



Dirty Business: Spanish banks financing producers of controversial weapons

A research paper prepared for Setem

Profundo
economic research

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**Jan Willem van Gelder
Petra Spaargaren
Roderick Bouwers**

**Profundo
Radarweg 60
1043 NT Amsterdam
The Netherlands
Tel: +31-20-820 83 20
E-mail: profundo@profundo.nl
Website: www.profundo.nl**

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Summary

This report provides an insight in the financial relationships between Spanish banking groups (including their subsidiaries) and producers of controversial weapons since January 2006. Based on a list of the Spanish central bank, we researched all 80 banking groups headquartered in Spain (including their domestic and foreign subsidiaries). The research focussed on 30 major companies that are known to be involved in production and maintenance of controversial weapons: cluster munitions, nuclear weapons, anti-personnel mines, depleted uranium weapons and biological and chemical weapons.

We searched and identified all shares and bonds from the 30 producers of controversial weapons held by investment funds managed by the Spanish banks and their subsidiaries at present. Moreover, we have researched the involvement of Spanish banks in issuances of shares and bonds by these companies since January 2006. Finally we identified all loans provided by Spanish banks to companies on our list since January 2006.

We found 14 Spanish banking groups to be involved in the financing of (in total) 19 producers of controversial weapons. The results are summarized in Table 1.

Table 1 Spanish banks financing producers of controversial weapons since early 2006

Company	Banking Group	Controversial weapons	BBVA	Santander	Banca March	BFA*	Banco Madrid	Banco Pastor	Banco Popular	Banco Sabadell	Bankinter	BBK	CatalunyaCaixa	Finanduro	Ibercaja	MAPFRE
Babcock International	NW			S												
BAE Systems	NW, DUW		S	S	S				S	S			S		S	
Boeing	NW		S L BI	S BI L		S									S	
EADS	NW		S L B BI	S L		S	S		S	S	S					S
Finmeccanica	NW		L SI	S B BI L						S				S		
General Dynamics	NW, DUW		S L BI	S L		S									S	
Honeywell	NW		S L	S L		S				S						S
ITT Corporation	NW		S	S		S					S					
Jacobs Engineering	NW		S													
Larsen & Toubro	NW		L			L				S						
Lockheed Martin	CM, NW		S (L)	S L		S										
McDermott	NW		S L													
Northrop Grumman	NW		S	S		S				S						
Raytheon	NW									S						
Rolls Royce	NW		S	S												
Serco	NW			S												

Banking Group		BBVA	Santander	Banca March	BFA*	Banco Madrid	Banco Pastor	Banco Popular	Banco Sabadell	Bankinter	BBK	CatalunyaCaixa	Finanduro	Ibercaja	MAPFRE
Company	Controversial weapons														
Safran	NW		L												
Textron	CM, APM	S								B					
Thales	NW	B	S BI	B	S B		B	S		S B	B			S	

* Banco Financiero y de Ahorros (includes Caja Madrid and Bancaja)

Key: NW = Nuclear weapons; CM = Cluster Munitions; APM = Anti-Person Mines; DUW = Depleted Uranium Weapons; S = shareholding; B = bondholding; SI = Share Issuance; BI = Bond Issuance; L = Loan; (L) = Loan, sold later.

From the results summarized in Table 1, we can draw the following conclusions:

- The Spanish bank most active in financing producers of controversial weapons is BBVA. Investment funds managed by BBVA hold shares of 12 companies and bonds of 2 companies. BBVA has provided loans to eight companies since early 2006 and assisted three companies with in the issuance of bonds. It has assisted one company with the issuance of shares.
- The second Spanish bank in financing producers of controversial weapons is Santander, whose investment funds hold shares of 13 companies. Santander has provided loans to seven companies and has assisted three companies in issuing bonds.
- The only other Spanish bank which has provided a loan to a producer of controversial weapons is Banco Financiero y de Ahorros, which has provided a loan to Larsen & Toubro.
- Other Spanish banks whose investment funds hold shares of producers of controversial weapons are Banco Financiero y de Ahorros, Banco Madrid, Banca March, Banco Popular, Banco Sabadell, Bankinter, CatalunyaCaixa, Finanduro, Ibercaja and MAPFRE. Most important of these is Banco Financiero y de Ahorros, whose investment funds hold shares of eight different producers of controversial weapons.
- Spanish banks whose investment funds hold bonds of producers of controversial weapons are Banca March, Banco Pastor, Bankinter, BBK and Banco Financiero y de Ahorros. All of these investment funds hold bonds of Thales, while Bankinter also holds bonds of Textron.
- Spanish banks are most involved in financing BAE Systems, EADS and Thales.

Introduction

Controversial weapons include cluster munitions, anti-personnel mines (landmines), depleted uranium weapons, nuclear weapons, biological weapons and chemical weapons. The objective of this research project is to analyse the involvement of Spanish banks in the financing of producers of controversial weapons.

In Chapter 1 our research methodology and sources are discussed. Chapter 2 discusses all producers of controversial weapons for which we have found that Spanish banks were financially involved. The subsequent chapters will give a detailed insight in the nature of that financial involvement.

The two largest banks, BBVA and Santander are separately discussed in Chapter 3 and Chapter 4. In these chapters the involvement of these banks in the financing of producers of controversial weapons through shareholdings, issuances of shares, bond holdings, issuances of bonds and loans is discussed in separate paragraphs. The involvement of other Spanish banks in the financing of producers of controversial weapons is smaller. These banks are discussed in Chapter 5. Spanish banks for which no financial relation to a producer of controversial weapons was found are not mentioned. Finally, Chapter 6 discusses some examples of best practices and ends with a recommendation to the Spanish banks which were researched in this report with respect to their investments in controversial weapons.

A summary of the findings can be found on the first pages of this report.

Chapter 1 Research methodology

1.1 Objective

The objective of this report is to research how Spanish banks were involved since 2006 in the financing of companies that produce controversial weapons. In the following paragraphs we will define controversial weapons after which we will explain how we selected the list of producers of controversial weapons. Then we will explain our selection of Spanish banks and discuss our research methodology.

1.2 Controversial weapons

We consider the following products to be controversial weapons:

- Anti-personnel mines (landmines)
- Cluster munitions
- Depleted uranium weapons
- Nuclear weapons
- Biological weapons
- Chemical weapons

1.2.1 Anti-personnel mines (landmines)

Antipersonnel mines are munitions designed to explode from the presence, proximity, or contact of a person. Antivehicle mines are munitions designed to explode from the presence, proximity, or contact of a vehicle as opposed to a person. Landmines are victim-activated and indiscriminate; whoever triggers the mine, whether a child or a soldier, becomes its victim. Mines emplaced during a conflict against enemy forces can still kill or injure civilians decades later.¹

In 1999, the Landmine Monitor recorded probable use of antipersonnel mines by 15 states, compared to just two since 2007: Myanmar and Russia. In the monitor of 2009/2010, Russia has been removed from this list for the first time, and Myanmar was reported to use less antipersonnel mines than previous years. However, non-state armed groups (NSAGs) continue to use antipersonnel landmines. Although a continued decrease from 2007 and 2008, antipersonnel mines still caused 513 casualties in 2009.²

Since May 2009, NSAGs used antipersonnel mines in at least six countries, including three countries that ratified the 1997 Mine Ban Treaty (Afghanistan, Colombia, and Yemen) and three states not party to the treaty (India, Myanmar, and Pakistan). In 2008, NSAGs in Peru (ratified) and Sri Lanka (not ratified) also laid antipersonnel mines.³

In Colombia, FARC and the National Liberation Army continue to use antipersonnel mines on a regular basis. FARC is probably the most prolific user of antipersonnel mines among rebel groups anywhere in the world. In December 2009, the Colombian army reported recovering 2,700 antipersonnel mines from a FARC camp in Tolima.

In Yemen, following the February 2010 cease-fire and the opening up of the conflict region, it has become evident that the rebel forces used antipersonnel mines during the conflict, mostly if not exclusively homemade mines.⁴

1.2.2 Cluster munitions

The basis for our definition of cluster munitions is the Convention on Cluster Munitions 2008: cluster munitions.⁵ It means a conventional munition that is designed to disperse or release explosive sub munitions each weighing less than 20 kilograms, and includes those explosive sub munitions. It does not mean the following:

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

Cluster munitions have a tendency to strike both military and civilian populations and objects when used near populated areas. Furthermore, these weapons have consistently left large numbers of submunitions unexploded in the post-conflict environment. These unexploded submunitions have caused death and injury to civilians long after conflict has ceased.⁶

Cluster munitions have been used during armed conflict in 33 countries and disputed territories since the end of World War II. Although humanitarian concerns about these weapons have become more widespread in the last decade, cluster munitions have still been used in several conflicts since 2000.⁷

In the Afghanistan war in 2001-2002, the United States dropped some 248,000 submunitions causing dozens of avoidable civilian casualties, including more than 120 in the first year after the strikes. In the Iraq war in 2003, Human Rights Watch concluded that two million submunitions used by the United States and United Kingdom caused hundreds of civilian casualties, more than any other weapon other than small arms fire.⁸

In 2006, Israel used cluster munitions in the armed conflict in south Lebanon in July and August 2006. According the United Nations, Israel fired some four million submunitions into Lebanon leaving behind as many as one million duds.

The most recent use of cluster munitions occurred in August 2008 when both Russian and Georgian forces used the weapon during the conflict over South Ossetia, killing or injuring at least 70 civilians.⁹

A total of 34 states have developed or produced more than 200 types of cluster munitions. In December 2008, 14 of these states signed the Convention on Cluster Munitions, forswearing any future production. Of the 20 non-signatories that have produced, it is likely that 17 continue to produce today.¹⁰

1.2.3 Depleted uranium weapons

Depleted uranium (DU) is what is left over after natural uranium has been enriched, either for weapons-making or for reactor fuel. It is mildly radioactive in its solid form, and poses little if any cause for concern. But it is a very heavy substance, 1.7 times denser than lead, and it is highly valued by armies for its ability to punch through armoured vehicles. When a weapon made with a DU tip or core strikes a solid object, like the side of a tank, it goes straight through it and then erupts in a burning cloud of vapour. The vapour settles as dust, which is chemically poisonous and also radioactive.¹¹

Only the United States and the United Kingdom have acknowledged using DU weapons. The United States and NATO militaries used the weapons in the 1991 Gulf War, the 1992-1995 Bosnia war, the 1999 bombing of Serbia, and the 2003 invasion of Iraq.¹² It is suspected that the US also used DU in Afghanistan in 2001, but both the US and UK governments have denied using it there.¹³

UK forces have reported to have used about 1.9 metric tons of DU ammunition in the Iraq war in 2003. The United States has no tendency to reveal the exact numbers of ammunition it used.¹⁴

In December 2010, 148 states supported a United Nations General Assembly resolution calling on state users of depleted uranium weapons to reveal where the weapons have been fired when asked to do so by affected countries.¹⁵

It is thought that at least 17 countries have weapons incorporating depleted uranium in their arsenals. These countries are the United Kingdom, the United States, France, Russia, Greece, Turkey, Israel, Saudi Arabia, Bahrain, Oman, Egypt, Kuwait, Pakistan, Thailand, China, India and Taiwan. Many of them were sold DU ammunition by the US while others, including France, Russia, Pakistan, China and India developed it independently.¹⁶

1.2.4 Nuclear weapons

Nuclear weapons are weapons of mass destruction whose explosive power derives from a nuclear reaction atomic weapon. Various names are: A-bomb, atom bomb, atomic bomb, fission bomb, plutonium bomb - a nuclear weapon in which enormous energy is released by nuclear fission (splitting the nuclei of a heavy element like uranium 235 or plutonium 239).¹⁷

During the final stages of World War II in 1945, the United States conducted two atomic bombings against the cities of Hiroshima and Nagasaki in Japan. These two events are the only active deployments of nuclear weapons in war to date.¹⁸

From a high of 70,000 warheads in 1986, in 2010 there were 22,600 nuclear warheads in the world, of which 7,700 active.¹⁹

Countries that possess nuclear weapons are the United States, Britain, China, France, India, Pakistan, Russia, and North Korea.²⁰ Israel is also believed to have nuclear weapons and Iran, Myanmar and Syria are believed to be developing a nuclear weapon.²¹

1.2.5 Biological weapons

Biological weapons are weapons designed to release a biological agent. These include disease-producing microorganisms, toxic biological products, or organic biocides to cause death or injury to humans, animals, or plants. Biological weapons can take many forms, such as a missile warhead or bomb.²²

No evidence for recent use of biological weapons was found. Before 1972, many countries had biological weapons programmes, including the United States the United Kingdom. However, in 1972 103 countries signed the Biological Weapons Convention, which prohibited the development and use of biological and chemical weapons. Still, Russia and Iraq are known to have developed biological weapons since the convention.²³ Several countries, including Russia, Israel, Egypt, China, Iran, Libya, Syria and North Korea, have been suspected of possessing biological weapons.²⁴

According to Ken Alibek, who was deputy-director of Biopreparat, the Soviet biological weapons agency, biological weapons were developed in labs in isolated areas of the Soviet Union including mobilization facilities at Omutninsk, Penza and Pokrov and research facilities at Moscow, Stirzhi and Vladimir. According to Alibek, although Soviet offensive program was officially ended in 1992, Russia may be still involved in the activities prohibited by the biological weapons convention.²⁵

In 2001, more than three dozen people were either infected or exposed to anthrax bacteria originating from pieces of mail in bio-terrorist attacks in Florida, New York, Nevada and Washington, D.C. One death results from the exposures.²⁶

1.2.6 Chemical weapons

Chemical weapons mean the following, together or separately:

- Toxic chemicals and their precursors, except where intended for purposes not prohibited under this Convention, as long as the types and quantities are consistent with such purposes;
- Munitions and devices, specifically designed to cause death or other harm through the toxic properties of those toxic chemicals, which would be released as a result of the employment of such munitions and devices.²⁷

Most states have joined the Chemical Weapons Convention, which entered into force in 1997 and requires the destruction of all chemical weapons by 2012.²⁸

Iraq has used large amounts of chemical weapons against Iranian troops and Kurdish populations during its 1980–1988 conflict with Iran.²⁹ Iraq continued to use chemical weapons against the Kurdish minorities in the country.³⁰ After the 1991 Persian Gulf War, Iraq admitted to the United Nations inspection team to having produced 19,000 liters of concentrated botulinum toxin, of which approximately 10,000 litres were loaded into military weapons.³¹ However, by the end of 2003, the US government had admitted that there was little evidence that Iraq had possessed large chemical or biological weapon stockpiles after the mid-1990s.³²

In 2002, it was reported that Russian Special Forces had used a chemical agent to end the 'Moscow theatre hostage crisis', where some 50 Chechen terrorists equipped with firearms as well as large quantities of explosives suddenly seized the venue and the 800 people inside. All 42 of the terrorists and 120 of the hostages were killed during the raid. However, the Russian Federation, as a member-state of the Chemical Weapons Convention, "never and under no circumstances carried out any activities prohibited to member-states of this Convention".³³

In early 2007 multiple terrorist bombings have been reported in Iraq using chlorine gas. These attacks have wounded or sickened more than 350 people. Reportedly the bombers are affiliated with Al-Qaeda in Iraq and have used bombs of various sizes up to chlorine tanker trucks.³⁴

The Sri Lankan government is known to have bought chemical weapons in 2001. There have been reports of the Sri Lankan military's usage of deadly chemical weapons in 2009 on civilians in its fight against the Liberation Tigers of Tamil Eelam.³⁵

1.3 Producers of controversial weapons

We consider a company or group of companies a producer of controversial weapons when any part, however small, of its total turnover is derived from controversial weapons regardless of the nature of the company's other activities.

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

Our list therefore includes any company or group of companies or one of its majority-owned subsidiaries that develops, maintains or produces controversial weapons, or crucial components thereof, regardless of the size of its share in the company's revenue. Consequently we selected companies that produce at least one of the types of weapons listed above. Furthermore we used exclusion policies used by leading pension funds to exclude companies from investments. Such a list is produced by the Norwegian Government Fund - Global, which serves as a basis for our list.³⁶ Additionally we used the website of International Coalition to Ban Uranium Weapons³⁷, the report Banning Cluster Munitions - Government Policy and Practice³⁸ and recent lists of the two largest pension funds in the Netherlands, APG³⁹ and PGGM⁴⁰ to update that list. As a result, we composed a list of 30 companies, as included in Appendix 1.

1.4 Spanish banking groups

To define which banks to research, we used a list of all banks operating in Spain published by the central Bank of Spain in July 2010.⁴¹ From this list we selected all banks which are headquartered in Spain. This resulted in a list of 80 groups of Spanish banks. For all these banking groups, we searched for their main domestic and foreign subsidiaries in annual reports and on websites. This full list is provided in Appendix 2. After the publishing date of the list of the Central Bank, several mergers have taken place. Information about these mergers is also provided in Appendix 2. If the banks which have been involved in financing producers of controversial weapons were merged, these banks are treated as a single financial institution in this report.

1.5 Research methodology

Spanish banks can be involved in financing the producers of controversial weapons by providing corporate loans or project finance, by assisting companies with share- and bond issuances, and by (managing) investments in shares and bonds of these companies. Below, these financing categories are discussed in more detail:

- **Corporate loans:** The easiest way to obtain debt is to borrow money. In most cases, money is borrowed from commercial banks. Loans can be either short-term or long-term in nature. Short-term loans (including trade credits, current accounts, leasing agreements, et cetera) have a maturity of less than a year. They are mostly used as working capital for day-to-day operations. Short-term debts are often provided by a single commercial bank, which does not ask for substantial guarantees from the company.

A long-term loan has a maturity of at least one year, but generally of three to ten years. Long-term corporate loans are in particular useful to finance expansion plans, which only generate rewards after some period of time. The proceeds of corporate loans can be used for all activities of the company. Often long-term loans are extended by a *loan syndicate*, which is a group of banks brought together by one or more arranging banks. The loan syndicate will only undersign the loan agreement if the company can provide certain guarantees that interest and repayments on the loan will be fulfilled.

- **Project finance:** Project finance is a specific long-term loan. The proceeds of this loan can only be used to finance a specific project: a mine, pipeline, road, etc. Project finance is often extended by a banking syndicate, like long-term corporate loans. Different from corporate loans, the repayment of a project finance loan is dependent upon the revenues that a project is expected to generate once it is up and running. To guarantee the payment of interest and repayments, the banks usually demand that the revenues of the project must be used first to pay interest and repayments.
- **Share issuances:** Issuing shares on the stock exchange gives a company the opportunity to increase its equity by attracting a large number of new shareholders or increase the equity from its existing shareholders. These shareholders can be private investors as well as institutional investors.
When it's the first time a company offers its shares on the stock exchange, this is called an *Initial Public Offering (IPO)*. When a company's shares are already traded on the stock exchange, this is called a *secondary offering* of additional shares.
To arrange an IPO or a secondary offering, a company needs the assistance of one or more (investment) banks, which will promote the shares and find shareholders. The role of investment banks in this process therefore is very important.
- **Bond issuances:** Issuing bonds can best be described as cutting a large loan into small pieces, and selling each piece separately. Bonds are issued on a large scale by governments, but also by corporations. Like shares, bonds are traded on the stock exchange. Bonds are sold on the capital market, to private investors as well as institutional investors. Banks rarely buy any bonds. But to issue bonds, a company needs the assistance of one or more (investment) banks which underwrite a certain amount of the bonds. Underwriting is in effect buying with the intention of selling to investors. Still, in case the investment bank fails to sell all bonds it has underwritten, it will end up owning the bonds.
- **(Managing) investments in shares:** Financial institutions can, through the funds they are managing, buy shares of a certain company. This provides the company with new equity, and gives the financial institution a direct influence on the company's strategy. The magnitude of this influence depends on the size of the shareholding.
- **(Managing) investments in bonds:** Like shares, financial institutions and private investors can buy bonds of a certain company. The main difference between owning shares and bonds is that owner of a bond is not a co-owner of the issuing company; the owner is a creditor of the company. The buyer of each bond is entitled to repayment after a certain number of years, and to a certain interest during each of these years.

For loans, project finance and underwritings of shares or bonds, all deals in the past five years (since 1 January 2006) are listed. For share- and bondholdings the most recent figures are listed.

Which Spanish banks are involved in the financing of the selected producers of controversial weapons is researched by using annual reports, stock exchange filings and other publications of the companies concerned, archives of trade magazines, local newspapers and the financial press, as well as specialized financial databases (Thomson One Database, Bloomberg).

All forms of financing meeting the specified criteria are identified, providing the following information for each form of financing:

- Name of the company receiving finance;
- Type of financing (corporate loan, project finance, share issuance, bond issuance, share ownership, bond ownership);
- Total amount;
- Date;
- For loans and bonds: Maturity and interest rate;
- For share and bond ownership: if shares and bonds are owned for the bank's own account or managed on behalf of clients;
- Name of the financial institutions involved;
- Amounts provided by each financial institution.

Chapter 2 Producers of controversial weapons

2.1 Introduction

Based on various sources (see paragraph 1.3), we selected 30 producers of controversial weapons (see Appendix 1). In this chapter we will discuss in more detail the 19 producers of controversial weapons for which we found a financial involvement by one or more Spanish banks. These companies are listed in Table 2.

Table 2 Selected producers of controversial weapons

Company	Country	Products
Babcock International	United Kingdom	Nuclear weapons
BAE Systems	United Kingdom	Nuclear weapons, Depleted uranium weapons
Boeing	United States	Nuclear weapons
EADS	Netherlands	Nuclear weapons
Finmeccanica	Italy	Nuclear weapons
General Dynamics	United States	Nuclear weapons, Depleted uranium weapons
Honeywell International	United States	Nuclear weapons
ITT Corporation	United States	Nuclear weapons
Jacobs Engineering	United States	Nuclear weapons
Larsen & Toubro	India	Nuclear weapons
Lockheed Martin	United States	Cluster munitions, Nuclear weapons
McDermott International	United States	Nuclear weapons
Northrop Grumman	United States	Nuclear weapons
Raytheon	United States	Nuclear weapons
Rolls-Royce	United Kingdom	Nuclear weapons
Safran	France	Nuclear weapons
Serco	United Kingdom	Nuclear weapons
Textron	United States	Cluster munitions, Anti-person mines
Thales	France	Nuclear weapons

The following paragraphs will provide a short company profile of each company, commenting on activities and revenues of the company. In addition, the involvement of each company in producing controversial weapons is discussed.

2.2 Babcock International (United Kingdom)

2.2.1 Company profile

Babcock International, based in the United Kingdom, provides engineering support services. It operates in four divisions: marine, defence and security, support services and international.⁴²

In the financial year ended 31 March 2010, Babcock International reported revenues of £ 1,896 million (€2,123 million), resulting in an operating profit of £ 148 million (€ 166 million) and a net profit of £ 108 million (€ 121 million).⁴³



trusted to deliver™

Revenues: €2,123 million
Operating profit: €166 million
Website: www.babcock.co.uk

2.2.2 Nuclear weapons

Babcock Marine, a subsidiary of Babcock International, in 2007 started the Future Submarines (FSM) project with BAE Systems and Rolls-Royce. The objective of this project is to develop nuclear submarines for the British navy which will replace the present Trident submarines.⁴⁴

Babcock Marine is also involved in the maintenance of the Vanguard-class nuclear submarines of the British navy.⁴⁵ Additionally Babcock Nuclear Services, another subsidiary of Babcock International, is a frequent subcontractor for the Atomic Weapons Establishment of the United Kingdom, for decommissioning and waste management activities.⁴⁶

2.3 BAE Systems (United Kingdom)

2.3.1 Company profile

BAE Systems, based in the United Kingdom, operates as a defence, security, and aerospace company worldwide. The company's main segments are electronics, intelligence & support, land & armaments, programmes & support and international.⁴⁷

In the financial year ended 31 December 2009, BAE Systems reported revenues of £ 20,374 million (€ 22,639 million), resulting in an operating profit of £ 982 million (€ 1,091 million) and a net loss of £ 45 million (€ 50 million).⁴⁸



BAE SYSTEMS

Revenues: €22,639 million
Operating profit: €1,091 million
Website: www.baesystems.com

2.3.2 Nuclear weapons

BAE Systems holds a 37.5% share in MBDA, a joint venture incorporated in 2001 together with EADS and Finmeccanica.⁴⁹ MBDA builds the ASMP-A nuclear missiles for the French air force, which can be launched from the new Rafale fighter plane. The manufacturing of the missiles does not include manufacturing the nuclear head itself, which is done by the government agency Commissariat à l'Énergie Atomique.⁵⁰

The current Vanguard-class Trident submarines which are equipped with nuclear weapons have been developed by BAE Systems between 1986 and 1999.⁵¹ Together with Babcock Marine and Rolls-Royce, BAE Systems in 2007 started the Future Submarines (FSM) project. The objective of this project is to develop nuclear submarines for the British navy which will replace the present Trident submarines.⁵²

2.3.3 Depleted uranium weapons

RO Systems, a subsidiary of BAE Systems, is known to have produced depleted uranium weapons for the British Challenger tanks. It has produced the 120 mm CHARM 3, the only depleted uranium ammunition currently in use with the British Army. It was fired by the British Challenger II tank in both Gulf Wars. In 2006 BAE Systems claimed it had ceased production of these weapons, supposedly in line with their efforts to improve corporate social responsibility. In reality the market for this specific weapon was too small to be profitable.⁵³

2.4 Boeing (United States)

2.4.1 Company profile

Boeing, based in the United States, is the world's largest aerospace company and leading manufacturer of commercial jetliners and defence, space and security systems. Boeing products and services include commercial and military aircraft, satellites, weapons, electronic and defence systems, launch systems, advanced information and communication systems, and performance-based logistics and training.⁵⁴

In the financial year ended 31 December 2009, Boeing reported revenues of US\$ 68,281 million (€ 47,683 million), resulting in an operating profit of US\$ 2,096 million (€ 1,462 million) and a net profit of US\$ 1,312 million (€ 915 million).⁵⁵



Revenues: €47,683 million
Operating profit: 1,462 million
Website: www.boeing.com

2.4.2 Nuclear weapons

Aircraft manufacturer Boeing is also very active in the defence sector. For over 50 years, Boeing has been involved in the development and production of the American nuclear Minuteman missiles.⁵⁶ As a member of the ICBM Prime Integration Team, the company presently is involved in the production and maintenance of the Minuteman (III) nuclear intercontinental ballistic [ground to ground] missiles (ICBM) missiles. Boeing is responsible for flightcontrol, training, safety codes and testing in this project led by Northrop Grumman.⁵⁷ According to the latest plans the Minuteman III will continue to be part of the US nuclear defence program until at least 2040.⁵⁸

2.5 EADS (Netherlands)

2.5.1 Company profile

European Aeronautic Defence and Space Company (EADS), based in the Netherlands, engages in the manufacture and sale of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems, and defence electronics.⁵⁹

In the year ended 31 December 2009, EADS generated revenues of €42,822 million, resulting in an operating loss of €380 million and a net loss of €752 million.⁶⁰



Revenues: €42,822 million
Operating loss: €380 million
Website: www.eads.com

2.5.2 Nuclear weapons

European Aeronautic and Defence Space Company (EADS), which has its statutory seat in the Netherlands, is involved in the French nuclear weapons program in various ways. EADS builds and provides maintenance for the M45 nuclear missile. This is a nuclear missile currently used by the French navy and is developed, produced and maintained by EADS.⁶¹

EADS Astrium Transportation, a subsidiary of EADS, in 2004 a contract to build the new M51 nuclear missile for the new French submarines, with an estimated value of €3 billion. EADS is the lead contractor, whereas Safran, SNPE, DCN and Thales are main subcontractors.⁶² The M51 will be able to cover a distance of more than 6,000 kilometers, and its explosive firing power is bigger than the current M45.⁶³

EADS also holds a 37.5% share in MBDA, a joint venture incorporated in 2001 together with BAE Systems and Finmeccanica.⁶⁴ MBDA builds the ASMP-A nuclear missiles for the French air force, which can be launched from the new Rafale fighter plane. The manufacturing of the missiles does not include manufacturing the nuclear head itself, which is done by the government agency Commissariat à l'Énergie Atomique.⁶⁵

2.6 Finmeccanica (Italy)

2.6.1 Company profile

Finmeccanica, based in Italy, mainly engages in the development and manufacture of helicopters, defence and security electronics and aeronautics.⁶⁶

In the financial year ended 31 December 2009, Finmeccanica generated revenues of €18,176 million, resulting in an operating profit of €1,095 million and a net profit of €718 million.⁶⁷



Revenues: €18,176 million
Operating profit: €1,095 million
Website: www.finmeccanica.it

2.6.2 Nuclear weapons

Finmeccanica holds a 25% share in MBDA, a joint venture incorporated in 2001 together with EADS and BAE Systems.⁶⁸ MBDA builds the ASMP-A nuclear missiles for the French air force, which can be launched from the new Rafale fighter plane. The manufacturing of the missiles does not include manufacturing the nuclear head itself, which is done by the government agency Commissariat à l'Énergie Atomique.⁶⁹

2.7 General Dynamics (United States)

2.7.1 Company profile

General Dynamics, based in the United States, provides business aviation, land and expeditionary combat systems, armaments and munitions, shipbuilding and marine systems and information systems, technologies, and services.⁷⁰

In the financial year ended 31 December 2009, General Dynamics generated revenues of US\$ 31,981 million (€22,312 million), resulting in an operating profit of US\$ 3,675 million (€2,564 million) and a net profit of US\$ 2,394 million (€1,670 million).⁷¹



Revenues: €22,312 million
Operating profit: €2,564 million
Website: www.generaldynamics.com

2.7.2 Nuclear weapons

General Dynamics Electric Boat, a subsidiary of General Dynamics, has built the Ohio-class nuclear submarines of the American navy which are equipped with Trident missiles.⁷² As the website of General Dynamics Electric Boat claims, these submarines are “without a doubt the most powerful ships that have ever sailed the seas” obviously referring to the nuclear power aboard the submarines.⁷³ The company is still involved in the maintenance of these vessels, which will be operational until 2029.⁷⁴

Since 2005 General Dynamics Advanced Information Systems (GDAIS) is involved in a project with partners Honeywell and Raytheon to stretch the lifecycle of the guidance systems of the Trident II (D5) nuclear missiles of the American navy.⁷⁵

2.7.3 Cluster munitions

The company is known to have produced cluster munitions (including the Hydra-70) in the past.⁷⁶ However, since 2004 the US government stopped financing this production.⁷⁷ After the embargo on the export of cluster munitions in 2009, we consider General Dynamics activities in producing cluster munitions as non-existent.

2.7.4 Depleted uranium weapons

General Dynamics has a history of producing depleted uranium weapons. Various types have been used in the wars in the Middle East including the M919, PGU-20/U and M829 A1. The M829 is no longer in production.⁷⁸

2.8 Honeywell International (United States)

2.8.1 Company profile

Honeywell International, based in the United States, operates as a diversified technology and manufacturing company. The company's business units are aerospace, automation and control solutions, transportation systems and specialty materials.⁷⁹

In the financial year ended 31 December 2009, Honeywell International generated revenues of US\$ 30,908 million (€21,564 million), resulting in an operating profit of US\$ 2,978 million (€2,078 million) and a net profit of US\$ 2,153 million (€1,502 million).⁸⁰



Revenues: €21,564 million
Operating profit: €2,078 million
Website: www.honeywell.com

2.8.2 Nuclear weapons

Honeywell Technology Solutions Inc. (HTSI) has a contract with the Defense Threat Reduction Agency (DTRA) of the United States. As the Instrumentation Support Contractor, HTSI is responsible for maintaining an inventory of instrumentation to monitor and record data associated with the testing on the White Sands Missile Range in New Mexico of simulated nuclear weapons and conventional weapons".⁸¹

Honeywell is also involved - with General Dynamics and Raytheon - in the project that aims to stretch the lifecycle of the Trident II nuclear weapons of the US navy.⁸² In December 2009 this contract was extended. Honeywell International is the most important subcontractor and will produce components for integrated circuits in its factory in Plymouth (United Kingdom).⁸³

2.9 ITT Corporation (United States)

2.9.1 Company profile

ITT Corporation, based in the United States, is a high-technology engineering and manufacturing company. The company's main segments are fluid technology, defense & information solutions and motion & flow control.⁸⁴

In the financial year ended 31 December 2009, ITT Corporation generated revenues of US\$ 10,904 million (€7,607 million), resulting in an operating profit of US\$ 909 million (€634 million) and a net profit of US\$ 644 million (€449 million).⁸⁵



ITT

Revenues: €7,607 million
Operating profit: €634 million
Website: www.itt.com

2.9.2 Nuclear weapons

ITT Information Systems, a subsidiary of ITT Corporation, states on its website that it has delivered services to the US navy for over forty years. ITT Information Systems is specifically involved in the maintenance of the nuclear weapons on board of the American nuclear submarines.⁸⁶

2.10 Jacobs Engineering (United States)

2.10.1 Company profile

Jacobs Engineering Group, based in the United States, provides professional, technical, and construction services. Among its primary markets are aerospace and defence, energy, oil and gas and infrastructure.⁸⁷

In the financial year ended 30 September 2009, Jacobs Engineering generated revenues of US\$ 11,467 million (€7,859 million), resulting in an operating profit of US\$ 625 million (€428 million) and a net profit of US\$ 400 million (€274 million).⁸⁸



Revenues: €7,859 million
Operating profit: €428 million
Website: www.jacobs.com

2.10.2 Nuclear weapons

In December 2008 Jacobs Engineering acquired a 33.3% share in the joint venture AWE-ML, which is the main contractor for the maintenance of the British Trident nuclear weapons arsenal and its related infrastructure. The other partners in the joint venture are Lockheed Martin and Serco. The duration of the maintenance contract, revised in 2003, is 25 years.⁸⁹

2.11 Larsen & Toubro (India)

2.11.1 Company profile

Larsen & Toubro, based in India, is a technology, engineering, construction, and manufacturing company. The company has nine operating divisions, among which heavy engineering, construction and power.⁹⁰

In the financial year ended 31 March 2010, Larsen & Toubro generated revenues Rp 465,640 million (€7,685 million), resulting in an operating profit of Rp 73,450 million (€1,212 million) and a net profit of Rp 54,510 million (€900 million).⁹¹



LARSEN & TOUBRO
It's all about Imagineering

Revenues: €7,685 million
Operating profit: €1,212 million
Website: www.larsentoubro.com

2.11.2 Nuclear weapons

As one of India's major construction companies, Larsen & Toubro is involved in designing and building the Advanced Technology Vessel (ATV) which is the future nuclear submarine of the Indian navy. The project with a total value of US\$ 3 billion was initiated in 1970 and its objective was to build five nuclear submarines, each equipped with twelve K-15 nuclear missiles. The company in 2008 started the construction of the second submarine.⁹²

Additionally Larsen & Toubro tested a launch system built for India's nuclear missile with a range of 300 kilometres for the navy.⁹³

2.12 Lockheed Martin (United States)

2.12.1 Company profile

Lockheed Martin, based in the United States primarily focuses on advanced technology systems and products. The company's main business divisions are aeronautics, space systems, electronic systems and Information Systems & Global Solutions.⁹⁴

In the financial year ended 31 December 2009, Lockheed Martin generated revenues of US\$ 45,189 million (€31,527 million), resulting in an operating profit of US\$ 5,155 million (€3,597 million) and a net profit of US\$ 3,024 million (€2,110 million).⁹⁵



Revenues: €31,527 million
Operating profit: €3,597 million
Website: www.lockheedmartin.com

2.12.2 Nuclear weapons

One of the world's largest manufacturers of weapons is Lockheed Martin. It is active in the production of a wide variety of conventional weapons as well as nuclear weapons and maintenance thereof, for both the United States and the United Kingdom.

Lockheed Martin was responsible for the construction of the Trident II D5 nuclear missiles, for the US Ohio-class submarines and the British Vanguard-class submarines.⁹⁶ The United States are planning to keep the Trident II missiles in service until 2042.⁹⁷

Lockheed Martin also has a 33.3% share in the joint venture AWE-ML, which is the main contractor for the maintenance of the British Trident nuclear weapons arsenal and its related infrastructure. The other partners in the joint venture are Jacobs Engineering and Serco. The duration of the maintenance contract, revised in 2003, is 25 years.⁹⁸

As a member of the ICBM Prime Integration Team, Lockheed Martin is involved in the production and maintenance of the Minuteman (III) nuclear intercontinental ballistic [ground to ground] missiles (ICBM). Lockheed Martin is responsible for weapon system control systems and reentry systems in this project led by Northrop Grumman.⁹⁹ According to the latest plans the Minuteman III will continue to be part of the US nuclear defence program until at least 2040.¹⁰⁰

Lockheed Martin recently acquired the Scottish company Imes Strategic Support, a supplier of key components for the nuclear weaponry of the British navy.¹⁰¹

2.12.3 Cluster munitions

Lockheed Martin is a well-known producer of cluster munitions, especially the Multiple Launch Rocket System. The most recent version is the M30 Guided MLRS with a range of 70 kilometres and is likely to become the only version in future use by the US army. On its website, Lockheed Martin claims that the US army plans to produce 100,000 GMLRS.¹⁰² The rocket is armed with 404 Dual Purpose Improved Conventional Munitions.¹⁰³

The US army has announced it will not place orders for DPICMs after 2009.¹⁰⁴ Therefore future M30s will be charged alternatively without cluster munitions.¹⁰⁵ Despite of the export embargo however, as a result of earlier closed deals, Lockheed Martin will continue to ship 130 M30s to the United Arab Emirates.¹⁰⁶

Lockheed Martin claims that it does not produce cluster bombs or sub-munitions or any other explosives used in missiles, rockets or guided launch systems. It describes however in one of its brochures (Lockheed Martin Missile and Fire Control Products 2008) how various a toolkit called the LongShot SmartWing Adaptor Kit can easily alternate bombs to cluster munitions, laser guided bombs and sea mines.¹⁰⁷

2.13 McDermott International (United States)

2.13.1 Company profile

McDermott International, based in the United States, is an engineering, procurement, construction and installation (EPCI) company. The company provides EPCI services for upstream field developments and delivers fixed and floating production facilities, pipelines and subsea systems.¹⁰⁸

In the financial year ended 31 December 2009, McDermott International generated revenues of US\$ 6,193 million (€4,321 million), resulting in an operating profit of US\$ 546 million (€381 million) and a net profit of US\$ 387 million (€270 million).¹⁰⁹



Revenues: €4,321 million
Operating profit: €381 million
Website: www.mcdermott.com

2.13.2 Nuclear weapons

The nuclear bombs that annihilated Nagasaki and Hiroshima in the end of the Second World War were developed by a consortium called The Manhattan Project. McDermott International proudly states on its website that it was a participator in this project.¹¹⁰

More recently, in 2006 McDermott International won a contract for operating and managing Los Alamos, one of the US nuclear weapon labs.¹¹¹ In general McDermott's Government Operations segment delivers nuclear components to the US Government. Furthermore, it offers services to the nuclear weapon complex of the US Department of Energy.¹¹²

Babcock & Wilcox is a McDermott subsidiary that operates and manages large nuclear development and production facilities including components for defence programs.¹¹³ An example is the operation of the Pantex plant of the National Nuclear Security Administration, where it modernises nuclear heads for the Trident missiles of the US navy.¹¹⁴

2.14 Northrop Grumman (United States)

2.14.1 Company profile

Northrop Grumman Corporation, based in the United States, provides products, services, and solutions in the aerospace, electronics, information systems, and shipbuilding sectors.¹¹⁵ In the financial year ended 31 December 2009, Northrop Grumman generated revenues of US\$ 33,755 million (€ 23,550 million), resulting in an operating profit of US\$ 2,483 million (€ 1,732 million) and a net profit of US\$ 1,573 million (€ 1,097 million).¹¹⁶



Revenues: €23,550 million
Operating profit: €1,732 million
Website: www.northropgrumman.com

2.14.2 Nuclear weapons

After acquiring TRW in 2002 Northrop Grumman inherited the leadership over the ICBM Prime Integration Team. This project was initiated in 1997 and has a value of US\$ 6.5 billion. Northrop Grumman and its partners, including Boeing and Lockheed Martin, are responsible for the production and maintenance of the Minuteman (III) nuclear intercontinental ballistic [ground to ground] missiles (ICBM).¹¹⁷ Approximately 500 missiles of the ICBM Minuteman III form the core of the US nuclear weapons arsenal.¹¹⁸ According to the latest plans the Minuteman III will continue to be part of the US nuclear defence program until at least 2040.¹¹⁹

2.15 Raytheon (United States)

2.15.1 Company profile

Raytheon, based in the United States, is a technology and innovation company specialising in defence, homeland security and other government markets throughout the world. The company provides electronics, mission systems integration and other capabilities in the areas of sensing, effects, and command, control, communications and intelligence systems, as well as a broad range of mission support services.¹²⁰

In the financial year ended 31 December 2009, Raytheon generated revenues of US\$ 24,881 million (€ 17,359 million), resulting in an operating profit of US\$ 3,042 million (€ 2,122 million) and a net profit of US\$ 1,976 million (€ 1,379 million).¹²¹



Revenues: €17,359 million
Operating profit: €2,122 million
Website: www.raytheon.com

2.15.2 Nuclear weapons

Until the early 1990s Raytheon was responsible for the production of the ACM (Advanced Cruise Missile) nuclear missiles for the B-52 bombers of the US Air Force.¹²² Initial plans were to build 2,500 units but production was terminated at the end of the Cold War when 460 missiles were built.¹²³ The website of the US Air Force states however that the weapon will stay in service at least until 2030.¹²⁴

Raytheon is also involved - with General Dynamics and Honeywell - in the project that aims to stretch the lifecycle of the Trident II nuclear weapons of the US navy.¹²⁵

2.15.3 Cluster munitions

Raytheon produced various types of the Joint Standoff Weapon (JSOW) including two types containing cluster munitions: the AGM 154A with BLU-97 submunitions and the AGM 154B with sensor-fuzed BLU-111 submunitions.¹²⁶ As result of recent changes in US policies it is likely that these types of weapons will no longer be produced.¹²⁷

2.16 Rolls Royce (United Kingdom)

2.16.1 Company profile

Rolls Royce, based in the United Kingdom, provides integrated power systems for use on land, at sea and in the air. The company's main business divisions are civil aerospace, defence aerospace, marine and energy.¹²⁸

In the financial year ended 31 December 2009, Rolls Royce generated revenues of £ 10,414 million (€ 11,572 million), resulting in an operating profit of £ 1,174 million (€ 1,305 million) and a net profit of £ 2,217 million¹ (€ 2,463 million).¹²⁹



Revenues: €11,572 million
Operating profit: €1,305 million
Website: www.rolls-royce.com

2.16.2 Nuclear weapons

Together with Babcock Marine and BAE Systems, Rolls-Royce in 2007 started the Future Submarines (FSM) project. The objective of this project is to develop nuclear submarines for the British navy which will replace the present Trident submarines.¹³⁰ Rolls Royce is likely to develop the new engines which increase the range of the nuclear submarine.¹³¹ The main task for the nuclear submarine is to use its nuclear missiles to destroy enemy targets. Therefore, the nuclear submarines are considered a substantial component of the nuclear arsenal of the United Kingdom.

¹ The company's net profit is higher than its operating profit because of net positive financing income.

2.17 Safran (France)

2.17.1 Company profile

Safran, based in France, is a high-technology group that focuses on the three core businesses: aerospace, defence and security.¹³²

In the financial year ended 31 December 2009, Safran generated revenues of € 10,448 million, resulting in an operating profit of € 663 million and a net profit of € 394 million.¹³³



SAFRAN

Revenues: €10,448 million
Operating profit: €663 million
Website: www.safran-group.com

2.17.2 Nuclear weapons

Safran is involved, with EADS, Thales and others, in a contract concluded in 2004 to build the new M51 nuclear missile for the new French submarines, with an estimated value of € 3 billion. EADS is the lead contractor, whereas Safran, SNPE, DCN and Thales are main subcontractors.¹³⁴ The M51 will be able to cover a distance of more than 6,000 kilometers, and its explosive firing power is bigger than the current M45.¹³⁵

Safran subsidiary SNECMA is a preferred supplier of the missile fuel for the M51 missile project.¹³⁶ Sagem, another subsidiary of Safran, is developing the navigation systems for the M51, which will improve the accuracy of the missile."¹³⁷

2.18 Serco (United Kingdom)

2.18.1 Company profile

Serco Group, based in the United Kingdom, operates as a service company to governments and commercial customers worldwide. The company's main business areas are civil government, defence, transport and science.¹³⁸

In the financial year ended 31 December 2009, Serco generated revenues of £ 3,970 million (€ 4,411 million), resulting in an operating profit of £ 212 million (€ 236 million) and a net profit of £ 130 million (€ 144 million).¹³⁹



Revenues: €4,411 million
Operating profit: €236 million
Website: www.serco.com

2.18.2 Nuclear weapons

Serco has a 33.3% share in the joint venture AWE-ML, which is the main contractor for the maintenance of the British Trident nuclear weapons arsenal and its related infrastructure. The other partners in the joint venture are Lockheed Martin and Serco. The duration of the maintenance contract, revised in 2003, is 25 years.¹⁴⁰

2.19 Textron (United States)

2.19.1 Company profile

Textron, based in the United States, engages in the aircraft, defence, industrial, and finance businesses worldwide.¹⁴¹

In the financial year ended 31 December 2009, Textron generated revenues of US\$ 10,500 million (€7,326 million), resulting in an operating loss of US\$ 73 million (€51 million) and a net loss of US\$ 31 million (€22 million).¹⁴²

The logo for Textron, consisting of the word "TEXTRON" in a bold, blue, sans-serif font.

Revenues: €7,326 million
Operating loss: €51 million
Website: www.textron.com

2.19.2 Cluster munitions

Textron does not keep its production of cluster munitions a secret. It clearly states on its website that the its Sensor-Fuzed Weapons (SFW), the CBU-97 and its successor the CBU-105 , are “the first and only combat-proven smart area weapon of its kind in U.S. Air Force inventory designed to accurately detect and defeat multiple threat targets. Superior lethality makes it the standoff weapon of choice for anti-armour, anti-air defence and other air combat missions.”¹⁴³

The SFW, a 1,000-pound class weapon, contains BLU-108 submunitions and Smart Skeet warheads. “Equipped with dual-mode passive infrared and active laser sensors on each warhead, one SFW can simultaneously detect and engage many fixed and moving land combat targets within a 30-acre coverage area. Combat proven on April 2, 2003 in Operation Iraqi Freedom, SFW took out multiple Iraqi tanks in a single pass. SFW's 40 warheads are also equipped with timed self- de-activation modes for clean battlefield operation.”¹⁴⁴

Textron has sold these weapons to at least three countries including the US government and the United Arab Emirates government.¹⁴⁵ In December 2010 Textron started with the supply of 512 CBU-105 SFWs (Sensor-Fuzed Weapons), along with ancillary parts, to India. The contract has a value of US\$ 257.7 million.¹⁴⁶

2.19.3 Anti-personnel mines

Supposedly Textron is the only American manufacturer of antipersonnel mine systems, according to the Ottawa Convention (which had not been signed by the US). The International Campaign to Ban Landmines considers the Intelligent Munitions Systems produced by Textron to be an anti-person mine.¹⁴⁷

Textron also offers its Spider weapon in an anti-person mine version.¹⁴⁸

2.20 Thales (France)

2.20.1 Company profile

Thales, based in France, provides information systems for the defence and security, aerospace and transportation markets. The company's main business divisions are aerospace & space, defence, and security.¹⁴⁹

In the financial year ended 31 December 2009, Thales generated revenues of €12,882 million, resulting in an operating profit of €52 million and a net loss of €202 million.¹⁵⁰



Revenues: €12,882 million
Operating profit: €52 million
Website: www.thalesgroup.com

2.20.2 Nuclear weapons

Thales is involved, with EADS, Safran and others, in a contract concluded in 2004 to build the new M51 nuclear missile for the new French submarines, with an estimated value of €3 billion. EADS is the lead contractor, whereas Safran, SNPE, DCN and Thales are main subcontractors.¹⁵¹ The M51 will be able to cover a distance of more than 6,000 kilometers, and its explosive firing power is bigger than the current M45.¹⁵²

Chapter 3 Grupo BBVA

3.1 Introduction

Grupo Banco Bilbao Vizcaya Argentaria (BBVA) is a global group that offers individual and corporate customers a complete range of financial and non-financial products and services. It holds a leading position in the Spanish market, but also has a leading franchise in South America. It is the largest financial institution in Mexico, a top-15 US commercial bank and one of the few large international groups operating in China and Turkey. BBVA employs 104,000 people in over 30 countries around the world, has more than 47 million customers and 900,000 shareholders.¹⁵³

The following (international) subsidiaries of Grupo BBVA were researched:

- Banco Bilbao Vizcaya Argentaria Paraguay
- Banco Bilbao Vizcaya Argentaria Portugal
- Banco Bilbao Vizcaya Argentaria Puerto Rico
- Banco Bilbao Vizcaya Argentaria Uruguay
- Banco Continental
- Banco Provincial - Banco Unive
- Banco Provincial Overseas
- BBVA Banco Frances
- BBVA Bancomer
- BBVA Brasil Banco de Investimento
- BBVA Colombia
- BBVA Factoring
- BBVA Finance
- BBVA Finanzia
- BBVA Instituição Financeira de Credito
- BBVA Ireland Public Limited Company
- BBVA Leasimo - Sociedade de Locação
- BBVA Leasing Compañía de Finan
- BBVA Paraguay
- BBVA Suiza
- Chile Banco Bilbao Vizcaya Argentaria
- Compass Auto Receivables Corporation
- Compass Bank
- Compass Mortgage Corporation
- Compass Mortgage Financing
- Compass Southwest
- Compass Texas Mortgagefinancing
- Financiera Ayudamos
- Forum Servicios Financieros
- Gente BBVA
- Hipotecaria Nacional
- Homeowners Loan Corporation
- Phoenix Loan Holdings
- PSA Finance Argentina Compañía Financiera
- Stavis Margolis Advisory Services

3.2 Shareholdings

Table 3 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by BBVA and its subsidiaries as per the most recent filing date available.

Table 3 Shares owned by funds managed by BBVA

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
BAE Systems	BBVA Gestión	BBVA Bolsa Europa	3.94	1,099,565	0.03	30 Jun 2010
BAE Systems	BBVA Gestión	BBVA Durbana Int. Eur Eq	0.12	32,855	0.00	30 Jun 2010
BAE Systems	BBVA Gestión	BBVA Durbana Int. Glob. Eq	0.03	6,645	0.00	31 Dec 2009
BAE Systems	BBVA Patrimonios	BBVA Catalana Cartera	0.04	10,147	0.00	30 Jun 2010
BAE Systems	BBVA Patrimonios	Brunara	0.98	273,720	0.01	30 Jun 2010
Boeing	BBVA Bancomer	Fondo BBVA Bancomer USA	3.02	64,755	0.01	31 Aug 2010
Boeing	BBVA Gestión	BBVA Bolsa Indice (Cubierto)	0.03	700	0.00	30 Jun 2010
Boeing	BBVA Gestión	BBVA Bolsa USA (Cubierto)	0.10	2,120	0.00	30 Jun 2010
Boeing	BBVA Gestión	BBVA Bolsa USA	0.42	8,792	0.00	30 Jun 2010
Boeing	BBVA Patrimonios	Gestriza	0.18	3,657	0.00	30 Jun 2010
EADS	BBVA Patrimonios	Chimbo Inversiones	0.03	2,008	0.00	30 Jun 2010
EADS	BBVA Patrimonios	Rafra 2000	0.03	2,008	0.00	30 Jun 2010
EADS	BBVA Patrimonios	Saninverpa	0.05	3,538	0.00	31 Mar 2010
General Dynamics	BBVA Gestión	BBVA Bolsa USA	0.17	3,752	0.00	30 Jun 2010
General Dynamics	BBVA Gestión	BBVA Bolsa USA (Cubierto)	0.05	1,084	0.00	30 Jun 2010
General Dynamics	BBVA Gestión	BBVA Bolsa Indice (Cubierto)	0.02	354	0.00	30 Jun 2010
General Dynamics	BBVA Patrimonios	Evimur De Inversiones	0.05	1,188	0.00	30 Jun 2010
General Dynamics	Compass Bank	Compass Bank	0.63	13,215	0.00	30 Sep 2010
Honeywell	BBVA Gestión	BBVA Bolsa Indice (Cubierto)	0.02	688	0.00	30 Jun 2010
Honeywell	BBVA Gestión	BBVA Bolsa USA (Cubierto)	0.06	2,158	0.00	30 Jun 2010
Honeywell	BBVA Gestión	BBVA Bolsa USA	0.22	7,412	0.00	30 Jun 2010
Honeywell	BBVA Patrimonios	Lubia de Inversiones	0.04	1,282	0.00	30 Jun 2010
Honeywell	BBVA Patrimonios	Mafasa Julsa	0.03	1,001	0.00	30 Jun 2010
Honeywell	BBVA Patrimonios	Sevidon	0.01	407	0.00	30 Jun 2010
Honeywell	BBVA Patrimonios	Tallola	0.01	219	0.00	30 Jun 2010
Honeywell	Compass Bank	Compass Bank	4.13	123,134	0.02	30 Sep 2010

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
ITT Corp	BBVA Gestión	BBVA Bolsa USA	0.06	1,766	0.00	30 Jun 2010
ITT Corp	BBVA Gestión	BBVA Bolsa USA (Cubierto)	0.02	516	0.00	30 Jun 2010
ITT Corp	BBVA Gestión	BBVA Bolsa Indice (Cubierto)	0.01	163	0.00	30 Jun 2010
ITT Corp	Compass Bank	Compass Bank	4.58	128,231	0.07	30 Sep 2010
Jacobs Engineering	BBVA Gestión	BBVA Bolsa USA	0.03	1,206	0.00	30 Jun 2010
Jacobs Engineering	BBVA Gestión	BBVA Bolsa USA (Cubierto)	0.01	335	0.00	30 Jun 2010
Lockheed Martin	BBVA Gestión	BBVA Bolsa USA (Cubierto)	0.05	885	0.00	30 Jun 2010
Lockheed Martin	BBVA Gestión	BBVA Bolsa USA	0.02	393	0.00	30 Jun 2010
Lockheed Martin	BBVA Gestión	BBVA Bolsa Indice (Cubierto)	0.02	295	0.00	30 Jun 2010
Lockheed Martin	Compass Bank	Compass Bank	0.29	5,262	0.00	30 Sep 2010
McDermott	BBVA Patrimonios	Bourdet Inversiones	0.04	2,479	0.00	30 Jun 2010
Northrop Grumman	BBVA Gestión	BBVA Bolsa USA	0.12	2,937	0.00	30 Jun 2010
Northrop Grumman	BBVA Gestión	BBVA Bolsa USA (Cubierto)	0.04	852	0.00	30 Jun 2010
Northrop Grumman	BBVA Gestión	BBVA Bolsa Indice (Cubierto)	0.01	269	0.00	30 Jun 2010
Northrop Grumman	Compass Bank	Compass Bank	1.96	42,387	0.01	30 Sep 2010
Rolls Royce	BBVA Gestión	BBVA Gestión	4.74	600,167	0.03	25 Oct 2010
Textron	BBVA Gestión	BBVA Bolsa USA	0.03	2,660	0.00	30 Jun 2010
Textron	BBVA Gestión	BBVA Bolsa USA (Cubierto)	0.01	719	0.00	30 Jun 2010
Total			26.45			

Source: Thomson One Database, Viewed in December 2010.

Table 4 aggregates the shares owned by different funds of BBVA per producer of controversial weapons.

Table 4 Summary of shares owned by funds managed by BBVA

Company	Value (mln €)	Amount of shares	% all shares
BAE Systems	5.11	1,422,932	0.04
Boeing	3.75	80,024	0.01
EADS	0.11	7,554	0.00
General Dynamics	0.92	19,593	0.00
Honeywell	4.52	136,301	0.02
ITT Corporation	4.67	130,676	0.07
Jacobs Engineering	0.04	1,541	0.00
Lockheed Martin	0.38	6,835	0.00
McDermott	0.04	2,479	0.00
Northrop Grumman	2.13	46,445	0.01
Rolls Royce	4.74	600,167	0.03
Textron	0.04	3,397	0.00
Total	26.45		

Source: Thomson One Database, Viewed in December 2010.

3.3 Share issuances

Since January 2006 BBVA assisted producers of controversial weapons with the following share issuances:

- In October 2008 BBVA participated in the 12 bank syndicate underwriting an issuance of 152.9 million shares for **Finmeccanica** with a total value of € 1,223.7 million (US\$ 1,557.7 million). The proceeds were used for general corporate purposes and reducing indebtedness and investments. In total BBVA had 7,646,072 allotted shares, underwriting about US\$ 78 million.¹⁵⁴

3.4 Bondholdings

Table 5 gives an overview of all the bonds of producers of controversial weapons owned by investment funds managed by BBVA and its subsidiaries as per the most recent filing date available.

Table 5 Bonds owned by funds managed by BBVA

Company	Investor	Value (mln €)	% all bonds	Filing date
EADS	BBVA Gestión	0.30	0.03	Oct 2010
Thales	BBVA Patrimonios	0.01	0.00	Aug 2010
Total		0.31		

Source: Bloomberg Database, Viewed in December 2010.

3.5 Bond issuances

Since January 2006 BBVA assisted producers of controversial weapons with the following bond issuances:

- **Boeing**
 - In July of 2009 BBVA Securities co-managed a bond issuance for Boeing worth US\$ 1,950 million (€ 1,440 million). The total value of the bonds issued by BBVA was € 14.4 million, which is the equivalent of 1 per cent. The bond was intended for general corporate purposes and divided into three tranches, maturing respectively in February 2015, 2020 and 2040.¹⁵⁵
 - In October of 2009 BBVA co-managed another bond issuance for Boeing worth US\$ 1,850 million (€ 1,360 million). The total value of the bonds issued by BBVA was US\$ 18.5 million (€ 13.6 million), which is the equivalent of 1 per cent. The transaction was intended for stock repurchasing, future acquisitions and general purposes. The bond was divided into three tranches, maturing respectively in March of 2014, 2019 and 2039.¹⁵⁶
 - In November of 2009 BBVA co-managed a senior notes issuance for Boeing worth US\$1,200 million (€ 800 million). The total value of the bonds issued by BBVA was € 13.6 million, which is the equivalent of 1.7 per cent. The bond was divided into two tranches, maturing in November of 2012 and 2016.¹⁵⁷
- **EADS:**
 - In August of 2009 BBVA was a co-lead manager in a bond issuance for EADS worth € 1,000 million. The transaction involved 13 banks; BBVA issued bonds worth € 25 million (2.5%) at a fixed rate of 4.63% maturing in August 2016. The bonds were meant for general corporate purposes.¹⁵⁸
- **General Dynamics:**
 - In June 2009 BBVA Securities co-managed an issuance of unsecured notes for General Dynamics worth US\$ 750 million (€ 537 million) at a fixed rate of 1.8%). It was initiated for general corporate purposes and to fund future acquisitions. The maturity date is July 2015. There were 14 other banks involved; BBVA's share in this transaction was US\$ 52.5 million (€ 37.6 million).¹⁵⁹

3.6 Loans

Since January 2006 BBVA provided the following loans to producers of controversial weapons:

- **Boeing:**
 - In February 2006 a letter of credit was issued by BBVA for a total value of US\$ 1,309 million (€ 1,096 million) at LIBOR+32.500bps for the purpose of restructuring bank debts. BBVA was part of a syndicate of 18 banks, the value of BBVA's share was estimated at \$ 72 million (€ 60 million). The facility matured in February 2007.¹⁶⁰
 - In November 2006 a 364 day revolving credit facility with a total value of US\$ 3,000 million (€ 2,341 million) was installed by a syndicate of 36 banks; the value of BBVA's share was US\$ 50 million (€ 39.0 million). The maturity date of the largest tranche is November 2011.¹⁶¹
 - In November 2008 a BBVA participated in a syndicated 364 days revolving credit facility with a total value of US\$ 1,000 million (€ 800 million). There were 34 banks involved, BBVA's share was US\$ 29.4 million (€ 23.5 million). The base rate was LIBOR+12.500bps and the facility matured in November 2009. The loan was used for general purposes.¹⁶²

- **EADS:**
 - In March 2006 EADS subsidiary MTU has obtained a €1,170 million multi loan facility to back a debt for a leveraged buy-out from Daimler Chrysler. The facility is to end in march 2015. BBVA share in this transaction is estimated at €221 million. was a lead manager for this transaction in which 4 banks were involved.¹⁶³
 - In March 2008 EADS subsidiary Air Tanker was provided a multi loan facility for general corporate purposes with a total value of £ 2,480 million (€3,128 million). BBVA acted as one of 7 book runners for this facility, which had 21 banks participating and is to end in march 2033. The BBVA share represents an estimated value of € 125 million.¹⁶⁴

- **Finmeccanica:**
 - In July 2008 BBVA was part of a 37 bank syndicate that provided a term loan with a total value €3,200 million at a rate of EURIBOR+70.000bps. The loan matured in July 2009 and its was to pay for the acquisition of DRS Technologies. BBVA's share is estimated at €82 million.¹⁶⁵
 - In September 2010 BBVA participated in a 25 bank syndicate that facilitated a revolving credit with a total value of €2,400 million. The base rate was LIBOR+75.000bps. The loan was intended for refinancing and general corporate purposes. BBVA's share is estimated €96 million.¹⁶⁶

- **General Dynamics:**
 - In July of 2010 BBVA was one of five book runners for a syndicated revolving credit facility for General Dynamics. The total value of the facility was US\$ 1,000 million (€ 613 million). The base rate is LIBOR + 50.000bps and 21 banks were involved. The maturity date is in August 2013. The facility was initiated for corporate purposes. BBVA's share is estimated €48 million.¹⁶⁷

- **Honeywell International:**
 - In April 2006 BBVA Bolsa was a lender in a syndicated revolving credit facility for Honeywell. The total value of the facility was US\$ 2,300 million (€ 1,851 million). The base rate is LIBOR + 14.000bps and 21 banks were involved. The maturity date is in April 2011. The facility was initiated for corporate purposes. BBVA's share was US\$ 40 million (€32 million).¹⁶⁸
 - In May 2007 BBVA was a participant in a syndicated revolving credit facility for Honeywell. The total value of the facility was US\$ 2,800 million (€2,071 million). The base rate is LIBOR + 15.000bps and 24 banks were involved. The maturity date is in May 2012. The facility was initiated for general corporate purposes. BBVA's share was US\$ 50 million (€37 million).¹⁶⁹

- **Larsen & Toubro:**
 - In March 2007 BBVA co-arranged a term loan with a total value of US\$ 200 million (€ 153 million) at a base rate of LIBOR+45.000bps. The loan was provided by a syndicate of 14 banks, where BBVA's share was US\$ 9 million (€6.9 million). The purpose of the loan was refinancing and capital expenditures. The maturity date is in March 2013.¹⁷⁰

- **Lockheed Martin:**
 - In June 2007 BBVA was a participant in a syndicated revolving credit facility for Lockheed Martin. The total value of the facility was US\$ 3,500 million (€2,600 million). The base rate is LIBOR+19.000bps and 27 banks were involved . The maturity date is in June 2012. The facility was initiated for general corporate purposes. BBVA's share in this transaction is estimated at US\$ 61 million (€45 million).¹⁷¹

In February 2010 BBVA sold its position in this syndicate loan. From that date, BBVA does not have any kind of commercial relation with Lockheed Martin anymore.¹⁷²

- **McDermott:**

- In April 2010 BBVA was a co-agent in a syndicated revolving credit facility for McDermott. The total value of the facility was US\$ 700 million (€ 677 million). The base rate is LIBOR+250.000bps and 18 banks were involved. Santander's subsidiary Compass Bank also participated for an equal share in this syndicate. The maturity date is in May 2014. The facility was initiated for general corporate purposes. BBVA's total share in this transaction is estimated US\$ 60 million (€ 45 million).¹⁷³
- In May 2010 BBVA was a co-agent in a syndicated revolving credit facility for McDermott. The total value of the facility was US\$ 900 million (€ 677 million). The base rate is LIBOR+300.000bps and 20 banks were involved . The maturity date is in May 2014. The facility was initiated for general corporate purposes. BBVA's share in this transaction is estimated US\$ 61 million (€ 45 million).¹⁷⁴

Chapter 4 Grupo Santander

4.1 Introduction

The Santander Group is the fourth largest bank in the world by profits and eighth by stock market capitalisation. In 2009, its net ordinary profits were over € 8.9 billion, 1 per cent more than the previous year, and it distributed more than € 4.9 billion in dividends to shareholders. With these figures, the Group achieved the target set at the Annual General Meeting of Shareholders held on June 19th 2009 to maintain its profits and the dividend payout.¹⁷⁵

The following (international) subsidiaries of Grupo Santander were researched:

- Abbey Covered Bonds
- Abbey National
- Abbey National International
- Abbey National Treasury Services
- Allfunds International
- Argentina
- Arrendamento
- Aymoré Crédito
- B.S.N. Portugal
- Banco Alicantino de Comercio
- Banco Banif
- Banco Caixa Geral Totta de Angola
- Banco de Albacete
- Banco de Asunción
- Banco de Pernambuco
- Banco Español de Crédito
- Banco Madasant- Sociedade Unipesso
- Banco Santander (Brasil)
- Banco Santander (México)
- Banco Santander (Panamá)
- Banco Santander (Suisse)
- Banco Santander Bahamas Internacional
- Banco Santander Consumer Portugal
- Banco Santander International Miami
- Banco Santander Perú
- Banco Santander Puertorico
- Banco Santander Suisse
- Banco Santander Totta
- Banco Santander Uruguay
- Banco Santander Uruguay
- Banesto Banco de Emisiones
- Bradford & Bingley International
- BST International Bank
- CA Premier Banking
- Chile Banco Santander
- Colombia Banco Santander
- Companhia de Arrendamento Mercantil
- Companhia de Crédito Financiamento
- Crefisa

- Grupo Alliance & Leicester
- Grupo Drive
- Liquidity Import Finance
- Liquidity Limited
- Open Bank Santander Consumer
- Préstamos de Consumo
- Santander Bank & Trust
- Santander Benelux
- Santander Cards
- Santander Cards UK
- Santander Consumer
- Santander Consumer Bank
- Santander Consumer Finance
- Santander Consumer Finance Benelux
- Santander Consumer Finance Media
- Santander Consumer Finanzia
- Santander Consumer Leasing
- Santander Consumer Leasing Austria
- Santander Corredorade Seguros
- Santander de Leasing
- Santander Factoring
- Santander Factoring y Confirming
- Santander Financial Services
- Santander International Bank
- Santander Investment
- Santander Investment Bank
- Santander Leasing
- Santander Overseas Bank
- Santander Private Banking
- Santander UK Investment
- Serfin International Bank & Trust
- Sovereign Bancorp
- Totta & Acores
- Totta Ireland
- Totta-Crédito Especializado
- Transolver Finance
- Unifin
- Unión Créditos Inmobiliarios

4.2 Shareholdings

Table 6 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Santander and its subsidiaries as per the most recent filing date available.

Table 6 Shares owned by funds managed by Santander

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
Babcock International	S.A. Management	Santander Prem UK Eq Fund	0.13	22,345	0.01	31 Aug 2010
BAE Systems	Banif Gestión S.G.I.I.C.	Inversiones Veral	0.05	12,972	0.00	30 Jun 2010
BAE Systems	S.A. Management	Banesto Divide Europa	0.39	107,955	0.00	30 Jun 2010
BAE Systems	S.A. Management	Banif Dividendo Europa	0.52	144,637	0.00	30 Jun 2010
BAE Systems	S.A. Management	Santander Divide. Europa	2.43	679,578	0.02	30 Jun 2010
BAE Systems	S.A. Management	Santander European Dividend	0.23	65,527	0.00	30 Jun 2010
BAE Systems	S.A. Management - SGFIM	Santander Euro Ftr Accs Defensivo	0.03	8,035	0.00	31 Aug 2010
BAE Systems	S.A. Management UK	Santander Blnc Prtf Grwth Trst	2.59	749,603	0.02	31 Aug 2010
BAE Systems	S.A. Management UK	Santander Eq Income Unit Trust	3.44	995,000	0.03	31 Aug 2010
BAE Systems	S.A. Management UK	Santander Premium UK Eq Fund	5.65	1,635,303	0.05	31 Aug 2010
BAE Systems	S.A. Management UK	Santander UK Growth Trust	16.92	4,893,522	0.14	31 Aug 2010
Boeing	S.A. Management	Santander Dollar Balance	0.08	1,670	0.00	30 Jun 2010
Boeing	S.A. Management	Santander North American Eq	1.75	36,607	0.00	30 Jun 2010
Boeing	S.A. Management - SG	Santander Accoes America	0.05	1,033	0.00	31 Aug 2010
Boeing	S.A. Management - SG	Santander Accoes USA	0.08	1,735	0.00	31 Aug 2010
Boeing	S.A. Management UK	Santander Blnc Prtf Grwth Trst	0.04	942	0.00	31 Aug 2010
Boeing	Santander Rio Asst Mng	Super Renta Futura	0.05	3,414	0.00	31 Dec 2009
Boeing	Santander Rio Asst Mng	Superfondo America	0.12	7,401	0.00	31 Mar 2010
Boeing	Banesto BP Gestión,	La Legitima	0.08	1,696	0.00	30 Jun 2010
EADS	Banif Gestión	Finanter	0.10	6,477	0.00	30 Jun 2010
EADS	Banif Gestión.	Finlar Inversion	0.46	29,829	0.00	31 Mar 2010
EADS	Banif Gestión	Swinberg Inversiones	0.06	3,977	0.00	31 Mar 2010
EADS	S.A. Management	Cartera Mobiliaria	1.18	74,734	0.01	30 Jun 2010
EADS	S.A. Management	Cartera Pirineo	0.08	4,965	0.00	30 Jun 2010
EADS	S.A. Management	Santander Beneficio Europa FI	0.43	28,112	0.00	31 Mar 2010

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
EADS	S.A. Management - SG	Santander Euro Ftro Accoes Dfnsivo	0.01	742	0.00	31 Aug 2010
EADS	S.A. Management UK	Santander Blnc Prtf Grwth Trst	0.20	12,138	0.00	31 Aug 2010
Finmeccanica	S.A. Management - SG	Santander Euro Ftro Accoes Dfnsivo	0.01	896	0.00	31 Aug 2010
Finmeccanica	S.A. Management	Banesto Bolsas Europeas	0.26	32,325	0.01	30 Jun 2010
Finmeccanica	S.A. Management	Santander European Growth	0.15	18,425	0.00	30 Jun 2010
Finmeccanica	S.A. Management	Santander Euro Credit	0.07	6,065	0.00	31 Dec 2009
Finmeccanica	Banif Gestión	Coratril	0.01	996	0.00	30 Jun 2010
General Dynamics	S.A. Management UK	Santander Blnc Prtf Grwth Trst	0.16	3,700	0.00	31 Aug 2010
General Dynamics	S.A. Management - SG	Santander Accoes USA	0.04	923	0.00	31 Aug 2010
General Dynamics	S.A. Management - SG	Santander Accoes America	0.02	542	0.00	31 Aug 2010
Honeywell	S.A. Management - SG	Santander Accoes America	0.03	1,074	0.00	31 Aug 2010
Honeywell	S.A. Management - SG	Santander Accoes USA	0.05	1,719	0.00	31 Aug 2010
Honeywell	S.A. Management UK	Santander Blnc Prtf Grwth Trst	0.16	5,300	0.00	31 Aug 2010
ITT	S.A. Management UK	Santander Blnc Prtf Grwth Trst	0.05	1,631	0.00	31 Aug 2010
Lockheed Martin	S.A. Management - SG	Santander Accoes America	0.03	538	0.00	31 Aug 2010
Lockheed Martin	S.A. Management - SG	Santander Accoes USA	0.03	530	0.00	31 Aug 2010
Northrop Grumman	S.A. Management UK	Santander Blnc Prtf Grwth Trst	0.05	1,200	0.00	31 Aug 2010
Rolls Royce	S.A. Management UK	S.A. Management UK	44.41	5,649,831	0.30	06 Dec 2010
Rolls Royce	S.A. Management	Bomerbe FI	0.89	138,646	0.01	30 Jun 2010
Rolls Royce	S.A. Management - SG	Santander Euro Futuro Accoes Defensivo	0.03	4,148	0.00	31 Aug 2010
Serco	S.A. Management UK	S.A. Management UK	12.95	2,007,169	0.41	02 Nov 2010
Thales	S.A. Management	Mufoll SA	0.17	6,751	0.00	30 Jun 2010
Total			96.72			

Source: Thomson One Database, Viewed in December 2010.

Table 7 aggregates the shares owned by different funds of Santander per producer of controversial weapons.

Table 7 Summary of shares owned by funds managed by Santander

Company	Value (mln €)	Amount of shares	% all shares
Babcock International	0.13	22,345	0.01
BAE Systems	32.25	9,292,132	0.27
Boeing	2.25	54,498	0.00
EADS	2.52	160,974	0.02
Finmeccanica	0.50	58,707	0.02
General Dynamics	0.22	5,165	0.00
Honeywell	0.24	8,093	0.00
ITT Corporation	0.05	1,631	0.00
Lockheed Martin	0.06	1,068	0.00
Northrop Grumman	0.05	1,200	0.00
Rolls Royce	45.33	5,792,625	0.31
Serco	12.95	2,007,169	0.41
Thales	0.17	6,751	0.00
Total	96.72		

Source: Thomson One Database, Viewed in December 2010.

4.3 Share issuances

No information was found on the participation of Santander in share issuances by producers of controversial weapons.

4.4 Bondholdings

Table 8 gives an overview of all the bonds of producers of controversial weapons owned by investment funds managed by Santander and its subsidiaries as per the most recent filing date available.

Table 8 Bonds owned by funds managed by Santander

Company	Investor	Value (mln €)	% all bonds	Filing date
Finmeccanica	Santander	2.0	0.05	Sep 2010
Finmeccanica	Santander Management UK	1.0	0.03	Nov 2010
Total		3.0		

Source: Bloomberg Database, Viewed in December 2010.

4.5 Bond issuances

Since January 2006 Santander assisted producers of controversial weapons with the following bond issuances:

- **Boeing:**
 - In November of 2009 Santander Investment Bank co-managed a bond issuance for **Boeing** worth US\$ 1,200 million (€ 800 million). The total value of the bonds issued by Santander was € 8 million (\$ 12 million), which is the equivalent of 1.0 per cent. The bond was divided into two tranches, maturing in November of 2012 and 2016.¹⁷⁶
- **Finmeccanica:**
 - In October of 2009 Santander was one of eight book runners for a bond issuance for Meccanica Holdings, an American subsidiary of **Finmeccanica**, with a total value of US\$ 500 million (€ 335 million). The total value of the bonds issued by Santander was € 42 million, which is the equivalent of 12.5 per cent. The bonds mature in January 2040 at a rate of 6.25%. The bonds were to be used for general corporate purposes.¹⁷⁷
- **Thales:**
 - In October of 2010 Santander was one of six joint book runners for a bond issuance for **Thales** with a total value of € 600 million. The total value of the bonds issued by Santander was € 100 million, which is the equivalent of 16.7 per cent. The bonds mature in October 2016 at a rate of 2.75%. The bonds were to be used for general corporate purposes and refinancing.¹⁷⁸

4.6 Loans

Since January 2006 Santander provided the following loans to producers of controversial weapons:

- **Boeing:**
 - In March 2010 a letter of credit with a total value of US\$ 865 million (€ 630 million) was issued at a rate of LIBOR + 32.500 bps for general corporate purposes. Santander was part of this syndicate of 12 banks; the value of its share was at US\$ 60 million (€ 44 million). The facility matured in October 2011.¹⁷⁹
- **EADS:**
 - In March 2008 EADS subsidiary Air Tanker was provided a multi loan facility for general corporate purposes with a total value of £ 2,480 million (€ 3,128 million). Santander was involved in the syndicate of 21 banks providing this facility. Subsidiary Banco Español de Credito also participated for an equal share in this syndicate. The maturity date is March 2033. Both Santander's shares represent an estimated total value of € 250 million.¹⁸⁰
- **Finmeccanica:**
 - In July 2008 Santander de Negocios was part of a 37 bank syndicate that provided a term loan with a total value € 3,200 million at a rate of EURIBOR + 70.000 bps. The loan matured in July 2009 and it was to pay for the acquisition of DRS Technologies. Santander's share is estimated at € 82 million.¹⁸¹
 - In September 2010 Santander participated in a 25 bank syndicate that facilitated a revolving credit with a total value of € 2,400 million. The base rate was LIBOR+75.000bps. The loan was intended for refinancing and general corporate purposes. Santander's share is estimated € 96 million.¹⁸²
- **General Dynamics:**
 - In July of 2010 Santander's subsidiary Banesto Banking participated in a syndicated revolving credit facility for General Dynamics. The total value of the facility was US\$ 1,000 million (€ 613 million). The base rate is LIBOR + 50.000 bps and 21 banks were

involved. The maturity date is in August 2013. The facility was initiated for corporate purposes. Santander's share is estimated at US\$ 50 million (€ 30 million).¹⁸³

- **Honeywell International:**

- In April 2006 Santander Central Hispano was a lender in a syndicated revolving credit facility for Honeywell. The total value of the facility was US\$ 2,300 million (€ 1,851 million). The base rate is LIBOR + 14.000 bps and 21 banks were involved. The maturity date is in April 2011. The facility was initiated for corporate purposes. Santander's share was US\$ 40 million (€ 32 million).¹⁸⁴

- **Lockheed Martin:**

- In August 2010 Banco Santander de Negocios was a mandated arranger in a syndicated revolving credit facility for Lockheed Martin. The total value of the facility was US\$ 400 million (€ 315 million). The base rate is LIBOR + 225.000 bps and 8 banks were involved. The maturity date is in August 2013. The facility was initiated for general corporate purposes. Santander's share in this transaction is estimated US\$ 48 million (€ 38 million).¹⁸⁵

- **Safran:**

- In August 2010 Banco Santander de Negocios was a mandated arranger in a syndicated revolving credit facility for Safran. The total value of the facility was € 1,600 million. In total 12 banks were involved. The maturity date is in December 2015. The facility was initiated for general corporate purposes. Santander's share in this transaction is estimated € 133 million.¹⁸⁶

Chapter 5 Other Spanish banking groups

5.1 Introduction

This chapter discusses the other Spanish banking groups - apart from Grupo BBVA and Grupo Santander - involved in the financing of producers of controversial weapons. If no shares, bonds or loans or issuances are mentioned, no information was found confirming the existence of such forms of financing by the bank concerned.

5.2 Banca March

5.2.1 Shareholdings

Table 9 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Banca March and its subsidiaries as per the most recent filing date available.

Table 9 Shares owned by funds managed by Banca March

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
BAE Systems	March Gestión de Fondos	March Dividendo Seleccion	0.06	13,376	0.00	31 Mar 2010
BAE Systems	March Gestión de Fondos	March Europa Bolsa	0.06	13,383	0.00	31 Mar 2010
Total			0.12			

Source: Thomson One Database, Viewed in December 2010.

5.2.2 Bondholdings

Table 10 gives an overview of all the bonds of producers of controversial weapons owned by investment funds managed by Banca March and its subsidiaries as per the most recent filing date available.

Table 10 Bonds owned by funds managed by Banca March

Company	Investor	Fund name	Value (mln €)	% all bonds	Filing date
Thales	Banca March	March Gestion	0.06	0.00	Nov 2010
Total			0.06		

Source: Bloomberg Database, Viewed in December 2010.

5.3 Banco Financiero y de Ahorros

In June 2010, discussions started between seven Spanish banks with the plan to merge and create Spain's largest savings bank. On 3 January 2011 the merger took place and the new financial institution Banco Financiero y de Ahorros was created. Caja Madrid and Bancaja merged operations with five smaller savings banks: Caja Insular de Canarias, Caixa Laietana, Caja Segovia, Caja Rioja and Caja Avila. The new entity has €339 billion in total assets.¹⁸⁷

Although the financing facilities provided by the financial institutions which have merged into Banco Financiero y de Ahorros to producers of controversial weapons were incurred before the merger, the individual banks are combined in this report. In all cases, it is mentioned which financial institution has provided the facility. No information could be found on the financial involvement of the five smaller banks.

5.3.1 Shareholdings

Table 11 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Banco Financiero y de Ahorros and its subsidiaries as per the most recent filing date available.

Table 11 Shares owned by funds managed by Banco Financiero y de Ahorros

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
Boeing	Arcalia Inversiones	Various	0.80	16,397	0.00	30 Sep 2010
Boeing	Gesmadrid	Caja Madrid Bolsa USA	0.12	2,402	0.00	30 Sep 2010
EADS	Arcalia Inversiones	Various	0.04	3,036	0.00	30 Jun 2010
EADS	Gesmadrid	Invesbra 2001 SICAV SA	0.77	41,876	0.01	30 Sep 2010
General Dynamics	Arcalia Inversiones	Albatros Bolsa SICAV	0.23	5,238	0.00	30 Jun 2010
General Dynamics	Gesmadrid	Caja Madrid Bolsa USA	0.06	1,341	0.00	30 Sep 2010
Honeywell International	Arcalia Inversiones	Estedanu SICAV	0.02	766	0.00	30 Jun 2010
Honeywell International	Gesmadrid	Caja Madrid Bolsa USA	0.29	8,906	0.00	30 Sep 2010
ITT Corporation	Bancaja Fondos	Fondo Valencia Energias Renovables	0.03	895	0.00	30 Jun 2010
ITT Corporation	Gesmadrid	Caja Madrid Bolsa USA	0.00	133	0.00	30 Sep 2010
Lockheed Martin	Arcalia Inversiones	Various	0.18	3,335	0.00	30 Jun 2010
Lockheed Martin	Gesmadrid	Caja Madrid Bolsa USA	0.10	1,901	0.00	30 Sep 2010
Northrop Grumman	Gesmadrid	Caja Madrid Bolsa USA	0.03	700	0.00	30 Sep 2010
Thales	Arcalia Inversiones	Bottom Up Inversiones SICAV	0.03	1,295	0.00	30 Jun 2010
Total			2.71			

Source: Thomson One Database, Viewed in April 2011.

5.3.2 Bondholdings

Table 12 gives an overview of all the bonds of producers of controversial weapons owned by investment funds managed by Banco Financiero y de Ahorros and its subsidiaries as per the most recent filing date available.

Table 12 Bonds owned by funds managed by Banco Financiero y de Ahorros

Company	Investor	Fund name	Value (€ mln)	% all bonds	Filing date
Thales	Gesmadrid	Unknown	0.1	0.01	Oct 2010
Total			0.1		

Source: Bloomberg Database, Viewed in December 2010.

5.3.3 Loans

Since January 2006 Banco Financiero y de Ahorros provided the following loans to producers of controversial weapons:

- In April 2008 Caja Madrid, now Banco Financiero y de Ahorros, co-arranged a term loan to **Larsen & Toubro** with a total value US\$ 100 million (€77 million). The loan was provided by a club syndicate of 4 banks, where Caja Madrid's share was US\$ 25 million (€19 million). The purpose of the loan was capital expenditures. The maturity date is in April 2013.¹⁸⁸

5.4 Banco Madrid

5.4.1 Shareholdings

Table 13 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Banco Madrid and its subsidiaries as per the most recent filing date available.

Table 13 Shares owned by funds managed by Banco Madrid

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
EADS	Banco Madrid Gestión de Activos	Begoinvest de Inversiones	0.02	993	0.00	30 Jun 2010
EADS	Banco Madrid Gestión de Activos	Tempera Inversiones	0.04	1,986	0.00	30 Jun 2010
Total			0.06			

Source: Thomson One Database, Viewed in December 2010.

5.5 Banco Pastor

5.5.1 Bondholdings

Table 14 gives an overview of all the bonds of producers of controversial weapons owned by investment funds managed by Banco Pastor and its subsidiaries as per the most recent filing date available.

Table 14 Bonds owned by funds managed by Banco Pastor

Company	Investor	Fund name	Value (mln €)	% all bonds	Filing date
Thales	Banco Pastor	Gespastor SA GIIC	0.2	0.01	Oct 2010
Total			0.2		

Source: Bloomberg Database, Viewed in December 2010.

5.6 Banco Popular

5.6.1 Shareholdings

Table 15 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Banco Popular and its subsidiaries as per the most recent filing date available.

Table 15 Shares owned by funds managed by Banco Popular

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
BAE Systems	Popular Gestión	Evlo Inversiones	0.21	49,857	0.00	31 Mar 2010
EADS	Popular Gestión	Agrocartera	0.03	2,035	0.00	30 Jun 2010
Thales	Popular Gestión	Grupo Marina D'Or	0.08	3,288	0.00	30 Jun 2010
Thales	Popular Gestión	N.Sarasate Valores	0.07	2,989	0.00	30 Jun 2010
Thales	Popular Gestión	N Ibaneta Ahorro	0.04	1,794	0.00	30 Jun 2010
Total			0.43			

Source: Thomson One Database, Viewed in December 2010.

5.7 Banco Sabadell

5.7.1 Shareholdings

Table 16 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Banco Sabadell and its subsidiaries as per the most recent filing date available.

Table 16 Shares owned by funds managed by Banco Sabadell

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
BAE Systems	BanSabadell Inversión	InverSabadell 10 FI	0.02	6,245	0.00	30 Jun 2010
BAE Systems	BanSabadell Inversión	Inversiones	0.02	5,735	0.00	31 Mar 2010

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
BAE Systems	BanSabadell Inversión	Pelópidas Sabadell BS Mix 50 FI	0.04	9,797	0.00	31 Mar 2010
BAE Systems	BanSabadell Inversión	Sabadell BS Mix 70 FI	0.06	14,338	0.00	31 Mar 2010
EADS	BanSabadell Inversión	Sabadell BS Europa Valor	0.20	12,950	0.00	31 Mar 2010
EADS	BanSabadell Inversión	Sabadell BS Quant V8 FI	0.01	935	0.00	31 Mar 2010
EADS	BanSabadell Inversión	Sabadell BS Slxn Actv V12	0.06	3,671	0.00	31 Mar 2010
EADS	BanSabadell Inversión	Sabadell BS Slxn Actv V2 FI	0.01	801	0.00	31 Mar 2010
Finmeccanica	BanSabadell Inversión	Sabadell BS Euroaccion FI	0.43	53,326	0.01	30 Jun 2010
Finmeccanica	BanSabadell Inversión	Sabadell BS Europa Valor	0.20	19,826	0.00	31 Mar 2010
Finmeccanica	BanSabadell Inversión	Sabadell BS Slxn Actv V12	0.08	7,548	0.00	31 Mar 2010
Finmeccanica	BanSabadell Inversión	Sabadell BS Quant V8 FI	0.02	1,912	0.00	31 Mar 2010
Finmeccanica	BanSabadell Inversión	Sabadell BS Slxn Actv V2 FI	0.02	1,811	0.00	31 Mar 2010
Honeywell	BanSabadell Inversión	Sabadell BS US Bolsa FI	0.29	9,569	0.00	30 Jun 2010
Honeywell	BanSabadell Inversión	Veleia Inversiones	0.03	1,001	0.00	30 Jun 2010
Larsen & Toubro	BanSabadell Inversión	Sbdll BS Asia Emrgnte Bolsa FI	0.32	11,589	0.00	31 Mar 2010
Northrop Grumman	BanSabadell Inversión	Sabadell BS US Bolsa FI	0.44	10,672	0.00	30 Jun 2010
Raytheon	BanSabadell Inversión	Sabadell BS US Bolsa FI	0.47	12,662	0.00	30 Jun 2010
Total			2.72			

Source: Thomson One Database, Viewed in December 2010.

Table 17 provides a summary of shares owned by different funds of Banco Sabadell per producer of controversial weapons.

Table 17 Summary of shares owned by funds managed by Banco Sabadell

Company	Value (€mln)	Amount of shares	% all shares
BAE Systems	0.14	36,115	0.00
EADS	0.28	18,357	0.00
Finmeccanica	0.75	84,423	0.01
Honeywell	0.32	10,570	0.00

Company	Value (€mln)	Amount of shares	% all shares
Larsen & Toubro	0.32	11,589	0.00
Northrop Grumman	0.44	10,672	0.00
Raytheon	0.47	12,662	0.00
Total	2.72		

Source: Thomson One Database, Viewed in December 2010.

5.8 Bankinter

5.8.1 Shareholdings

Table 18 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Bankinter and its subsidiaries as per the most recent filing date available.

Table 18 Shares owned by funds managed by Bankinter

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
EADS	Bankinter Gestión de Activos	Avoriaz Inversiones	0.03	1,718	0.00	30 Jun 2010
ITT	Bankinter Gestión de Activos	Kontakt Exchange	0.02	497	0.00	31 Mar 2010
Thales	Bankinter Gestión de Activos	BK Pequeñas Compañías	0.18	7,224	0.00	30 Jun 2010
Thales	Bankinter Gestión de Activos	BK Small & Mid Caps	0.18	7,224	0.00	30 Jun 2010
Total			0.41			

Source: Thomson One Database, Viewed in December 2010.

5.8.2 Bondholdings

Table 19 gives an overview of all the bonds of producers of controversial weapons owned by investment funds managed by Bankinter and its subsidiaries as per the most recent filing date available.

Table 19 Bonds owned by funds managed by Bankinter

Company	Investor	Value (mln €)	% all bonds	Filing date
Textron	Bankinter	0.2	0.01	Feb 2011
Thales	Bankinter	1.3	0.07	Oct 2010
Total		1.5		

Source: Bloomberg Database, Viewed in April 2011.

5.9 BBK

5.9.1 Bondholdings

Table 20 gives an overview of all the bonds of producers of controversial weapons owned by investment funds managed by BBK and its subsidiaries as per the most recent filing date available.

Table 20 Bonds owned by funds managed by BBK

Company	Investor	Value (mln €)	% all bonds	Filing date
Thales	BBK	1.00	0.05	Oct 2010

Source: Bloomberg Database, Viewed in December 2010.

5.10 CatalunyaCaixa

5.10.1 Shareholdings

CatalunyaCaixa was established in July 2010 with the merger of Caixa Catalunya, Caixa Tarragona and Caixa Manresa.¹⁸⁹

Table 21 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by CatalunyaCaixa and its subsidiaries as per the most recent filing date available.

Although the financing facilities provided by the financial institutions which have merged into CatalunyaCaixa to producers of controversial weapons were incurred before the merger, the individual banks are combined in this report. No information could be found on the financial involvement of the Caixa Tarragona and Caixa Manresa.

Table 21 Shares owned by funds managed by CatalunyaCaixa

Company	Financial institution	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
BAE Systems	Caixa Catalunya	Caixa Catalunya Gestión	Caixa Cat Borsa Espany	0.21	58,779	0.00	30 Jun 2010
BAE Systems	Caixa Catalunya	Caixa Catalunya Gestión	Caixa Cat Borsa Europea	0.15	42,839	0.00	30 Jun 2010
Total				0.36			

Source: Thomson One Database, Viewed in December 2010.

5.11 Finanduro

5.11.1 Shareholdings

Table 22 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Finanduro and its subsidiaries as per the most recent filing date available.

Table 22 Shares owned by funds managed by Finandruero

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
Finmeccanica	Finandruero S.V.	Rainbow Fund Eqpt Prtfolio 2	0.02	1,600	0.00	31 Mar 2009
Total			0.02			

Source: Thomson One Database, Viewed in December 2010.

5.12 Ibercaja

5.12.1 Shareholdings

Table 23 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by Ibercaja and its subsidiaries as per the most recent filing date available.

Table 23 Shares owned by funds managed by Ibercaja

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
BAE Systems	Ibercaja Gestión	Ibercaja Capital Europa	0.06	15,383	0.00	30 Jun 2010
BAE Systems	Ibercaja Gestión	Ibercaja Nuevas Oportunidades	0.07	20,511	0.00	30 Jun 2010
Boeing	Ibercaja Gestión	Ibercaja Bolsa USA FI	0.14	2,992	0.00	30 Jun 2010
General Dynamics	Ibercaja Gestión	Ibercaja Nuevas Oportunidades	0.36	7,979	0.00	30 Jun 2010
General Dynamics	Ibercaja Gestión	Ibercaja Bolsa USA FI	0.18	3,990	0.00	30 Jun 2010
General Dynamics	Ibercaja Gestión	Ibercaja Renta Internacional	0.13	2,992	0.00	30 Jun 2010
General Dynamics	Ibercaja Gestión	Ibercaja Renta Internacional	0.01	199	0.00	30 Jun 2010
Thales	Ibercaja Gestión	Lierde SICAV SA	0.25	9,965	0.01	30 Jun 2010
Total			1.20			

Source: Thomson One Database, Viewed in December 2010.

5.13 MAPFRE

5.13.1 Shareholdings

Table 24 gives an overview of all the shares of producers of controversial weapons owned by investment funds managed by MAPFRE and its subsidiaries as per the most recent filing date available.

Table 24 Shares owned by funds managed by MAPFRE

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
---------	----------	-----------	---------------	------------------	--------------	-------------

Company	Investor	Fund name	Value (mln €)	Amount of shares	% all shares	Filing date
EADS	Mapfre Inversión Dos	Fondmapfre Bolsa FI	0.07	2.049	0.00	30 Jun 2009
EADS	Mapfre Inversión Dos	Fondmapfre Diversificacion	0.18	3.990	0.00	30 Jun 2010
Honeywell	Mapfre Inversión Dos	Fondmapfre Bolsa FI	0.21	8.813	0.00	30 Jun 2009
Honeywell	Mapfre Inversión Dos	Fondmapfre Diversificacion	0.17	7.202	0.00	30 Jun 2009
Honeywell	Mapfre Inversión Dos	Fondmapfre Renta Mixto FI	0.01	537	0.00	30 Jun 2009
Total			0.64			

Source: Thomson One Database, Viewed in December 2010.

Chapter 6 Best practices and recommendations

6.1 Best practices

An increasing number of financial institutions around the world has adopted policies on investments in producers of controversial weapons. It goes beyond the objective of this research project to list all financial institutions which have done so and discuss their policies in detail. Rather, the objective of this paragraph is to discuss a few examples which could be labelled best practices and could serve as a model for Spanish financial institutions. We have deliberately chosen three examples for different types of financial institutions, originating from different countries, to provide a suitable best practice for each Spanish financial institution. The policies related to investments in controversial weapons of the following three institutions are reviewed in this chapter:

- Norwegian Government Pension Fund - Global, a Norwegian pension fund;
- Robeco (part of Rabobank), a Dutch asset manager which is also active in Spain;
- Pensioenfonds Zorg en Welzijn, a Dutch pension fund;
- Triodos Bank, a Dutch bank which is also active in Spain;
- Banca Popolare Etica, an Italian bank which is also active in Spain.

6.1.1 Norwegian Government Pension Fund - Global

Norwegian Government Pension Fund – Global is a fund into which the surplus wealth produced by Norwegian petroleum income is deposited.¹⁹⁰

Ethical guidelines were established for the Norwegian Government Pension Fund – Global in November 2004. Two ethical obligations for the fund were identified: Firstly, the fund should be managed with a view to achieving high return that will enable coming generations to benefit from the country's petroleum wealth. Secondly, the fundamental rights of those affected by companies in which the fund invests should be respected. The fund aims to promote this ethical basis through the exercise of ownership rights and by exclusion of companies from the fund's investments.¹⁹¹

The Norwegian Ministry of Finance makes decisions on the exclusion of companies from the investment universe of the fund as mentioned on the advice of the Council on Ethics, which consists of five members appointed by the Ministry of Finance.¹⁹²

In the ethical guidelines of the fund, it is described that the assets of the fund will not be invested in companies that “produce weapons that violate fundamental humanitarian principles through their normal use”.¹⁹³ Companies that produce key components of these weapons are also excluded from the fund. The fund considers nuclear weapons, cluster munitions and anti-personnel land mines as weapons that violate fundamental humanitarian rights. In the case of cluster munitions, for example, the Council on Ethics has taken the view that the production of all types of cluster munitions with a large number of explosive bodies, whether surface or air-delivered and regardless of their failure rate in use, constitutes grounds for exclusion from the fund.¹⁹⁴

The Norwegian Ministry of Finance publishes a list of companies that have been excluded from the investment universe of the fund or put under observation.¹⁹⁵ The companies that are currently being excluded from the investments of the fund are summarized in Table 25.

Table 25 Exclusion list of Norwegian Pension Fund - Global

Company	Country	Excluded since	Reason for exclusion
Alliant Techsystems	US	31 August 2005	Cluster munitions
BAE Systems	UK	31 December 2005	Nuclear weapons
Boeing	US	31 December 2005	Nuclear weapons
EADS	Netherlands	31 December 2005	Nuclear weapons
EADS Finance	Netherlands	31 December 2005	Nuclear weapons
Finmeccanica	Italy	31 December 2005	Nuclear weapons
GenCorp	US	31 December 2007	Nuclear weapons
General Dynamics	US	31 August 2005	Cluster munitions
Hanwha Corporation	South Korea	31 December 2007	Cluster munitions
Honeywell International	US	31 December 2005	Nuclear weapons
Lockheed Martin	US	31 August 2005	Cluster munitions
Northrop Grumman	US	31 December 2005	Nuclear weapons
Poongsan Corporation	South Korea	30 November 2006	Cluster munitions
Raytheon	US	31 August 2005	Cluster munitions
Safran	France	31 December 2005	Nuclear weapons
Serco Group	UK	31 December 2007	Nuclear weapons
Singapore Technologies Engineering	Singapore	26 April 2002	Anti-personnel land mines
Textron	US	31 December 2008	Cluster munitions

Source: Norway Ministry of Finance, "Companies Excluded from the Investment Universe", *Website Norway Ministry of Finance* (<http://www.regjeringen.no/en/dep/fin/Selected-topics/the-government-pension-fund/responsible-investments/companies-excluded-from-the-investment-u.html?id=447122>), Visited in March 2011.

6.1.2 Robeco

Robeco (part of Dutch Rabobank) engages in responsible investing by integrating environmental, social and governance (ESG) factors into the investment process. Robeco uses exclusion where active dialogue fails to produce the desired effect. Exclusion is applied to companies that are manufacturers of certain products that do not comply with broadly accepted international treaties, in particular treaties on controversial weapons.¹⁹⁶

Robeco considers anti-personnel mines, cluster munitions, chemical and biological weapons as controversial weapons. Robeco will not invest through any of the Robeco-governed mutual and institutional funds in securities related to companies that are producers of such weapons or of strategic parts thereof, or that gain significant revenues out of selling or transporting them. Robeco will also refrain from investing its own assets in these companies.¹⁹⁷ The companies which are located on Robeco's exclusion list are summarized in Table 26.

Table 26 Exclusion list of Robeco

Company	Country
Alliant Techsystems	US
General Dynamics	US
Goodrich	US
Hanwha Corporation	South Korea
Kaman	US
L-3 Communications	US
Lockheed Martin	US
Norinco	China
Poongsan	South Korea
Singapore Technologies	Singapore
Textron	US
Valentec Systems	US

Source: Robeco, "Exclusions List", *Robeco*, February 2010, available at http://www.robeco.com/eng/images/Robeco_s_Exclusion_List_tcm143-197009.pdf

6.1.3 Pensioenfonds Zorg en Welzijn

Pensioenfonds Zorg en Welzijn is a Dutch pension fund for the care and welfare sector. The assets of Pensioenfonds Zorg en Welzijn are managed by Dutch asset manager PGGM. Pensioenfonds Zorg en Welzijn determines the policy for the investments of PGGM. PGGM implements responsible investment principles in the form of environmental, social and governance (ESG) integration, ESG investments, exclusions, voting and dialogue with companies.¹⁹⁸

Asset management companies of PGGM exclude investments in companies which are involved in the production and/or trade of weapons whose use leads to the violation of fundamental humanitarian rights. Nuclear weapons, chemical weapons, biological weapons, anti-personnel mines, cluster munitions and uranium-depleted weapons are considered controversial weapons. Companies which have a substantial involvement in the trading or production of such weapons are immediately excluded from investment. Substantial involvement means that a company produces or trades end-products or components which are essential for the operation of the weapon.¹⁹⁹

Table 27 provides an overview of the exclusion list of the investments of PGGM.

Table 27 Exclusion list of PGGM

Company	Country	Reason for exclusion
Aerostar	Romania	Cluster munitions
Alliant Techsystems	US	Anti-personnel mines; Depleted uranium weapons
Aryt Industries	Israel	Cluster munitions
Babcock International	UK	Nuclear weapons
Babcock & Wilcox Company	US	Nuclear weapons
BAE Systems	UK	Nuclear weapons
Boeing	US	Nuclear weapons
EADS	Netherlands	Nuclear weapons
Finmeccanica	Italy	Nuclear weapons
GenCorp	US	Depleted uranium weapons; Nuclear weapons
General Dynamics	US	Depleted uranium weapons; Nuclear weapons; Cluster munitions; Anti-personnel mines
Goodrich Corporation	US	Nuclear weapons; Cluster munitions
Hanwha Corporation	South Korea	Anti-personnel mines; Cluster munitions
Honeywell	US	Nuclear weapons
ITT Corporation	US	Nuclear weapons
Jacobs Engineering	US	Nuclear weapons
Kaman	US	Cluster munitions
L-3 Communications	US	Cluster munitions
Larsen & Toubro	India	Nuclear weapons
Lockheed Martin	US	Nuclear weapons; Cluster munitions
Magellan Aerospace	Canada	Cluster munitions
MOOG	US	Nuclear weapons
Northrop Grumman	US	Nuclear weapons
Poongsan	South Korea	Cluster munitions
Raytheon	US	Nuclear weapons; Cluster munitions
Rockwell Collins	US	Nuclear weapons
Saab AB	Sweden	Cluster munitions
Safran	France	Nuclear weapons
Serco Group	UK	Nuclear weapons
Singapore Technologies	Singapore	Anti-personnel mines; cluster munitions
Textron	US	Anti-personnel mines; cluster munitions
Thales	France	Nuclear weapons
Zodiac Aerospace	France	Cluster munitions

Source: PGGM, "Uitsluitingenlijst", Website PGGM
(http://www.pggm.nl/Over_PGGM/Investments/Publicaties/Uitsluitingenlijst/Uitsluitingenlijst_Vennootschappen.asp#0), Visited in March 2011.

6.1.4 Triodos Bank

Dutch bank Triodos excludes all organizations, companies and projects that produce or distribute weapons or weapon-related services. Both conventional weapons, such as guns and rockets, and non-conventional weapons such as nuclear, chemical and biological weapons and integrated weapons systems are excluded from the bank's investments.²⁰⁰

6.1.5 Banca Popolare Etica

Italian bank Banca Popolare Etica excludes all companies which are involved in the production or distribution of any kind of weapon from its investments.²⁰¹

6.2 Recommendations

Our recommendation to the Spanish banking groups discussed in this report is not to invest in, directly or indirectly, or provide other forms of financial assistance to companies that develop, maintain or produce controversial weapons or munitions as defined in paragraph 1.2, or crucial components thereof. This includes any company or group of companies or one of its majority-owned subsidiaries that meets this definition, regardless of the size of its share in the company's revenue. It includes all kinds of investments, including direct and indirect investments in shares and bonds, assistance in issuing shares and bonds, the provision of loans and all other kinds of finance.

As discussed in paragraph 1.2, these controversial weapons violate human rights and for most kinds of controversial weapons, worldwide recognition of these humanitarian issues has resulted in global conventions. Excluding conventional weapon producers is crucial for financial institutions to signal commitment to Corporate Social Responsibility and generate a responsible risk-return profile for clients.

Appendix 1 Producers of controversial weapons

Table 28 Producers of controversial weapons

Company	Country	Produces
Alliant Techsystems	United States	Cluster munitions, Nuclear weapons, Depleted uranium weapons
Babcock International	United Kingdom	Nuclear weapons
BAE Systems	United Kingdom	Nuclear weapons
Boeing	United States	Nuclear weapons
Day & Zimmermann	United States	Cluster munitions, Depleted uranium weapons
DCNS	France	Nuclear weapons
EADS	Netherlands	Nuclear weapons
Finmeccanica	Italy	Nuclear weapons
Gencorp	United States	Nuclear weapons, Depleted uranium weapons
General Dynamics	United States	Nuclear weapons, Depleted uranium weapons
Hanwha	South Korea	Cluster munitions
Honeywell International	United States	Nuclear weapons
Israel Military Industries (IMI)	Israel	Cluster munitions
ITT Corporation	United States	Nuclear weapons
Jacobs Engineering	United States	Nuclear weapons
Larsen & Toubro	India	Nuclear weapons
Lockheed Martin	United States	Cluster munitions, Nuclear weapons
McDermott International	United States	Nuclear weapons
Nexter	France	Depleted uranium weapons
Northrop Grumman	United States	Nuclear weapons
Pakistan Ordnance Factories	Pakistan	Cluster munitions, Depleted uranium weapons
Poongsan	South Korea	Cluster munitions
Raytheon	United States	Nuclear weapons
Rolls-Royce	United Kingdom	Nuclear weapons
Safran	France	Nuclear weapons
Serco	United Kingdom	Nuclear weapons
Singapore Technologies Engineering	Singapore	Cluster munitions
SNPE	France	Nuclear weapons
Textron	United States	Cluster munitions, Anti-person mines
Thales	France	Nuclear weapons

Appendix 2 Spanish banking groups

Table 29 provides an overview of the list of all banks operating in Spain published by the central Bank of Spain in July 2010 which are headquartered in Spain. For all these banking groups, the main domestic and foreign subsidiaries are mentioned.

After the publishing date of this list, several mergers have taken place, as mentioned in Table 30 below. If the banks which have been involved in financing producers of controversial weapons were merged, these banks are treated as one institution in this report.

Table 29 Spanish banking groups as at July 2010

Bank / Group	Subsidiary	Bank / Group	Subsidiary
Arafin	Arafin	Banco Santander	Grupo Alliance & Leicester
Banca March	Banca March	Banco Santander	Liquidity
Banca Pueyo	Banca Pueyo	Banco Santander	Prestamos de Consumo
Bancaja Group	Bancaja Group	Banco Santander	Serfin International Bank & Trust
Bancaja Group	Adquiera Servicios Financieros EFC	Banco Santander	Sovereign Bancorp
Bancaja Group	Bancaja	Banco Santander	Totta & Acores
Bancaja Group	Banco de Valencia	Banco Santander	Transolver Finance
Banco Alcalá	Banco Alcalá	Banco Santander	Unifin
Banco Caminos	Banco Caminos	Banco Santander	Union Creditos Inmobiliarios
Banco Cooperativo Español	Banco Cooperativo Español	Bankinter	Bankinter
Banco Guipuzcoano	Banco Guipuzcoano, SA	BBK Group	BBK Group
Banco Inversis	Banco Inversis	BBK Group	Adefisa Leasing
Banco Pequeña y Med. Empresa	Banco Pequeña y Med. Empresa (A)	BBK Group	Arca
Banco Santander	Banco Santander	BBK Group	Bbkge Kredit
Banco Santander	Abbey National	BBK Group	Bilbao Bizkaia Kutxa
Banco Santander	Allfunds Bank	BBVA Group	BBVA
Banco Santander	Aymore Credito, Financiamiento e Inv	BBVA Group	Banco Bilbao Vizcaya Argentaria
Banco Santander	Bance de Pernambuco	BBVA Group	Banco Continental
Banco Santander	Banco Banif	BBVA Group	Banco Industrial de Bilbao
Banco Santander	Banco Caixa Geral Totta de Angola	BBVA Group	Banco Occidental
Banco Santander	Banco de Albacete	BBVA Group	Banco Provincial Overseas
Banco Santander	Banco de Asuncion	BBVA Group	Banco Provincial SA Banco Unive
Banco Santander	Banco Espanol de Credito	BBVA Group	Compass Bank
Banco Santander	Banco Madasant - Sociedade Unipesso	BBVA Group	Financiera Ayudamos
Banco Santander	Banco Santander	BBVA Group	Finanzia, Banco de Credito
Banco Santander	Banesto Banco de Emisiones	BBVA Group	Forum Servicios Financieros
Banco Santander	Bradford Bingley	BBVA Group	Hipotecaria Nacional
Banco Santander	BSN Portugal	BBVA Group	Homeowners Loan Corporation
Banco Santander	CA Premier Banking	BBVA Group	Phoenix Loan Holdings
Banco Santander	Companhia de Arrendamento Mercantil	BBVA Group	PSA Finance Argentina Compania Fina
Banco Santander	Companhia de Credito Financiam. E	BBVA Group	Stavis Margolis Advisory Services
Banco Santander	Crefisa	Caja Mediterráneo Group	C. Mediterráneo
		Caja Mediterráneo Group	Caja de Ahorros del Mediterráneo

Bank / Group	Subsidiary	Bank / Group	Subsidiary
Caja Mediterráneo Group	Camge Financiera	Navarra	Navarra
Caja Mediterráneo Group	Crédito Inmobiliario	Caja de Ahorros y MP Ontinyent	Caja de Ahorros y MP Ontinyent
Caja Rural de Jaén, Barcelona y Madrid	Caja Rural de Jaén, Barcelona y Madrid	Caja de Arquitectos	Caja de Arquitectos
Caixa d'Enginyers	Caixa d' Enginyers	Caja de Crédito Cooperativo	Caja de Crédito Cooperativo
Caixa d'Estalvis Comarcal de Manlleu	Caixa d'Estalvis Comarcal de Manlleu	Caja España de Inversiones	Caja España de Inversiones
Caixa d'Estalvis de Catalunya	Caixa d'Estalvis de Catalunya	Caja Galicia Group	Caja Galicia
Caixa d'Estalvis de Girona	Caixa d'Estalvis de Girona	Caja Galicia Group	Caja de Ahorros de Galicia
Caixa d'Estalvis de Manresa	Caixa d'Estalvis de Manresa	Caja Galicia Group	Cxg Creto Familiar Cor Caixagalicia
Caixa d'Estalvis de Sabadell	Caixa d'Estalvis de Sabadell	Caja General de Ahorros de Canarias	Caja General de Ahorros de Canarias
Caixa d'Estalvis de Tarragona	Caixa d'Estalvis de Tarragona	Caja Granada Group	Caja Granada Group
Caixa d'Estalvis de Caixa d'Estalvis de Terrassa a	Caixa d'Estalvis de Terrassa	Caja Granada Group	Banco Europeo de Finanzas
Caixa d'Estalvis del Penedes	Caixa d'Estalvis del Penedes	Caja Granada Group	Caja General de Ahorros de Granada
Caixa d'Estalvis Laietana	Caixa d'Estalvis Laietana	Caja Guipuzkoa Group	Caja Guipuzkoa Group
Caixa Vigo Group	Caixa Vigo Group	Caja Guipuzkoa Group	Banco de Madrid
Caixa Vigo Group	Banco Gallego	Caja Guipuzkoa Group	Caja Ahorros Gipuzkoa y S. Sebastian
Caixa Vigo Group	Caixa Vigo, Ourense e Pontevedra	Caja Guipuzkoa Group	Grupo Serv. Hip. On-Line
Caja Ahorros de Castilla	Caja Ahorros de Castilla	Caja Guipuzkoa Group	Caja Insular de Ahorros de Canarias
Caja Ahorros de Salamanca y Soria	Caja Ahorros de Salamanca y Soria	Caja Insular de Ahorros de Canarias	Caja Jaén Group
Caja Ahorros Inmaculada de Aragón	Caja Ahorros Inmaculada de Aragón	Caja Jaén Group	Caja Jaén Group
Caja Ahorros y Monte Piedad Segovia	Caja Ahorros y Monte Piedad Segovia	Caja Jaén Group	Banco Europeo de Finanzas
Caja Ahorros y MP de Extremadura	Caja Ahorros y Monte de Piedad de Extremadura	Caja Laboral Popular	Caja Provincial de Ahorros de Jaén
Caja Asturias Group	Caja Asturias Group	Caja Madrid Group	Caja Laboral Popular
Caja Asturias Group	Banco Liberta	Caja Madrid Group	Caja Madrid Group
Caja Asturias Group	Caja de Ahorros de Asturias	Caja Madrid Group	Altae Banco
Caja Baleares Group	Caja Baleares Group	Caja Madrid Group	Banco Ser. Fin. Caja Madrid-Mapfre
Caja Baleares Group	Caja de Ahorros y MP de Baleares	Caja Madrid Group	Bancofar
Caja Baleares Group	Nostra de Inversiones	Caja Madrid Group	City National Bancshares
Caja Cantabria Group	Caja Cantabria Group	Caja Madrid Group	City National Bank of Florida
Caja Cantabria Group	Bancantabria Inversiones	Caja Madrid Group	Finanmadrid
Caja Cantabria Group	Caja de Ahorros de Santander y Cantabria	Caja Madrid Group	Finanmadrid México
Caja de Ahorro Prov. de Guadalajara	Caja de Ahorro Prov. de Guadalajara	Caja Rural Aragonesa y de Los Pirineos	Madrid Leasing Corporación
Caja de Ahorros de la Rioja	Caja de Ahorros de la Rioja	Caja Rural de Aragón	Caja Rural Aragonesa y de Los Pirineos
Caja de Ahorros de Murcia	Caja de Ahorros de Murcia	Caja Rural de Ciudad Real	Caja Rural de Aragón
Caja de Ahorros de Vitoria y Álava	Caja de Ahorros de Vitoria y Álava	Caja Rural de Navarra	Caja Rural de Ciudad Real
Caja de Ahorros Municipal de Burgos	Caja de Ahorros Municipal de Burgos	Caja Rural de Soria	Caja Rural de Navarra
Caja de Ahorros y MP de Ávila	Caja de Ahorros y MP de Ávila	Caja Rural de Toledo	Caja Rural de Soria
Caja de Ahorros y MP de	Caja de Ahorros y MP de	Caja Rural de Zamora	Caja Rural de Toledo
		Cajamar Group	Caja Rural de Zamora
		Cajamar Group	Cajamar Group
		Cajamar Group	Caja Campo
			Caja R. de Casinos

Bank / Group	Subsidiary	Bank / Group	Subsidiary
Cajamar Group	Cajamar Caja Rural	MAPFRE	Bancofar
Cajasol Group	Cajasol	MAPFRE	Finanmadrid
Cajasol Group	Banco Europeo de Finanzas	MAPFRE	Madrid Leasing Corporacion
Cajasol Group	MPCA S. Fernando de Huelva Jerez	MP Córdoba Group	MP Córdoba Group
Cajasol Group	Unión Cto. Fin. Mob. Inm. Credifimo	MP Córdoba Group	Banco Europeo de Finanzas
Círculo Católico Obreros de Burgos	Círculo Católico Obreros de Burgos	MP Córdoba Group	Caja de Ahorros y MP de Córdoba
Colonya Caixa d'Estalvis Pollensa	Colonya Caixa d'Estalvis Pollensa	MP y Caja Gral. Badajoz	Comerciantes Reunidos del Sur
Confed. Española Cajas de Ahorros	Confed. Española Cajas de Ahorros	Pastor	MP y Caja Gral. Badajoz
Crédito Oficial	Instituto de Crédito Oficial	Popular	Banco Pastor
EBN Banco de Negocios	EBN Banco de Negos	Popular	Popular
Ibercaja Group	Ibercaja	Popular	Banco Popular Español
Ipar Kutxa Rural	Ipar Kutxa Rural	Popular	Sdad. Conjunta Emision GMP EFC
La Caixa Group	La Caixa	Sabadell	Total Bank
La Caixa Group	C. Ahorros y Pensiones de Barcelona	Sabadell	Sabadell
La Caixa Group	Corporación Hipotecaria Mutua	Sabadell	Banco Atlantico Bahamas Bank
La Caixa Group	Financiacaixa 2	Sabadell	Banco Atlantico Monaco
La Caixa Group	Finconsum	Sabadell	Bansabadell
La Caixa Group	Recouvrements Dulud	Sabadell	Transatlantic Bank
Lico Leasing	Lico Leasing	Unicaja Group	Unicaja Group
MAPFRE	MAPFRE	Unicaja Group	Banco Europeo de Finanzas
MAPFRE	Banco Ser. Fin. Caja Madrid - MAFPRE	Unicaja Group	Unicaja
		Unión Financiera Asturiana	Unión Financiera Asturiana

Source: Banco de España, "Report on Banking Supervision in Spain, 2009", *Banco de España*, July 2010, available at http://www.bde.es/webbde/Secciones/Publicaciones/PublicacionesAnuales/MemoriaSupervisionBancaria/an_6_2009e.pdf.

Table 30 Mergers since July 2010

Pre-merger banks	Merged entity
La Caixa Group, Caixa d'Estalvis de Girona	La Caixa Group
Caixa d'Estalvis de Terrassa, Caixa d'Estalvis de Sabadell, Caixa d'Estalvis Comarcal de Manlleu	Unnim's
Caja Madrid, Bancaixa, Caixa d'Estalvis Laietana, Caja de Ahorros y MP de Ávila, Caja General de Ahorros de Canarias, Caja Ahorros y Monte Piedad Segovia, Caja de Ahorros de la Rioja	Banco Financiero y de Ahorro
Caixa Penedès, Caja de Granada, Caja Baleares, Banco Mare Nostrum	Banco Mare Nostrum
Caixa d'Estalvis de Catalunya, Caixa d'Estalvis de Tarragona, Caixa d'Estalvis de Manresa	CatalunyaCaixa

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