

# Banks Disarm(ed)



An overview of the results of  
the campaign  
"My Money. Clear Conscience?"

april 2005



VOOR  
**moederAarde**  
LID VAN FRIENDS OF THE EARTH INTERNATIONAL



netwerk  
Anders omgaan met geld

FORUM VOOR  
**VREDESACTIE**  
VERZET IN BEWEGING



**vrede**



**This report is part of  
the campaign  
'My Money. Clear Conscience?'**

**A campaign of Netwerk Vlaanderen,  
in cooperation with Forum voor Vredesactie,  
For Mother Earth and Vrede**

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## Introduction

29th October 2003, Brussels, Belgium: Netwerk Vlaanderen, Forum voor Vredesactie, Vrede and For Mother Earth launched the campaign 'My Money. Clear Conscience?'. A research report<sup>1</sup> from Netwerk Vlaanderen revealed that the 5 biggest bank groups in Belgium had invested more than \$1.5 billion in 11 arms producers, including the international giants such as Thales, Northrop Grumman, BAE Systems and Lockheed Martin, and Belgian companies like ammunition producer Mecar.

The campaign made two demands on the banks:

- Stop any investment in the arms industry for ethical reasons
- Provide transparency on their weapons policy and investment in weapon producers to various stakeholders (customers, shareholders, society, ...)

Despite the strong reaction of a lot of customers to these investments, and considerable press attention, the bank world decided to weather the storm, and chose to continue with 'business as usual'.

But in the second research report<sup>2</sup> (April 2004) Netwerk Vlaanderen brought new alarming facts to light. All five of the banks held investments in the producers of controversial weapons such as land mines, cluster munitions, depleted uranium weapons, and nuclear weapons. Following this report, the ball really started rolling. Even more than the first report, this research had revealed the unacceptable practices and weapons in which the banks were investing.

Under pressure from the campaign, some of the banks developed a stronger weapon investment policy. First of all, they distanced themselves from the investments in anti-personnel mines, but a few of the banks decided to also exclude other weapon producers.

At the same time, there was also political movement. Belgium became the first country in the world to forbid investment funds from investing in the producers of anti-personnel mines.

In this report, we give an overview of the remarkable results of the campaign.

In the first chapter we set out and analyse the path taken by the five bank groups who were the subject of the research. Other initiatives from the banking sector are described. This chapter also includes many recommendations for individual banks and the financial sector as a whole.

In the second chapter, we give an overview of the political initiatives that have been taken, and the recommendations for further political action and policy, at a national and international level.

The report ends with a call to put the banking sector under pressure at an international level, to stop investments in the arms trade, and communicate more transparently.

## Hoofdstuk 1

# Changes in the financial sector

### 1.1. AXA

#### 1.1.1. Identity card

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AXA is a large international player in the banking and insurance market. AXA is mainly active in western Europe, North America and Asia. Insurance accounts for 95% of its total activities. AXA manages 869 billion worldwide, of which half is on the account of third parties.

In 2004, AXA made a profit of 2.52 billion, more than twice as much as in 2003 (+150%). Worldwide, AXA employs 117,000 staff.

#### 1.1.2. Campaign "My Money. Clear Conscience?" has no impact on AXA

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In spring 2003 Netwerk Vlaanderen started research into bank investments in the arms trade. The first research task was to write a letter to each of the bank groups to ask about their weapons policy, and their investments in the weapons industry. AXA was the only group that did not reply to this question.

In the first report<sup>3</sup> (October 2003) Netwerk Vlaanderen revealed that AXA invested more than \$1 billion in 10 different international weapon producers, including important share holdings in ATK (4,61%), Allied Defense Group (2,6%), Lockheed Martin (1,86%) and BAE Systems (1,18%).

On the day that the first report was launched, AXA Bank Belgium immediately replied with a negative press release. Despite the fact that the report focussed on worldwide investments, AXA Bank Belgium passed the buck to her American sister company AXA Financial and Alliance Capital Management.

AXA attempted to diminish the investments in the arms industry by comparing them to the total capital managed by AXA group: 742 billion.

The same day, a visit to the AXA offices revealed that there was absolutely no readiness to fulfil the demands of the campaign. "AXA will never adopt codes or criteria in relation to investment in weapon producers" stated spokesperson Elly Bens.

The second Netwerk Vlaanderen report<sup>4</sup> revealed that this statement did not come out of thin air. Just like the other bank groups, AXA held investments<sup>5</sup> in all of the researched producers of anti-personnel mines, cluster munitions, depleted uranium weapons and nuclear weapons. At the General Meeting of AXA, Henri de Castries, CEO of AXA, showed little interest in developing a

stricter defence policy. "We do not have a right to judge the choices of our customers" and "AXA does not have the right to choose in place of shareholders" were not hopeful statements.

And, then it appeared that after repeated calls, AXA made a step forward.

### 1.1.3. A new defence policy?

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In an email (November 2004) Mrs Catherine Boîteux, responsible for sustainable development, explained the situation within AXA.

*First "the business culture within AXA takes as reference the recognised international texts such as the Universal Declaration of Human Rights and the rules of the International Labour Organisation." There is also a mention of the specific values of the organisation, and an ethical charter. But "none of these texts contains a prohibition on the involvement in military companies, because they are important in the defence of democracy – for example in the war against terrorism – and for the security of the savings of our customers and shareholders".*

*"The current investment strategy of AXA is a 'positive' approach, namely, without the a priori exclusion of certain sectors, except if customer-shareholders of a fund explicitly ask for it." For the rest, "within AXA the branches are free, after verification, to withdraw investments in companies that produce 'armes à fragmentation'."*

This is what AXA Belgium has done. The shareholdings that AXA L Fund Global Assets Neutral held in Singapore Technologies Engineering (STE), a producer of anti-personnel mines, have been sold.

### 1.1.4. Evaluation

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#### **AXA Belgium conforms with the new Belgian law**

There is only one single positive aspect to AXA's policy. AXA Belgium has removed investments in STE (the producer of anti-personnel mines) from investment funds.

In doing this, AXA Belgium is actually only complying with the Belgian law that was agreed in the Belgian parliament in summer 2004.<sup>6</sup>

But at the level of AXA Group, there is no sign of a policy that excludes investment in producers of anti-personnel mines. The decision of the Belgian branch of AXA accounts for less than 2% of the shares in STE that AXA holds worldwide. Despite the fact that anti-personnel mines are illegal in 75% of the world.

There is also no sign of excluding the producers of other controversial weapon systems (such as cluster munitions or depleted uranium weapons).

AXA Group refers to other decisions that should have been taken within AXA Belgium, but there is no trace of these.

#### **A lack of society responsibility**

At this moment, there is no sign whatsoever of a new weapon policy within AXA Group. AXA clearly refuses to take any social responsibility for investments in the weapon industry or anywhere else.

This position stands in stark contrast with the growing realisation within many companies that they form part of society, and must therefore take a certain amount of social responsibility. This realisation

is also growing within the banking sector.

AXA Group is the only financial institution that has completely ignored the demands of the campaign 'My Money. Clear Conscience?'. The conscious and peace-loving customer is left out in the cold by AXA. A depressing observation.

## 1.2. Dexia

### 1.2.1. Identity card

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Dexia is a large European bank group. Dexia is the European market leader in public sector financing. As a customer, the public sector was responsible for half of the net result of the group in 2003.

Dexia made a net profit in 2004 of 1.77 billion (23.8% higher than in 2003).

### 1.2.2. Campaign 'My Money. Clear Conscience?' makes Dexia face the facts

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Before the start of the campaign, Dexia claimed that it had no links with the arms industry. The bank group referred to the name that it had used since 2003 'The bank of sustainable development'.

The first report from Netwerk Vlaanderen<sup>7</sup> revealed the opposite to be true. Dexia had \$42.5 million invested in eight large international weapon companies, such as Thales, General Dynamics and BAE Systems.

A few months after this report, Dexia provided more information about these investments. A part of the investments were related to Dexia's investment funds. Dexia refused to take responsibility for these funds, referring to the responsibility of the customer. But Dexia was willing to put effort into developing a new defence policy. It was the first bank group to express an intention in this direction.

The fact that a new policy was needed became obvious after the publication of the second research report<sup>8</sup>. The report revealed that Dexia also invested<sup>9</sup> in producers of controversial weapon systems. Dexia extended a bank guarantee of \$1.9 million to Forges de Zeebrugge, a Belgian producer of cluster munitions. Dexia also invested in EADS (producer of nuclear weapons and cluster bombs) and BAE Systems (nuclear weapons and depleted uranium weapons) amongst other companies. Dexia also offered the fund Dexia Asia Premier on the Belgian market, which contained shares in Singapore Technologies Engineering, a producer of anti-personnel mines.

Pierre Richard, the CEO of Dexia, announced at the general meeting of the bank (12th May 2004) that Dexia would work on a new, stricter, weapon policy. Dexia sold her shares in the Singaporean producer of anti-personnel mines. The direct investment of Dexia in BAE Systems and EADS were also sold. Richard announced that Dexia wished to play an active role in developing a code for the whole bank sector.

Unfortunately enough, after almost a year there was no sign of concrete steps being taken. There was not much indication of the pioneering role that Dexia wanted to play. Certainly not after the changes in policy announced by KBC and ING at the end of 2004 and the start of 2005. The expectations created by the 'Bank of sustainable development' were not fulfilled.

In April 2005 Dexia suddenly revealed her new defence policy. A policy that was agreed by the Board of Directors of the bank in November 2004.

### 1.2.3. The new defence policy

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Dexia's policy document<sup>10</sup> states that they *"do not believe that the defence sector must necessarily be excluded. This sector contributes to the security and protection of the population"*. But Dexia believes that this sector deserves a particular approach.

The policy of Dexia can be divided into 3 parts.

In the first part, Dexia outlines the relationship to companies involved in the production of anti-personnel mines. *"These companies are excluded from bank services by Dexia (the opening of bank accounts, etc.), project finance, loans, credit facilities, active (non-index) and publicly offered investment funds, investment of insurance reserves, own investments."*

In the second section, the credit policy is outlined. Dexia makes a distinction here between project finance and company finance.

The following are excluded from project finance:

- *"Financing that meets a need for an offensive or defensive intervention;*
- *Financing intended for research, development or production of defensive or offensive materials."*

Examples of project finance that cannot be granted are: production of munitions, fighter planes, missiles, submarines, troop transport planes, ammunition factories, research laboratories for munitions. Examples of project finance that would not be excluded by Dexia are: radars, communication satellites, flight simulators, training centres, light vehicles for the army, etc.

*"Dexia excludes loans and credits that are intended for the general financing of companies whose 'core business' is in products excluded from project financing"* (see above).

The third section of the policy refers to shareholdings.

*"Dexia Group and her subsidiaries no longer hold shares in the defence and weapon industry."*

Dexia has withdrawn fully from direct investments in arms producers.

For indirect investments, (via investment funds) there is no restriction on involvement in the arms industry. Dexia will, however, exclude arms companies from sustainable funds. For most sustainable funds, this was already the case, but this has been extended to all sustainable Dexia funds.

### 1.2.4. Evaluation of this policy

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#### **A big step forwards**

Dexia has made an important step towards a more peaceful defence policy.

The Board of Directors has clearly decided that a bank with the title 'Bank of Sustainable Development' cannot be involved in the defence industry.

It is noticeable and positive that Dexia has not only excluded the producers of controversial weapons. Dexia has used a much broader definition, and has decided on a policy that would exclude the majority of companies involved in the arms trade. Dexia will no longer finance light weapons, conventional munitions, missiles, etc.

most weapon producers will be unable to use Dexia for credit and direct capital investment.

On this point Dexia clearly goes further than the other bank groups researched by the 'My Money. Clear Conscience?' campaign. The other bank groups normally only exclude controversial weapons.

This new investment policy is far-reaching and considered. This results in a relatively clear policy. Dexia is in a good state to decide which investments and financing can and cannot be allowed. Dexia has, for example, made a study of the ways in which companies can be involved in supplying the military. On the basis of this report, Dexia has categorised the different sorts of involvement, and makes the decisions based on this.

In summary, we can refer to this as a well thought out policy. But a number of reservations remain.

### **Some reservations**

#### Too limited application

Dexia greatly limits her own responsibility in this policy. Dexia no longer wishes to be involved in financing and direct investment in arms production. But, indirect investment seems to be no problem. That seems to be the responsibility of the customer. According to Dexia, customers who do not want to invest in weapons must choose a sustainable investment fund.

This contradiction is surprising to say the least. The policy states that some weapons are unacceptable, but Dexia sees no contradiction in the fact that her customers can invest in these weapons.

For customers who save money with Dexia, a more peaceful policy has been developed, but nothing has changed for the investor. They are consciously or unconsciously investing in (sometimes very controversial) weapons.

This is not a small matter. After the first report from Netwerk Vlaanderen<sup>11</sup> Dexia also carried out research which revealed that the majority of Dexia's investment in the arms trade is precisely through these investment funds. Under the new policy, this can simply continue.

While Dexia clearly goes deeper in its policy than KBC (which only excludes landmines, cluster bombs and uranium weapons) the breadth of the policy is more limited than KBC which is the only bank group to apply its policy to indirect investments.

#### Interpretation, Implementation & Control

There is a great deal of interpretation possible of the policy, especially concerning the credit policy and in particular for general financing of companies, rather than financing for specific projects within the company. For example: a company requests a large loan for working capital or a general cash credit to finance export. If the company is involved in weapon production, Dexia will examine if weapon production is the 'core business' of the company. The question then arises of how Dexia will determine whether or not this is the 'core business' of the company. Dexia clarifies this point *"each loan request will be accompanied by a thorough analysis that will consider various criteria (activity, balance, turnover, clients and suppliers, ...) and this will allow a judgement on the involvement of the company in the excluded defence activities."*

A lot will depend on the interpretation and implementation of this policy in practice. Many of the (larger) arms companies combine purely military production with civilian activities. A clear analysis (which not only includes information supplied by the company itself) and a strict interpretation can lead to the exclusion of the arms manufacturers. But a weak implementation, and looser interpretation of the exclusion criteria potentially leaves a loophole open for Dexia to be involved in large amounts of lending to weapon producers.

For this reason, external control on the policy is also necessary. Dexia must not only publish transparent information about the policy, but also about the companies which are excluded from the possibility of receiving loans, and those which still (could) be financed.

### Pioneering role

At the general meeting of Dexia in May 2004, Pierre Richard announced that Dexia wished to play an active role within the sector to develop a policy in relation to investment in weapon production. Now that Dexia and other bank groups have changed their policy, it seems that the moment has passed for Dexia to play this role.

### **Conclusion**

Dexia's new policy is an important step forwards. The policy is clear, and Dexia excludes a great amount of the weapon industry.

Unfortunately, Dexia does not apply this policy to indirect investments. Furthermore, the bank group now has to work on ensuring that the policy is applied and implemented. The control mechanisms for this policy must be strengthened by making information about this policy available to various stakeholders (shareholders, customers, society, etc.).

## 1.3. Fortis

### 1.3.1. Identity card

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Fortis is a bank and insurance group of Belgian-Dutch origin, and one of the largest financial institutions in Europe.

In 2004 Fortis made a net profit of 3.4 billion, an increase of 53% compared to 2003. At the end of 2004 the bank group had a market capitalisation of 26.5 billion. Fortis employs 51,000 people worldwide.

### 1.3.2. The campaign ' My Money. Clear Conscience?' puts a new defence policy on the Fortis agenda

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Before the start of the campaign, Fortis claimed to have a restrictive and careful policy regarding the arms trade.

The first report<sup>12</sup> from Netwerk Vlaanderen revealed that this claim was a little premature. The report showed that Fortis also invested in arms companies. Fortis held investments of \$23 million in eight international arms companies such as BAE Systems, EADS and Thales. In 2002 Fortis also made an important credit facility available to Mecar, worth \$10.65 million. The most important client of this Belgian ammunition manufacturer is Saudi Arabia.

Fortis still believed in the restrictive and careful policy. Fortis placed emphasis on the fact that it could not finance anything illegal. The guide here was *"national and supranational laws relating to both the production and trade in weapons, and also regarding import, export and transit."* Fortis also proposed that in the event of *"the rare request of a weapon producer these dossiers are treated with a great deal of circumspection, and account is made of (amongst other things) the morality of the company and the necessary expert advice"*.

Which experts, what the experts have to give advice on and precisely what Fortis meant by the morality of the company was never clarified.

Furthermore, Fortis stated that there existed a policy note within the company entitled 'Normal forbidden, exclusive and reserved matters'. This internal document included details of the activities which Fortis did not want to finance for ethical reasons. Unfortunately, Fortis was not willing to make this document public. There was therefore a great deal of unclarity in the policy.

The second report<sup>13</sup> from Netwerk Vlaanderen provided much more clarity. This report showed that the Fortis policy was much less restrictive and careful than the bank claimed. The report revealed Fortis investments in producers of very controversial weapon systems. Fortis invested<sup>14</sup> in EADS (cluster munitions and nuclear weapons), Singapore Technologies Engineering (anti-personnel mines), ATK (uranium weapons, cluster munitions and anti tank mines) amongst others. Fortis had also given various bank guarantees to Forges de Zeebrugge, a Belgian manufacturer of cluster munitions.

Fortis was also impressed by these newly revealed facts. During a debate organised by Netwerk Vlaanderen in May 2004 Marcel Lemoine of Fortis stated that the company would work on a new weapon policy. Fortis asked for one year in which to work on the policy. At the general meeting of Fortis (26th May 2004) Maurice Lippens (chairman) and Herman Verwilt (Deputy CEO) set out the lines for this new policy.

*"Fortis does not want to be involved in the financing of what can be termed 'controversial'*

*weapons, or 'dirty weapons'. That is the objective.*"<sup>15</sup> But it was also proposed that *"a distinction must be made concerning involvement."* Mr Verwilt promised that the policy would be refined, that the various parts to the policy would be coordinated (credit, investment, compliance, ...), that the policy would go further than the strict legal necessity, that the policy would be communicated, and that the follow-up of the policy would also be communicated, including in the annual report. The request for more transparency was also well received by Fortis. It was then a matter of waiting until the new policy was revealed at the end of April 2005.

In November 2004 Fortis had already announced that it had ended its investment in Singapore Technologies Engineering, the producer of anti-personnel mines.

### 1.3.3. The new defence policy

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The new defence policy of Fortis forms part of 'Agenda 2006'. The internal policy option 'Agenda 2006' is an attempt by Fortis to reach the top 25% highest scoring financial institutions on the level of sustainable development, by the end of 2006.

The public defence policy document<sup>16</sup> of Fortis deals with four large topics.

In the first part, Fortis states *"all financing and other types of engagement are submitted to strict compliance with relevant rules and legislation. Based on our own Values, or because of international consensus on certain issues we can obviously set higher."*

This is worked out in more detail in the following two sections.

The second section deals with accepting customers.

*"Given the delicate characteristics of the Defence Industry we scrutinize our (potential) clients and the projects on:*

- *Standing and morality of our counterparty, which has to be irreproachable;*
- *Transparency regarding the company, group structure and shareholdership up to the ultimate level of control,*
- *Full understanding of the activities our (potential) clients undertakes,*
- *Final destination of the weapons."*

The third section deals with the policy on controversial weapons announced at the general meeting.

*"Fortis doesn't want to be involved in financing or investing the production, trade or any other activity related to controversial weapons"*. Fortis defines the concept of 'controversial weapons' as a dynamic concept that can change through time due to laws, international consensus or new insights of Fortis. At this moment Fortis considers the following weapons to be controversial: anti-personnel mines, cluster bombs, nuclear weapons, biological and chemical weapons.

*"No new transactions related to 'controversial weapons' will be accepted."*

The policy also discusses existing engagements. Fortis will make existing customers aware of the concerns over these activities, and propose that financing cannot be used for these controversial activities. *"Exiting relations is a decision of last resort, especially in our relations with conglomerates that have insignificant interests in controversial weapons."*

The fourth and final part of the policy states that every decision relating to the weapon industry will be made at *"the management level that is one level higher than the regular decision level."*

### 1.3.4. Evaluation of this policy

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#### **Strong step forwards**

Fortis has made an important step towards a more peaceful investment policy.

The Board of Directors and the Management Board made a clear engagement to work towards a policy under which Fortis was no longer involved in the financing of controversial weapons. From meetings with the bank group it is clear that the policy has been thoroughly discussed with the different sectors within Fortis. This approach is important if the policy is to be not only something imposed, but also carried out within the company.

Fortis has interpreted the term 'controversial weapons' in a relatively wide sense. The bank group treats the following categories of weapons as controversial: anti-personnel mines, cluster bombs, nuclear weapons, biological and chemical weapons.

A positive aspect of the policy is that Fortis not only excludes specific categories of weapons, but has also worked out a set of rules that relate to the acceptance of companies from the defence sector. Potential clients will be screened on criteria such as transparency, the nature of their business, reputation, destination of the weapons. Decision related to the weapon industry will now be carried out at decision making level higher than normal. These two additional aspects of the policy show that Fortis believes that involvement in the defence industry is a delicate and risky business, and that a different approach is necessary.

There still are some comments and reservations that can be made on this new policy.

#### **Reservations**

##### Too limited application

Mr Verwilt stated at the general meeting that Fortis would work on a policy that distinguished between different sorts of involvement in the defence industry. The policy text leaves some unclarity here, but in a reaction<sup>17</sup> to questions from Netwerk Vlaanderen it is clear that Fortis has interpreted these reservations in a broad sense. No longer being involved in controversial weapons means, for Fortis, that they will no longer directly finance or directly invest (for their own portfolio) in these weapons. Producers of controversial weapons will not be excluded from investment funds offered on the market.

Fortis finds that, for itself, investment in cluster munitions (for example) is not acceptable. But, Fortis does not find it a problem to burden her customers with these investments. Double standards are being used here. For the investor who is a customer at Fortis, nothing has changed. They remain investing consciously or unconsciously in nuclear weapons and cluster munitions amongst other weapon systems.

Fortis denies responsibility by stating that investors can choose for ethical investment funds. But vigilance is also necessary here. Not all ethical products from Fortis exclude weapon producers. Funds that are not weapon free include Altvision Rode Kruis and Fortis L Fund Strategic SRI/Europe.

With the reduced scope of the policy, it is clear that Fortis does not go as far as KBC. KBC follows a much more consistent path, by also applying the policy to investment funds.

### A loophole

In the case of financing, there are also no water-tight guarantees. The letter from Mr Verwilt also states: "*with regard to conglomerates: financing is possible, herewith excluding the controversial activities.*". This is naturally a rule that can be interpreted in many different ways. What is a conglomerate? How wide or precisely will Fortis interpret this? Is BAE Systems, the largest arms producer in Europe and the third largest in the world, a conglomerate? And does Fortis wish to continue financing the Hawk and Typhoon fighter planes manufactured by BAE Systems, despite the fact that the company is involved in cluster munitions and uranium weapons? Is Thales still a potential client for Fortis, if the production of cluster munitions is only carried out by the daughter company Forges De Zeebrugge? And do conglomerates have more right to be involved in controversial weapons than smaller companies?

These exceptions for conglomerates mean that a number of companies involved in controversial weapons are still possible recipients of finance from Fortis.

Fortis has rules regarding accepting clients from the defence industry. But these rules are also open to different interpretation. Does Fortis believe that companies such as BAE Systems, involved in a series of corruption scandals and involved in the production of cluster munitions, enjoys an unblemished reputation?

### Interpretation, implementation, control

From the comments made above, it appears that a lot will depend on the ways in which Fortis implements the new policy. The policy text allows both a strong and loose interpretation. The effectiveness of the policy in excluding companies with a questionable reputation, and companies involved in controversial weapons, will depend on the interpretation and implementation.

Fortis will also need to provide much more transparency in the implementation of the policy. To achieve this they will need to publish, just like KBC, a list of companies that they exclude from investment and financing.

### Uranium weapons & anti tank mines

Netwerk Vlaanderen and the peace movement organisations involved in the campaign find it unbelievable that anti-tank mines and uranium weapons are not included in the list of controversial weapons drawn up by Fortis. In an appendix to the new Fortis policy, Fortis defines controversial weapons as follows: "*Weapons of mass destruction and those types of weapons that are considered to cause unnecessary suffering or that affect either soldiers or civilians*"

Both anti-tank mines and uranium weapons satisfy this definition.

Anti-tank mines have caused much unnecessary suffering to civilians over the past decades, and in some areas thousands of the weapons remain to claim further (civilian) victims. Just like cluster munitions, anti-tank mines are not expressly forbidden in international treaties, but there is a growing pressure in society to forbid them. On the 28th October 2004, the European Parliament passed a resolution that requests that EU member states, amongst others, take steps to immediately destroy anti-tank mines.<sup>18</sup>

Uranium weapons have caused a great deal of civilian suffering after their use in the two Gulf Wars, the Balkans and Afghanistan. These weapons continue to cause victims long after the conflict. (Depleted Uranium has a half-life of 4.5 billion years.) After the use of a depleted uranium projectile, radiological and chemically toxic particles are released into the environment, that cause serious health problems if they are absorbed into the body. The United Nations and the European Commission have recognised the problem. The European Commission has called on EU member states to put an immediate end to the use of these weapons.

## **Conclusion**

The new Fortis policy makes an important step towards a more peaceful investment policy.

A strength of the policy is the fact that it goes further than excluding a few specific companies, but it also contains a policy regarding the acceptance of new clients. Decisions about weapon issues will be taken a high level.

Producers of controversial weapons will not be completely excluded from financing. And that is disappointing and regrettable, as is the fact that the policy is not valid for the indirect investments of Fortis.

Furthermore, the policy leaves a large space for interpretation, which makes it difficult to evaluate the value of the policy. Transparency regarding the actual implementation of the policy is also essential.

## 1.4. ING

### 1.4.1. Identity card:

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ING is a private financial institution of Dutch origin. ING is active around the world in more than 50 countries. The most important markets are Europe, North and South America, and Asia. ING is the largest private financial institution in the Benelux countries, and the eleventh largest in the world.

ING made an operating profit in 2004 of 5.39 billion, an increase of 33% compared to 2003. At the end of 2004 ING had a market value of 49.1 billion. ING has 113,000 employees worldwide.

### 1.4.2. The campaign 'My Money. Clear Conscience?' wakes up ING

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Before the start of the campaign 'My Money. Clear Conscience?' in 2003, ING was not conscious of the risks associated with investing in the arms industry.

The first report<sup>19</sup> of Netwerk Vlaanderen in October 2003, revealed that ING invested around \$300 million in 9 international weapon producers, including BAE Systems, Boeing and General Dynamics.

ING was clearly not impressed by this claim. ING answered in December 2003<sup>20</sup> that they "had already (at the start of 2003) adopted a restrictive policy in relation to the defence industry". They described the arms industry as a sector "a potential environmental, social or reputation risk." ING stated that "we assess each proposal on a case-by-case basis. The classification and the potential impact of the weapons and/or goods are among other things considered in the assessment process. Only under strict conditions is financing of military equipment and supplies permitted. Financing of torture equipment and landmines is not permitted."

ING referred here to its own Business Principles and Corporate Social Responsibility (CSR) Statements. The Business Principles stated that "ING employees are expected not to do business with persons, companies or institutions if the business is related to activities that are illegal or can be regarded as unethical". The question then arises as to which activities ING finds unethical, in this case in relation to the trade and production of weapons. The Business Principles are only very general guidelines that are formulated as good intentions. They contain no specific codes of conduct with respect to investments in the arms industry. These specific details would be contained in the CSR statements of ING, but these statements are not open to public scrutiny. Netwerk Vlaanderen was not alone in criticising this lack of transparency in the investment policy of ING. SOMO<sup>21</sup> stated in their report on ING: "Without the CSR Statements, it becomes hard for outsiders to see how ING is linking its policy to daily business practice, and it's impossible to verify if ING is sticking to its own CSR commitments. All in all, SOMO urges the ING Group to think about disclosing their CSR Statements in an easily accessible manner, for instance through a link on their website. This would contribute greatly to an open CSR discussion."<sup>22</sup>

The second report of Netwerk Vlaanderen (April 2004)<sup>23</sup> revealed that there were enough reasons to be anxious about this lack of transparency. Netwerk Vlaanderen published data showing ING investments in producers of nuclear weapons, depleted uranium weapons, cluster munitions and anti-personnel mines. ING invested<sup>24</sup> in Lockheed Martin (nuclear weapons and cluster munitions), Raytheon (cluster bombs), Singapore Technologies Engineering (anti-personnel mines), Serco (involved in maintaining the nuclear weapon arsenal for British nuclear submarines and developing new nuclear weapons for the British armed forces) amongst others. ING also provided a large loan of at least euro 50 million to EADS, the second largest weapon producer in Europe. EADS produces the AFDS-

cluster bomb (which can be launched from F-16 fighters), and nuclear missiles for the French armed forces. At the end of 2004 EADS was awarded a further contract worth euro 3 billion, for the delivery of new M51 nuclear missiles for the French navy.

ING must be responsible for these investments. The restrictive policy regarding the defence industry did not seem to be so effective. When questioned by critical shareholders at the general meeting, Chairman Ewald Kist stated that ING did not wish to be involved in investments in anti-personnel mines and weapons of mass destruction.

At the end of 2004 the Dutch section of ING was also involved in a controversial arms export to Indonesia. Together with Rabobank, ING financed 95% of the planned export of marine ships for the Indonesian army. Indonesia is a country that is recognised for systematic abuses of human rights. The supply of these ships is the largest Dutch arms export in the past 20 years, worth euro 400 million.

### 1.4.3. The new defence policy of ING

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Under pressure from critics, ING worked during 2004 and the start of 2005 to develop a new policy regarding investments in the defence sector. The policy was completed in March 2005.

The new policy is made up of three parts<sup>25</sup>.

*"With respect to the financing of, and direct investment in, companies that are directly involved in manufacturing, maintaining and/or trading of weapons, ING abides by the applicable (international) laws and regulations".* This is the section where ING states it will not be involved in illegal activities.

*"In addition, ING applies strict criteria for companies directly involved in the manufacturing, maintaining and/or trading of anti-personnel landmines, cluster bombs, depleted uranium ammunition and biological, chemical or nuclear weapons."* In this section, ING states which weapon systems it considers to be controversial. For these weapons, there are rules that go further than the legal obligations. These criteria are developed further in the policy text.

Producers of controversial weapons are excluded from new financing and direct investment by ING. An exception is made for companies involved in controversial weapons, but which are mainly involved in civilian activities. For these companies, it is only the controversial weapon activities that may no longer be financed.

Controversial weapon producers are not excluded from indirect investment, for example investment funds that ING sells to customers.

In the third section a policy rule is formulated around finance in the arms trade. *"Trade finance in military equipment and supplies must comply with NATO regulations and is permitted only when there is an export licence from an EU, US or Canadian government as well."*

#### 1.4.4. Evaluation of the policy

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##### **A step forwards**

ING has made a good first step towards a more peaceful investment policy. ING has clearly thought this policy through. There was a strong mandate from the Board of Directors to draw up this policy, and this has led to a relatively clear policy. ING is now in a good position to determine which financing and/or investments should be excluded.

It is positive that ING has made this policy very clear. ING does not want to make promises that it later cannot keep. ING has also been clear about the limits of the policy in the press. For example: *"Large companies that are only partly involved in the defence industry can be considered for project finance, even if other parts of the companies produce controversial weapons. If we were to exclude conglomerates in this way, we would be out of business."* (Arnaud Stuart Cohen, ING spokesperson)

ING has interpreted the meaning of 'controversial weapons' in a relatively wide sense. Not only illegal weapons (anti-personnel mines, biological and chemical weapons), but also cluster munitions, depleted uranium weapons and nuclear weapons are not acceptable for ING.

ING has involved the independent research organisation Dutch Sustainability Research (DSR) in the implementation of the policy. DSR will do an update-research into which companies are involved in the weapon systems excluded by ING. This approach suggests that ING will follow up this policy in the future.

In summary, we can state that ING has introduced a stricter weapon policy, but.....

##### **Some reservations**

.... There are a number of reservations that must be made in relation to this policy.

##### Too limited application

ING limits its responsibility very strictly. They no longer wish to be involved in financing or direct investment in controversial weapons. But they have no problem in being involved via indirect investments. That is for them the responsibility of the client. According to ING, clients who do not wish to invest in these weapons should choose for a sustainable investment fund from ING.

ING is performing an acrobatic manoeuvre here. On one hand, they find some weapons unacceptable, but they see no problem in letting their clients invest in these weapons.

For the client who saves money with ING a more peaceful policy is in place, but for the ING investor nothing has changed. They continue to invest consciously or unconsciously in controversial weapons such as nuclear weapons and cluster bombs.

This is not just about details. The indirect investments that ING manages, are worth 334 billion. The credit is worth 317 billion, and the direct investments 157 billion.

With these limitations on the scope of the policy, ING is clearly going less far than KBC. The KBC policy also applies to indirect investments.

Pointing the client towards ethical investment funds is evasive. But, apart from this, there are still perils for the investor. For example, ING offers the fund 'ING (L) Selectis Sustainable Distri'<sup>26</sup> on the market. This fund is called a sustainable fund, but has no exclusion criteria for the arms industry. Not all sustainable investment funds are therefore suitable for investors seeking to avoid (controversial) weapons.

### A loophole

The financing and direct investments of ING are also not watertight. ING makes an exception for companies that are primarily civilian, but also active in the defence sector. ING does not want to lose certain companies as clients. A blind eye is turned in their direction. These companies can still remain involved in the most controversial weapon systems. ING will not finance the controversial weapon activity of these companies, but by lending money to these companies (in the form of credit or shareholding), ING also legitimates their controversial activities. In this way ING retains business relations with producers of some of the most controversial weapons.

It is evident that this is not an issue relating to small companies. The previous decades have seen a reduced distinction between civil and military companies. More and more high technology companies of civilian origin are setting their sights on the highly lucrative military market. A Belgian example of this trend is Barco, which was originally a civilian company but has seen its military production increase to account for 14% of the total turnover.

A shocking example of this loophole is EADS. EADS is the second largest weapon producer in Europe, and the seventh largest in the world. As EADS is such a huge company, military turnover accounts for only 25% of the total. This military turnover is however worth 7.7 billion. EADS also wants to increase military activities. A target has been set for 2006/2007 of 10 billion. As well as the European military market, the company is also aiming at the US market.<sup>27</sup> Despite the fact that EADS is involved in very controversial weapons (EADS produces cluster bombs and nuclear weapons amongst others) ING will continue to invest in EADS. This European weapon giant received a credit facility in 2002 worth 2.85 billion, from an international bank syndicate. Between 50 million and 100 million of this loan came from ING. The money was intended for working capital and as a back-up for the issuing of bonds. ING could grant a similar loan to this producer of controversial weapons in 2005, despite the new policy. EADS would have to sign an undertaking in which it agrees not to use this money for the production of controversial weapons. It is puzzling how ING believes it can control this.

### Control

As we stated above, ING is very transparent about the policy. But transparency on the defence policy is only one part of the story, external control is also needed. Certainly as ING leaves a loophole for the primarily '*non-weapon-orientated weapon producers*'<sup>28</sup>, it is important that ING publishes the names of the companies that can no longer be considered for investment or financing by ING. ING is currently avoiding this demand by referring to the confidentiality of the client. This seems to be irrelevant as the list would by definition be made up of companies that could no longer be clients of ING. The fact that transparency is not impossible can be seen from the position that KBC has already taken. This bank has clearly communicated which companies can no longer be considered for investment.

### Anti-tank mines

It is shocking that anti-tank mines are not included in the list of controversial weapons. These weapons breach International Humanitarian Law, as they are unable to distinguish between civilians and military targets. Both during and long after the conflict, they can cause disproportionate suffering to the civilian population. Just as with uranium weapons and cluster munitions these weapons are not specifically forbidden by international treaties, but there is a growing pressure in society to forbid them. On the 28th October 2004, the European Parliament passed a resolution that requests that EU member states, amongst others, take steps to immediately destroy anti-tank mines.<sup>29</sup>

## **Conclusion**

ING has made an important and well thought out step in a good direction. The policy is clear and communicated in a transparent manner. The exclusion of a large number of controversial weapons is an ethical choice, and an important signal to the international financial sector (certainly when the position of ING worldwide is taken into account).

Unfortunately not all the producers of these controversial weapons are excluded from dealings with ING. Regrettably, ING does not extend this policy to the significant amount of indirect investments. The control of the policy must also be heightened by increasing the amount of information available to the different stakeholders of ING (shareholders, clients, etc.)

## 1.5. KBC

### 1.5.1. Identity card

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KBC is one of the largest bank and insurance companies in Belgium. As well as the Belgian market, KBC focuses on a number of countries in Eastern Europe.

KBC made a net profit in 2004 of almost 1.8 billion, 57% higher than in 2003. The KBC group currently has a market capitalisation of 24 billion, and employs around 51,000 people. It has around 11 million clients.

### 1.5.2. Campaign 'My Money. Clear Conscience' pushes KBC to a more restrictive policy

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Before the start of the campaign 'My Money. Clear Conscience?' in 2003, KBC claimed to have a very restrictive policy in relation to the weapon industry.

The first report from Netwerk Vlaanderen<sup>30</sup> in October 2003 revealed that KBC was investing in and financing the arms industry. KBC had given a credit facility of \$10.65 million to Mecar, a Belgian ammunition producer that has Saudi Arabia as its most important customer. There were also investments worth \$30 million discovered in nine international weapon companies, including BAE Systems and General Dynamics.

KBC continued to defend the view that they had *"a strict policy in relation to the criteria and guidelines used for investments in and credit to the weapon industry"*.

In the credit policy, KBC stated that they *"only wished to finance transactions where it can reasonably be taken that they satisfy the normal ethical, legal and fiscal norms"* and *"the financing excludes criminal or socially unacceptable activities."*

What constituted 'normal ethical norms' and 'socially unacceptable activities' for KBC was not entirely clear. KBC's credit policy for the arms industry continued to fall back on legal norms, such as the exclusion of financing illegal weapons (chemical weapons, bacteriological weapons and anti-personnel mines).

KBC also stated that *"this policy is continuously updated and extended in the light of changes in the social and legal context"*. The fact that this was urgently needed was made clear in the second report<sup>31</sup> that Netwerk Vlaanderen published in April 2004. This report revealed that KBC was involved<sup>32</sup> in financing the producers of controversial weapon systems. KBC invested in (amongst others) EADS (cluster munitions and nuclear weapons), Raytheon (cluster munitions), Singapore Technologies Engineering (anti-personnel mines). KBC also gave bank guarantees to Forges de Zeebrugge, a Belgian producer of cluster munitions.

Confronted with critical questions from shareholders at their general meeting in April 2004, the chiefs of KBC took a very dismissive attitude. KBC was clearly annoyed by the new facts that they were presented with.

But KBC was the first bank group to realise that it was time to take action. During 2004, KBC launched a new defence policy.

### 1.5.3. The new KBC defence policy

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The new defence policy from the KBC Group evolved during 2004. At first, KBC distanced themselves from anti-personnel mines, and they later added a number of other controversial weapon systems to their "black list".

The first part of the policy<sup>33</sup> states that *"KBC will, of course, neither invest in, nor give credit to, the producers of banned weapons (anti-personnel mines, chemical and biological weapons)"*. Companies involved in illegal weapon systems cannot do business with KBC.

But KBC went further: *"companies involved in the development, production or trade of weapons whose use in the previous 50 years has caused disproportionate suffering to civilian victims are excluded."* KBC placed uranium weapons, cluster bombs and cluster munitions in this category.

These policy decisions are taken at the level of the portfolio manager (KBC Asset Management), but are then adopted by the whole group (including those responsible for credit). For credit, KBC also stated that *"there is a strict credit procedure in force centrally, so that all subsidiaries in Belgium and abroad apply the same principles for credit to these companies"*. KBC stated that in practice *"now, very few or no dossiers related to financing of weapons would be approved"*.

KBC made public which companies appear on their black list for investment: Singapore Technologies Engineering, EADS, Thales, Raytheon, Lockheed Martin, Alliant Techsystems (ATK) and General Dynamics.

The black list of companies for credit has not been made public. For two reasons, we can think that the list for credit may be longer:

- Companies not quoted on the stock exchange (for example SMEs) may apply for credit
- KBC has itself stated that very few requests to finance weapon production would be approved.

For two companies, there are clear indications that KBC has a stricter policy in relation to credit for the weapon industry.

Allied Defense Group, the parent company of Mecar, confirmed to Netwerk Vlaanderen that KBC had withdrawn the credit facility worth 10.65 million<sup>34 35</sup>. Netwerk Vlaanderen has no information that Mecar is involved with any of the weapon systems that KBC has excluded.

In the *Tijd*, a Belgian financial newspaper, Daniel Drion, the delegated board member of van Forges de Zeebrugge stated: *"3 days after the report<sup>36</sup> appeared, the director of the KBC bank in Liege came to visit me to say that he was under pressure from the Board of Directors to end cooperation with Forges de Zeebrugge."* Forges de Zeebrugge is involved in the development and production of cluster munitions.

#### 1.5.4. Evaluation of this policy

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##### **A strong step forwards**

KBC has made an important step towards a more peaceful weapon policy.

KBC has clearly put effort into this policy, including making their own study into the problems of controversial weapons. An external advice commission made up of experts has also been involved in developing the policy.

The approach of KBC has included open communication on this issue with Netwerk Vlaanderen, and the bank has made use of information provided by Netwerk Vlaanderen and the peace organisations involved in the campaign. The companies have also had the chance to react on their involvement in controversial weapons.

This way of working has also led KBC to a clear policy. KBC has not neglected to communicate this policy clearly. This communication includes numerous statements from KBC in the press, publications on their website, and in the KBC Monitor Sustainable Investment.

In Belgium, KBC has played a pioneering role. In the middle of 2004, they were the first bank group in Belgium to make a new policy in relation to the weapon industry. This approach has made KBC an undisputed leader in the Belgian financial sector.

KBC has clearly not limited itself to the illegal weapon systems, and the decisions to exclude cluster munitions and uranium weapons have been made for ethical reasons. However, KBC does not go as far as banks like ING, Dexia and Fortis that also exclude other weapon systems (nuclear weapons for example).

The most striking comparison with other bank groups is that for KBC exclusion means exclusion. A company that is involved in what KBC considers to be controversial weapons is not only excluded from credit and direct investment, but also from indirect investment via various KBC investment funds. KBC does not hide behind the idea of the responsibility of the client, but applies the policy to all the financial services that are on offer.

KBC Asset Management openly publishes the names of the weapon companies that have been removed from investment funds. This form of transparency is a remarkable step within the Belgian financial sector, which has no culture of giving this kind of information. This information is very important as it gives the client the clearest information of the content of the policy. By giving this information, KBC makes a meaningful dialogue possible with various stakeholders (clients, shareholders, NGO's). On the question of transparency, KBC is playing a pioneering role.

In summary.... A strong and consistent policy. But, there remains some work for KBC.

## **Reservations**

### Implementation problem

In determining the companies that should be excluded, KBC has begun with the list contained in the research dossier produced by Netwerk Vlaanderen on controversial weapons. This is clearly not sufficient. The dossier does not contain a complete overview of all companies involved in these controversial weapons. That was never the purpose of the report. Netwerk Vlaanderen has continued to remind KBC of this fact over the past year.

If KBC wants to carry out the policy that has been drawn up, the group must conduct their own research and/or engage an external research body with the aim of developing as complete a list as possible of companies involved in the controversial weapon systems. That is necessary to ensure that the promises made to customers can be kept.

Recent contact with KBC reveals that the bank group is conscious of this fact. Netwerk Vlaanderen will watch the developments with interest.

### Unclear around the credit policy

While the transparency around the investment policy is very far reaching, there is less clarity as to the scope of the credit policy. It is clear that the credit policy also excludes producers of anti-personnel mines, uranium weapons and cluster munitions. But KBC states that the credit policy also goes further. There is the suggestion of a general restriction on extending credit to weapon producers. The fact that KBC has withdrawn a credit facility from Mecar is an example of this.

At the moment it is unclear just how far the restriction goes. A list of the financing that has been granted and/or refused should also be made public.

### Anti-tank mines

Netwerk Vlaanderen does not understand why the producers of anti-tank mines are not excluded from financial links with KBC. These weapons fit clearly in the KBC definition of controversial weapons. In the past 50 years, anti-tank mines have caused huge amounts of suffering to innocent civilian victims. Just as uranium weapons and cluster munitions, anti-tank mines are not banned by specific international treaties, but there is a growing pressure in society to forbid them. On the 28th October 2004, the European Parliament passed a resolution that requests that EU member states, amongst others, take steps to immediately destroy anti-tank mines.<sup>37</sup>

### Nuclear weapons

It is also regrettable that nuclear weapons are not excluded by KBC. The fact that nuclear weapons have not been used in the past 50 years is a very weak argument. 60 years ago, they were used in Hiroshima and Nagasaki. The condition that a weapon must have been used in the past 50 years appears to be a convenient excuse not to exclude nuclear weapons.

Apart from this, it is a very cynical argument. Will KBC now really wait until the bomb is used again before it ends its investments in these weapons of mass destruction? Looking to the development in the US of so-called 'mini-nukes', to be used in pre-emptive strikes, and the proliferation of nuclear weapons, experts suggest that the risk of nuclear war has never been greater than it is at present.

### **Conclusion**

KBC has made an important, thought out, and consistent step in a good direction. The policy is clear and has been communicated in a transparent way. KBC has played a pioneering role on this issue. If KBC wants to implement this policy in a sound and strict manner, more work is needed.

## 1.6. Belgian sectoral initiatives

The campaign 'My Money. Clear Conscience?' has used its limited resources to conduct research, lobbying and action around the five bank groups with the highest profile on the Belgian market. But there are, of course, many other bank groups active in the country. Alongside the campaign demands aimed at the specific banks, the campaign is also calling for changes across the whole of the banking sector.

When the first Netwerk Vlaanderen report<sup>38</sup> appeared, the Belgian Bankers' Association (Belgische Vereniging van Banken - BVB) rejected the campaign demands. The BVB decided that weapon production and trade was not necessarily unethical. *"Weapons are necessary, and it is up to parliament and government, and not the banks, to decide which countries can receive weapons, and who can produce weapons."*, declared Secretary General Jacques Zeegers of the BVB to the Belgian press agency Belga.

After the appearance of the second report<sup>39</sup> there was a discussion within the sector about this theme. At a debate organised by the campaign in May 2004, Guido Raevoet, delegated board member of the BVB, stated that initiative should also be taken at a sectoral level.

At the moment, there is little evident result of the discussion.

At BEAMA<sup>40</sup> a working group has been established to investigate how the sector can come into line with the new Belgian law which forbids investment in the producers of anti-personnel mines. An external research bureau will be employed to develop a *"black list"* of producers for the sector, and to keep this list up to date.

At FEBELFIN<sup>41</sup> a working group has been established around this theme. In the publication 'financieuzen en samenleving' of October 2004 FEBELFIN states: *"The conclusions of the working group established by Febelfin will soon be presented to the Board of Directors of the federation. The conclusions are similar to the standpoints taken by the four big banks wherein they state that they do not wish to be involved in the financing of these most controversial weapons."*

Such a position from Febelfin could be a starting point for ethical investment principles across the whole of the Belgian financial sector. But at the moment the final conclusion of the working group within FEBELFIN is not known. Does such a conclusion result in a sort of ethical investment code? And how does FEBELFIN define 'most controversial weapons'? Does this refer only to anti-personnel mines or also other weapons?

Many unanswered questions.

## 1.7. International examples

### 1.7.1. Similar campaigns and results

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Other campaigns around investments in the arms industry are beginning to bare fruit.

Under pressure of many months of actions, and discussion with the Dutch opposition party *SP*, ABN Amro decided in February 2004 to withdraw from the British company Insys, which tests cluster bombs for the British Army. ABN Amro owned just under 18% of Insys via the British investment fund 'The Fifth ABN Amro Causeway Development Capital Fund'. The bank stated that in November 2002 they had further refined their defence policy. This new policy means that ABN Amro will engage in no new transactions or relations with companies involved in cluster bombs.<sup>42</sup>

In Italy, *the Campagna Di Banche Armate* succeeded in convincing Banca Intesa, the largest Italian bank group, to adopt a stricter and more transparent weapon investment policy. This Italian bank promised to finance virtually no more arms exports. Each weapon export that is financed by the bank will be decided by the CEO and published on the website of the bank.

In Britain, *CAAT (Campaign Against Arms Trade)* has been running the 'Clean Investment Campaign' since 1991. This campaign encourages investors to end investments in large British weapon exporters for ethical reasons. The campaign initially focussed on pension funds of local councils, but was soon expanded to include investors such as charities, religious organisations, universities and trade unions. The campaign has convinced many of these institutional investors to withdraw from weapon producers such as BAE Systems.

### 1.7.2. Examples from the world of socially responsible investment

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In the ethical banking sector, there are naturally a number of banks that exclude the weapon industry in one way or another. Examples include Triodos Bank, ASN Bank and Co-op Bank

In the Netherlands *ASN Bank* has exclusion criteria for weapon producers, both for financing and for investment. ASN Bank makes complete control of this policy possible. They publish a complete list of companies that they (can) invest in on their website, with a short description for each company. The annual report of the bank includes not only the investment criteria, but also a description of the companies that are allowed, not allowed, and removed from possible investment.

The British *Co-op Bank*, grew out of the co-operative movement, and does not invest in any way in companies that supply arms to '*oppressive regimes*'. In practice, this means that almost no arms manufacturers can be financed by the Co-op Bank. But the bank also goes a step further, with their own campaigns to the public and other banks. Co-op Bank published a research report into cluster bombs in *The Guardian* national daily newspaper. Co-op Bank also collects money for NGOs that are working on this theme. They finance Land Mine Action, an organisation that takes care of victims of landmines and cluster bombs, and gives support to lobby work for a stronger international law in relation to cluster bombs. The bank also published an advert that called on other banks to end investment in producers of landmines.

*Triodos Bank* is an ethical bank active in Belgium, the Netherlands and UK. The bank completely excludes involvement in the weapon industry for both investments and financing. In the past, Triodos had funds where companies were excluded if their turnover was more than 5% military. 'My Money. Clear Conscience?' was amongst those that informed Triodos that a number of companies in the aerospace industry with military activities could be found in their investment funds. Triodos decided in June 2004 to adopt a zero-tolerance policy in relation to weapon producers.

The regular banking sector is increasingly offering ethical saving and investment products. Vigilance is required here. Not all sustainable or ethical financial products on the market exclude weapon companies.<sup>43</sup>

The campaign has also achieved results on the level of ethical products. Both KBC and Dexia have introduced stronger criteria in relation to weapon producers for their sustainable investment products.

*KBC* has not chosen for the complete exclusion of arms companies from sustainable investment products. This is regrettable, but under pressure from the campaign, the weighting for involvement in the arms industry has been increased in the general judgement of the company. The chance that an arms company finds its way into the sustainable funds of KBC is reduced, but not completely excluded. Producers of controversial weapons (biological weapons, chemical weapons, cluster munitions, land mines, uranium weapons, nuclear weapons that breach the non-proliferation treaty) are excluded from KBC sustainable funds.

*Dexia* has also adapted the criteria for sustainable investment funds. All non-index sustainable funds that are offered to the public will completely exclude weapon companies. This was previously the case for most, but not all, of these funds.

## 1.8. Conclusions and recommendations

### 1.8.1. More social responsibility and transparency

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The campaign 'My Money. Clear Conscience?' has clearly put the issue of investments in the arms industry on the agenda in Belgium and the surrounding countries. But the results go further than merely starting a discussion. Four of the five bank groups that were the subject of the research have worked on developing a new and stricter policy regarding investment in the arms industry. This means that investors follow stricter criteria regarding investment and financing decisions relating to weapon producers.

But there is no bank group that has fulfilled the first demand of the campaign, namely the complete withdrawal from the arms industry. This means that even those bank groups with a new policy run the risk of being associated in the future with questionable arms deals. Weapons financed by these bank groups will continue to be used in conflicts and the abuse of human rights.

There has also been progress on the second campaign demand of transparency. Just the fact of these bank groups communicating publicly and clearly on this issue would have been unthinkable before the start of the campaign. Weapon investment policy has been discussed at the general meetings of the banks, explained in annual reports and sustainability reports, and has been published on the websites of bank groups. Some bank groups have even published the names of companies that form a 'black list', to be excluded from investments (this is not the case for every bank group, and is the exception rather than the rule). Complete openness about the credit and investment portfolio is the only way to ensure that the policy can be independently controlled. So, there is also a lot of work to be done regarding transparency.

### 1.8.2. Stricter investment policy must be put into force

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The fact that control is important can be seen from the review of the policies of the various banks. The fact that the policy exists on paper does not mean that there is no more work to be carried out. The policy must also be implemented.

In many cases the policy is open to many different interpretations. This makes it difficult to judge the value of the policy at this point. A policy can be either very strictly or very loosely interpreted.

If the banks want their policy to lead to effective and significant changes in investments, the quality of implementation must be high. Banks will need to rely on highly qualified research institutions to supply information about weapon producers. For most of the new policies, implementation is the next crucial phase in creating a weapon free investment practice.

### 1.8.3. Umbrella organisations must get to work

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Now that a number of the most important bank groups in Belgium have developed their policies regarding weapon investments and transparency, the way is open for sectoral initiatives. One or more individual banks may follow the example. But it is the right moment for an initiative across the whole of the sector. Umbrella organisations such as FEBELFIN, BVB and BEAMA are the designated fora in which a weapon investment policy and transparency guidelines can be developed for the whole sector.

## Chapter 2

# Political Developments

When Netwerk Vlaanderen started the campaign at the end of 2003, the involvement of financial institutions in the weapon industry was not an issue for any of the political parties. This has clearly changed. The next section gives an overview of the political initiatives that have been taken, and the challenges that still exist.

### 2. 1. Political Initiatives

#### 2.1.1. Local

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The revelations made by Netwerk Vlaanderen, and the public concern that they provoked, have inspired local politicians and officials to take action.

A number of local authority treasurers have written letters to the house bank of their local authority, with the question of whether the bank can guarantee that the money of the local authority is not invested in the arms industry.

Motions have been introduced by local politicians to demand that the money of their local authority is not invested in the weapon industry.

Various local authorities have also decided to place a part of their local authority finances in a sustainable bank account.

#### 2.1.2. Federal

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### Political Parties take a position

In both Flanders and Wallonia, there is a clear parliamentary majority in favour of more transparency regarding the investment policies of financial institutions. The argument is that this will allow the customer to make a more informed choice. A majority agrees with the idea that financial institutions should be open about their general investment policy, as well as the specific details of which investments are being made.

An overwhelming majority also agrees that financial institutions must not finance forbidden weapons. There are differences regarding what can be classified as a forbidden weapon. For one party, this list is restricted to biological and chemical weapons and landmines. For another party, the list includes weapons such as cluster bombs and nuclear weapons.

### Flemish Parties

Netwerk Vlaanderen asked five non-racist Flemish parties for their opinion. Four written replies were received. The reaction of the VLD (Liberal party) is based on the statement of Fientje Moerman, The Flemish Minister of Economics, during a discussion of the research report on the television programme Terzake.<sup>44</sup>

Our first question was whether the party believed that financial institutions should avoid investments in the weapon industry.

In general, all parties believe that financial institutions should be taking more social responsibility. The parties have different opinions regarding which weapons should not be financed. Three parties-Groen! (Green party), sp.a (Social Democratic party), Spirit (Flemish Left-Liberal party) state explicitly that financial institutions should avoid investment in the weapon industry. Two parties focussed their reaction on the financing of landmines. CD&V (Christian Democratic party) and VLD (Liberal party) oppose the financing of landmines, as Belgium has in the past played an important role in bringing about the international ban on these weapons.

All parties believe that a code of conduct is necessary. But there is division on how the code should be developed, and the content of the code.

The CD&V see the code as more of an obligation to report than a code governing conduct. The VLD and sp.a agreed to cooperate in the development of a code of conduct. Neither of the parties made concrete proposals for the content of the code. Spirit and Groen! have made proposals. They refer to respect for existing laws regarding weapons, international treaties and conventions (Spirit) and/or the OSCE-rules (Groen!).

We also asked the political parties if they believed that financial institutions should make their investment policies known (whatever that policy is), and whether they should publish the names of arms companies that they have financed.

All parties believe that the client has a right to more information than they currently receive. All parties propose an obligation to report on this matter. Some are more explicit than others in describing what must be reported.

Groen! supports a position of full transparency for banks. They also call for an extension of the current rules regarding pension funds. These funds must declare if, and in which way, their investments take account of social, environmental and ethical criteria. According to Groen! this obligation should be extended to other financial products such as insurance. Spirit proposes that the financial institutions should publish their investment policy in relation to the arms industry and/or a list of companies being financed, in their annual report. Sp.a proposes that financial institutions publish basic information about how much has been invested in which weapon company in their annual report. The VLD is remarkably silent on this issue. The CD&V proposes that investment in a weapon technology should be a point for the annual sustainability report, and that a European code of conduct should be drawn up to make investment criteria public.

### Walloon parties

In Wallonia, Réseau Financement Alternatif asked questions to the French speaking political parties. They received a reaction from CDH (Christian Democratic party), PS (Social Democratic party) and Ecolo (Green party).<sup>45</sup>

All of these parties believe that financial institutions should refuse to invest in forbidden weapons. Only Ecolo named the weapons that it considers to be "forbidden": anti-personnel mines, biological

and chemical weapons, weapons with depleted uranium and cluster bombs.

The parties that reacted all agreed that customers should get more clarity, in order to make an informed choice. PS and Ecolo believe that the investment policy and concrete investments should be revealed.

### Parliamentary questions and answers

The Netwerk Vlaanderen report into financing of controversial weapon systems led to a number of parliamentary questions.

Isabelle Durant (Ecolo) and Philippe Mahoux (PS) have asked the finance minister Didier Reynders (MR, French speaking Liberal party) questions based on the report of Netwerk Vlaanderen. The following excerpts are taken from the answers of the minister:

- " ... *It is unacceptable that directly or via an investment fund investments are made in companies that breach international law. .... You have summed up a number of examples (anti-personnel mines, chemical and biological weapons, nuclear weapons, weapons with depleted uranium, fragmentation bombs). ... We must evolve in this direction.*"<sup>46</sup>

- " ... *I find it at least unusual that financial institutions make bank guarantees to companies involved in making anti-personnel mines. ... This problem is not limited to mutual funds or institutions for collective investment.*"<sup>47</sup>

- " ... *The development of codes of conduct must be encouraged.*"<sup>49</sup>

These are surprising statements for a finance minister with a reputation as the mouthpiece for the bank and financial world. The statements fit with our demand for more transparency and social responsibility within financial institutions.

### Ban on financing anti-personnel mines

In June 2004 the Belgian parliament approved a ban on the financing of anti-personnel mines through investment funds. The same law included extra sustainability reporting.

When the report of Netwerk Vlaanderen on financing controversial weapons appeared in the press, the law proposal 'concerning certain forms of collective management of investment portfolios' was being discussed in the Belgian Senate. It dealt with bringing the Belgian law into line with European guidelines. The law proposal which did not include any ethical issues had already passed through the Belgian Kamer (lower house of parliament). The report rang bells with a number of French speaking senators, and both PS and Ecolo submitted a number of proposals. Three of these have since become law.<sup>50</sup>

The first amendment covered a ban on the investment of investment funds in companies that make, use or stockpile anti-personnel mines. This ban is not valid for investment institutions that follow share or bond indexes (index funds).<sup>51 52</sup>

A second amendment includes the obligation to clarify via a prospectus<sup>53</sup> in which ways the policy takes account of social, ethical or environmental criteria.<sup>54</sup>

A third amendment that was also adopted states that the annual report or six-monthly report of an investment fund must summarise the ways in which the fund manager has taken account of social, ethical and environmental factors.<sup>56</sup>

This is an important step forwards, and the first legislation of this kind in Europe. It is unfortunate that the reporting requirement does not include any quality control. There is a risk that the wording will remain very vague and general.

A further amendment that would have made it easier to ban further socially damaging investment was not approved. There was also no exclusion of other controversial weapon systems such as cluster bombs, weapons containing depleted uranium and nuclear weapons.

### **Parliamentary working group established**

The campaign has led to movement on many issues. A number of banks have developed a stricter weapon policy. The information that most financial institutions provide regarding involvement in the weapon industry has also improved.

But, there are big gaps: by no means all banks are involved, there are gaps in the ethical principles which mean that the financing of controversial weapon systems is not necessarily prevented, the new policies must be effectively implemented, and controlling the policies is almost impossible (as no large bank is prepared to make its portfolio public).

The representative of the sector, Febelfin<sup>57</sup>, promised in 2004 that they would work on a policy for the sector. The discussions have resulted in no concrete results. We return to the position that the BVB took at the start of the campaign:

- financing the arms industry is not unethical.
- it is the job of politicians, not the banking sector to determine the ethical rules.

Leaving everything up to self-regulation in the banking sector is not going to achieve the desired result. A group of parliamentarians is currently preparing a law proposal that will specify a minimal code of conduct and transparency.

### **2.1.3. International**

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On the international scene, there are a number of positive initiatives:

- the public confirmation that Belgium will continue to play a role in promoting a ban on anti-personnel mines
- resolutions in the European Parliament that demand a ban and/or moratorium on various controversial weapon systems.
- The Norwegian Government Petroleum Fund decided not to invest in certain weapon systems

### **Belgium's leading role at the anti-personnel mine conference**

At the Nairobi Conference at the end of 2004 the Belgian minister for European Affairs made engagements that commit Belgium to action.

In a speech, Mr Donfut clarified the pioneering role that Belgium continues to play in the struggle against anti-personnel mines. He drew attention to the parliamentary initiative that has to lead to a ban on the financing of the production of anti-personnel mines.

He stated: *"My country will continue to act in several ways.... I can announce to you that a law proposal was launched... which aims to prevent financial institutions from engaging in any behaviour which would support the proliferation of these deadly weapons, such as the sale of financial products including the shares of companies which manufacture anti-personnel mines...."*<sup>158</sup>

## European Parliament opposes various weapon systems

The European Parliament has made numerous statements calling for a moratorium and/or ban on a number of weapon systems.

A concrete example is the resolution on the harmful effects of land mines, cluster munitions and depleted uranium weapons. This resolution confirms the need for a ban and/or moratorium on these weapons, and calls on member states of the EU to put such as moratorium in place. The resolution states that attacks on civilians are a breach of international humanitarian law, and that the use of these weapons could be punished at the international criminal court. The use of these weapons could also be considered a breach of Additional Protocol I of the Convention on Conventional Weapons.<sup>59</sup>

The recent resolution on cluster munitions is also interesting. This resolution states that any mine that explodes due to the presence of a person can be classified as an anti-personnel mine, forbidden under the Ottawa Treaty. The resolution states explicitly that means that certain ignition and anti-handling mechanisms are forbidden to those countries that have signed the treaty. This is an important expansion to the list of weapon systems forbidden under the Ottawa Treaty.

## The ethical investment principles of the Norwegian Government Petroleum Fund

The Government Petroleum Fund is a Norwegian state fund established in 1990 in which all oil income from the Norwegian state is placed. The fund invests 40% of this in shares and 60% in bonds. The state uses part of this money each year to balance the budget. The fund is seen in Norway as an important investment in the economy for future generations. Predictions show that Norway will be able to rely less and less on large oil reserves in the future. For this reason, it is felt that a large part of the current oil income should be put aside to be used in future difficult periods that arise from the reduction in income from oil, and an aging society.<sup>61</sup>

The ethical guidelines for this fund drawn up in 2004 include the condition that the fund must not invest in companies that produce weapons which when used would normally result in a breach of humanitarian law.<sup>62</sup>

Concretely, this means that the Petroleum Fund is not allowed to invest in producers of chemical and biological weapons, anti-personnel mines, nuclear weapons, cluster bombs, weapons with undetectable fragments, incendiary weapons and blinding laser weapons.<sup>63</sup>

## 2.2. Challenges

The campaign has brought a lot of movement on this issue, but there is clearly a long way to go.

### 2.2.1. Local

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Various local authorities have questioned whether the companies in which their finances are invested are sustainable. For example, whether the money is invested in the arms industry. 'My Money. Clear Conscience?' calls on all local authorities to bring pressure on their banks to no longer invest in weapons, and to choose for ethical saving and investment products.

An Italian example shows how local authorities can become 'weapon free'. For the past years, the Italian campaign 'Banche Armate' has been opposing bank involvement in the arms industry. At the end of 2004 the city council of Firenze agreed a resolution that ends cooperation with banks involved in financing arms sales. The resolution also places other ethical criteria on the choice of which banks can be used by the city.

### 2.2.2. Federal

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The campaign has directly or indirectly led to various law initiatives. These are mainly sensible steps forwards. However, most of them are still not law, must be properly developed and/or implemented.

#### **Expanded definition of a forbidden weapon**

The ban on anti-personnel mines leaves little room for discussion. No form of support for the production or trade in this weapon is permitted. The Belgian law of 1995 gives a definition of anti-personnel mines, and similar weapons. Unfortunately, the definition of 'anti-personnel mines' is very strict. As a result, anti-tank mines and unexploded remnants of cluster bombs are not included, despite the fact that they often have equivalent effects.

There is also discussion over the notorious 'anti-handling mechanisms'. These mechanisms hinder demining efforts, and create a great danger. Military officials are opposing the adoption of these mechanisms in the definition of forbidden items. Handicap International demands that these mechanisms are categorically banned.

The Senators André Van Nieuwkerke (sp.a-Spirit) and Erika Thijs (CD&V) have both submitted law proposals that call for an extension of the list of weapons forbidden under Belgian weapon law. This list should also include weapons with an anti-handling mechanism.

Without explicitly mentioning it, both Senators have independently come to the same conclusion as the European Parliament resolution<sup>64</sup> in relation to cluster bombs: weapons with an anti-handling mechanism fall under the list of weapons banned by the Ottawa treaty.

#### **Implementation of a ban on financing the anti-personnel mine industry**

The prohibition on investment fund financing of the anti-personnel mine industry, as set out in the law of 2004, has not yet been realised.

The sector has chosen to develop a 'black list' of companies involved in the industry. They will employ a specialist research company to develop the list. The questions of how the anti-personnel mine industry will be defined, and what financing will be forbidden, remain to be answered.

If the 'black-list' is not to go out of date too quickly, it would be sensible for it to include the broader definition – as held by the European Parliament – of what the Ottawa Treaty forbids. Companies that only have a small part of their turnover related to anti-personnel mines, and those companies involved through the activities of a subsidiary, should not be allowed to escape the ban.

#### **Expanding the ban to other financial products**

PS Senator Philippe Mahoux has introduced a law proposal that expands the ban on financing the anti-personnel mine industry, currently only applicable to investment funds, to all financial products.

Netwerk Vlaanderen gave evidence on this proposal to a Senate Commission<sup>65</sup> and supported the proposal on legal, ethical and economic grounds.<sup>66</sup>

It does not make a difference to a landmine victim if the mine is financed via a bank loan, the participation of an investment fund, or via an insurance company.

Legally, the argument is also watertight. The Ottawa Treaty forbids *"to assist, encourage or induce, in any way, anyone to engage in any activity prohibited under the convention"*. In other words: any form of financing is forbidden according to the treaty. It is up to states to translate this into domestic legislation to clarify the legal position.

Economically, a ban that is only valid for investment funds leads to unfair competition with other financial products.

During the debate in the Senate Commission, VLD Senator Patrik Vankrunkelsven asked if it was not sensible to expand the proposal of Mahoux to a ban on financing of nuclear weapons. This proposal was immediately supported by Lionel Vandenberghe (sp.a-Spirit).<sup>67</sup>

### **Removal of exception for index funds**

The recent law regarding investment funds forbids financing of the producers of anti-personnel mines. The ban does not extend to so-called index funds.

We believe that index funds that wish to operate under Belgian law must also be subject to the same restriction. The exception to the law for index funds must be scrapped. Minister Reynders has promised to organise a hearing with the sector on this issue.<sup>68</sup>

### **Government example**

The Belgian government must set a good example. The government can develop a sustainable/ethical policy for its own savings and investments.

A number of choices have already been made. For example, the Senate pension fund has invested a considerable amount of money in AlterVision Balance Europe, an investment fund that follows ethical investment principles, such as the exclusion of the weapon industry. The Belgian National Lottery has recently chosen to adopt ethical principles for its investments, which again include the rejection of the weapon industry.

These initiatives deserve a much broader follow-up. The principles of sustainability are not yet systematically applied to the saving and investment activities of the government.

The government must avoid investing its money in companies that hinder the implementation of international treaties and/or breach international law.

To remain with the weapon industry: the use of depleted uranium weapons, nuclear weapons and cluster bombs would almost always be in breach of international humanitarian law, because these weapons:

- make no distinction between civilian and military targets
- do not respect the neutrality of states not involved in the conflict
- cause disproportionate damage

A number of weapon systems are also in breach of international agreements. The nuclear non-proliferation treaty (NPT) that Belgium has also signed, prohibits the spread of nuclear weapons. Investing in companies that produce these weapons is in opposition to the principles of nuclear disarmament.

## More transparency and social responsibility

The central demands of Netwerk Vlaanderen's campaigns are that financial institutions should become more transparent, and adopt more social responsibility.

These will only be realised in a very limited form if it is left up to the sector itself. We ask for the following legislation.

Investment funds already declare the companies that they finance. They also have to make known their social, environmental and ethical criteria. The same obligation must be extended to other financial products. There is no significant reason why investment funds must make this information public, while insurance products do not have to. The difference leads to unfair competition.

The ban on financing anti-personnel mines must also be extended to include all financial products, and all controversial weapons.

Financial institutions based in Belgium must no longer finance products and services that are in conflict with international agreements signed by Belgium, and/or international humanitarian law.

### 2.2.3. International

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The financial sector is one of the most globalised sectors in the world, and increasingly slips through the control of national governments. Stricter national legislation on controversial investments and transparency must be supported by international law. For this reason, Netwerk Vlaanderen is calling for a range of measures including legislation at the level of the European Union. Concretely, we hope for a European-wide application of the ban on investing in landmine producers.

The distribution of English and French versions of our report has led to international interest from NGOs, concerned bank customers and politicians. This offers new perspectives. The recent round-table conference where Human Right Watch, Handicap International and Netwerk Vlaanderen joined together to call for an end to financing of cluster bombs gives hope for future international cooperation on this issue.

## Chapter 3

# Conclusion

The campaign 'My Money. Clear Conscience?' can already point to a number of successes.

At a political level, Belgium is the first country to introduce a ban on investment fund investments in anti-personnel mines. Belgium is playing a pioneering role once again in the international struggle against anti-personnel mines.

This legislation must be expanded in the future to all investments and forms of finance. The expansion of the ban to cover investments in other weapon systems must also be possible.

Various financial groups in Belgium have clearly understood that for ethical reasons they must place limits on their involvement in the arms industry. Of all the bank groups that were directly targeted by the campaign, only AXA has not changed policy. They have only brought their Belgian subsidiary into line with the new Belgian legislation against investment in anti-personnel mines. We call on AXA to adopt social responsibility on this issue as a matter of urgency.

The four other bank groups, Dexia, Fortis, ING and KBC, have already adopted stricter policies for weapon investments, and they have each communicated these to the public. They have already made an important first step towards achieving a more peaceful investment policy.

The new weapon investment policies of the four bank groups Dexia, Fortis, KBC and ING also show significant differences. Each bank group has made its own balance between the ethical and the economic. This report shows where the policy of each bank goes further than the others, and where it lags behind. In the first chapter the next steps for each bank are outlined, along with the reservations we have about these policies.

In general, the banks are now faced with big challenges. They must develop a strict interpretation of their policy as quickly as possible, and ensure that policy can be implemented to a high standard. Without clear interpretation, and effective implementation, the new policy will remain a nice sheet of paper that changes nothing in practice.

The banks must also create more transparency regarding the investments in the weapon industry that they have approved and rejected. It is only in this way that an external control on the policy by various stakeholders will be possible.

Now that four bank groups are making steps towards more responsible weapon investment policies, the ball is clearly in the court of the umbrella organisations of the financial sector. FEBELFIN must begin work on a code of conduct for this theme that will apply to the whole financial sector in Belgium.

The campaign 'My Money. Clear Conscience?' is also looking beyond the borders of Belgium. The financial world is highly globalised. Arms manufacturers that can no longer get capital or financing

from a particular bank group will look for other financiers around the world. Strengthened by the results of the campaign so far, Netwerk Vlaanderen, Vrede, Forum voor Vredesactie and For Mother Earth, call on peace movements, humanitarian organisations, bank watchers, and other campaigns around the world to bring similar pressure against banks to end their investments in the weapon industry.

Brussels, April 2005

## Footnotes

- <sup>1</sup> *Mijn Geld. Goed Geweten? – een onderzoek naar de financiële banden tussen banken en wapenproducenten [My Money. Clear Conscience? – research into the financial links between banks and weapon producers]*, Christophe Scheire, Netwerk Vlaanderen vzw, Brussels, October 2003
- <sup>2</sup> *Cluster Bombs, Landmines, Nuclear Weapons and Depleted Uranium Weapons – a report on the financial links between banks and the producers of controversial weapon systems*, Christophe Scheire, Netwerk Vlaanderen vzw, Brussels, April 2004, <http://www.netwerk-vlaanderen.be/actie/dossierwapensengelsdef.pdf>
- <sup>3</sup> See footnote 1
- <sup>4</sup> See footnote 2
- <sup>5</sup> Both direct and indirect. Direct investment refers to investments made for the bank's own portfolio. Indirect refers to investments offered to customers through investment funds.
- <sup>6</sup> See section 2.1.2. page 31
- <sup>7</sup> See footnote 1
- <sup>8</sup> See footnote 2
- <sup>9</sup> Both direct and indirect. Direct investment refers to investments made for the bank's own portfolio. Indirect refers to investments offered to customers through investment funds.
- <sup>10</sup> Letter from Mr Daniel Caille, director of Sustainable Development, Dexia Group, to Netwerk Vlaanderen vzw, 12th<sup>6</sup> April 2005
- <sup>11</sup> See footnote 1
- <sup>12</sup> See footnote 1
- <sup>13</sup> See footnote 2
- <sup>14</sup> Both direct and indirect. Direct investment refers to investments made for the bank's own portfolio. Indirect refers to investments offered to customers through investment funds.
- <sup>15</sup> From the minutes of the Annual General Shareholders Meeting of 26th May 2004, Fortis SA/NV
- <sup>16</sup> Fortis Defence Policy Paper
- <sup>17</sup> Letter from Herman Verwilt, CEO Fortis, to Netwerk Vlaanderen, 15th April 2005
- <sup>18</sup> European Parliament, P6\_TA-PROV (2004)0048, Resolution on Cluster Munitions, paragraph 7
- <sup>19</sup> See footnote 1
- <sup>20</sup> ING Group Reaction to Report and Additional Questions Netwerk Vlaanderen, 8th December 2003
- <sup>21</sup> Stichting Onderzoek Multinationale Ondernemingen [Center for research on multinational corporations], <http://www.somo.nl>
- <sup>22</sup> Financial Sector Research Report – The ING Group: CSR Policy and Practices, SOMO, Amsterdam, 2004
- <sup>23</sup> See footnote 2
- <sup>24</sup> Both direct and indirect. Direct investment refers to investments made for the bank's own portfolio. Indirect refers to investments offered to customers through investment funds.
- <sup>25</sup> The policy can be found at [http://www.ing.com/group/showdoc.jsp?docid=074201\\_EN&menopt=ins|isu](http://www.ing.com/group/showdoc.jsp?docid=074201_EN&menopt=ins|isu)
- <sup>26</sup> Information on sustainable saving and investment products on the Belgian market can be found on the "Sustainable saving and investing" website of Netwerk Vlaanderen <http://duurzaam.netwerk-vlaanderen.be/main.aspx?l=04>
- <sup>27</sup> Press Conference EADS, Philippe Camus, CEO EADS, 9th March 2005
- <sup>28</sup> The term "non-weapon oriented company" comes from ING itself. Even EADS, the second largest weapon producer in Europe, but which has a majority of its turnover from civil production comes under this definition.
- <sup>29</sup> European Parliament, P6\_TA-PROV (2004)0048, Resolution on cluster Munitions, paragraph 7
- <sup>30</sup> See footnote 1
- <sup>31</sup> See footnote 2
- <sup>32</sup> Both direct and indirect. Direct investment refers to investments made for the bank's own portfolio. Indirect refers to investments offered to customers through investment funds.
- <sup>33</sup> Because the KBC policy was developed in phases, the report is based on various documents: letter from KBC to Netwerk Vlaanderen 30th July 2004; e-mails from KBC to Handicap International 17th January 2005; "KBC en controversiële wapens" in Monitor Duurzaam Beleggen KBC December 2004, various e-mails from KBC to Netwerk Vlaanderen.

- <sup>34</sup> *Netwerk Vlaanderen revealed these facts in the first research report*
- <sup>35</sup> *E-mail from Crystal b. Leiderman, Manager Investor Relations of ADG, to Netwerk Vlaanderen, 3rd August 2004*
- <sup>36</sup> *See footnote 2*
- <sup>37</sup> *European Parliament, P6\_TA-PROV (2004)0048, Resolution on Cluster Munitions, paragraph 7*
- <sup>38</sup> *See footnote 1*
- <sup>39</sup> *See footnote 2*
- <sup>40</sup> *Belgian Asset Managers Association, Belgische Vereniging van Vermogensbeheerders*
- <sup>41</sup> *Belgian Finance Federation, Belgische Federatie van het Financiewezen*
- <sup>42</sup> *ABN Amro's toelichting op Insys en clusterbommen [ABN Amro's explanation on Insys and cluster bombs], Press Release ABN Amro, 18th February 2004*
- <sup>43</sup> *More information on the Belgian market for sustainable financial products and their criteria can be found on the website of Netwerk Vlaanderen, <http://duurzaam.netwerk-vlaanderen.be/>*
- <sup>44</sup> *Interview with Fientje Moerman on the VRT programme Terzake, April 2004*
- <sup>45</sup> *[www.financite.be](http://www.financite.be)*
- <sup>46</sup> *From the answer of Minister Reynders to an oral question from Isabelle Durant in the Senate, nr 3 – 296, 29-04-2004*
- <sup>47</sup> *'Beveks' and 'Instellingen voor Collectieve Beleggingen' are the legal terms for what are collectively known as investment funds.*
- <sup>48</sup> *From the answer of Minister Reynders to an oral question from Phillipe Mahoux in the Senate, nr 3 – 245, 06-05-2004*
- <sup>49</sup> *From the answer of Minister Reynders to an oral question from Phillipe Mahoux in the Senate, nr 3 – 245, 06-05-2004*
- <sup>50</sup> *Law regarding certain forms of collective management of investment portfolios, 20th June 2004 (BS 9th March 2005)*
- <sup>51</sup> *Art 67 § 6, law of 20th June 2004 regarding certain forms of collective management of investment portfolios*
- <sup>52</sup> *In a classic investment fund, the fund manager determines which shares he or she buys for the account of the client. In an index fund, the manager follows a list that is drawn up by a third party. The sector states that it is technically impossible to remove the producers of anti-personnel mines from these funds.*
- <sup>53</sup> *The prospectus offers extra information to people wanting to purchase the product. The prospectus contains details of the types of fund, the sorts of companies or countries that are invested in, and the conditions for the customer and the company offering the fund. It could state here, for example, that it follows a certain index, or certain ethical criteria.*
- <sup>54</sup> *Art 52 § 2, law of 20th June 2004 regarding certain forms of collective management of investment portfolios*
- <sup>55</sup> *An annual report and six-monthly report must legally contain the names of the companies in which the fund invests.*
- <sup>56</sup> *This refers to the extent to which the management of the financial resources and the use of the rights associated with the shares held in the portfolio (for example a voting right at the general meeting) take account of social, ethical and environmental aspects. Art 76 § 1, law of 20th June 2004 regarding certain forms of collective management of investment portfolios*
- <sup>57</sup> *Belgische Federatie van het Financiewezen*
- <sup>58</sup> *From the answer of Deputy Prime Minister and Minister of Home Affairs De Gucht to written question nr 3 – 2107 from Isabelle Durant*
- <sup>59</sup> *Resolution 13th February 2003, <http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//TEXT+TA+P5-TA-2003-0062+0+DOC+XML+V0//NL&L=NL&LEVEL=2&NAV=S&LSTDOC=Y>*
- <sup>60</sup> *Resolution 28th October 2004, [http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//TEXT+TA+P6-TA-2004-0048+0+DOC+XML+V0//NL&LEVEL=3&NAV=X#ref\\_1\\_1](http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//TEXT+TA+P6-TA-2004-0048+0+DOC+XML+V0//NL&LEVEL=3&NAV=X#ref_1_1)*
- <sup>61</sup> *The Norwegian Government Petroleum Fund, Norwegian Ministry of Finance, October 2003,*
- <sup>62</sup> *<http://odin.dep.no/archive/finvedlegg/01/28/fakta046.pdf>*
- <sup>63</sup> *<http://odin.dep.no/fin/english/topics/p10001617/p10002777/006051-990445/dok-bn.html>  
<http://odin.dep.no/fin/english/news/news/006071-070524/dok-bn.html>*
- <sup>64</sup> *See section 2.1.3.2.*
- <sup>65</sup> *Extraordinary combined meeting of Senate committees on Finance and Defence, 9th March 2005*
- <sup>66</sup> *This is also the position of BELSIF.*
- <sup>67</sup> *Belga, L'armée opposée à une interdiction des dispositifs anti-manipulation, 9th March 2005*
- <sup>68</sup> *From the answer of Minister Reynders to the oral question of Isabelle Durant, nr 3 – 446, 10th November 2004*

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**Netwerk Vlaanderen vzw** promotes an alternative approach to money.

Money is a tool that, if used well, can promote a sustainable and honest society. Netwerk Vlaanderen has an annual campaign with the slogan 'My Money. Clear Conscience?' to make public the investment policies of banks, and to encourage the participation of savers and investors in deciding how their money is used.

Netwerk Vlaanderen provides information on sustainable investment and savings products, and supports and advises organizations and companies who (wish to) have a socially and environmentally friendly approach to money. Netwerk Vlaanderen vzw – Vooruitgangstraat 333 b9 – 1030 Brussel, Belgium– 0032 (0)2/ 201 07 70 – [www.netwerk-vlaanderen.be](http://www.netwerk-vlaanderen.be)



### Het Forum voor Vredesactie

(Forum for Peace Action) is a pacifist peace organization. Forum voor Vredesactie is pluralistic and politically independent. It is a campaigning organization that brings people into action: Bombspotting, Trainstopping, Barco: "your share in the arms trade", Security: "not a military question", Get in Shape, ... Campaigns where pacifism is put into practice. Forum voor Vredesactie – Patriottenstraat 27 – 2600 Berchem, Belgium – 0032 (0)3/281.68.39 – [www.vredesactie.be](http://www.vredesactie.be)



**Vrede vzw** (Peace) With a name like this, you couldn't be anything other than a peace movement. We work around international politics, development issues and questions of peace. Our central demand: less military expenditure, more social justice. You can summarise our work in these five words: study, information, solidarity, action, cooperation. We have a library, a bi-monthly magazine, and peace-books. Political mobilisation is done in coalitions with other groups, and in this way we can increase the pressure on decision makers. Check out [www.vrede.be](http://www.vrede.be) for more information.

Vrede vzw - Filips Van Arteveldestraat 35 - 9000 Gent, Belgium – 0032 (0)9/233.46.88 – [www.vrede.be](http://www.vrede.be)



VOOR  
**moederAarde**  
LID VAN FRIENDS OF THE EARTH INTERNATIONAL

**Voor Moeder Aarde v.z.w.** (For Mother Earth) is a pluralistic environmental organisation. We pay special attention to the links between the environment and issues of human rights and disarmament, and emphasise the need for international cooperation. We use research, education & awareness raising, policy work and nonviolent direct action as ways to reach our goals. For Mother Earth - Maria Hendrikaplein 5 - 9000 Gent, Belgium - tel: 0032 (0)9 242 87 52 [www.motherearth.org](http://www.motherearth.org)



*mijn geld.  
goed geweten?*

The campaign "My money. Clear Conscience?" is run by Netwerk Vlaanderen, together with Forum voor Vredesactie, For Mother Earth and Vrede vzw. The campaign makes the financial world aware of its responsibilities. Banks work with your money. They invest in many different companies, including arms companies. We demand that banks are open about which companies they invest in, and stop their investments in the arms industry!  
[www.mijngeldgoedgeweten.be](http://www.mijngeldgoedgeweten.be)