

Chapter 3

Disinvesting from Cluster Munitions Producers

This third 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 far-reaching policy on cluster munitions.
- The second part, the list of runners-up, lists financial institutions with a policy that displays several shortcomings.
- Finally, the third part lists countries which took legislative initiatives to ban investment in cluster munitions.

3.1 Hall of Fame: Financial institutions pioneering in disinvestment

3.1.0 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 technically 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, worldwide campaigners and other public sources. We worked within the limits imposed by language (English and Dutch) and accessibility. 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 policy 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 policy and to publish it on their website in order for us to include them in either the runners-up category or the Hall of Fame.

Since an investment policy is usually stipulated by the banking group and since this group directly or indirectly supervises its subsidiaries, we researched the group's policy.

We contacted all financial institutions in this list prior to publication to verify our research findings and to be sure we understood their policies correctly.

Financial institutions in the Hall of Fame must meet the following criteria:

- 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 1% threshold. 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**

In what follows you find the results of our search for financial institutions with a clear and far-reaching policy to exclude producers of cluster munitions.

It contains the name and the country of origin of each financial institution found, as well as a brief profile and a summary of its policy.

We list 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 small, 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, etc. 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.

3.1.1 ASN Bank (the Netherlands)

ASN Bank is the largest ethical bank in the Netherlands. Its aim is to promote sustainable society by supporting socially responsible businesses.⁴²⁸

ASN uses absolute exclusion criteria for arms and security for all investments. This means it excludes companies engaged in or benefiting from war crimes, or the manufacture of 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, 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.⁴²⁹

Moreover, ASN Bank will refrain from investing in financial institutions that do not apply the same exclusion criteria or in financial institutions that lack transparency regarding their investments (i.e. when ASN cannot verify their compliance with the exclusion criteria).⁴³⁰

3.1.2 Banca Etica (Italy)

Banca Etica is an Italian cooperative bank that operates exclusively in the field of sustainable and alternative finance. Banca Etica has developed partnerships with institutes and organisations throughout Europe to develop civil economy, ethical finance and fair trade.⁴³¹

Article 5 of its founding charter states that, “any financial relation with the economic activities that, even in an indirect manner, inhibit the human development and contribute to fundamental human rights violations are anyway excluded.”⁴³² According to Banca Etica, this article prohibits all involvement with the arms industry.⁴³³

3.1.3 Triodos Bank (the Netherlands)

Triodos Bank is an ethical bank active operating in the Netherlands, Belgium, the United Kingdom, Spain, and Germany. Its 2008 balance sheet total was €2,363 million.⁴³⁴

The bank bars from financing and investment all companies that produce or sell weapons, specifically designed components for weapons and weapons-related services. These include conventional and non-conventional weapons.⁴³⁵

Triodos 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).⁴³⁶

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

TRANSPARENCY

A salient characteristic shared by all three of these ethical banks is their 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 for each company in the portfolio.
- Banca Etica is completely transparent about its financing operations. Its website displays a list of all loans approved during the previous year.
- Triodos Belgium, Spain and Britain are equally transparent about companies receiving credit. Triodos offers complete insight into its funds' investment universe as well.

When they select financing and investment recipients, financial institutions determine which businesses they will support. Because most other financial institutions do not make their choices public, it's impossible for clients to know what their money is being used to support. 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 to which it has approved or refused financing/ investment gives observers a tool to ascertain the type of businesses with which a financial institution is involved and to verify whether the institution really does what it says it does. It allows each customer, political leader and shareholder to gather information to determine whether a financial institution assumes ethical responsibilities and 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 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. National governments manage some of these pension funds. That makes national governments responsible for these funds' investment strategies and for managing their portfolio.⁴³⁷

3.1.4 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 these costs are 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.⁴³⁸

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 sought to establish a legally binding convention to prohibit cluster munitions; the Convention on 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.⁴³⁹

On 2 December 2008, Ireland passed the 2008 Cluster Munitions and Anti-Personnel Mines Act. 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. It excluded these companies because of their involvement in manufacturing cluster munitions or anti-personnel mines.⁴⁴⁰

3.1.5 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. The fund's 2008 market value was NOK2,363 billion (€ 275.53 billion⁴⁴¹).⁴⁴²

In 2004, the Norwegian government adopted ethical guidelines for the government pension fund. Point 4.4 states that "The Council shall issue recommendations on negative screening of companies that:

- produce weapons that through their normal use violate fundamental humanitarian principles; or
- sell weapons or military materiel to states mentioned in Clause 3.2 of the supplementary guidelines for the management of the Fund."⁴⁴³

Relying on recommendations of the Council on Ethics for the Government Pension Fund – Global, the Ministry of Finance excluded several cluster munitions producers since the time 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 breaching the distinction between military and civilian goals.⁴⁴⁴

The Council on Ethics has taken the 2008 International Convention to Ban Cluster Munitions' technical definition of what constitutes cluster munitions as the basis for its exclusion recommendations.⁴⁴⁵

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, L3 Communications, Lockheed Martin, Raytheon, Thales, Poongsan, Hanwha and Textron.⁴⁴⁶ In September 2009, it reversed Thales' exclusion because the latter no longer produced cluster munitions.⁴⁴⁷

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.

3.1.6 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 people expected to double by 2050. Accordingly, the cost of providing New Zealand superannuation 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.⁴⁴⁸

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 related to companies involved in the manufacture of cluster munitions.⁴⁴⁹ The guardians decided to exclude these companies following New Zealand's signing of the Convention on Cluster Munitions on 3 December 2008.⁴⁵⁰

The fund's website lists companies excluded for their involvement in cluster munitions production. This list is reviewed regularly and updated with information from external screening agencies. The list includes Alliant Techsystems, Goodrich Corporation, General Dynamics, Hanwha, Honeywell International, L-3 Communications, Lockheed Martin, Northrop Grumman, Poongsan Corporation, Raytheon, Singapore Technologies Engineering and Textron Systems.⁴⁵¹

3.1.7 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.⁴⁵²

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.⁴⁵³

In response to the Oslo treaty, the ethical council ordered a screening in 2008 of companies suspected of links with 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.⁴⁵⁴

Excluded are Alliant Techsystems, GenCorp, General Dynamics, Hanwha Corporation, L-3 Communications, Lockheed Martin, Poongsan, Raytheon and Textron.⁴⁵⁵

3.1.8 Swedish Pension Fund AP7 (Sweden)

AP7 is one of seven 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 Premium Pension Authority (PPM). The employees may choose the PPM 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.⁴⁵⁶

In June 2008, AP7 announced that it would disinvest from companies involved in cluster munitions and nuclear weapons.⁴⁵⁷ 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 these companies because of their

involvement in cluster munitions and/or nuclear weapons^{xiii} in 2008: BAE Systems, Boeing, Daimler AG, EADS, Finmeccanica, General Dynamics Corp, Goodrich, Hanwha, Honeywell International Incorporation, IHI, Lockheed Martin Corp, McDermott International, Northrop Grumman Corp, Poongsan, Raytheon, Rolls Royce Group, Safran and Toshiba Corp.⁴⁵⁸

GOVERNMENT-MANAGED FINANCIAL INSTITUTIONS

The government-managed pension funds listed above are examples of governmental best practices. These countries take their strong 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 bailout of banks 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)

3.1.9 ABP (the Netherlands)

ABP is the pension fund for employers and employees working in the Dutch government and the educational sector. It is the world's second largest pension fund. It provides income security in cases of disability, death and retirement, based on the principles of solidarity and non-profit.⁴⁵⁹

In March 2007, after a documentary entitled 'The Cluster Bomb Feeling' drew attention to the fact that several major pension funds had invested in companies involved in the production of antipersonnel landmines and cluster bombs, ABP decided to exclude such companies from its portfolio.⁴⁶⁰ 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 antipersonnel 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."⁴⁶¹

ABP has drawn up a list of companies to be excluded from investments. On the 2008 update are Aerostar, Alliant Techsystems, Gencrop, General Dynamics, Goodrich Corporation, Hanwha, Larsen & Toubro Ltd., L-3 Communications, Lockheed Martin, Magellan Aerospace, Poongsan, Raytheon, Rheinmetall, Singapore Technologies Engineering, Textron, Thales and Tata Power Ltd.⁴⁶²

XIII The annual report did not specify which companies were excluded for cluster munitions and which for nuclear weapons.

3.1.10 ATP (Denmark)

ATP is a Danish pension fund, administering a number of pension schemes, including some of the Danish state. ATP manages pension contributions from approximately 4.5 million customers. Total pension assets under management amount to DKK400 billion (€ 53.75 billion).⁴⁶³

ATP's policy of social responsibility in investments incorporated the Convention on Cluster Munitions when it adopted the governing principle that companies must respect international conventions and agreements endorsed by Denmark. Denmark signed the Convention on Cluster Munitions in December 2008, and ratified it on 12 February 2010.⁴⁶⁴

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.⁴⁶⁵

ATP maintains an exclusion list. Each year it publishes all new exclusions in its annual report. Since it excluded all cluster munitions producers already in 2006, and since it only started publishing the new exclusions in its 2007 annual report, the complete exclusion list for cluster munitions producers is not publicly available at this time. ATP plans to publish the exclusion list on its website starting in mid 2010.⁴⁶⁶

3.1.11 BPF Bouw (the Netherlands)

BPF Bouw is the sectoral pension fund for the Dutch construction sector. It administers pensions for more than 15,000 companies and manages € 26.5 billion in assets.⁴⁶⁷

On 1 January 2010, BPF Bouw transferred management of its asset management from Cordares to APG. APG maintains a single cluster munitions policy and exclusion list for all its clients. BPF Bouw does not invest in companies directly involved in cluster munitions. The following situations are considered direct involvement:

- a) production of the complete weapon system or biggest part of it
- b) production of munition related important components of the weapon like for example submunitions, fuzes and warheads.⁴⁶⁸

At 1 January 2010, there were nineteen companies excluded from BPF Bouw's investment universe. All cluster munitions producers covered in this report were excluded.⁴⁶⁹

3.1.12 DnB NOR (Norway)

DnB NOR is Norway's largest financial services group, with total combined assets of NOK2150 billion (€ 258.2 billion). It offers a wide variety of financial services: banking, asset management, life and pension insurances, investment banking.⁴⁷⁰

Disinvestment from cluster munitions is part of DnB NOR's Group Policy on Corporate Social Responsibility that states that "DnB NOR shall not finance or invest in companies involved in anti-personnel mines and cluster weapons or in companies that are heavily involved in the development and production of key components to weapons of mass destruction."⁴⁷¹

The group policy applies to all funds managed by or sold through its asset management and/or life insurance and pensions activities. It maintains an internal blacklist of companies. For its credit activities, it defines cluster munitions producers as high-risk customers that it will not finance. It plans to revise and reinforce its screening procedure in 2010.⁴⁷²

3.1.13 Ethias (Belgium)

Ethias is a Belgian banking and insurance company. It is the third largest insurance company of Belgium, with a market share of 12.9%.⁴⁷³

Ethias Bank uses a deontological code which forbids giving credit to companies involved in the production of or trade in weapons. Its asset management is restricted to government bonds in the euro-zone. In 2009, Forum Ethibel, a screening agency, audited Ethias' entire balance and investment universe to verify its compliance with its mission and codes.⁴⁷⁴

Ethias Insurance subjects all financial reserves under its management to its investment code. This code excludes cluster munitions producers. Ethias Insurance maintains a blacklist and currently bans 11 companies for their association with anti-personnel mines, weapons with depleted uranium and cluster munitions. On the list are: Thales, Singapore Technologies Engineering, BAE Systems, EADS, Lockheed Martin, Raytheon, ATK, Forges de Zeebrugge, Rheinmetall AG, Poongsan America Inc. and AviChina.⁴⁷⁵

3.1.14 KLP (Norway)

KLP - Kommunal Landspensjonskasse - is one of Norway's largest life insurance companies with total assets of NOK223.9 billion (€26.9 billion). It provides pension, financing and insurance services to local government and state health enterprises as well as to public and private companies.⁴⁷⁶

"Some weapons hit harder, and affect more civilians than others." KLP does not want to contribute to the manufacture, sale or use of weapons that do not differentiate between civilian and military targets. As a consequence, it has excluded 19 companies involved in the production or sale of landmines, and nuclear and cluster weapons as candidates for investment.⁴⁷⁷

Each year it publishes its exclusion list in its annual socially responsible investment (SRI) report. It excluded nine companies for their involvement in cluster munitions; Alliant Techsystems, GenCorp, General Dynamics, Hanwha Corporation, L-3 Communications, Lockheed Martin, Poongsan, Raytheon and Textron. Singapore Technologies Engineering is excluded for the company involvement in anti personnel mines.⁴⁷⁸

KLP seems to be very careful about getting involved in cluster munitions. This is apparent from the reasons it gives for excluding General Dynamics: "The company acknowledged in 2005 that the company produces key components in cluster bombs. Yet, in 2008 the production is in abeyance and the weapon programs that the components were intended for have been terminated. However, the company is still marketing cluster bombs on its website and has no corporate policy related to its involvement in cluster munitions."⁴⁷⁹

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

3.1.15 KPA (Sweden)

KPA Pension is a Swedish pension fund offering customised pension and insurance solutions to 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 2008, KPA held SEK 43.8 billion (€4 billion) in invested assets.⁴⁸⁰

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).⁴⁸¹

3.1.16 PGGM (the Netherlands)

PGGM is a cooperative organisation providing income protection for everyone in the healthcare and social work services. PGGM manages the assets of pension funds. PGGM's largest client is *Pensioenfonds Zorg en Welzijn* (PFZW), with pension assets in the €69 billion range.^{XIV} PFZW sets its investment policy. PGGM manages PFZW's assets and administers its pension scheme.⁴⁸²

PGGM applies a responsible investment policy that excludes controversial weapons. PGGM's exclusion policy states that it will not invest on behalf of their 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.⁴⁸³

It published a list of excluded companies on its website. Excluded for involvement in cluster munitions are Aerostar, Cobham, Goodrich Corporation, Hanwha Corporation, Kaman, L-3 Communications, Lockheed Martin, Magellan Aerospace, Poongsan, Raytheon, Rheinmetall, Saab AB, Singapore Technologies Engineering, Textron and Thales.⁴⁸⁴

PGGM's 2008 annual report said that PGGM could guarantee that 98% of its portfolio was consistent with its exclusions policy. It wrote, "That does not mean that the other 2% do violate it, but we cannot guarantee that no investments will be made which contravene the provisions of the policy or the Exclusions List. This requires further research."⁴⁸⁵ Further information from PGGM showed that the remaining 2% was made up of hedge funds. It is difficult right now to guarantee that these involve no breaches with their policy. Still, PGGM is seeking a way to guarantee this for hedge funds as well.⁴⁸⁶

3.1.17 Philips Pension Fund (the Netherlands)

Philips Pension Fund's €13 billion in assets make it one of the largest corporate retirement plans in the Netherlands. It offers pension services to employees of Philips Electronics.⁴⁸⁷

In 2008, Philips fund started to integrate environmental, social and governance (ESG) criteria across its total investment. This implied excluding companies linked to cluster weapons production. The fund maintains a list of cluster munitions producers for this purpose. This list is not public.⁴⁸⁸

3.1.18 PME (the Netherlands)

PME is the pension fund for the Dutch metals industry. It administers pensions for more than 1,200 companies and more than 600,000 customers. PME has €19.4 billion in assets under management.⁴⁸⁹

In 2007, PME has strengthened its own guidelines for responsible investments and set up the 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 signed by the Dutch government.⁴⁹⁰ After establishing this guideline, PME disinvested from antipersonnel mines and cluster munitions producers.⁴⁹¹

PME presents its investment exclusion list on its website. The list contains only companies in the arms industry. All seven cluster munitions producers covered in this report are on this blacklist.⁴⁹²

XIV Until recently, PGGM and PFZW were a single entity. PGGM then became a for-profit organisation. (PGGM's written response to Netwerk Vlaanderen dated 29 July 2009).

3.1.19 PNO Media (the Netherlands)

PNO Media, a Dutch media industry pension fund manages pensions for some 340 media companies and organisations. PNO Media has €2.7 billion in assets under management.⁴⁹³

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 in breach of fundamental humanitarian principles. PNO Media lists the principles of proportionality and distinction. Its investment policy excludes investment in cluster munitions.⁴⁹⁴

PNO Media maintains a blacklist of excluded companies. All national and international asset managers managing assets on behalf of PNO Media are obliged to use this blacklist. It is published in the yearly PNO Media's annual sustainable investment report. At the end of 2008, it excluded seven companies for their involvement in cluster munitions: Hanwha corporation, L-3 Communications, Lockheed Martin, Poongsan, Raytheon, Singapore Technologies Engineering and Textron. Allient Techsystems was excluded for its involvement in antipersonnel mines.⁴⁹⁵

3.1.20 Spoorwegpensioenfond (the Netherlands)

The Spoorwegpensioenfond offers the companies, employees and former employees within the railway transport sector a pension plan. The fund manages assets of €9.5 billion with 30,000 active participants and 25,000 pensioners from more than 60 affiliated companies.⁴⁹⁶

As part of its Responsible Investments Policy, the board of the Spoorwegpensioenfond decided in 2007 not to invest in certain businesses, amongst which the producers of controversial weapons. The fund defines controversial weapons as cluster, nuclear, biological and chemical weapons, weapons with depleted uranium and antipersonnel land mines.⁴⁹⁷ The Spoorwegpensioenfond also excludes companies that have a significant shareholding in a company producing cluster munitions.⁴⁹⁸

The Spoorwegpensioenfond uses an exclusion list to apply the Responsible Investments Policy. In July 2009, twenty-one companies were blacklisted by the Spoorwegpensioenfond. The fund is not publishing the complete blacklist, it is only publishing the list of companies the fund disinvested from. The public list contains six companies. Three companies identified in this report as cluster munitions producers are on the public list : L-3 communications, Lockheed Martin and Textron.⁴⁹⁹

3.1.21 Storebrand Group (Norway)

Storebrand Group is a leading player on the Nordic market for pensions, life and health insurance, banking and asset management.⁵⁰⁰

Storebrand group shuts cluster munitions producers out of all its investment portfolios. It updated its policy in May 2009 to reflect the Convention on Cluster Munitions. All funds managed by Storebrand are covered by the policy.

It continually monitors the nearly 3000 companies in its investment universe to rule out unacceptable business practices. In the second quarter of 2009, Storebrand excluded six companies involved in cluster munitions from its investment universe. It has not made its list of excluded companies public.^{501XV}

XV In our October 2009 research for financial links made by the financial institutions listed in the Hall of Fame in the companies of our red flag list, including shareholdings under the 1% threshold, we found three investments made by Storebrand:

In March 2009, Storebrand owned or managed shares of L-3 Communications, Lockheed Martin and Textron, valued at respectively US\$

Blacklists

Several financial institutions have listed the companies they exclude in a blacklist. Not all list the same companies, since the various financial institutions start from differing premises when drafting a list. Some start from their own investment universe and exclude the cluster munitions producers from that universe (e.g. Norwegian Pension Fund). Others start from companies listed in a given index (DACS, MCSI, Dow Jones, Bel 20, etc.), or with headquarters in a given geographical area (America or Europe). This explains why the lists differ.

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 production furthermore.

3.2 Runners-up Financial Institutions

3.2.0 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 yet comprehensive enough for our Hall of Fame. They have policies, but loopholes in these still permit them to finance cluster munitions. The runners-up category, we should note, is very diversified; 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 institutions' services. Other financial institutions may have a more extensive policy, yet be weak on implementation. These financial institutions still have financial 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 policies 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.

0,17; US\$ 0,46 and US\$ 0,03 million.(Thomson ONE Database, viewed July 2009 (www.thomsonone.com)).

Storebrand informed us in that period that these findings are due to a legal question: When SPP mutual funds were transferred from Handelsbanken to Storebrand in 2009, the fund mandates had to be approved by the Swedish government (Finansinspektionen). For certain of SPPs funds, such approval had not yet been given. Storebrand confirmed that a meeting was set up between SPP and Finansinspektionen in the near future to discuss this issue specifically. As soon as Finansinspektionen would give their approval, portfolios would be adjusted to Storebrand's policy, which would include the exclusion of cluster munitions producers.(Written answer from Storebrand to Netwerk Vlaanderen on 8 October 2009). In March 2010 Storebrand informed us on the not approval by Finansinspektionen to apply Storebrand's SRI standards on SPP Index Funds The only legal solution for Storebrand is a change of the names of the SPP Index Funds. Storebrand has started this time consuming procedure, which will be ended in the 3rd Quarter of 2010. (Written information by Storebrand to Netwerk Vlaanderen on 12 March 2010) Therefore, Storebrand is still listed in the Hall of Fame. Similar owned or managed shares in the same three companies were found in the Thomson One database in March 2010.

- **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 following upon its publication or implementation date.

- **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, worldwide campaigns and other public sources. We worked within the limits imposed by language (English and Dutch) and accessibility. This following list is therefore by no mean exhaustive. We welcome additions from those able to provide them.

Since an investment policy is usually stipulated by the banking group and since this group directly or indirectly supervises its subsidiaries, we researched the group’s policy.

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. The policy is there, but its scope is too limited. The most common flaws are:

Taking only financial institutions' own involvement into account, not that of third parties

Several banks have policies that look only at their own involvement, meaning how the institution invests its own funds. Their policies do not extend to the funds invested 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 finance 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 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.

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 index funds. 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 index funds 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.

3.2.1 ABN Amro (the Netherlands)

ABN Amro, a Dutch private bank, was rescheduled in the last two 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. Its total assets at the end of the third quarter of 2009 came to € 203 billion. Looking ahead, ABN Amro will merge with Fortis Bank Netherlands, formerly part of the Dutch-Belgian Fortis group.⁵⁰²

ABN Amro was one of the first mainstream banks in Europe to tackle the cluster munitions issue. In 2004, it issued 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."⁵⁰³

This policy will certainly remain in force until the time of the merger. At this time, it is unclear which of the two banks' policies will be applied after the merge.⁵⁰⁴

How to gain a place in the Hall of Fame?

To be listed in the Hall of Fame, ABN Amro would have to extend its policy to all its products. Right now, there is still a loophole. Clients with discretionary managed portfolio accounts can still request that companies producing cluster munitions be included in their portfolios. ABN Amro is working on a way to close this last loophole.⁵⁰⁵

3.2.2 AXA (France)

AXA, based in France, provides banking, insurance and investment services to 50 million customers worldwide. AXA focuses exclusively on insurance and asset management. It does not provide corporate credits or loans. AXA Bank Europe coordinates AXA's banking activities. These cater only to the retail market (retail banking products as well as insurance policies).⁵⁰⁶

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 the disinvestment policy.⁵⁰⁷

How to gain a place in the Hall of Fame?

Because AXA does not provide corporate credits or loans, only its insurance and investment activities are taken into account.

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, index funds, 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.

3.2.3 BNP Paribas (France)

BNP Paribas is France's biggest bank with operations in over 85 countries. In terms of market capitalisation, it is the world's 14th largest bank.⁵⁰⁸

After the CCM opened for signature, BNP Paribas adopted a restrictive policy toward these weapons. The group decided not to invest on its own behalf in the capital of companies producing cluster munitions. It decided to disengage or disinvest its actively managed mutual funds connected with companies known to specialise in cluster bombs production.⁵⁰⁹

How to gain a place in the Hall of Fame?

According to BNP Paribas' CSR delegation, the bank is currently revising its policy on cluster bombs. A working group is appointed with other principal players from the French financial sector. One of the goals is to appoint an independent expert to list all companies directly engaged in producing cluster munitions.⁵¹⁰ Since it is not clear when this new policy will be voted and/or adopted, we will address only the policy still in effect. The group needs to do the following to be listed in our Hall of Fame:

- BNP Paribas would have to make its policy more transparent. Several aspects of the current policy are unclear: does the policy cover BNP Paribas' loans? How exactly does one recognise companies known to specialise in cluster bombs manufacturing? Does this mean that it does not exclude all cluster munitions producers but only the specialised ones? BNP Paribas has not yet answered these questions.

We look forward to receiving its comments and clarifications to aid our understanding and ensure the accuracy of our update.

- BNP Paribas would have to extend its policy to all its products. This means it would have to include all investments made on behalf of clients, including those by private banking services. BNP Paribas' current policy only covers investments on its own behalf and actively managed mutual funds.

3.2.4 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.⁵¹¹

Co-operative Bank has an ethical policy which it updates regularly to reflect its customers' view. It was last revised in 2009. One of the additions was 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."⁵¹² Specifically, it means 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.⁵¹³

To put this into practice, all business customers are required to complete an ethical policy questionnaire. The bank's ethical policy unit reviews the business application against the policy statements and decides whether the bank can offer business banking facilities to the customer.⁵¹⁴

Co-operative Insurance and Co-operative Investments use an ethical engagement policy, which means they will invest in most companies but will try to use their influence as a shareholders to improve the companies' ethical performance. This does not mean they will refuse to invest in certain business activities.⁵¹⁵

How to gain a place in the Hall of Fame?

Co-operative Bank has a good policy on cluster munitions. However, when we look at the Co-operative Financial Services group's policy, we see that it does not extend far enough to be listed in our Hall of Fame. To be listed:

- Co-operative Financial Services would have to extend the bank's policy to the group's insurance and investment activities. Its engagement is too restrictive, because attempts to influence a bank's policy without threatening to withdraw that investment lack muscle.

3.2.5 Crédit Agricole (France)

Crédit Agricole is the number one retail bank in France and the largest retail bank in Europe. Crédit Agricole group provides retail banking services, specialised financial services, asset management, insurance, private banking and corporate and investment banking to 5 million customers in more than 20 countries. It manages assets totalling €735 billion.⁵¹⁶

Crédit Agricole Asset Management Group, Crédit Agricole's largest asset manager, has excluded companies producing cluster munitions from all of its actively managed mutual funds. Predica, that provides life insurance, has done the same.

Calyon, Crédit Agricole's corporate and investment banking arm, has excluded cluster bombs from its financing activities.⁵¹⁷

In 2009, Crédit Agricole adopted a new global weapons policy, but has not yet published it.⁵¹⁸

How to gain a place in the Hall of Fame?

The currently published policy contains several loopholes. We hope that the new policy will address these deficiencies. Publication has been promised for early 2010.

Because the new Crédit Agricole policy has been voted, we do not think it appropriate to comment on the old policy. However, because the new version is not yet public, we can't comment on the new policy either. We eagerly await immanent publication of Credit Agricole's new policy document.

3.2.6 Danske Bank (Denmark)

Measured by total assets, the 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.⁵¹⁹

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.⁵²⁰

Currently, the bank is in dialogue with 22 companies and has excluded 16 others, 11 of which because of involvement in cluster munitions. Among them are Aerostar S. A., Aerotech S. A., ATK, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering and Textron.⁵²¹

How to gain a place in the Hall of Fame?

Danske Bank excludes 11 companies involved in cluster munitions and publishes their names on its website. Unfortunately, the SRI policy only covers some of the bank's activities.

- To be listed in the Hall of Fame, Danske Bank would have to extend its policy to all the bank's financial products. It currently covers only asset management, not the credit activities of the bank. 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.

3.2.7 Dexia Bank (Belgium)

Dexia is a European bank. It ranks among the three top banks in Belgium and Luxembourg and holds a strong position in Turkey. It also operates in Slovakia. The bank offers a wide range of retail, commercial and private banking services as well as insurance products to more than six million customers.⁵²²

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. Dexia bars companies with certain and known involvement in the sale, manufacture, use or possession of cluster munitions from all its banking and insurance activities.⁵²³

How to gain a place in the Hall of Fame?

Because Dexia's 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 Dexia a place in our Hall of Fame.

- Its policy should apply to all investments, including index funds.
- Its policy should apply to all a company's activities, including project finance for civil purposes.

3.2.8 Folksam (Sweden)

Folksam is a Swedish mutual insurance company that offers a wide variety of insurance, savings and loan products. It is one of the largest Swedish investment managers.⁵²⁴

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.⁵²⁵

However, we found the following investments by Folksam in companies on our red flag list:

On 31 October 2009 Folksam owned or managed 158 shares (0.00%) in **Textron Corporation** valued at SEK 21,000.⁵²⁶

Confronted with this information, Folksam researched the Textron case and concluded it should indeed consider Textron as a cluster munitions producer. Folksam will add Textron to the exclusion list and will then disinvest from Textron.⁵²⁷

How to gain a place in the Hall of Fame?

For now, we have removed Folksam from our Hall of Fame to our runners-up category. Once it has dealt with its shares in Textron, it can resume its place in our Hall of Fame.

3.2.9 Fortis Bank Nederland (the Netherlands)

Fortis Bank Nederland provides financial services to individuals, businesses and institutions in the Netherlands and abroad. The onset of the banking crisis in October 2008 led to the Dutch government's acquisition of Fortis Group's Dutch banking and insurance activities. The banking activities now fall under the auspices of Fortis Bank Nederland N.V. This bank, no longer part of the listed company Fortis, is in the early stages of integration with ABN AMRO. ASR Verzekeringen has taken over its Insurance activities. The Belgian state acquired the remaining banking activities and transferred 75% of them to BNP Paribas, resulting in BNP Paribas Fortis.⁵²⁸

The Fortis Group's 2008 defence industry policy, recently rebranded 'Fortis Bank Nederland Defence Industry Policy', states that Fortis does not want to be involved in financing or investing in production, trade or any other activity related to cluster munitions or other controversial weapons. This includes companies producing cluster munitions.⁵²⁹

How to gain a place in the Hall of Fame?

Fortis Bank Nederland's defence industry policy unambiguously addresses several specific issues including producers of key components and subsidiaries. Still, the bank needs to do the following to be listed in the Hall of Fame:

- Its policy should apply to all Fortis banking activities. The current policy exempts investments on behalf of clients.

3.2.10 HSBC (United Kingdom)

HSBC, headquartered in London (United Kingdom), is one of the largest private financial institutions in the world. It operates in 88 countries. HSBC earned profits of US\$6.7 billion in 2009.⁵³⁰

In February 2010, HSBC published a new Defence Equipment Sector Policy. The part 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."⁵³¹

All HSBC's loans and investment banking services to cluster munitions producers, as published in our Hall of Shame section of this report, pre-date the new HSBC policy. HSBC will terminate these relations at the earliest opportunity. 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 continue respect that loan up to the agreed maturity date. Renewal of such loans after publication of the policy would cause HSBC's removal from this runners-up category.⁵³²

How to gain a place in the Hall of Fame?

HSBC's policy should apply to all its activities. Its current policy only applies to investments where it is the principal investor (i.e. where the investment is owned by and for the benefit of HSBC). It does not apply to investments where HSBC acts on behalf of customers and where HSBC does not make the underlying investment decision.⁵³³

3.2.11 ING (the Netherlands)

ING Group is a global financial service company, operating in the fields of banking, insurance and asset management. It operates in some 50 countries spread across five continents. It has a market value of € 14.8 billion. Its market capitalisation makes it the 23rd largest European financial institution.⁵³⁴

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, any involvement by a company in these kinds of weapons results in exclusion. The policy applies to all ING business activities, among which its commercial banking services, proprietary assets and own funds, investment products and services. By the end of 2009, all ING managed funds worldwide should be clean of cluster munitions producers.⁵³⁵ Currently, 20 companies have been excluded for involvement in cluster munitions.⁵³⁶

How to gain a place in the Hall of Fame?

We welcome the new ING policy, which addresses several shortcomings in the old policy and broadens its scope. That leaves only the following:

The policy should include all ING products. This means the policy should also apply to index trackers. ING should also eliminate the exception for individual clients who explicitly ask to invest in a cluster munitions producer. Such requests should be refused.

3.2.12 KBC (Belgium)

KBC is a Belgian integrated banking and insurance group. It is a major financial player in Central and Eastern Europe.⁵³⁷

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.⁵³⁸

The policy covers all KBC's activities including commercial banking, asset management and investment banking. KBC has not only designed a straightforward, practical policy, it has also put this policy into practice strictly and thoroughly. KBC published a blacklist with 22 weapon producers. KBC lists the following as cluster munitions producers: Aerostar, Alliant Techsystems, Aselsan, BAE systems, EADS, Finmeccanica, Gencorp, General Dynamics, Hanwha Corporation, Honeywell International, Kaman, L-3 Communications, Lockheed Martin, Magellan Aerospace, Northrop Grumman, Poongsan, Raytheon, Rheinmetall, Singapore

Technologies Engineering, Textron, Thales and Zodiac.⁵³⁹

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 cluster munitions and that they will abstain from doing so in the future. KBC writes the companies in confidence to ascertain this.⁵⁴⁰

How to gain a place in the Hall of Fame?

KBC has a clear, far-reaching and transparent policy on weapon systems. It needs just one more element: Its policy should cover all investments. KBC now exempts some index-linked investment funds for institutional investors.

3.2.13 Nordea (Sweden)

Nordea offers capital market products, savings products, asset management and life and pension products to approximately 10 million customers in the Nordic region and some new European markets. It is the largest financial services group in the Nordic and Baltic Sea regions.⁵⁴¹

In June 2009, following upon Sweden's signing the Convention on Cluster Munitions the previous December, Nordea decided to exclude companies involved in producing cluster munitions from its investment universe. Nordea works with Swedish company Ethix SRI Advisors to identify companies involved in cluster munitions. Nordea's list contains: Aerostar S.A., Aeroteh S.A., Alliant Techsystems, GenCorp, General Dynamics, Hanwha, L-3 Communications, Lockheed Martin, Poongsan, Singapore Technologies Engineering and Textron.⁵⁴²

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 Asset Management, but it exempts capital market and savings products.

3.2.14 Rabobank (the Netherlands)

Rabobank Group offers a full range of financial services founded on cooperative principles. The bank serves some 9.5 million clients around the world and operates in 45 countries.⁵⁴³

The bank does not want to be involved in financing or investing with its own funds in any activity related to controversial weapons such as cluster bombs. It may not provide financing for controversial companies and/or for controversial purposes.

Rabobank has a different policy for investments placed on behalf of their clients. There, Rabobank first starts talks with the companies. If the company does not change course within a specific period, the investment customer will be advised to withdraw his/her investment from these companies.⁵⁴⁴ In October 2009, Robeco, Rabobank's largest Asset Manager, decided to bar companies producing controversial weapons like cluster munitions from the funds it actively manages.⁵⁴⁵ Rabobank maintains an unpublished list of cluster bombs to implement the 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 all investments on behalf of third parties.

3.2.15 Royal Bank of Canada (Canada)

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 55 countries, serving over 18 million clients. It is the 11th largest player in the world.⁵⁴⁶

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 of transactions entailing producing or trading in equipment or material for cluster munitions. RBC did not clarify sufficiently the scope of this policy revision to Mines Actions Canada.⁵⁴⁷

How to gain a place in the Hall of Fame?

Although RBC's revised policy seems to be broader, there is no clear view of its real scope yet. RBC should clarify the scope of its policy and extend it to all its financial activities, including commercial banking, investment banking and asset management.

3.2.16 Syntrus Achmea (the Netherlands)

Syntrus Achmea is a Dutch pension company offering pension services (Syntrus Achmea Pension Services) and real estate (Syntrus Achmea Real Estate) and asset management (Syntrus Achmea Asset Management). Syntrus Achmea serves more than 5 million customers and has over €58 billion in invested capital.⁵⁴⁸

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 from one external managed fund. Syntrus Achmea maintains a list of these companies which it does not make public.⁵⁴⁹

How to gain a place in the Hall of Fame?

Syntrus Achmea should apply the exclusion policy on cluster munitions to all its products, e.g. the pension services and the mandates for institutional clients like pension funds.

3.2.17 Unicredit Group (Italy)

Unicredit is a major European banking group, active in 22 European countries, with home markets Italy, Germany and Austria and a focus on Central and Eastern Europe. At the end of September Unicredit held €957.7 billion in assets.⁵⁵⁰

Unicredit Group's 2007 Sustainability Report contained the key criteria for its defence sector policy. One of these deals with cluster munitions. It says, "UniCredit Group abstains from any involvement with companies manufacturing, maintaining or trading such controversial products as nuclear or biological weapons of mass destruction, cluster bombs, mines and Uranium 238."⁵⁵¹

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. Unicredit's responses to Netwerk Vlaanderen's questions left no doubt that there are still loopholes in its policy. " ... in the case of any conflict between the Policy and local applicable law, the latter shall prevail." This is a familiar loophole used to exempt investment funds from policy application.⁵⁵²
- Unicredit should explain whether and how it applies its policy to holdings or company groups. Is it applied to a company when one of its subsidiaries is connected with 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 in the policy, 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 financial support they never . 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 needs to be done to their policy to make them 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 32 markets, mostly in Australia, New Zealand and Asia and the Pacific. It has assets of AU\$ 476.99 billion (297.2 billion).⁵⁵³

ANZ published a defence policy document in December 2007. It said, "ANZ's defence policy explicitly prohibits the direct financing of controversial weapons including cluster munitions or anti-personnel mines." Yet further on the document drastically restricts the scope of this guideline when it says, "Companies that are often cited as being involved in the production of these controversial weapons, or materials used in the production of these weapons, are typically also involved in many different areas of manufacturing, including important defence equipment, and, in some cases, civilian equipment. As such, while ANZ has committed to not directly finance the sale of either cluster munitions or anti-personnel mines, this does not exclude ANZ from providing general financial services to these defence companies more broadly, including the provision of general corporate facilities."⁵⁵⁴

How to gain a place in the Hall of Fame?

- ANZ does not exclude loans for general corporate purposes. To join our Hall of Fame, ANZ should terminate activities involving companies producing cluster munitions.
- ANZ would have to extend its rule against financing cluster munitions to all its financing or investment activities, and to all activities by cluster munitions producers.

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; its assets make it one of the 25 largest banks in the USA.

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. Specifically, BBVA Group will play no part in financing companies domiciled in a country or territory fitting a list of criteria (e.g. when a company is located in a country appearing on the UN/EU list of countries that violate human rights). Moreover, BBVA Group will have no part in operations to finance cluster bombs.

How to gain a place in the Hall of Fame?

- The BBVA policy clearly bases its exclusion of companies on the country where they are domiciled, but it does not exclude companies according to what they produce. It only excludes transactions linked to cluster bombs. That means that BBVA does not exclude loans for general corporate purposes. To join our Hall of Fame, BBVA would have to end activities involving companies producing cluster munitions.
- BBVA should extend its rule against financing cluster bombs to all its financing activities. It is currently restricted to lending.

Intesa Sanpaolo (Italy)

Intesa Sanpaolo is a banking group that resulted from the merger of Banca Intesa and Sanpaolo IMI, two Italian banks. It leads the Italian market and has a strong international presence in Central-Eastern Europe and the Mediterranean basin. It is listed in the top 20 of the world’s largest banks.

Intesa Sanpaolo’s weapons policy states that the group bans new financial transactions linked to the trading and manufacture of weapons, weapons components and related products.

How to gain a place in the Hall of Fame?

- Intesa Sanpaolo would also have to exclude cluster munitions producers from its asset management and investment banking activities. Its rule is currently restricted to loans.
- The bank would have to eliminate exceptions and would have to terminate all involvement in cluster munitions producers. Its current policy exempts transactions linked to ongoing intergovernmental agreements and for transactions begun or were agreed to before the policy was officially issued. If there are difficulties in transferring operations to another bank, the bank may proceed with the operation. The bank would have to publish any such exemptions on its website.
- The bank would have to expand its policy to all a company’s activities. It is currently restricted to activities linked to trade in and manufacture of weapons, weapons components and related products. This means that it bans financing only for cluster munitions while putting no restrictions on general corporate financing.

Standard Chartered (United Kingdom)

Standard Chartered is a London-based group, operating in more than 70 countries and territories around the globe, making it one of the world's most international banks.

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.

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.

Toronto Dominion Bank (Canada)

TD Bank is a large Canadian banking group offering a full range of banking activities to more than 18 million customers. In January 2010, TD Bank had C\$567 billion in assets.⁵⁵⁵

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."⁵⁵⁶

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.

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