services company. It serves over 30 million customers worldwide. In 2011, its total funded assets came to £977 billion (€1,172 billion<sup>709</sup>).<sup>710</sup>

The updated RBS Group Defence Sector Position Statement came into effect in October 2011 and states that RBS will not support any application for funding or financial services from companies involved in cluster munitions.<sup>711</sup> The policy covers RBS' lending and investment banking operations. RBS screens its customers for compliance with the policy so it can terminate all services for which it has no binding contractual agreements. Where there are contractual agreements, it will honour the contract's provisions but will provide no additional services. RBS has identified clients who are in breach of their policy, but does not make this information publicly available.

RBS does not have an asset management division, but it does have some involvement because of the investment services it provides to clients via indexes, tracker funds etc. Its policy does not apply to such products.<sup>712</sup>

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

To be listed in our Hall of Fame, RBS should extend its policy to all its products, including investment services for clients via indexes, tracker funds etc. RBS informed us that the bank is currently considering its next steps.

## 2.2.25 SEB (Sweden)

SEB is a Swedish commercial bank and asset manager. It offers financial advice and a broad range of financial services in Sweden and the Baltic countries. In Denmark, Finland, Norway and Germany, SEB focuses on corporate and investment banking. In 2009, SEB had roughly SEK1.261 billion (€141.8 billion<sup>713</sup>) in assets under management.<sup>714</sup>

The SEB's 2009 CSR Report presented its policy on cluster munitions. It stated that, following a decision taken in 2009, companies involved in the manufacturing of or promoting cluster weapons were to be excluded from SEB's investment universe. The policy currently embraces actively managed fixed-income and equity funds, as well as most funds following an index.<sup>715</sup> All funds following an index are screened for cluster munitions except the OMX Stockholm Benchmark Index funds as there are no producers of cluster munitions in this index.<sup>XIX716</sup>

Since 2009, SEB has worked with GES Investment Services to screen the companies it invests in and to provide company analyses. Twice a year, it screens companies for violations.<sup>717</sup> SEB excludes the following companies because of their involvement with cluster munitions: Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan and Textron.<sup>718</sup>

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

SEB should apply the exclusion policy to all its products. Currently, the policy does not cover funds of funds, hedge funds and external funds. Moreover, the policy only applies to SEB's investment banking arm. It should extend its policy to cover its credit and investment banking activities. SEB informed us that their updated policy document is underway but not yet public. We hope to be able to assess the updated policy for our next update.

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XIX Since Swedish index funds follow the OMX Stockholm Benchmark Index, and since no American or Asian companies appear on that list, Swedish index funds have no holdings in companies on the list of those excluded for reasons of involvement in cluster munitions.

## 2.2.26 Société Générale (France)

Société Générale offers a wide range of finance and investment services to 33 million customers in 77 countries.<sup>719</sup>

Société Générale's Defence Sector Policy states that Société Générale will not knowingly<sup>XX</sup> provide financial services to companies, parent company or subsidiaries of the companies that produce, manufacture, stockpile or service landmines and cluster bombs. The policy applies to all banking and financial services and active asset management for its own account or for third parties. The only exceptions are products following an index.<sup>720</sup>

Société Générale uses a black list compiled by an external consultant to implement its policy. The list is not public.<sup>721</sup>

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

Société Générale should apply its policy to all its products, including the management of funds following an index, the discretionary mandates and the externally managed funds.

## 2.2.27 Stichting Pensioenfonds APF (the Netherlands)

APF Pension Fund, the new name of Akzo Nobel Pension Fund since December 2011<sup>722</sup>, provides retirement benefits for Akzo Nobel employees. It has €4.0 billion in assets under management.<sup>723</sup>

APF's exclusion policy states that APF chooses not to invest in companies producing controversial weapons or that own a significant stake in a company producing cluster munitions or other controversial weapons.

The exclusion only applies to its direct investments in European and North-American assets (MSCI Europe and MSCI USA), and to fixed-income securities (corporate bond portfolios).

To implement the policy, an external consultant drafted an exclusion list based on criteria-driven screening. This unpublished list records companies producing controversial weapons.<sup>724</sup>

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

APF would have to instruct all asset managers to apply its exclusion policy and so close this last loophole. Currently, APF claims that it is impossible to apply an exclusion policy to an investment fund. The company states that the exclusion policy encompasses all relevant asset and bond portfolios, except for a small part held by investment funds. This covers approximately 6% of its portfolio, part of which is covered by the exclusion policy that one of the three asset managers set up.<sup>725</sup>

## 2.2.28 Syntrus Achmea (the Netherlands)

Syntrus Achmea is a Dutch pension company offering pension services, real estate, fiduciary management and asset management. Syntrus Achmea has over €57 billion in assets under management.<sup>726</sup>

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XX The term knowingly means that if financial services would be provided to companies producing cluster munitions, it would breach Société Générale's compliance processes.

Since January 2008, Syntrus Achmea Asset Management has applied an exclusion policy to companies dealing in controversial weapons. Companies involved in the development, production and or maintenance of cluster munitions or companies with a significant stake in those companies are excluded from all Syntrus Achmea funds and one externally managed fund.<sup>727</sup> Since July 2010, this policy applies to the pool of fixed-interest securities and to pension fund mandates, but only if they want this.<sup>728</sup> Moreover, in 2010 all investments through external managers were placed in segregated accounts. In this way, Syntrus Achmea can also apply its exclusion policy to funds under third-party management.<sup>729</sup>

Syntrus Achmea works with an external screening agency to maintain an unpublished list of cluster munitions producers.<sup>730</sup>

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

Syntrus Achmea should apply its policy to exclude cluster munitions producers to all its products, e.g. the index-linked funds and all pension fund mandates.

### **2.2.29 UniCredit Group (Italy)**

UniCredit is a major European banking group, active in 22 European countries. It provides retail, corporate, investment banking and private banking services. It holds €926.8 billion in assets.<sup>731</sup>

UniCredit Group's position statement on the defense/weapons industry states that UniCredit, abstains from financing transactions involving manufacturing, maintaining or trading in controversial/unconventional products such as cluster bombs.<sup>732</sup> UniCredit Group's 2007 sustainability report shows that this excludes companies involved in the activities described.<sup>733</sup>

UniCredit told us that in 2011, Pioneer Investments, UniCredits' asset management arm, decided to exclude investments in companies involved in the production of cluster munitions. This policy applies to all Pioneer Investments' actively managed funds sold across European markets, except for quant and funds following an index. The policy is now in the implementation phase.<sup>734</sup>

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

UniCredit should apply its policy to bar investment in cluster munitions producers to all its products. The announcement of Pioneer Investments' policy is a step in the good direction. Thus far, UniCredit had not applied it to its asset management product range. We look forward to assessing the published version of its policy for our next update.

Moreover, UniCredit should explain whether and how it applies its policy to holdings and company groups. Does it apply to an entire company when one of its subsidiaries is implicated in cluster munitions?

### **The policy only covers project financing for cluster munitions**

The following five financial institutions apply their policy only to project finance for the production of cluster munitions. This means their policies do not affect money supplied for general corporate purposes. This is a major flaw, because no financial institution can guarantee that the funds it lends to, or invests in, a cluster munitions producer will not be used to produce cluster munitions. It is common for weapon producers to finance their cluster munitions facilities from their general corporate capital. So far, we have never come across a project intended specifically to finance cluster munitions facilities. That means these banks really do no more than exclude cluster munitions producers from receiving financial support they never request. This policy allows them to finance cluster munitions producers as they had in the past.

There is no way to prevent a company from legally reallocating capital within a group. Adding stipulations to a general corporate loan prohibiting the company from using borrowed funds for producing cluster munitions, or restricting the financing to a company's civilian projects do not prevent this money from freeing other funds for cluster munitions production.

These financial institutions are not listed as runners-up because they only prohibit project-level investment and do not proscribe dealing with the producers. Hence, they fail to meet the second requirement for obtaining a place in the runners-up category. We put them in this special section of the report, to draw attention to what they would have to do to become eligible for the runners-up list or even our Hall of Fame.

### **ANZ (Australia / New Zealand)**

The Australian / New Zealand ANZ Banking Group operates in more than 32 countries including Australia, Dubai, New Zealand, the USA and other countries in the Pacific, Europe, and Asia. It has assets of AU\$531.74 billion (€417.19 billion<sup>735</sup>) per 30 September 2010.<sup>736</sup>

ANZ published a defence policy document in December 2007. It reviewed this policy in late 2010 in response to a protest card campaign by the Synod of Victoria and Tasmania, Uniting Church in Australia and others. Its new military equipment policy states that "ANZ will not be involved with direct financing or contract bonding related to the sale or manufacturing of controversial weapons (specifically cluster munitions and anti-personnel landmines)", which repeats its December 2007 policy. However, the second part of the policy is new. It says that "ANZ does not wish to be involved more broadly with customers that are involved in the production of components designed for specific use in these weapons."

The new policy describes two practical processes to drive implementation:

1. "we engage actively with existing defence industry clients that have been identified as allegedly producing components for cluster munitions to inform them of our policy."
2. "we seek assurances that these companies are either not engaged in the production of these weapons or their component parts, or are in the process of winding down these production lines within a reasonable timeframe (e.g. such as subsequent to fulfilment of existing contractual obligations, if relevant)."<sup>737</sup>

To identify companies producing components of cluster munitions, ANZ refers to information that FairFin (formerly *Netwerk Vlaanderen*) and IKV Pax Christi have provided in earlier versions of this report, and to assertions made against defence sector clients elsewhere in the public domain or brought to ANZ's attention directly by external stakeholders. If ANZ is assured that the assertions about a current client are accurate, that the production of cluster munitions components has not



ceased or that the client does not intend to cease production of cluster munitions components at the end of an existing contract, then senior executive managers will reconsider the on-going relationship. Here, relationship means any type of project financing or corporate banking services, like payroll funding, credit facilities, bond facilities, etc.

ANZ defines a “reasonable timeframe” as the shortest possible time in which a company could reasonably be expected to extricate itself from involvement with cluster munitions and anti-personnel landmines given the customer’s present circumstances.

According to ANZ, only two of its current clients were linked to the production of cluster munitions or components thereof; one company’s contracts relating to cluster munitions will end in 2013. Because ANZ considers this a reasonable timeframe, it will not terminate its relationship with this company. ANZ has requested information from another company to learn whether they are still producing cluster munitions.<sup>738</sup>

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

To gain a place in the Hall of Fame, ANZ would have to exclude producers of cluster munitions from all its financing. Now, ANZ is only strict about excluding direct financing or contract bonding related to the production of controversial weapons, which is another way of saying project financing. ANZ has an engagement policy that governs its transactions with a company producing cluster munitions, but it does not unequivocally say that it will stop dealing with a company that does not abandon this production. Its engagement is too restrictive, because attempts to influence a company without threatening to withdraw investment lack muscle.

### **Sumitomo Mitsui Financial Group (Japan)**

Sumitomo Mitsui Financial Group (SMFG) was established through a share transfer from Sumitomo Mitsui Banking Corporation in December 2002. The companies in SMFG offer a diverse range of financial services, centred on banking operations, and including credit card services, leasing, information services and securities. As of 30 September 2011, it has a capital stock of 2,337.8 billion yen (€21.7 billion<sup>739</sup>).<sup>740</sup>

On 30 June 2010, two days before the Convention on Cluster Munitions came into force, three Japanese banks, among which Sumitomo Mitsui Financial Group, said they would refrain from financing the manufacture of cluster bombs.<sup>741</sup> SMFG’s policy is reflected in its 2010 CSR Report, which notes that, “...we have clearly stated that credit for production of cluster munitions is an example of funding purposes that are prohibited.”<sup>742</sup>

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

- Sumitomo Mitsui would have to extend its policy to all its products, e.g. investment banking and asset management.
- The bank would have to exclude all a company’s activities, not just those related to the production of cluster munitions.

### **Standard Chartered (United Kingdom)**

Standard Chartered is a London-based group, operating in more than 70 countries and territories around the globe.<sup>743</sup>

The group's policy on defence equipment and armaments states that Standard Chartered will not, under any circumstances, support the manufacture or distribution of any weapons or munitions. This specific policy applies to lending money to fund defence equipment contracts.<sup>744</sup> Standard Chartered announced, in the wake of the 2011 report, that it would update its policy, which would extend the scope of its defence equipment policy.<sup>745</sup> However, we received no further details on the new policy. The old policy is still online.

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

- Standard Chartered would have to extend its policy to all its products, e.g. investment banking and asset management.
- The bank would have to exclude all a company's activities, not just those related to the production or distribution of cluster munitions.

We hope these issues will be addressed in the upcoming policy.

#### **Toronto Dominion Bank (Canada)**

TD Bank is a large Canadian banking group offering a full range of banking services to about 21.5 million customers. As of 31 January 2012, TD Bank had CDN\$774 billion (593.49 billion<sup>746</sup>) in assets.<sup>747</sup>

In 2009, TD Bank developed a policy specifically related to cluster munitions. The bank's 2009 corporate social responsibility report noted that "We do not lend money for transactions that are directly related to the trade in or manufacturing of material for nuclear, chemical or biological weapons, or for landmines or cluster bombs."<sup>748</sup>

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

- TD Bank would have to extend its policy to all its products, e.g. investment banking and asset management.
- The bank would have to exclude all a company's activities, not just those related to the production or distribution of cluster munitions.

## 2.3 Countries' Best Practices

### 2.3.0 Introduction and Methodology

Based on the results of research in this report, and the research and experience that other NGOs report, we can conclude that self-regulation in the financial industry does not necessarily lead to strong results. Even though a growing group of financial institutions has decided to disinvest from cluster munitions producers, the effects of their decisions are far from even. Furthermore, many financial institutions do not appear to feel a great need to shoulder moral responsibility at all.

While investment in arms and cluster munitions may have become an important topic in international banks' social responsibility divisions, many financial institutions still seem to seek for guidance from their governments on this issue. Stringent international regulation and legislation will be needed to stem the flow of capital to cluster munitions production.

Unfortunately, there seems to be no tradition of legislated restrictions on investment. While banks often argue that governments, not banks, should decide whether investments in certain sectors should be forbidden, governments argue that banks will have to set their own standards for socially responsible investment.

Governments can, of course, lead the way by providing good examples. The ethical guidelines that Norway gave its pension fund and the resulting investment decisions are one such. Governments cannot afford to maintain double standards by opposing the use of cluster munitions, while continuing to invest in cluster munitions production.

Any governmental effort to oppose the misery that cluster munitions cause should include efforts to dry up the supply capital that funds cluster munitions production.

Recent years have witnessed legislative proposals to ban investment in cluster munitions. Some countries took action outside the Convention on Cluster Munitions' implementation; others addressed the investment issue as part of the Convention on Cluster Munitions.

- **Research**

To be considered as a country banning investments in cluster munitions, a country must either have stated officially that it considers investment to be prohibited by Convention on Cluster Munitions, or have proposed or passed legislation banning investments. Legislative proposals need not be comprehensive, but they should meet the following criteria:

- The proposed law should be discussed in Parliament or another body with power to issue legislation.
- The proposed law should contain an explicit ban on investment in cluster munitions.

The research findings are divided into four categories. Firstly, we look at states that have adopted national legislation that bans types of investment in cluster munitions. After that we look at states that have not incorporated disinvestment in national legislation (yet) but that made interpretive statements that reflect the interpretation that (forms of) investments are prohibited under the CCM. Thirdly, we look at states in which parliamentary action is ongoing, or where legislative proposals have been tabled, but no legislation is in place just yet.

In what follows we first describe the five states that have adopted national legislation that prohibits different forms of investment in cluster munitions.

## DISINVESTMENT – LEGISLATION

In December 2008, 94 countries signed the Convention on Cluster Munitions in Oslo. The convention entered into force on 1 August 2010, as of which time it became binding international law.

Article 1(1)c of the CCM states, “Each State Party undertakes never under any circumstances to assist, encourage or induce anyone to engage in any activity prohibited to a State Party under this Convention.” As the Cluster Munition Coalition (CMC) explains in one of its policy papers, it regards prohibiting assistance as including prohibiting investment in cluster munitions.<sup>749</sup>

Some states have adopted national legislation to ban investments in cluster munitions as part of their ratification of the CCM. Others have covered the issue in separate laws. In what follows, we describe all existing legislation with regard to investments in cluster munitions.

### 2.3.1 Belgium

#### BACKGROUND

Acknowledging that cluster munitions are inhumane weapons and acknowledging the role of financial institutions, Belgium adopted legislation banning investment even before the Convention on Cluster Munitions.

At the end of 2006, the Belgian senate passed a bill forbidding Belgian financial institutions to invest in cluster munitions producers. The bill also instructed the Belgian government to produce a list of cluster munitions producers. In March 2007, the Belgian chamber of representatives unanimously passed the law, making Belgium the first country to ban investment in cluster munitions producers.

The Belgian Act Prohibiting the Financing of the Production, Use and Possession of Anti-personnel Mines and Submunitions supplements article 8 of the Act of 8 June 2006 governing economic and individual activities involving arms. The text is as follows:<sup>750</sup>

*Also prohibited is the financing of a company under Belgian law or under the law of another country, which is involved in the manufacture, use, repair, marketing, sale, distribution, import, export, stockpiling or transportation of anti-personnel mines and or sub-munitions within the sense of this act, and with a view to distribution thereof.*

*To this end The King shall, no later than the first day of the thirteenth month following the publication of this act, prepare a public list*

- i) of companies that have been shown to carry out an activity as under the previous paragraph;*
- ii) of companies holding more than half the shares of a company as under i) and;*
- iii) of collective investment institutions holding financial instruments of companies as designated in i) and ii).*

*He shall also determine the further regulations for the publication of this list.*

*Financing of a company on the list includes all forms of financial support, namely credits, bank guarantees and the acquisition for own account of financial instruments issued by the company.*

*In the event that a company which has already been granted financing is included on the list, this financing should, insofar as contractually possible, be fully terminated.*

*This prohibition does not apply to investment institutions where the investment policy under the articles of association or management regulations is to follow the composition of a specific share or bond index.*

*Similarly, the prohibition on financing does not apply to the well-defined projects of a company on the list, insofar as the financing does not envisage activities as stated in this article. The company is required to confirm this in a written statement.*

*Art. 3. Paragraph 6 of article 67 of the act of 20 July 2004 governing certain forms of collective investment portfolio management is withdrawn.*

Art. 4. *The fourth indent of Article 3, § 2, 1, of the act for the prevention of money laundering and the financing of terrorism, dated 11 January 1993 as amended by the act of 12 January 2004, is supplemented as follows: “including anti-personnel mines and/or sub-munitions.”*

Art. 5. *This act comes into force on the day it is published in the Belgian Monitor.*<sup>XXI</sup>

## COMMENTARY

- The law states the exact meaning of financing, which it defines as ‘any kind of financial support, more concrete credits, bank guarantees or the acquisition for own account of the financial instruments these companies have issued.’ This definition is comprehensive and avoids the need for discussions about what financing is.
- However, the law explicitly mentions two exceptions:
  - “This prohibition does not apply to investment institutions where the investment policy under the articles of association or management regulations is to follow the composition of a specific share or bond index.” This means that funds following an index may still contain shares in or obligations issued by companies that produce or sell anti-personnel mines, depleted uranium weapons and cluster munitions. This exception weakens the law.
  - The ban does not apply to financing specific projects by these companies when it can be demonstrated that the financing cannot be used for operations linked to anti-personnel mines or cluster munitions. To ensure exemption, financiers need a written declaration confirming the nature of the project and the fact that financing will not be used for operations linked to anti-personnel mines or cluster munitions. This still permits investors and lenders to finance projects for companies identified as anti-personnel mines or cluster munitions producers, but only when the project has nothing to do with the forbidden activities. This may sound like a reasonable exception, but it frees companies to transfer to projects that are connected with anti-personnel mines or cluster munitions funds that would otherwise have been needed for other purposes. This can legitimise financing for companies committed to very controversial activities contravening international humanitarian law. When passing legislation, other countries should close this loophole.

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XXI Original text:

“Est également interdit le financement d’une entreprise de droit belge ou de droit étranger dont l’activité consiste en la fabrication, l’utilisation, la réparation, l’exposition en vente, la vente, la distribution, l’importation ou l’exportation, l’entreposage ou le transport de mines antipersonnel et/ou de sous-munitions au sens de la présente loi en vue de leur propagation.

A cette fin, le Roi publiera, au plus tard le premier jour du treizième mois suivant le mois de la publication de la loi, une liste publique

- i) des entreprises dont il a été démontré qu’elles exercent l’une des activités visées à l’alinéa précédent;
- ii) des entreprises actionnaires à plus de 50% d’une entreprise au point i).
- iii) des organismes de placement collectif détenteurs d’instruments financiers d’une entreprise aux points i) et ii).

Il fixera également les modalités de publication de cette liste.

Par financement d’une entreprise figurant dans cette liste, on entend toutes les formes de soutien financier, à savoir les crédits et les garanties bancaires, ainsi que l’acquisition pour compte propre d’instruments financiers émis par cette entreprise.

Lorsqu’un financement a déjà été accordé à une entreprise figurant dans la liste, ce financement doit être complètement interrompu pour autant que cela soit contractuellement possible.

Cette interdiction ne s’applique pas aux organismes de placement dont la politique d’investissement, conformément à leurs statuts ou à leurs règlements de gestion, a pour objet de suivre la composition d’un indice d’actions ou d’obligations déterminé.

L’interdiction de financement ne s’applique pas non plus aux projets bien déterminés d’une entreprise figurant dans cette liste, pour autant que le financement ne vise aucune des activités mentionnées dans cet article.

L’entreprise est tenue de confirmer ceci dans une déclaration écrite.’

Art. 3. Le paragraphe 6 de l’article 67 de la loi du 20 juillet 2004 relative à certaines formes de gestion collective de portefeuilles est abrogé.

Art. 4. Le quatrième tiret de l’article 3, § 2, 1, de la loi du 11 janvier 1993 relative à la prévention de l’utilisation du système financier aux fins du blanchiment de capitaux et du financement du terrorisme, modifié par la loi du 12 janvier 2004, est complété par la disposition suivante: « en ce qui compris les mines anti-personnel et/ou les sous-munitions ».

Art. 5. La présente loi entre en vigueur le jour de sa publication au *Moniteur belge*. ”

(Loi interdisant le financement de la fabrication, de l’utilisation ou de la détention de mines antipersonnel et de sous-munitions, available at <http://staatsbladclip.zita.be/staatsblad/wetten/2007/04/26/wet-2007003169.html>, last viewed 12 May 2012. Translated by certified translator P. van Weeghel; text in IKV Pax Christi’s archives.

- The law contains no penalties, nor does it assign responsibility for enforcement.
- The law provides in a public exclusion list. However, at the time of writing, five years after the legislation was passed, the responsible minister has still not published the exclusion list.

## 2.3.2 Ireland

### BACKGROUND

Ireland was a driving force behind the Oslo process. It deserves much of the credit for the successful outcome of the negotiations and the convention's strength. It signed and ratified the Convention on Cluster Munitions on 3 December 2008.<sup>751</sup>

Even before Ireland signed the convention on 3 March 2008, its National Pensions Reserve Fund announced that it would withdraw €27 million in investments from six international companies involved in producing cluster munitions. This announcement was made in response to a government request to withdraw from companies involved in the manufacture of cluster munitions.<sup>752</sup>

On 22 October 2008, Ireland presented the 2008 Cluster Munitions and Anti-personnel Mines Bill to its Lower House. Presenting this act, number 20, was Ireland's way of signing and ratifying the convention. It made Ireland one of the four countries signing and ratifying the convention all at once on 3 December 2008.<sup>753</sup>

The 2008 Cluster Munitions and Anti-Personnel Mines Act explicitly prohibits investment of public money in cluster munitions producers. It made Ireland the second country to legislate against investment in cluster munitions.

The prohibition is set out in Part 4 of the act.<sup>754</sup>

#### *PART 4: Investment of Public Moneys*

##### **11.** — *In this Part —*

*“components” means components specifically designed for use in prohibited munitions;*

*“investor” means a person or body responsible for the investment of public moneys owned by a Minister of the Government;*

*“munitions company” means a company involved in the manufacture of prohibited munitions or components;*

*“prohibited munition” means a cluster munitions, explosive bomblet or anti-personnel mine;*

*“public moneys” means moneys provided by the Oireachtas out of the Central Fund, or the growing produce thereof.*

##### **12.** — (1) *Nothing in any enactment that authorises the investment of public moneys shall be taken to authorise any investment, direct or indirect, in a munitions company.*

(2) *Notwithstanding any other enactment, an investor, in the performance of any function conferred on it by or under any enactment, shall endeavour to avoid the investment of public moneys in a munitions company.*

(3) *In pursuing the objective set out in subsection (2) an investor shall have regard to the matters set out in this Part.*

##### **13.** — (1) *An investor shall endeavour to avoid the direct investment of public moneys in equity or debt securities issued by a munitions company.*

(2) *Where public moneys are directly invested in a company which is or becomes a munitions company, the investor shall—*

*(a) establish to its satisfaction that the company intends to cease its involvement in the manufacture of prohibited munitions or components, or*

*(b) divest itself of its investment in that company in an orderly manner.*

- 14.** — (1) *An investor shall avoid investing public moneys in collective investment undertakings or investment products unless, having exercised due diligence, the investor is satisfied that there is not a significant probability that the public moneys will be invested in a munitions company.*
- (2) *Where public moneys are invested in a collective investment undertaking or investment product which invests these moneys in a company which is or becomes a munitions company, the investor shall—*
- (a) *establish to its satisfaction that—*
- (i) *the company intends to cease its involvement in the manufacture of prohibited munitions or components,*
- or*
- (ii) *the collective investment undertaking or investment product intends to divest itself of its investment in the company, and that there is not a significant probability that the collective investment undertaking or investment product will again invest public moneys in a munitions company,*
- or*
- (b) *so far as possible, taking into account any contractual obligation it has assumed, divest itself of its investment in that collective investment undertaking or investment product in an orderly manner.*
- 15.** — *Nothing in this Part shall prevent an investor from contracting derivative financial instruments based on a financial index.*

#### COMMENTARY

- Ireland was the first country to specify an investment ban in the text ratifying the CCM. This is an important example for other countries.
- The law leaves no doubt about what is excluded from investments. It prohibits investment in cluster munitions producers (whether for munitions-linked or other activities). These producers include producers of specifically designed components of cluster munitions.
- The law prohibits many investment products: equity and debt securities issued by a munitions company, collective investment undertakings or investment products that invest in the involved companies (unless the company and/or the financial product severs its link to cluster munitions).
- The law stipulates that the investor has a role to play. He/She “shall endeavour to avoid the investment of public money in a munitions company” and he/she must “exercise due diligence” when investing in collective products.
- The Irish law makes an exception for financial instruments based on a financial index: these investments are allowed even when they contain shares in or obligations issued by cluster munitions producers. This exception weakens the law.
- The law covers only public money provided by the “Oireachtas out of the Central Fund, or the growing produce thereof.” This means that the act does not cover money from sources other than the Central Fund, e.g. it does not extend to money from counties and municipalities or money from private sources. Moreover, the law says nothing about withdrawing bank guarantees; the Irish government can still grant a guarantee to a bank that invests in cluster munitions producers.
- It is not clear how the law will be enforced: the law does not stipulate that the investment of public money should be made public to ensure that none is invested in companies that produce cluster munitions. There are no provisions setting criteria for determining which companies are involved in the manufacture of prohibited munitions or their components.

### 2.3.3 Italy

#### BACKGROUND

On 16 March 2011, the Italian senate unanimously adopted legislation to ratify and implement the Convention on Cluster Munitions. The Chamber of Deputies followed suit on 18 May 2011. On 4 July 2011, the Law on the Ratification and Implementation of the Oslo Convention on the ban on cluster munitions (Law no. 95) was published.<sup>755</sup>

Art. 7 (1) of this law declares financial assistance to acts prohibited by the law a crime:

“Whoever uses, subject to the provisions of Article 3, paragraph 3, develops, produces, acquires in any way, stores, retains, or transfers, directly and indirectly, cluster munitions or parts thereof, or financially assists, encourages or induces others to engage in such activity, is punished with imprisonment from three to twelve years and a fine of 258.228 Euro to 516.456 Euro.”<sup>756 XXII</sup>

The Italian Campaign to Ban Landmines has advocated a separate, more detailed law. On 26 April 2010, draft legislation was introduced in the Senate. It would prohibit all Italian financial institutions from providing any form of support to Italian or foreign companies performing a range of activities including the production, use, sale, import, export, stockpiling, or transport of antipersonnel mines as well as cluster munitions and explosive submunitions.<sup>757</sup> The draft legislation was referred to the Senate financial and treasury commission on 26 May 2010. As of the time of writing the commission had not yet examined it.<sup>758</sup>

#### COMMENTARY

- The text of Law no. 95 does not define financial assistance. In that respect the draft proposal of 26 April 2010 defines the scope of financial assistance more precisely. The latter prohibits the provision of any form of financial support, including granting any type of credit, issuing financial guarantees, equity participation, acquisition or subscription of securities issued by companies producing antipersonnel mines or cluster munitions. It forbids Italian and foreign companies in Italy from financing companies performing a range of activities relating to antipersonnel mines, cluster munitions and submunitions.
- The reference to the prohibition of “financial assistance” in the law is due to an approved amendment to the original text. As a consequence, financial assistance to the production, development, storage, etc. of cluster munitions or parts thereof is a national crime. However, the current text seems to leave the possibility open that it only applies to the Italian level. The Italian Campaign to Ban Landmines warns that the law still makes it possible to offer financial assistance on an international level.
- The text of law 95 prohibits financing the development and production of cluster munitions and parts thereof. However, this leaves open the question whether this only forbids financial support for cluster munitions producers’ production of cluster munitions. It seems to leave open the option to finance cluster munitions producers’ general purposes.
- The Italian law defines penalties, but does not provide for monitoring tools or auditing methods, which will complicate the implementation of the law. The implementation order will have to regulate all of these issues and will be decisive for the law’s scope. The 26 April 2010 draft proposal is more detailed. It wants the Bank of Italy to appoint a third party to monitor compliance and to publish a list of companies involved in the production, use, repair, promotion, sale, distribution, import, export, storage, possession or transportation of cluster munitions.

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XXII Original text: “Chiunque impiega, fatte salve le disposizioni di cui all’articolo 3, comma 3, sviluppa, produce, acquisisce in qualsiasi modo, stocca, conserva o trasferisce, direttamente o indirettamente, munizioni a grappolo o parti di esse, ovvero assiste anche finanziariamente, incoraggia o induce altri ad impegnarsi in tali attività, e’ punito con la reclusione da tre a dodici anni e con la multa da euro 258.228 a euro 516.456.” Translated by Suzanne Oosterwijk, IKV Pax Christi.



## 2.3.4 Luxembourg

### BACKGROUND

Even before the Oslo Convention was signed, Luxembourg developed draft legislation on cluster munitions that included a ban on investment. Luxembourg decided to freeze this procedure to wait for the final text of the CCM in December 2008. After signing the Oslo Convention, it published a draft ratification law. This included a prohibition for all persons or businesses from knowingly financing cluster munitions or explosive submunitions.<sup>759</sup> Luxembourg passed the law on 7 May 2009.

Article 3 contains the investment ban:

*Art 3. All persons, businesses and corporate entities are prohibited from knowingly financing cluster munitions or explosive submunitions.*<sup>XXIII</sup>

Article 4 states that those who knowingly breach Articles 2 or 3 can be penalised with 5 to 10 years detention and a fine ranging from €25,000 to €1 million.<sup>760</sup>

At the first Meeting of States Parties to the Convention on Cluster Munitions in Lao PDR, Luxembourg's Vice-Prime Minister, Jean Asselborn, encouraged all the states that have signed the convention "to prohibit the financing of cluster bombs."<sup>761</sup>

### COMMENTARY

- The term knowingly did not appear in the first draft of the legislation. In June 2008, the Luxembourg Bankers Association (ABBL) and the Luxembourg Fund Association (ALFI) published a commentary on this draft legislation. These associations suggested adding the term knowingly to the text. They argued that a bank could never be 100% sure that their client or any given transfer of money had no link to cluster munitions. They suggested replacing the words 'direct or indirect financing' with 'knowingly financing'.<sup>762</sup> The term knowingly could be a loophole in this legislation. It shrugs off responsibility for identifying transactions related to cluster munitions. It could release banks from their duty of due diligence and operate with scrutiny. Luxembourg's implementation order will have to provide a clear and airtight definition of knowingly. Luxembourg could consider doing the same as Belgium, where the state is obliged to draw up a list of cluster munitions producers.
- The text does not define financing. This word's scope should be pinned down precisely, because it is open to multiple interpretations.
- The law forbids financing cluster munitions. It does not explain whether this means that cluster munitions producers are excluded from financing, or whether the exclusion covers only the act of producing cluster munitions. The latter would permit general purpose financing for cluster munitions producers.
- The law does not provide for monitoring tools, producer or financier lists, auditing methods, etc. The implementation order will have to specify all of these and is of major importance for the implementation and scope of the law. At the first Meeting of States Parties to the Convention on Cluster Munitions in Lao PDR, Luxembourg announced that it would set up an ethics commission. Minister Asselborn launched the idea to create an ethical council in the Grand Duchy of Luxembourg. This council would be composed of Luxembourg financial (Alfi, Gafi, ABBL, CSSF) and public institutions (Ministry of Finance, Ministry of Justice, Ministry of Foreign Affairs, Compensation Fund). It would be

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XXIII Original text: "Il est interdit à toute personne physique ou morale de financer, en connaissance de cause, des armes à sous-munitions ou des sous-munitions explosives." Translated by Katherine Harrison, Action on Armed Violence.

responsible for monitoring and verifying present and future investments by the State of Luxembourg to prevent improper investments in companies involved in the production of cluster munitions.<sup>XXIV</sup> This commission would be of great assistance in monitoring investments and enforcing the law.<sup>763</sup>

### 2.3.5 New Zealand

#### BACKGROUND

On 10 December 2009, the New Zealand parliament unanimously passed its legislation to implement the Convention on Cluster Munitions. This Cluster Munitions (Prohibition) Bill contains a prohibition on investments in companies that manufacture cluster munitions. Late amendments after strong campaigning by the Aotearoa New Zealand Cluster Munition Coalition added this investment ban to the law. The law states that

“A person commits an offence who provides or invests funds with the intention that the funds be used, or knowing that they are to be used, in the development or production of cluster munitions.”<sup>764</sup>

The law defines clearly what it means by funds: “funds means assets of every kind, whether tangible or intangible, moveable or immovable, however acquired; and includes legal documents or instruments (for example bank credits, travellers’ cheques, bank cheques, money orders, shares, securities, bonds, drafts, and letters of credit) in any form (for example, in electronic or digital form) evidencing title to, or an interest in, assets of any kind.”

The law contains strong and clear wording on penalties for those who breach the law.

The legislation was unanimously adopted and the governor-general signed it into law on 17 December 2009 paving the way for the deposit of New Zealand’s ratification instrument on 23 December 2009.

#### COMMENTARY

- The addition of the words knowingly and intention could pose a problem. This term shrugs off responsibility for identifying transactions related to cluster munitions. It could release banks from their duty of due diligence and operate with scrutiny. It is important to define precisely what knowingly and intention mean. The law contains penalty clauses; nevertheless, complications arise when it comes to proving that money was intentionally used to produce cluster munitions. If the law contains no clear and unambiguous definitions for intention and knowledge, there is a danger that the law will be interpreted as covering only project financing for cluster munitions and that cluster munitions producers would still be able to obtain funding. That would be one enormous loophole, given the ease with which companies can redirect funds internally.
- Were the New Zealand government to publish a list of cluster munitions producers, this would provide a strong tool for determining whether there is an intention or knowledge that the funds will be used to finance the production of cluster munitions.

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XXIV Original text: “Lors d’une prise de position devant la presse luxembourgeoise, le Vice-Premier Ministre a réitéré son appel à l’interdiction du financement en connaissance de cause d’armes à sous-munitions. Au vu des difficultés de prévoir les ramifications de certaines sociétés dans des secteurs industriels qui produisent des armes à sous-munitions, le ministre Asselborn a lancé l’idée de créer une enceinte éthique au Grand-Duché de Luxembourg qui serait composé d’institutions financières luxembourgeoises (Alfi, Gafi, ABBL, CSSF) ainsi que d’institutions publiques (ministère des Finances, ministère de la Justice, ministère des Affaires étrangères, Fonds de Compensation) et qui serait chargé de contrôler et vérifier les investissements actuels et futurs de l’État luxembourgeois en vue de prévenir des investissements erronés dans des sociétés impliquées dans la production d’armes à sous-munitions.” Translated by Esther Vandenbroucke, FairFin (formerly *Netwerk Vlaanderen*).

## **European Parliament**

Even before the Convention on Cluster Munitions, there was an international consensus that cluster munitions are indiscriminate and inhumane weapons that, for that reason, should be considered illegal under humanitarian law.

One example of this view is the European Community's concern about cluster munitions. The European Parliament adopted its *Resolution on a Mine-Free World* on 7 July 2005. This resolution explicitly addresses the role of financial institutions. It "calls on the EU and its Member States to prohibit through appropriate legislation financial institutions under their jurisdiction or control from investing directly or indirectly in companies involved in production, stockpiling or transfers of anti-personnel mines and other related controversial weapon systems such as cluster submunitions."<sup>765</sup>

In October 2007, this call was repeated in the European Parliament's resolution *Towards A Global Treaty to Ban All Cluster Munitions*. In this resolution the European Parliament calls for "an immediate moratorium on using, investing in, stockpiling, producing, transferring or exporting cluster munitions, including air-dropped cluster munitions and submunitions delivered by missiles, rockets, and artillery projectiles, until a binding international treaty has been negotiated on the banning of the production, stockpiling, export and use of these weapons."<sup>766</sup>

## **DISINVESTMENT – MINISTERIAL AND INTERPRETIVE STATEMENTS**

As stated above, several countries have confirmed the position that article 1(1)c of the CCM on prohibiting assistance includes a prohibition on investing in cluster munitions. Australia, Bosnia and Herzegovina, Cameroon, Colombia, Croatia, the Czech Republic, France, Guatemala, the Holy See, Hungary, Lao PDR, Lebanon, Malta, Madagascar, Malawi, Mexico, Rwanda, Senegal, Slovenia, the United Kingdom and Zambia have defined investment as one of the prohibited types of assistance.

### **2.3.6 Australia**

The Australian government is working on the Criminal Code Amendment (Cluster Munitions) Prohibition Bill to ratify the Convention on Cluster Munitions. The Criminal Code Amendment is still debated in Australia. It would allow for indirect financing of cluster munitions development and production through financing of companies involved in such activities, provided the financier does not intend the finance to be used for the purpose of developing or producing cluster munitions.<sup>767</sup> In March 2011 when asked about the issue again in the Australian senate, the Attorney General's Department on the Bill expressed its view that "the intentional provision of financial assistance to an entity so that the entity can develop or produce cluster munitions will amount to an offence."<sup>768</sup>

### **2.3.7 Bosnia and Herzegovina**

Bosnia and Herzegovina signed the Convention on Cluster Munitions on 3 December 2008, ratified it on 7 September 2010, and became a State Party to the convention on 7 September 2010.<sup>769</sup>

In July 2011, the head of the department of conventional weapons of the Ministry of Foreign Affairs expressed the Ministry's view it "considers investment in the production of cluster munitions to be prohibited."<sup>770</sup>

### 2.3.8 Cameroon

The Republic of Cameroon signed the Convention on Cluster Munitions on 15 December 2009. At the time of writing Cameroon had yet to deposit its instrument of ratification with the UN in New York, the final step required to complete its ratification of the convention.<sup>771</sup>

On 12 May 2011 in a letter to Handicap International France, the Ministry of External Relations declared: “Cameroon [...] approves therefore [...] the prohibition on investments in cluster munitions.”<sup>772</sup>

### 2.3.9 Colombia

The Republic of Colombia signed the Convention on Cluster Munitions on 3 December 2008. The ratification process is underway.<sup>773</sup>

Responding to a questionnaire by the Landmine and Cluster Muniton Monitor, the Ministry of Foreign Affairs of Colombia stated on 26 March 2010 that it views “investment by any government in the production of cluster munitions”<sup>XXV</sup> as prohibited under article 1(1)c of the CCM.<sup>774</sup>

### 2.3.10 Croatia

The Republic of Croatia signed the Convention on Cluster Munitions in Oslo on 3 December 2008. The Croatian parliament approved the “Law for the Ratification of the Convention on Cluster Munitions” on 5 June 2009. Croatia formally deposited its ratification with the UN in New York on 17 August 2009. It was the 16th country to ratify, and thus among the first 30 ratifications that triggered entry into force on 1 August 2010.<sup>775</sup>

Responding to a questionnaire by the Cluster Muniton Monitor, the Ministry of Foreign Affairs and European Integration of Croatia stated on 23 March 2011 that it agrees that, “investment in the production of cluster munitions is prohibited.”<sup>776</sup>

### 2.3.11 The Czech Republic

On 21 June 2011, president Vaclav Klaus signed Law No. 213 on the Prohibition of the Use, Development, Production, and Transfer of Cluster Munitions and their Destruction, thus completing all the necessary domestic steps to ratify the convention, signed by the Czech Republic on 3 December 2008.<sup>777</sup>

In July 2011, the Czech Republic informed the Cluster Muniton Monitor that it had not yet reached national consensus on its views on a number of important issues related to the interpretation and implementation of the convention, including the prohibition on investment in the production of cluster munitions.<sup>778</sup> However, on 30 April 2012 the Ministry of Foreign Affairs of the Czech Republic confirmed in a letter to Human Rights Watch that the Czech Republic agrees that, “investment in the production of cluster munitions is prohibited under the Convention.”<sup>779</sup>

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XXV Original text: En relación con los asuntos anteriores Colombia ha dado estricto cumplimiento al objeto y fin de la Convención de Oslo el cual en su artículo 1 establece: “Cada Estado Parte se compromete a nunca, y bajo ninguna circunstancia: ... (c) Ayudar, alentar o inducir a nadie a participar en una actividad prohibida a un Estado Parte según lo establecido en la presente Convención.” Así, en estricto cumplimiento de estas obligaciones, el Gobierno de Colombia tiene una clara posición de rechazo y prohibición absoluta de cualquier conducta encaminada .... así como la inversión por parte de cualquier gobierno en producción de municiones en racimo.” Translated by Esther Vandebroucke, FairFin.

### 2.3.12 France

The French government gave an interpretative statement specifying that it understood investments in cluster munitions as being banned under the prohibition on assistance. On 6 July 2010, the Deputy Minister of Defence said in an address to the National Assembly that “any knowingly financial assistance, directly or indirectly, in the production or trading of cluster munitions would be considered as assistance, encouragement or inducement falling within the scope of the law under criminal complicity or commission of offences under this bill. If monitoring of the implementation of the law by the National Commission for the Elimination of Anti-personnel Mines (CNEMA) shows a failure on this point, the Government would draw the appropriate conclusions, proposing to the Parliament the necessary legislative changes.”<sup>XXVI 780</sup>

### 2.3.13 Guatemala

The Republic of Guatemala signed the Convention on Cluster Munitions in Oslo on 3 December 2008<sup>781</sup> and ratified it on 3 November 2010.<sup>782</sup>

On 14 May 2010, the Permanent Representative of Guatemala to the United Nations in Geneva wrote in a letter to Human Rights Watch that “– according to the interpretation of the government of Guatemala– the Convention also includes a prohibition on investments in companies that manufacture cluster munitions.”<sup>783</sup>

### 2.3.15 The Holy See

The Holy See signed and ratified the Convention on Cluster Munitions in Oslo on 3 December 2008. It was one of four countries to sign and ratify the convention on the same day.<sup>786</sup>

In a statement to the First Meeting of States Parties in Vientiane, Lao PDR in November 2010 the Holy See said that, “In a world ever more globalized and interdependent, some countries produce or possess production methods or invest in the military industry, outside their national borders. It is important for the integrity of the Convention and for its application to include these investments in the list of prohibitions.”<sup>787</sup>

### 2.3.14 Hungary

The Republic of Hungary signed the Convention on Cluster Munitions on 3 December 2008.<sup>784</sup>

In a letter dated 27 April 2011, the Minister of Foreign Affairs János Martonyi informed Human Rights Watch of Hungary’s interpretation of the convention. On disinvestment the Minister wrote, “[...] Hungary believes that the convention prohibits investment in the production of cluster munitions.”<sup>785</sup>

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XXVI Original text: “Concernant le financement, il est clair, dans notre esprit, que toute aide financière, directe ou indirecte, en connaissance de cause d’une activité de fabrication ou de commerce d’armes à sous-munitions constituerait une assistance, un encouragement ou une incitation tombant sous le coup de la loi pénale au titre de la complicité ou de la commission des infractions prévues par le présent projet de loi. Si les travaux de suivi de l’application de la loi par la Commission nationale pour l’élimination des mines antipersonnel, la CNEMA, amenaient à constater une insuffisance de la loi sur ce point, le Gouvernement en tirerait les conclusions qui s’imposent, en proposant au Parlement les modifications législatives nécessaires.” Translated by Esther Vandembroucke, FairFin.

### **2.3.16 Lao PDR**

The Lao People's Democratic Republic (Lao PDR) signed the Convention on Cluster Munitions on 3 December 2008. Lao PDR ratified the convention on 18 March 2009, the fifth country in the world and the first in Asia to do so, making it among the first 30 that triggered the entry into force of the convention on 1 August 2010. As the most heavily affected country in the world, the support of Lao PDR was a crucial element in the success of the Oslo Process that produced the convention.<sup>788</sup>

On 1 June 2011, a Ministry of Foreign Affairs official informed Human Rights Watch of Lao PDR's interpretation of the convention, including the issue of disinvestment. "For us it is clear that we strongly support the full prohibition of cluster munitions, including those activities during the joint military operations, transiting, foreign stockpiling and investment in the production of cluster munitions."<sup>789</sup>

### **2.3.17 Lebanon**

The Republic of Lebanon signed the Convention on Cluster Munitions in Oslo on 3 December 2008<sup>790</sup> and ratified it on 5 November 2010.<sup>791</sup>

In a letter to Human Rights Watch, the government of Lebanon wrote, "It is the understanding of the government of Lebanon that Article /1/ Paragraph (c) of the Convention prohibits the investment in entities engaged in the production or transfer of cluster munitions or investment in any company that provides financing to such entities. In Lebanon's view, "assistance" as stipulated in Article /1/ paragraph (c) includes investment in entities engaged in the production or transfer of cluster munitions and is thus prohibited under the Convention."<sup>792</sup>

### **2.3.18 Madagascar**

The Republic of Madagascar signed the Convention on Cluster Munitions in Oslo on 3 December 2008.<sup>793</sup>

On 2 April 2010, Ambassador Rajemison Rakotomaharo (Permanent Representative to the United Nations in Geneva) wrote in a letter to Human Rights Watch that, "the Convention, in the opinion of Madagascar, also precludes investments in companies that produce cluster munitions."<sup>794</sup> This view was reiterated in the statement Madagascar made on the First Meeting of State Parties in Lao PDR. Madagascar stated that, "there should be no exceptions when it comes to cluster munitions, which has a negative impact on all human beings, causing unacceptable suffering, therefore any investment in cluster munitions should indeed be prohibited."<sup>795</sup>

### **2.3.19 Malawi**

The Republic of Malawi signed the Convention on Cluster Munitions on 3 December 2008. It ratified it on 7 October 2009, becoming the fifth African country and the 22nd in the world to ratify the convention. That placed it among the first 30 ratifications that triggered entry into force of the convention on 1 August 2010.<sup>796</sup>

On 25 March 2010, Major Dan Kuwali, director of Legal Services of the Malawi Defence Force, stated during the Africa Regional Conference on the Universalisation and Implementation of Convention on Cluster Munitions in Pretoria, South Africa that, "Malawi is of the opinion that the Convention constitutes a prohibition on the investment in producers of cluster munitions."<sup>797</sup>

### **2.3.20 Malta**

The Republic of Malta signed the Convention on Cluster Munitions in Oslo on 3 December 2008. Malta ratified the convention on 24 September 2009, becoming the 19th country to do so. That placed it among the first 30 that triggered entry into force of the convention on 1 August 2010.<sup>798</sup>

On 25 April 2010, the Ministry of Foreign Affairs offered its understanding of several provisions in the Convention on Cluster Munitions in an e-mail to Handicap International France. It stated that, “The policy of the Government of Malta on issues of interpretation of the Convention is guided by the need to ensure the rapid destruction of cluster munitions. With regard to investment in the production of cluster munitions, Malta interprets Article 1 (b) of the Convention on Cluster Munitions as prohibiting this activity. Malta believes that the assistance prohibition under Article 1 (c) of the Convention precludes financing and investment in corporations linked with the production of cluster munitions.”<sup>799</sup>

### **2.3.21 Mexico**

The United Mexican States signed the Convention on Cluster Munitions on 3 December 2008 and ratified on 6 May 2009. Mexico was the seventh signatory to ratify the convention and the first from the Western Hemisphere to do so. That placed it among the first 30 ratifications that triggered entry into force of the convention on 1 August 2010.<sup>800</sup>

In a letter to Human Rights Watch dated 4 March 2009, Ambassador Juan Manuel Gómez Robledo from the Ministry of Foreign Affairs wrote that, “It is Mexico’s opinion that investment for the production of cluster munitions is also prohibited by the Convention.”<sup>801</sup>

### **2.3.22 Rwanda**

The Republic of Rwanda signed the Convention on Cluster Munitions in Oslo on 3 December 2008 and has started its ratification process.<sup>802</sup>

In a letter to Human Rights Watch on 6 April 2009, Minister Rosemary Museminali of the Ministry of Foreign Affairs and Cooperation made it known that, “any investment in the production of cluster munitions is prohibited.”<sup>803</sup>

### **2.3.23 Senegal**

The Republic of Senegal signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 3 August 2011.<sup>804</sup>

On 3 February 2011 Colonel Meïssa Niang, Director, Control Research and Legislation of the Ministry of Armed Forces of Senegal answered in a letter to Human Rights Watch that, “Senegal considers the transfer and foreign stockpiling of cluster munitions, and investment in cluster munitions to constitute a violation.”<sup>805</sup>

### **2.3.24 Slovenia**

The Republic of Slovenia signed the Convention on Cluster Munitions on 3 December 2008 and ratified it on 19 August 2009. Its ratification was thus among the first 30 to trigger the convention’s entry into force on 1 August 2010.<sup>806</sup>

In a letter to Human Rights Watch dated 14 March 2012, the Minister of Foreign Affairs of the Republic of Slovenia confirmed that: “Slovenia has no intention to allow for investments in cluster munitions.”<sup>807</sup>

### 2.3.25 The United Kingdom

The UK “Cluster Munitions (Prohibition) Bill” received Royal Assent on 25 March 2010. In both Houses, debates on the Bill questioned whether the financing of cluster munitions production was prohibited under the legislation. The text of the legislation does not explicitly include a prohibition on investment in, or provision of financial services to, companies involved in the production of cluster munitions. However, in response to parliamentary questions the Government issued a Ministerial Statement on 7 December 2009 confirming that, “under the current provisions of the Bill, which have been modelled upon the definitions and requirements of the convention, the direct financing of cluster munitions would be prohibited. The provision of funds directly contributing to the manufacture of these weapons would therefore become illegal.”<sup>808</sup>

The legislation does not prohibit indirect financing of cluster munitions, but the government announced it intended to work with the financial industry, non-governmental organisations and other interested parties to promote a voluntary code of conduct to prevent indirect financing, and if necessary would use their right to initiate legislation.

### 2.3.26 Zambia

The Republic of Zambia signed the Convention on Cluster Munitions in Oslo on 3 December 2008. It formally deposited its instrument of ratification with the UN on 12 August 2009, becoming the 15th country to do so. That placed it among the first 30 ratifications that triggered entry into force of the convention on 1 August 2010.<sup>809</sup>

During the National Committee on Anti-personnel Landmines (NCAL) on 11 September 2009 in Lusaka, the Director of Zambia Mine Action Centre stated that, “it is the understanding of Zambia that the Convention on Cluster Munitions includes a prohibition on investments in companies that manufacture cluster munitions.”<sup>810</sup>

## DISINVESTMENT – PARLIAMENTARY INITIATIVES / DRAFT LEGISLATION

In some states, parliamentarians have taken steps to ban investments in cluster munitions. These states have no legislation yet, so we cannot offer a commentary. Instead, we offer an update on the current state of these efforts and, where available, provide information on the draft legislation.<sup>XXVII</sup>

### 2.3.27 The Netherlands

For quite some years the Dutch government took the stance that the Convention on Cluster Munitions did not include a ban on investment and that the convention could not be applied to private institutions. In September 2008, the Dutch Ministry of Foreign Affairs said that it did believe that investment in cluster munitions production runs counter to the spirit of, but is not necessarily banned by, the Convention on Cluster Munitions. In the same letter to parliament the Ministry of Foreign Affairs wrote that the convention cannot be applied to private institutions or persons and that an additional law banning investment in cluster munitions was not deemed necessary.<sup>811</sup>

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XXVII Although proposed legislation is pending in the Italian senate, we choose to discuss Italy under 2.3.3 since this proposal is supplemental to legislation already in force.



In a letter to the Senate dated 13 October 2011, the government expressed for the first time its willingness to support legislation prohibiting direct investment in cluster munitions, probably as a result of ongoing pressure from parliament and civil society.<sup>812</sup> In December 2009, Dutch Socialist and Labour parties called upon the government and parliament to pass a law that would prohibit investments in cluster munitions.<sup>813</sup> The motion was adopted by a majority of votes. On 31 March 2010, the Dutch caretaker Ministers of Finance and of Social Affairs announced that they would not to implement the motion. In May 2010, the Ministry of Foreign Affairs explained this refusal by saying that the convention applied only to States Parties and not to individuals or private institutions. In March 2011, the Dutch senate again posed questions, expressing their support for legislation to ban direct and demonstrable investment by law. The Senate adopted a motion on 29 March 2011 calling for “a prohibition on direct and demonstrable investments in the production, sale and distribution of cluster munitions.”<sup>XXVIII 814</sup>

On 21 March 2012, in a letter to the Senate, the government announced that it would introduce draft legislation to revise the ‘Financial Supervision Act’ to include the prohibition of direct investment in cluster munitions starting 1 January 2013. The Minister of Finance wrote that a broad legal discussion had been started about whether adopting a prohibition on investments in cluster munitions fell under the obligations of the Convention on Cluster Munitions. The Minister said, “Although there is no international consensus on this (yet), the discussion, just like the convention, is based on the central principle that an end has to be put to the humanitarian harm caused by cluster munitions. This consideration has led the cabinet to the decision to [...] introduce a legal prohibition on direct investment in cluster munitions by financial institutions.”<sup>815</sup> A new provision will be added to the Market Abuse (Financial Supervision) Decree that “imposes an obligation that prevents an enterprise directly supporting any national or foreign enterprise which produces, sells or distributes cluster munitions” so as to restrict, as much as possible, investments in cluster munitions producers.

The Netherlands Authority for Financial Markets will be the primary body responsible for supervising compliance. The amended Market Abuse (Financial Supervision Act) Decree that will regulate the prohibition on direct investments in cluster munitions is expected to enter into force on 1 January 2013. The proposed prohibition defines direct investment as: providing loans, acquire or offer a financial instrument that has been issued by a company engaging in the production, selling, or distribution of cluster munitions, and acquire non-marketable holdings in the capital of such a company.<sup>816</sup> The regulation does not apply to transactions based on an index and transactions in investment funds operated by third parties in which companies that produce, sell, or distribute cluster munitions constitute less than 5 percent of the total, and investments in clearly defined projects of a cluster munitions producer insofar as such funding is not utilized for the production, sale and distribution of cluster munitions.

A financial institution in violation of Article 21a of the Market Abuse (Financial Supervision Act) Decree can be sanctioned to a fine with a set basic amount of €500,000 and a maximum of €1,000,000.<sup>XXIX<sup>817</sup></sup> During the Convention on Cluster Munitions Intersessional Meeting in Geneva in April, the Netherlands informed the plenary session about the upcoming regulations on investment in cluster munitions during the session on national implementation measures.<sup>818</sup>

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XXVIII Original Dutch text: “[...] een verbod op aantoonbare directe investeringen in de productie, verkoop en distributie van cluster-munitie.” Translated by Roos Boer, IKV Pax Christi.

XXIX A fine of category 2 applies to a financial institution in breach with Article 21a of the Market Abuse (Financial Supervision Act) Decree. The set basic amount is €500,000 with a maximum of €1000,000. The Netherlands Authority for the Financial Markets can increase or decrease the basic amount as it sees fit, according to duration and nature of the violation.

### 2.3.28 Norway

Norway – a driving force behind the so-called Oslo process - signed the Convention on Cluster Munitions in Oslo on 3 December 2008. It was one of the four countries that signed and ratified the convention on that same day.<sup>819</sup>

The Convention on Cluster Munitions was implemented in Norway in a separate law on cluster munitions as set out in Proposition n° 7. It has not yet been formalised.<sup>820</sup>

Proposition n° 7 has been submitted to the Odelsting, the Norwegian lower house. The Norwegian Ministry of Foreign Affairs has agreed that investment in companies that develop or produce cluster munitions may fall within the scope of the convention's prohibition against aiding and abetting cluster munitions producers. When assessing an identically worded prohibition against aiding and abetting found in Article 1 of the Convention on Anti-personnel Landmines in 2002, the Petroleum Fund's Advisory Commission on International Law wrote "In the Advisory Commission's view, the point is that any investment of money in a company may be regarded as a form of support to the company even though the sums, relatively speaking, are small. The mere fact that the Petroleum Fund invests in a company at all, could, for example, encourage other States and investors to follow suit. And even if an investment in a company was so modest that it probably would not reach the threshold of the prohibition against States assisting in landmine production, this would probably nevertheless be covered by the alternatives "encourage or induce in a way." Owning shares in (...) as long as the company (or its subsidiary) continues to produce anti-personnel mines, may, in the view of the Advisory Commission, therefore fall within the scope of the provision concerning aiding and abetting set out in Article 1(1)c."

Proposition n° 7 concludes that, in the Ministry's view, this assessment is also true of the prohibition on aiding and abetting set out in the Convention on Cluster Munitions. Therefore, it cannot be excluded that private investment, for example, in companies that develop or produce cluster munitions, may be incompatible with the convention.<sup>821</sup>

The Proposition n°7 has not yet been adopted. Nevertheless, it seems to be used as a tool to explain the CCM in Norway.<sup>822</sup> Although it is not illegal to finance cluster munitions in Norway, the Council on Ethics of the Norwegian Petroleum Fund has taken steps to ensure that the Norwegian Government is not investing in cluster munitions producers.

### 2.3.29 Switzerland

The Swiss Confederation signed the Convention on Cluster Munitions on 3 December 2008.<sup>823</sup> On 16 March 2012 both Chambers of the Swiss parliament had accepted the ratification legislation, which under Switzerland's direct democracy procedures still can be put to a public referendum.<sup>824</sup> In the same session the parliament approved a revision in the Federal Law on War Materiel that would incorporate a prohibition on cluster munitions and anti-personnel mines with the same provisions.<sup>825</sup> Because Switzerland is home to many large financial institutions, many expect the law to have a major impact on how financial markets regard the cluster munitions issue.

The prohibition of investment in forbidden war materiel (including cluster munitions) is set out in Art. 8b and 8c, dealing with direct and indirect investment respectively.

#### *Art. 8b Prohibition of direct financing*

- 1 *It is prohibited to finance directly the development, manufacturing or acquisition of forbidden war materiel.*
- 2 *For the purposes of this Act following acts are considered as direct financing: the direct extension of credits, loans and donations or comparable financial benefits to cover the costs of or to promote the development, manufacturing or the acquisition of prohibited war materiel.*

*Art. 8c Prohibition of indirect financing*

- 1 *It is prohibited to finance indirectly the development, manufacturing or acquisition of forbidden war materiel if the intention is to bypass the prohibition on direct financing.*
- 2 *For the purposes of this Act following acts are considered as indirect financing:*
  - a. *the participation in companies that develop, manufacture or acquire forbidden war materiel.*
  - b. *the purchase of bonds or other investments products issued by such companies.*<sup>XXX 826</sup>

According to art. 8c, indirect investments are therefore only forbidden “if the purpose is to bypass the prohibition on direct financing”, which would constitute a major exception to the prohibition. The proposed articles also do not set criteria that identify which companies are involved in the development, manufacturing of acquisition of cluster munitions.

Art. 35b of the law stipulates the punishment of offences against the prohibition of financing.

*Art. 35b Offences against the prohibition of financing*

- 1 *Any person who intentionally and without being able to invoke the exceptions (...) violates the prohibition of financing provided under art. 8b and 8c can be punished by a custodial sentence of maximum five years or by a fine.*
- 2 *The custodial sentence can be accompanied by a fine.*
- 3 *If the offender only accommodates the possible violation of the prohibition of funding provided under art. 8b and 8c, he will not be punishable under this provision.*<sup>XXXI</sup>

Art. 35b addresses the problem of unintended investment: if an investor did not know he was investing in prohibited war materiel, he will not be pursued. However, it is unclear whether this refers to e.g. investments in funds that follow an index or to other forms of investments as well.

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XXX Original text:

Art. 8b Interdiction du financement direct

- 1 Il est interdit de financer directement le développement, la fabrication ou l'acquisition de matériels de guerre prohibés.
- 2 Est considéré comme financement direct au sens de la présente loi l'octroi direct de crédits, de prêts, de donations ou d'avantages financiers comparables en vue de couvrir ou d'avancer les coûts du développement, de la fabrication ou de l'acquisition de matériels de guerre prohibés ou les frais liés à de telles activités.

Art. 8c Interdiction du financement indirect

- 1 Il est interdit de financer indirectement le développement, la fabrication ou l'acquisition de matériels de guerre prohibés si le but visé est de contourner l'interdiction du financement direct.
- 2 Est considéré comme financement indirect au sens de la présente loi:
  - a. la participation à des sociétés qui développent, fabriquent ou acquièrent des matériels de guerre prohibés;
  - b. l'achat d'obligations ou d'autres produits de placement émis par de telles sociétés. Translated by Stijn Suijs, FairFin.

XXXI Original text: Art. 35b Infractions à l'interdiction de financement

- 1 Est punie d'une peine privative de liberté de cinq ans au plus ou d'une peine pécuniaire toute personne qui, intentionnellement et sans qu'elle puisse invoquer l'une des exceptions prévues aux art. 7, al. 2, 8, al. 2, ou 8a, al. 3, enfreint les interdictions de financement prévues aux art. 8b et 8c.
- 2 La peine privative de liberté peut être assortie d'une peine pécuniaire.
- 3 Si l'auteur ne fait que s'accommoder de l'éventualité d'une infraction aux interdictions de financement prévues aux art. 8b et 8c, il n'est pas punissable au sens de la présente disposition. Translated by Stijn Suijs, FairFin.

## Conclusion and recommendations

As this update shows, many people are hard at work on the issue of cluster munitions. States are ratifying and implementing the Convention on Cluster Munitions and financial institutions are adapting to the norm set in the CCM. However, the report also shows that many financial institutions are still linked, in one way or another, to investments in cluster munitions producers.

Disinvestment is a complex issue; it is not always easy for financial institutions to implement a comprehensive disinvestment policy. We are aware of this complexity –funds following an index being a case in point. Nevertheless, we believe that it can and should be done. It is encouraging to see that most of the newcomers to the Hall of Fame and runners-up categories come from countries where campaigners raised the issue with their governments or financial institutions. In addition to financial institutions, a growing number of members of parliament and governments have started giving time and attention to disinvestment. Support for prohibitions on the financing of cluster munitions production seemed to have gained momentum over the years. Our report tells of many financial institutions that were able to develop and implement a comprehensive disinvestment policy. We sincerely hope more financial institutions will follow. Because disinvestment can be complex and because it is a shared responsibility, we see the need for governments to issue clear guidelines or laws. We hope that the new edition of this report has provided facts and figures that will inspire all actors – states, financial institutions and civil society – to work for a world without cluster munitions. To reach this goal we submit the following propositions on investing in cluster munitions producers:

- **States** that have 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 provide clear guidelines for financial institutions. When states draft national legislation prohibiting investment in producers of cluster munitions, they act in the spirit of the CCM.
- **Financial institutions** should develop policies that exclude all financial links with companies involved in cluster munitions production. Because all investment facilitates this production, no exceptions should be made for third-party financial services, for 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.

# Appendix 1

## Glossary

### ABBREVIATIONS

AM	Asset Management
CCM	Convention on Cluster Munitions
CMC	Cluster Munition Coalition
CM	Cluster Munitions
ESG	Environmental, social and governance criteria
FI	Financial Institution
IM	Investment Management
PF	Pension Fund
SOAR	State-of-the-art Report
SRI	Socially Responsible Investment
SWF	Sovereign Wealth Fund

### DEFINITIONS

#### **Asset Management**

Asset management means holding or managing stocks (= shares) or debt securities (= bonds) of a company, either on the investor's own behalf, or on behalf of third parties (this includes development or sale of investment funds containing stocks or debt securities from companies).

#### **Bank**

A bank is a financial institution licensed by a government. Its primary activities include borrowing and lending money. Many other types of financial activities have been allowed over time. For example, banks are important players in financial markets; they offer financial products, among which are investment funds. Most banks offer investment banking services, commercial banking services and asset management.

#### **Commercial Banking (loans)**

Commercial banking includes offering or participating in loans to companies via either general corporate financing or project financing.

#### **Discretionary Mandate**

A discretionary mandate gives asset managers the authority to manage the assets on behalf of a client in compliance with a pre-defined set of rules. This mandate is limited and specific to a single investor.

#### **Ethical Bank**

Ethical banks are usually small banks, founded to serve as a source of capital for sustainable projects and companies. Sustainable energy, organic food and cultural activities are examples of specific sectors in which these banks invest. These banks tend not to get involved in arms production. They usually have detailed procedures to avoid investing in unethical industries like arms production, gambling, etc.

#### **Funds following an index<sup>827</sup>**

A fund following an index is a type of mutual fund; its portfolio is designed to track the components of a market index. A market index is an imaginary portfolio of securities representing a particular market or a portion of it. The fund follows a chosen index and invests in the companies on that index.

**Fiduciary Duty**<sup>828</sup>

The person looking after the assets on the other's behalf is expected to act in the best interests of the person whose assets they are in charge of. This is known as "fiduciary duty".

**Financial Institutions** (FIs) include major banks, insurance companies, pension funds, sovereign wealth funds and asset managers from every country in the world.

**Insurance Company**<sup>829</sup>

An insurance company provides financial protection; it compensates losses that insured individuals or entities incur. Insurance companies pool client risks to make payments more affordable for the insured. They invest customers' premiums to obtain the money for compensation.

**Investments**

Investments are loans and other forms of credits, underwriting of share and bond issues, investments in shares and bonds and other financial services.

**Investment Banking (arranging/issuing shares/bonds)**

Investment banking services include helping companies to sell shares and bonds to investors (asset managers, insurance companies, etc.), regardless of how the proceeds are used (most of the time for general corporate services), and offering financial advice.

**Mutual Fund**<sup>830</sup>

An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

**Pension Fund**

A pension fund is a pool of assets forming an independent legal entity. The sole purpose of pension fund contributions is to finance the retirement plan benefits to which they give a right.

**Public Pension Fund**

A public pension fund is regulated under public sector law. A private pension fund is regulated under private sector law. In some countries, the distinction between public or government pension funds and private pension funds may be difficult to assess.

**Retail Fund**<sup>831</sup>

Retail fund refers to the fund's market and clients. A retail fund is one in which individuals can invest directly or through a financial adviser. Institutional funds, by contrast, are available to large investors, such as pension funds and not-for-profit organisations, with substantial amounts to invest.

**Sovereign Wealth Fund**<sup>832</sup>

A Sovereign Wealth Fund (SWF) is a state-owned investment fund composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets. Sovereign wealth funds can be structured as a fund, pool, or corporation. Some funds also invest indirectly in domestic, state-owned enterprises. In addition, they tend to prefer returns over liquidity, thus they have a higher risk tolerance than traditional foreign exchange reserves.

## Appendix 2

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- The term "scattering bomb" is not a commonly used designation for weapons. From its context it must be assumed that the "scattering" refers to bomblets which are scattered over the target area, which is characteristic of cluster munitions. In the company's description of the weapon, it is stated that its intended use is to "destroy massed enemy positions", which is the most common usage of cluster munitions. A picture of the weapon seems to show a canister which is filled with a large number of submunitions. Although the Council has been unable to find further information on this weapon, it seems obvious that this is a category of cluster munitions that has previously led to exclusion of companies from the Fund.
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- "Hanwha Corporation was officially designated as a defence contractor in 1974. Since then, it has specialized in munitions, whose production process has been under strict government control and all of which have been supplied only to the Korean government. Hanwha Corporation has manufactured MLRS and 2.75" MPSM5, which can be classified as cluster/cargo munitions and has also produced KCBU-58B in the past. However, we have developed and supplied such items in cooperation with the government's initiative for self-defence, not for any other unethical purpose."
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PO BOX 19381  
3501 DH Utrecht  
The Netherlands  
+31 (0) 30 233 33 46  
[info@ikvpaxchristi.nl](mailto:info@ikvpaxchristi.nl)  
[www.ikvpaxchristi.nl](http://www.ikvpaxchristi.nl)

**F A I R F I N**  
more than money

Vooruitgangstraat 333/9  
1030 Brussels  
Belgium  
+32 (0) 220 107 70  
[info@fairfin.be](mailto:info@fairfin.be)  
[www.fairfin.be](http://www.fairfin.be)